BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY
(A Component Unit of the State of Ohio)
FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Members of the Board
Buckeye Tobacco Settlement Financing Authority
30 East Broad Street, 9th Floor
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Buckeye Tobacco Settlement Financing Authority, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2024 through June 30, 2025. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Buckeye Tobacco Settlement Financing Authority is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L Ridenbaugh

Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

January 14, 2026

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BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY
FRANKLIN COUNTY, OHIO
Table of Contents

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INDEPENDENT AUDITOR'S REPORT

To the Members
Buckeye Tobacco Settlement Financing Authority
30 East Broad Street, 34th Floor
Columbus, Ohio 43215

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and Bond Service Fund of the Buckeye Tobacco Settlement Financing Authority, Franklin County, Ohio (the Authority), a component unit of the State of Ohio, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 Bond Service Fund of the Buckeye Tobacco Settlement Financing Authority, Franklin County, Ohio, as of June 30, 2025, 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.

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 (*Government Auditing Standards*). 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 Authority, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Authority present the financial position and the changes in financial position thereof for the governmental activities and Bond Service Fund of only the transactions of the Buckeye Tobacco Settlement Financing Authority. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2025, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Authority'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.

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 opinion. 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 Authority'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 Authority'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, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America, 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 September 24, 2025 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
September 24, 2025

Buckeye Tobacco Settlement Financing Authority of Ohio
Franklin County, Ohio
(A Component Unit of the State of Ohio)

Management Discussion and Analysis
June 30, 2025
(Unaudited)

As management of the Buckeye Tobacco Settlement Financing Authority of Ohio (the "Authority"), we are providing this overview of the Authority's financial activities for the fiscal year ended June 30, 2025. Please read this overview in conjunction with the Authority's basic financial statements, which follow.

The Authority is included within the State of Ohio's Annual Comprehensive Financial Report as a blended component unit of the primary government. The Authority uses a governmental bond service fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Authority is financially responsible.

THE AUTHORITY

The Ohio General Assembly enacted House Bill 119, effective June 30, 2007, which created the Authority for the sole purpose of purchasing and receiving any assignment of tobacco settlement receipts ("TSRs") pursuant to the Tobacco Master Settlement Agreement (the "MSA") and issuing obligations to provide financing of essential State functions and facilities. The Authority entered into a *Purchase and Sale Agreement*, dated October 1, 2007, between the State and the Authority, wherein the State transferred to the Authority all of its rights and interests under the MSA and the Consent Decree and Final Judgment between all participating States and the participating Tobacco manufacturers. These rights include the State's share of all TSRs received on or after October 29, 2007 and to be received under the MSA until the date on which all bonds have been fully repaid, but specifically exclude any right to or interest in amounts withheld before October 29, 2007 by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. These moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025 are as follows:

- The liabilities of the Authority exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $581.8 million (net position).
- The Authority's total net position decreased by $4.3 million during fiscal year 2025.
- The Authority's net position is a result of bonds payable and other liabilities exceeding recognized assets and deferred outflows of resources. The bonds are recognized as a liability, while the resources to repay the bonds (the future TSRs) are not recognized as assets until the underlying sales of tobacco products are known.
- During fiscal year 2025, the Authority made principal payments totaling $42.8 million and interest payments totaling $212.4 million on the Series 2020 Refunding Bonds.
- The total net carrying value of the bonds decreased $36.5 million during fiscal year 2025.
- Interest earnings totaled $16.6 million during fiscal year 2025.
- The Authority received $6,986 during the year related to a settlement agreement with Lehman Brothers Special Financing, Inc., (see Note 9 to the financial statements for more details).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements. For most governmental entities, the government-wide and fund financial statements are presented separately; however, since the Authority is comprised of only one bond service fund, we are presenting both types of financial statements on one combined set of financial statements, as described below:

- ***Governmental Fund Balance Sheet/Statement of Net Position***

  The column labeled "Governmental Bond Service Fund" presents information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balance using the modified-accrual basis of accounting. The fund is an accounting device that the State of Ohio uses to keep track of specific sources of funding and spending for particular purposes. The fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

  The column labeled "Government-wide Statement of Net Position" presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Such information is presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

  The column labeled "Governmental Bond Service Fund" presents information on near-term inflows, outflows, and balances of expendable resources. Such information is presented on the modified-accrual basis of accounting.

  The column labeled "Government-wide Statement of Activities" presents information showing how the Authority's net position changed during the most recent fiscal year. Such information is presented on the accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Because the focus of fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented on a fund basis with similar information presented on a government-wide basis. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The combined government-wide and fund financial statements include a reconciliation to facilitate this comparison (see column labeled "Reconciliation").

FINANCIAL ANALYSIS OF THE AUTHORITY

Table 1 below is a summary of the Authority's net position as of June 30, 2025 with comparative amounts to the prior fiscal year.

Table 1
Net Position

	2025	2024
Assets		
Cash and Investments	$ 334,238,782	$ 350,361,983
Tobacco Settlement Receivable	1,030,069,602	948,884,547
Total Assets	1,364,308,384	1,299,246,530
Deferred Outflows of Resources		
Deferred Charges on Refunding Loss	121,348,097	125,842,471
Deferred Payments to State	3,353,950,993	3,455,416,366
Total Deferred Outflows of Resources	3,475,299,090	3,581,258,837
Liabilities		
Accrued Interest	17,635,295	17,699,831
Bonds Payable	5,403,807,654	5,440,326,106
Total Liabilities	5,421,442,949	5,458,025,937
Net Position		
Unrestricted Net Position	(581,835,475)	(577,520,570)
Total Net Position	$ (581,835,475)	$ (577,520,570)

Approximately 72% of the Authority's assets and deferred outflows of resources are comprised of deferred charges on refunding loss and deferred payments for the bond proceeds that were paid to the State of Ohio for funding of long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The deferred outflow of resources is being amortized over the future payment period for expected tobacco settlement receipts. As a result, the deferred payments to state decreased by approximately 3% during fiscal year 2025. The remaining assets consist mainly of cash and investments restricted for payment of the bond obligations, and the tobacco settlement receivable consisting of estimated collections from January–June 2025, (to be received during fiscal year 2026) and amounts on deposit in the disputed payment account.

