

SOUTH CAROLINA OPIOID RECOVERY FUND BOARD

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

DECEMBER 31, 2022

SOUTH CAROLINA OPIOID RECOVERY FUND BOARD
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Independent Auditor's Report

South Carolina Opioid Recovery Fund Board
Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of the South Carolina Opioid Recovery Fund Board (the "SCORF Board"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the SCORF Board's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Opioid Recovery Fund Board as of December 31, 2022, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Audit of the Financial Statements section of our report. We are required to be independent of the SCORF Board, 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 opinion.

Emphasis of Matter

As described in Note 1, the financial statements of the SCORF Board are intended to present the financial position and results of operations of only that portion of the funds of the SCORF Board attributable to the transactions of the SCORF Board. The financial statements do not include any other department or component unit of the State of South Carolina and are not intended to present fairly the financial statements and results of operations of the State of South Carolina 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 SCORF Board'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 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 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 judgement 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 judgement and maintain professional skepticism through 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 SCORF Board'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SCORF Board's ability to continue as 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 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 November 17, 2023, on our consideration of the SCORF Board's internal control over financial reporting and on our test 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the SCORF Board's internal control over financial reporting and compliance.



Columbia, South Carolina
November 17, 2023

**SOUTH CAROLINA OPIOID RECOVERY FUND BOARD
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

This Management’s Discussion and Analysis (MD&A) of the South Carolina Opioid Recovery Fund Board (“SCORF Board”) provides an overview of the SCORF Board financial performance during the fiscal year that ended December 31, 2022. Please consider the discussion and analysis in conjunction with the financial statements and the notes to the financial statements.

South Carolina Opioid Recovery Fund

The South Carolina Opioid Recovery Fund (“SCORF”) was created by Act No. 222 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina (the “General Assembly”), Regular Session of 2022, as codified at Section 11-58 (“South Carolina Opioid Recovery Act”) of the South Carolina Code of Laws 1976, as amended (the “Act”), as an instrumentality of the State of South Carolina (the “State”). The Act was created in response to the South Carolina Opioid Settlement Allocation Agreement (“Agreement”) which was executed between the State of South Carolina, through its Attorney General, and the Political Subdivisions within the State separately engaged in litigation against a number of entities and individuals in the opioid supply chain. The Act created the SCORF Board to administer and distribute settlement funds directed to the SCORF. The SCORF is comprised of certain opioid-related settlements entered into by the State of South Carolina and its participating political subdivisions. The SCORF means the account or accounts with the State Treasurer created pursuant to this chapter to receive funds obtained through settlement with or judgment against certain companies that market, promote, distribute, dispense, or supply opioids. These funds are to be administered pursuant to this chapter and expended only for the purposes provided in this chapter. The funds are not general fund revenue of the State and must be kept by the State Treasurer in a distinct and separate unbudgeted trust and agency fund apart from the general fund. *The SCORF Board is not a party to the settlement.*

Overview of the Financial Statements

The audited basic financial statements presented in this document include both government-wide and fund financial statements.

Government-wide Financial Statements:

Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements display information about the SCORF Board as a whole. The government-wide financial statements of the SCORF Board are presented on the accrual basis of accounting and provide short-term and long-term information about the Office. The residual measure of the government is net position (deficit) and represents assets and deferred outflows of resources, if any, that are greater (less) than liabilities and deferred inflows of resources, if any.

Fund Financial Statements:

The fund financial statements include the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The governmental fund financial statements are presented on the modified accrual basis of accounting which focuses on the near-term inflows and outflows of resources available for expenditure for the current fiscal year.

The SCORF Board holds assets as an agent of other governmental agencies or political subdivisions and are accounting for these in the Fiduciary Fund, which is a private purpose trust fund. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented on the accrual basis of accounting.

Summary and Comparison of Financial Results

Table 1