Future TSRs are dependent on many factors including future tobacco consumption and the financial capability of the Original Participating Manufacturers (the "OPMs"), as defined in Note 1 to the basic financial statements, and consequently, except as noted above, TSRs do not meet asset recognition criteria under accounting principles generally accepted in the United States of America ("GAAP").

The change in the tobacco settlement receivable is primarily related to the amount of disputed payments withheld from 2025 TSRs.

Over 99% of the Authority's liabilities consist of the principal balance, net of premium, of the Bonds outstanding, with the remaining liability being accrued interest payable on those Bonds at the end of the fiscal year. The carrying amount of the Bonds decreased during the fiscal year by $36.5 million primarily through principal payments on the Series 2020 Bonds.

Table 2 below summarizes the Authority's Statement of Activities for the period ending June 30, 2025 with comparative amounts to the prior fiscal year.

Table 2
Change in Net Position

	2025	2024
Revenues		
Tobacco Settlement	$ 303,744,304	$ 320,572,305
Interest Income	16,597,666	19,247,621
Total Revenues	320,341,970	339,819,926
Expenses		
General Government	79,132	73,068
Interest	223,119,356	222,435,276
Amortization of Deferred Payments to State	101,465,373	107,115,622
Total Expenses	324,663,861	329,623,966
Other Financing Sources (Uses)		
Proceeds from Settlement	6,986	9,545
Total Other Financing Sources (Uses)	6,986	9,545
Increase (Decrease) in Net Position	(4,314,905)	10,205,505
Net Position Beginning of Year	(577,520,570)	(587,726,075)
Net Position End of Year	$ (581,835,475)	$ (577,520,570)

TSRs account for nearly 95% of total general revenues of the Authority. TSRs can fluctuate annually based on tobacco sales and consumption of the general public. Interest income decreased as a result of market conditions.

The Authority's expenses consisted primarily of interest payments and the related amortized/accreted amounts on the outstanding bond obligations (approximately 69% of total expenses), and amortization of the deferred outflows of resources for bond proceeds transferred to the State (approximately 31% of total expenses). Professional services increased slightly over 2024, accounting for an increase in general government expenses.

Bond Service Fund

In regards to the Authority's Bond Service Fund as of June 30, 2025, assets and deferred outflows of resources reported (other than the reporting requirements related to loss on the issuance of refunding bonds) were identical to those reported at the accrual basis level.

During fiscal year 2025, significant activity in the Bond Service Fund included the receipt of TSRs and related interest earnings ($239.2 million), the payment of debt principal ($42.8 million) and interest expenses recognized ($212.4 million). In addition, the Authority received revenue from settlement proceeds. General government expenses include enforcement expenses which increased slightly from 2024 to 2025.

BUDGETARY HIGHLIGHTS

The Authority annually adopts an operating budget as required by its by-laws; however, there is no legal requirement for the Authority to adopt a budget. Accordingly, budgetary information is not presented in this report.

LONG-TERM DEBT

Standard and Poor's is currently the only rating agency providing ratings related to the Series 2020 Bonds. As of June 30, 2025, there were no changes in bond ratings.

On March 4, 2020 the authority issued $5.352 billion in Asset-Backed Refunding Bonds, Series 2020 Senior Bonds. The Authority used the proceeds from the issuance, together with other available funds, to (i) refund through redemption and defeasance all of the Authority's outstanding Series 2007 bonds, (ii) fund the Senior Liquidity Reserve Accounts and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2020 Bonds. As of the date of the closing of the Series 2020 Bonds, $5.817 billion was deposited in an irrevocable trust to provide for all future payments on the refunded Series 2007 Bonds, which are no longer outstanding.

The Series 2020 Bonds are secured by and payable solely from the TSRs and investment earnings pledged under the Trust Indenture and amounts established and held in accordance with the Trust Indenture. The Authority has covenanted to apply 100% of all surplus collections of TSRs, if any, to the special mandatory redemption ("Turbo Redemption") of the Series 2020 Bonds that have Turbo Redemption options, at the principal amount or accreted value thereof on each distribution date.

More information regarding long-term debt is set forth in Note 5 to the basic financial statements.

ECONOMIC FACTORS AND OUTLOOK

Payment of debt service and orderly retirement of the Bonds are conditioned exclusively on the Authority's receipt of TSRs. TSRs are contingent on, among other things, the financial stability of the OPMs. TSRs significantly underperformed the original estimates made in connection with the issuance of the Series 2007 Bonds due to higher than forecast consumption decline, continued Non-Participating Manufactures (NPM) adjustments being taken by the manufacturers, and the loss of the SLRA Forward Delivery Agreement and its guaranteed investment income.

The forecast prepared in connection with the Series 2020 Bonds was based on certain expectations and assumptions, as outlined in the March 2020 Offering Circular. The forecast includes the projected impact of electronic cigarette use and the raising of the federal minimum age for sale of tobacco products from 18 to 21 years. This legislation (known as "Tobacco 21" or "T21") is effective as of December 20, 2019, making it illegal for a retailer to sell any tobacco product—including cigarettes, cigars, and e-cigarettes—to anyone under the age of 21. The new federal minimum age of sale applies to all retail establishments and persons with no exceptions. The change in the law is expected to have a negative impact on the future collection of TSRs.

The Authority's ability to pay its debt service on its stated schedule could be threatened if TSRs materially underperform the forecast prepared in connection with the issuance of the Series 2020 Bonds and the Authority continues to be unable to access the Disputed Payment Accounts.

There were no Series 2020B-2 Class 2 Senior Turbo Bond redemptions in 2025.

Disputed Payments – As of June 30, 2025, the estimated tobacco settlement receivable includes $861 million for payments withheld from the Authority in fiscal years 2008 through 2025 by the cigarette manufacturers when they exercised the market share loss provisions of the Master Settlement Agreement ("MSA"). These moneys were either withheld by the cigarette manufacturers or are on deposit in an escrow account until pending litigation between the State and the manufacturers is resolved. The State contends it has met its obligations under the MSA and is due the payments withheld. As a result of the withheld payments and deposits into the disputed payments account, the Authority's receipt of payments under the MSA due was reduced in previous years. In certain previous years, this reduction impacted the Authority's ability to meet its payment obligations when due and necessitated a draw from the Senior Liquidity Reserve Account. In fiscal year 2025, the Authority made an unscheduled draw of $10.6 million on the Class 2 Senior Liquidity Reserve Account to fund a portion of the Class 2 Senior Bonds interest payment ($81.6 million) due on December 1, 2024. The Class 2 Senior Liquidity Reserve Requirement is $170.85 million, however the reserve balance as of June 30, 2025 is $164.7 million based on the market value of the securities. To support the December 1, 2025 interest payment of $81.6 million on the Class 2 Senior Bonds, the Authority presently projects drawing approximately $25.2 million from the Class 2 Senior Liquidity Reserve Account. A draw on the Reserve Account does not constitute an "Event of Default" under the Indenture, but the payment priority on future TSRs requires the replenishment of the reserve fund from annual TSRs once operating expenses and debt service for that year have been funded.

CONTACTING THE AUTHORITY

Persons needing additional information concerning this report or otherwise needing to contact the Authority may do so by writing or telephoning Kimberly Murnieks, Secretary of the Buckeye Tobacco Settlement Financing Authority of Ohio, and Director of the Ohio Office of Budget and Management at 30 East Broad Street, 34th Floor, Columbus, Ohio 43215, (614) 466-4034.

Buckeye Tobacco Settlement Financing Authority of Ohio
Franklin County, Ohio
(A Component Unit of the State of Ohio)

Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2025

	Governmental Bond Service Fund Balance Sheet	Reconciliation (See Note 8)	Government-Wide Statement of Net Position
Assets			
Cash and Cash Equivalents	$ 138,563	$ -	$ 138,563
Restricted Assets:			
Cash and Cash Equivalents	677,517	-	677,517
Investments	333,422,702	-	333,422,702
Tobacco Settlement Receivable	1,030,069,602	-	1,030,069,602
Total Assets	1,364,308,384	-	1,364,308,384
Deferred Outflows of Resources			
Deferred Charges on Refunding Loss	-	121,348,097	121,348,097
Deferred Payments to State	3,353,950,993	-	3,353,950,993
Total Deferred Outflows of Resources	3,353,950,993	121,348,097	3,475,299,090
Liabilities			
Accrued Interest Payable	-	17,635,295	17,635,295
Bonds Payable, Including Premium			
Due Within One Year	-	407,830,000	407,830,000
Due in More Than One Year	-	4,995,977,654	4,995,977,654
Total Liabilities	-	5,421,442,949	5,421,442,949
Deferred Inflows of Resources			
Unavailable Revenue	1,030,069,602	(1,030,069,602)	-
Fund Balance			
Restricted For Debt Service	3,688,051,212	(3,688,051,212)	-
Assigned	138,563	(138,563)	-
Net Position			
Unrestricted	-	(581,835,475)	(581,835,475)
Total Fund Balance/Net Position	3,688,189,775	(4,270,025,250)	(581,835,475)
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	$ 4,718,259,377	$ 121,348,097	$ 4,839,607,474

The notes to the financial statements are an integral part of this statement.

Buckeye Tobacco Settlement Financing Authority of Ohio
Franklin County, Ohio
(A Component Unit of the State of Ohio)

Statement of Governmental Fund Revenues, Expenditures and Changes In
Fund Balances/Statement of Activities

For the Fiscal Year Ended June 30, 2025

	Governmental Bond Service Fund	Reconciliation (See Note 8)	Government-Wide Statement of Activities
General Revenues			
Tobacco Settlement	$ 222,559,249	$ 81,185,055	$ 303,744,304
Interest	16,597,666	-	16,597,666
Total General Revenues	239,156,915	81,185,055	320,341,970
Expenditures/Expenses			
General Government	79,132	-	79,132
Debt Service			
Principal	42,810,000	(42,810,000)	-
Interest	212,397,970	10,721,386	223,119,356
Amortization of Deferred Payments to State	101,465,373	-	101,465,373
Total Expenditures/Expenses	356,752,475	(32,088,614)	324,663,861
Excess (Deficiency) of General Revenues Over (Under) Expenditures/Expenses	(117,595,560)	113,273,669	(4,321,891)
Other Financing Sources (Uses)			
Proceeds from Settlement	6,986	-	6,986
Net Change in Fund Balance/Net Position	(117,588,574)	113,273,669	(4,314,905)
Fund Balance/Net Position, Beginning of Year	3,805,778,349	(4,383,298,919)	(577,520,570)
Fund Balance/Net Position, End of Year	$ 3,688,189,775	$ (4,270,025,250)	$ (581,835,475)

The notes to the financial statements are an integral part of this statement.

1. Reporting Entity

The Buckeye Tobacco Settlement Financing Authority of Ohio (the ''Authority'') is a body, both corporate and politic, constituting a public body, agency and instrumentality of the State of Ohio (the ''State''), separate and distinct from the State, performing essential functions of the State and created and governed by Sections 183.51 and 183.52 of the Ohio Revised Code.

The Ohio General Assembly enacted House Bill 119, effective June 30, 2007, which created the Authority for the sole purpose of purchasing and receiving any assignment of tobacco settlement receipts ("TSRs") pursuant to the Tobacco Master Settlement Agreement (the "MSA") and issuing obligations to provide financing of essential State functions and facilities. The Authority entered into a *Purchase and Sale Agreement*, dated October 1, 2007, between the State and the Authority, wherein the State transferred to the Authority all of its rights and interests under the MSA and the Consent Decree and Final Judgment between all participating States and the participating Tobacco manufacturers. These rights include the State's share of all TSRs received on or after October 29, 2007 to be received under the MSA until the date on which all the bonds have been fully repaid, but specifically exclude any right to or interest in amounts withheld before October 29, 2007 by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. These moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved.

The MSA is an industry wide settlement of litigation between certain states and the Original Participating Manufacturers (the "OPMs") and was entered into between the attorneys general of the Settling States and the OPMs on November 23, 1998. The MSA provides for other tobacco companies, referred to as Subsequent Participating Manufacturers (the "SPMs"), to become parties to the MSA. The four OPMs together with the SPMs are referred to as the Participating Manufacturers (the "PMs"). The settlement represents the resolution of a large potential financial liability of the PMs for smoking related injuries, the costs of which have been borne and will likely continue to be borne by cigarette consumers. Pursuant to the MSA, the Settling States agreed to settle all their past, present, and future smoking related claims against the PMs in exchange for agreements and undertakings by the PMs concerning a number of issues. These issues include, among others, making payments to the Settling States, abiding by more stringent advertising restrictions, and funding educational programs, all in accordance with the terms and conditions set forth in the MSA.

On October 29, 2007 the Authority successfully securitized 100% of the projected TSRs through the issuance of five series of Tobacco Settlement Asset-Backed Bonds, Series 2007, totaling $5.531 billion (the "Series 2007 Bonds") On March 4, 2020 the authority issued $5.352 billion in Asset-Backed Refunding Bonds, Series 2020 Senior Bonds (the "Series 2020 Bonds"). The Authority used the proceeds from the issuance, together with other available funds, to (i) refund through redemption and defeasance all of the Authority's Series 2007 bonds, (ii) fund the Senior Liquidity Reserve Account and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2020 Bonds.

The Authority has pledged future TSR's, including related investment earnings, and net of specified operating and enforcement expenses, to repay the bonds, which have a final stated maturity in 2057. Net TSR's (modified accrual basis) for fiscal year 2025 were $239.1 million. This amount consists of the total general revenues of $239.2 million less general government expenditures of $79,132. Annual principal and interest payments on the bonds will require 100% of the net TSR's. Total principal and interest paid for fiscal year 2025 was $255.2 million.

The Series 2007 Bonds were issued on a tax-exempt basis to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The Series 2020 Bonds were issued on a federally-taxable basis ($428.4 million) and on tax-exempt basis ($4.9 billion). Pursuant to a "Residual Certificate," after the Bonds, and any related operating expenses, have been fully paid, any remaining TSRs will become payable to the State.

The Authority is a blended component unit of the State (the primary government), which uses funds to report on its combined financial position and results of its operations.

The Authority is governed by a three member board of directors, consisting of the Governor, the Treasurer of State, and the Director of Budget and Management, and officers who by law perform the functions of such offices during any vacancy therein, and, as applicable, includes officers or employees acting as designees. The Governor serves as Chairman, the Treasurer of State serves as Treasurer, and the Director of Budget and Management serves as Secretary. The Authority may, upon recommendation of the Director of Budget and Management, appoint an Assistant Secretary and may, upon recommendation of the Treasurer of State, appoint an Assistant Treasurer, who may but need not be members of the Authority, to serve at the pleasure of the Authority.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Authority's accounting policies are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund. Specifically, the statement of net position includes non-current liabilities, which are not included in the fund statements. Tobacco Settlement Receipts ("TSRs"), interest income, and other items not properly included among program revenues are reported as general revenues. The Authority has no program revenues.

In addition to the government-wide financial statements, the Authority prepares financial statements for its only governmental fund. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. TSRs 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 Authority considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. The Authority reports one governmental fund – the Bond Service Fund – which was created in the bond proceedings for the obligations and is used to account for all financial resources of the Authority.

As permitted by GASB Statement No. 34 the Authority's financial statements include separate Statement of Net Position and Statement of Activities columns reporting the financial activities using the accrual basis of accounting, in addition to the Bond Service Fund column reporting the financial activities using the modified accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. Assigned amounts are considered to have been spent when an expenditure is incurred for operating expenses of the Authority. Annually, the Authority prepares an Officer's Certificate indicating the amount of assigned fund balance to be used for operating expenditures of the Authority for the ensuing fiscal year.

Asset Recognition Criteria for TSRs.

The Authority has implemented GASB Technical Bulletin No. 2004-1 Tobacco Settlement Recognition and Financial Reporting Entity Issues (the "Bulletin"), effective July 1, 2003. The Bulletin requires the Authority to recognize TSRs when the event giving rise to recognition occurs (the domestic shipment of cigarettes by the tobacco manufacturers) in the government-wide financial statements, and when the event occurs and the TSRs become available in the fund financial statements. Other than the asset recognition criteria required by Bulletin No. 2004-1, future collections are not measurable and are therefore not recorded as assets in either the government-wide financial statements or the governmental fund financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits, and short term investments with maturities of three months or less from the date acquired by the Authority.

Investments

Investments are recorded on the statement of net position and the balance sheet at the measurement amount. All investment income, including changes in the fair value of investments, is reported as revenue in the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

Pursuant to Ohio Revised Code Section 183.51(S) and as otherwise provided in the Trust Indenture, moneys to the credit of the Authority may be invested by or on behalf of the Authority only in one or more of the following:

a. Notes, bonds, or other direct obligations of the United States or of any agency or instrumentality of the United States, or in no-front-end-load money market mutual funds consisting exclusively of those obligations, or in repurchase agreements, including those issued by any fiduciary, secured by those obligations, or in collective investment funds consisting exclusively of those obligations;

b. Demand, trust and time deposits, money market deposit accounts or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association, or savings bank, payable on demand or on a specified date no more than three months after the date of issuance thereof;

c. Certificates, notes, warrants, bonds, obligations, or other evidences of indebtedness of a state or a political subdivision thereof;

d. Commercial or finance company paper including both noninterest-bearing discount obligations and interest bearing obligations payable on demand or on a specific date not more than 270 days after the date of issuance thereof;

e. Repurchase agreements with respect to any security described in paragraph a;

f. Securities bearing interest or sold at a discount (payable on demand or on a specified date no more than three months after the date of issuance thereof) that are issued by any corporation incorporated under the laws of the United States of America or any state thereof;

g. Units of taxable or tax-exempt money market funds which funds are regulated investment companies;

h. Investment agreements, forward purchase agreements or guaranteed investment contracts;

i. A surety, guaranty, letter of credit, liquidity agreement, agreement to purchase securities of the Authority or other similar agreement provided in lieu of or in substitution for amounts in the Senior Liquidity Reserve Account;

j. The treasurer of state's pooled investment program under section 135.45 of the Revised Code;

k. Other obligations or securities that are non-callable and that acceptable to each rating agency.

The Authority has not adopted a formal investment policy because the Trust Indenture contains these investment restrictions. Interest revenue represents interest received during the fiscal year, offset by the change in fair market value of investments and the net change in interest receivable (earned in June but paid in July).

Tobacco Settlement Receivable

Tobacco Settlement Receivable is calculated based on the subsequent year's estimated amount of the schedule of pre-adjusted base payments as reported in the March 2020 Offering Circular for the Series 2020 Bonds for the Authority (See Note 6). Only 50% of the amount is reported as a receivable, which represents receipts estimated for the period of January 1 through June 30. This amount is adjusted upward or downward based upon an estimated historical adjustment rate of actual collections as compared to these payments (prior 5-year average). For the year ending June 30, 2025 this rate was upward by approximately 6.8%.

Restricted Assets

The Amended and Restated Trust Indentures states that the trustee shall establish and maintain certain segregated trust accounts which include a "Collection Account," into which the Trustee will deposit all collections, and a "Bond Service Fund." Under the 2020 Trust Indenture, the "Bond Service Fund" includes the following subaccounts:

(1) Senior Debt Service Account
(2) Senior Liquidity Reserve Account
    (a) Class 1 Senior Liquidity Reserve Subaccount
    (b) Class 2 Senior Liquidity Reserve Subaccount
(3) Senior Turbo Redemption Account
(4) Lump Sum Payment Account
(5) First Subordinate Turbo Redemption Account
(6) Second Subordinate Turbo Redemption Account
(7) Fully Subordinate Turbo Redemption Account

The Series 2020 Class 1 and Class 2 Senior Liquidity Reserve Accounts were originally funded in the amount of $91.7 million and $170.9 million, respectively. The Authority is required to maintain the original funding balance of the Series 2020 Class 1 Senior Liquidity Reserve Account until June 1, 2029 so long as any Series 2020A Bonds are outstanding, a balance of $75.6 million after June 1, 2029 so long as any Series 2020A Bonds are outstanding, and is not required to maintain a balance in this account when no Series 2020A Bonds are outstanding. The Authority is required to maintain the original funding balance of the Series 2020 Class 2 Senior Liquidity Reserve Account so long as any Series 2020B-1 or Series 2020B-2 Bonds are outstanding and is not required to maintain a balance in this account when no Series 2020B-1 and Series 2020B-2 Bonds are outstanding. However, the 2020 Senior Liquidity Reserve Requirements may be amended by the Authority in connection with the issuance of refunding bonds or additional bonds. In addition, amounts on deposit in the 2020 Senior Liquidity Reserve Accounts will be available to pay the principal of and interest on the Series 2020 Bonds to the extent Collections are insufficient for such purpose. In fiscal year 2025, the Authority made an unscheduled draw of $10.6 million on the Class 2 Senior Liquidity Reserve Account to fund a portion of the Class 2 Senior Bonds interest payment ($81.6 million) due on December 1, 2024. Amounts in the 2020 Series Senior Liquidity Reserve Accounts above the required funding levels are available to make Turbo Redemptions. Unless an event of default has occurred, amounts withdrawn from the Senior Liquidity Reserve Account could be replenished from collections in future years.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period.

The Authority transferred the proceeds from the Series 2007 Bonds to State agencies to fund capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Pursuant to GASB Statement No. 48, the Authority has set up a deferred charge for the amount of bond proceeds used to fund the capital projects. The deferred charge is being amortized over the projected payment period of future TSRs and reported as a deferred outflow of resources on the financial statements. For fiscal year 2025, amortization expense was $101.5 million.

In fiscal year 2020 the Authority recognized Deferred Charge on Refunding from the difference in the carrying value of refunded debt and its reacquisition price as result of the issuance of the Series 2020 refunding bonds. The deferred charge is being amortized over a straight-line method until the final maturity date of the Series 2007 Bonds (2052). During the fiscal year 2025 the Authority amortized $4.5 million resulting in an ending balance of $121.3 million as of June 30, 2025.

A deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. Tobacco Settlement Receipts received or recognized before the eligibility requirements are met and are recorded as deferred inflows of resources in governmental funds. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

Net Discount/Premium on Bonds Payable

Bonds can be issued with either a discount or premium. For the Series 2020 Bonds, the premium is being amortized on a straight-line basis over the life of each bond series up until the final maturity date for each series (see Note 5). The net discount/premium on bonds payable is a reduction/addition of bonds payable on the Statement of Net Position. The annual amortization expense is included in interest expense on the Statement of Activities.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due. Accrued interest payable is the amount of interest on the bonds accrued from the most recent interest payment date, June 1st, to the end of the fiscal year.

Budgeting Process

The Authority is not required by law or regulation to follow a legal budget or to present a budgetary statement.

Transfers to State Agencies

The Trust Indenture establishes a mechanism for the ongoing funding of the costs incurred or to be incurred (including reserves for the same) by the office of the Attorney General of the State with respect to enforcement of the MSA, the Qualifying Statute, the Consent Decree and related legislation ("Enforcement Expenses"). The Series 2020 Bonds stated the Authority's funding of Enforcement Expenses is subject to an annual Enforcement Expense Transfer Cap of $2 million.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits and Investments

Deposits. The Authority had no deposits as of June 30, 2025.

Investments. All of the Authority's investments are held by the trustee in several accounts in the name of the Authority. The following schedule reflects the Authority's investments at their measurement amounts, and associated credit risks and maturities as of June 30, 2025.

	Investments					
	S&P Credit Rating	Moody's Credit Rating	Measurement Amount	% of Total	Maturity < 3 months	Maturity 3-12 months
Money Market Funds:						
Invesco Government and Agency Portfolio	AAAm	Aaa-mf	$ 816,080	0.2%	$ 816,080	$ -
Commercial Paper:						
Halkin Finance LLC	A-1	P-1	59,948,426	18.0%	-	59,948,426
Mackinac FDG CO LLC	A-1	P-1	196,520,000	58.8%	-	196,520,000
MUFG Bank LTD NY	A-1	P-1	76,954,276	23.0%	-	76,954,276
Total Investments			$ 334,238,782	100.0%	$ 816,080	$ 333,422,702

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above table identifies the Authority's recurring fair value measurements as of June 30, 2025. The Authority's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk – The Authority limits investments in money market funds to those that are payable on demand or on a specified date no more than three months after the date of issuance. The Trust Indenture requires that investments in commercial paper mature in not more than 270 days from the date of issuance.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At June 30, 2025 all of the Authority's investments were held by the Trustee, U.S. Bank, and were not insured.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. Credit risk ratings are not required for obligations of the U.S. government or those obligations explicitly guaranteed by the U.S. government. The Trust Indenture limits investments in Commercial Paper to those rated at least "A-1" by S&P, "P-1" by Moody's, and "F1" by Fitch (if rated by Fitch). All other investments are limited to either those same ratings, or the three highest rating categories of each rating agency.

Concentration of Credit Risk – Concentration of Credit Risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The Authority does not have a policy that limits concentration of credit risk in regard to the money market fund and commercial paper described above.

4. Restricted Assets

As of June 30, 2025, the Authority had restricted cash/cash equivalent and investment balances in the following accounts:

2020 Bond Issuance - Collection Accounts	$ 209,877
2020 Refunding Bonds - Senior Turbo Redemption Account	1
2020 Bond Issuance - Senior Debt Service Accounts	77,029,576
2020 Bond Issuance - Liquidity Reserve Accounts	256,860,765
	$ 334,100,219

5. Bonds Payable

<u>Series 2020 Senior Bonds (Refunding Bonds)</u>

On March 4, 2020 the authority issued $5.352 billion in Asset-Backed Refunding Bonds, Series 2020 Senior Bonds. The Authority used the proceeds from the issuance, together with other available funds, to (i) refund through redemption and defeasance all of the Authority's outstanding Series 2007 bonds, (ii) fund the Senior Liquidity Reserve Accounts and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2020 Bonds. As of the date of the closing of the Series 2020 Bonds, $5.817 billion was deposited in an irrevocable trust to provide for all future payments on the refunded Series 2007 Bonds, which are no longer outstanding.

The Tobacco Settlement Asset-Backed Bonds, Refunding Bonds, Series 2020 Senior, are comprised of the following:

Bond Type	Interest Rate	Final Maturity Date	Issued Amount
2020 A-1 Class 1 Senior Serial Bonds	1.54% - 2.00%	June 1, 2027	$ 328,400,000
2020 A-2 Class 1 Senior Serial Bonds	4.00% - 5.00%	June 1, 2039	557,840,000
2020 A-2 3% Class 1 Senior Term Bonds	3.00%	June 1, 2048	250,000,000
2020 A-2 4% Class 1 Senior Term Bonds	4.00%	June 1, 2048	331,670,000
2020 B-1 Class 2 Senior Taxable Turbo Term Bo	1.85%	June 1, 2029	100,000,000
2020 B-2 Class 2 Senior Turbo Term Bonds	5.00%	June 1, 2055	3,380,000,000
2020 B-3 Class 2 Senior Turbo CAB's	5.625%	June 1, 2057	404,286,396

Interest on the Series 2020 Bonds (excluding Capital Appreciation Bonds "CAB's") is payable semiannually on each June 1 and December 1. Interest on the Series 2020 B-3 Class 2 Senior Turbo CAB's will not be payable currently and will accrete from the delivery date and be compounded on each December 1 and June 1 until maturity or earlier redemption.

The $404.3 million Series 2020 B-3 Class 2 Senior Turbo Capital Appreciation Bonds represent bonds that were issued at stated interest rates significantly below their effective interest rates, resulting in a substantial discount. The implicit interest, i.e., discount (unaccreted appreciation), is not paid until the maturity date or the redemption date. Therefore, the net value of the bonds "accretes" each year. The accreted book value is $540.7 million as of June 30, 2025.

The Series 2020 Senior Bonds were issued with a premium of $511.9 million, which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the maturity life of 2020 Bonds using the straight-line method. The issuance costs of $28.5 million have been expensed.

Changes in bonds payable during the year ended June 30, 2025 were as follows:

	Principal Outstanding 6/30/2024	Additions	Reductions	Principal Outstanding 6/30/2025	Due Within One Year
2020 Series					
2020 A1 & A2 Seral and Term Bonds	$1,250,800,000	$ -	$ (42,810,000)	$1,207,990,000	$ 43,625,000
2020 B2 Turbo Bonds	3,263,330,000	-	-	3,263,330,000	364,205,000
2020 B3 Turbo Capital Appreciation Bonds	404,286,396	-	-	404,286,396	-
Accretion on Capital Appreciation Bonds	107,245,981	29,164,780	-	136,410,761	-
Premium on 2020 Refunding Bonds	414,663,729	-	(22,873,232)	391,790,497	-
Total Outstanding Long-Term Obligations	$5,440,326,106	$ 29,164,780	$ (65,683,232)	$5,403,807,654	$ 407,830,000

Buckeye Tobacco Settlement Financing Authority of Ohio
Franklin County, Ohio
(A Component Unit of the State of Ohio)

Notes to the Basic Financial Statements
June 30, 2025

As of June 30, 2025, the Bonds are subject to the following debt service to maturity requirements. The years shown for Turbo Term Bonds represent the Turbo Redemption Dates beginning with fiscal year 2020 based on the TSR forecast from the Series 2020 Bond issuance.

	Series A-1 and A-2, Class 1 Senior and Term Bonds		Series B-3, Class 2 Capital Appreciation Bonds	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2026	$ 43,625,000	$ 48,457,038	$ -	$ -
2027	44,795,000	47,606,350	-	-
2028	46,705,000	46,112,250	-	-
2029	49,100,000	43,777,000	-	-
2030	35,130,000	41,322,000	-	-
2031 - 2035	204,590,000	178,390,750	-	-
2036 - 2040	258,175,000	124,964,800	-	-
2041 - 2045	310,875,000	72,528,300	113,998,959	336,874,939
2046 - 2050	214,995,000	15,567,850	290,287,437	1,099,767,812
Total	$ 1,207,990,000	$ 618,726,338	$ 404,286,396	$ 1,436,642,751

	Series B-2, Class-2 Turbo Term Bonds		Total	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2026	$ 364,205,000	$ 163,166,500	$ 407,830,000	$ 211,623,538
2027	85,925,000	144,956,250	130,720,000	192,562,600
2028	90,495,000	140,660,000	137,200,000	186,772,250
2029	112,090,000	136,135,250	161,190,000	179,912,250
2030	118,330,000	130,530,750	153,460,000	171,852,750
2031 - 2035	698,955,000	556,961,000	903,545,000	735,351,750
2036 - 2040	910,475,000	362,006,000	1,168,650,000	486,970,800
2041 - 2045	882,855,000	110,761,750	1,307,728,959	520,164,989
2046 - 2050	-	-	505,282,437	1,115,335,662
Total	$ 3,263,330,000	$ 1,745,177,500	$ 4,875,606,396	$ 3,800,546,589

Plus: Unamortized premium on bonds payable	391,790,497
Plus: Accreted interest on capital appreciation bonds	136,410,761
Bonds payable	$ 5,403,807,654

The preceding schedule includes (i) serial bond maturities that the Authority must pay as of specific distribution dates in order to avoid an event of default under the Trust Indenture, (ii) turbo term bond payments that the Authority would pay according to the Trust Indenture if sufficient TSRs are collected; however, a failure to pay before final maturity does not constitute an event of default under the Trust Indenture, and (iii) capital appreciation turbo term bond maturities.

Turbo Redemptions

The Authority has covenanted to apply 100% of all surplus collections of TSRs, if any, to the special mandatory redemption ("Turbo Redemption") of the 2020 Turbo Bonds at the principal amount or accreted value thereof on each distribution date (or a special redemption date pursuant to the Trust Indenture) in accordance with the payment priorities as further set forth in the Trust Indenture. Turbo Redemptions are not scheduled amortization payments and are to be made only from surplus collections, if any. Failure to pay Turbo Redemptions on turbo term bonds does not constitute an event of default. Amounts in the Senior Liquidity Reserve Accounts above the required funding levels are available to make Turbo Redemptions.

6. Contingencies and Commitments

While the Authority's share of the total base payments to the states through fiscal 2057 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in the Authority receiving higher payments. Other factors such as the volume adjustment and the market share adjustment can and have worked to reduce the amount of the Authority's annual payments.

In addition to the base payments, in fiscal years 2008 through 2017, the Authority received payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund were based on a state's contribution to the litigation and settlement with the tobacco companies. These payments were also subject to the adjustment factors outlined in the MSA. Strategic contribution payments ended in fiscal 2017. Beginning in fiscal year 2018, annual payments consist solely of the base payment plus amounts, if any, paid by participating manufacturers relating to prior years and amounts, if any, released from the disputed payment account.

During fiscal year 2025, the Authority received $222.6 million (including $2,896 released from disputed payment accounts in connection with prior fiscal year deposits into those accounts), which is $95.6 million or 30.04 percent less than the base and strategic contribution fund payments estimated at the time of the Series 2020 Refunding Bond issuance for fiscal year 2025.

As of June 30, 2025, the estimated tobacco settlement receivable included $860.8 million for payments withheld from the Authority in fiscal years 2008 through 2025 by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. These moneys were either withheld or are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. The Authority contends it has met its obligations under the MSA and is due the disputed and withheld payments.

A schedule of pre-adjusted base payments (as reported in the March 2020 Offering Circular for the bonds) for the Authority in future years follows:

Fiscal Year Ending	Base Payments
2026	$ 317,112,012
2027	316,761,639
2028	316,951,180
2029	317,587,476
2030	318,250,654
2031 - 2035	1,600,905,944
2036 - 2040	1,613,570,769
2041 - 2045	1,621,512,145
2046 - 2050	1,628,281,804
2051 - 2055	1,635,906,945
2056 - 2057	657,210,894
	$ 10,344,051,462

The State has an ownership interest in excess TSRs to be received by the Authority after the Bonds, and related operating expenses, have been fully paid. The ownership interest is evidenced by a "Residual Certificate." Since the *Purchase and Sale Agreement* entered into between the State and the Authority includes TSRs to be received under the MSA on or after October 29, 2007 until the bonds have been fully repaid, the amount of excess TSRs cannot be estimated.

7. Other Credit Risks

The Bonds are secured by and payable solely from TSRs and investment earnings pledged under the Trust Indenture and amounts established and held in accordance with the Trust Indenture. The Bonds are payable only from the assets of the Authority. In the event that the assets of the Authority have been exhausted, no amounts will thereafter be paid on the Bonds. The Bonds are not legal or moral obligations of the State, and no recourse may be had thereto for payment of amounts owing on the Bonds. The Authority has no taxing power.

The amount of pledged tobacco receipts received by the Authority is dependent upon many factors, including future domestic cigarette consumption, financial capability of the PMs, litigation affecting the MSA and potential payment decreases under the terms of the MSA.

Certain smokers, consumer groups, cigarette manufacturers, cigarette importers, cigarette distributors, Native American tribes, taxpayers, taxpayers' groups, and other parties have instituted litigation against various tobacco manufacturers, including the PMs, as well as certain of the Settling States and other public entities. The lawsuits allege, among other things, that the MSA violates certain provisions of the United States Constitution, state constitutions, the Federal antitrust laws, Federal civil rights laws, state consumer protection laws, and unfair competition laws, certain of which actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. The lawsuits seek, among other things, an injunction against one or more of the Settling States from collecting any monies under the MSA and barring the PMs from collecting cigarette price increases related to the MSA and/or a determination that the MSA is void or unenforceable. In addition, class action lawsuits have been filed in several Federal and state courts alleging that under the Federal Medicaid law, any amount of tobacco settlement funds that the Settling States receive in excess of what they paid through the Medicaid program to treat tobacco related diseases should be paid directly to Medicaid recipients. To date, no such lawsuits have been successful or are on appeal. The enforcement of the terms of the MSA may, however, continue to be challenged in the future. In the event of an adverse court ruling, the Authority may not have adequate financial resources to make payment on the Series 2020 Bonds (the Series 2007 Bonds have been defeased).

8. Financial Statement Reconciliation

The following is a detailed explanation for the amounts included in the "Reconciliation" column of the accompanying financial statements:

A. Governmental Fund Balance Sheet / Statement of Net Position

Total Governmental Fund Balances		$ 3,688,189,775
Net Position of Governmental Activities is different because:		
Unamortized loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		121,348,097
Some of the Authority's assets are not available to pay for current period expenditures, and therefore, are reported as deferred revenue in the funds:		
Tobacco Settlement Revenue		1,030,069,602
Long term liabilities and related accounts are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	$ (17,635,295)	
Bonds Payable, Net of Premium	(5,403,807,654)	(5,421,442,949)
Net Position of Governmental Activities		$ (581,835,475)

B. Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities

Net Change in Fund Balance - Total Governmental Funds		$ (117,588,574)
The change in net position of governmental activities is different because:		
Some of the Authority's revenues in the statement of activities do not provide current financial resources: therefore they are not reported as revenues in the funds.		
Tobacco Settlement Revenue		81,185,055
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Bond Principal Repayments		42,810,000
In the statement of activities, interest is accrued on outstanding bonds, and bond discount/premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	$ 64,536	
Amortization of Discount/Premium on Bonds	22,873,232	
Amortization of Refunding (net)	(4,494,374)	
Accretion of Capital Appreciation Bonds	(29,164,780)	(10,721,386)
Change in Net Position of Governmental Activities		$ (4,314,905)

9. Settlement Agreement

On October 29, 2007, the Authority entered into a Reserve Fund Agreement (the "RFA") with Lehman Brothers Special Financing, Inc. ("Lehman"), pursuant to which Lehman guaranteed the Authority a rate of return of 4.682% per annum on the approximately $389 million held in the Senior Liquidity Reserve Account. On September 15, 2008, Lehman filed for bankruptcy, which constituted an event of default under the RFA and provided the Authority with the right to terminate the RFA. In September 2008, the Authority terminated the RFA and filed a proof claim asserting that Lehman owed the Authority not less than $29.4 million, plus accrued interest and costs.

The Authority and Lehman subsequently engaged in a mediation process aimed at resolving the dispute, which was unsuccessful. On July 1, 2016, Lehman filed a Complaint in the United States Bankruptcy Court for the Southern District of New York, asserting that the Authority owes Lehman $20.7 million, plus interest. On August 23, 2016, the Authority filed its Answer and Counterclaim, denying Lehman's allegations and asserting a counterclaim in the amount of not less than $29.4 million, plus accrued interest and costs. On October 18, 2016, the parties entered into a settlement agreement, pursuant to which the Authority received allowed non-priority general unsecured claims against Lehman (the "Allowed Claims"), with payment on the Allowed Claims not to exceed $13.5 million. No assurances can be provided by the Authority as to the timing or amount, if any, of future distributions on the Allowed Claims. Below are the amounts received and reported as Proceeds from Settlement in the years collected:

Year	Amount
2017	$ 8,473,441
2018	508,646
2019	180,342
2020	62,986
2021	36,780
2022	9,363
2023	2,653
2024	9,545
2025	6,986
	$ 9,290,742

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*

Independent Auditor's Report

To the Members and Management
Buckeye Tobacco Settlement Financing Authority
30 East Broad Street, 34th Floor
Columbus, Ohio 43215

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 (*Government Auditing Standards*), the financial statements of the governmental activities and Bond Service Fund of the Buckeye Tobacco Settlement Financing Authority, Franklin County, Ohio (the Authority), a component unit of the State of Ohio, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
September 24, 2025

OHIO AUDITOR OF STATE
KEITH FABER

BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY OF OHIO

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 1/27/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370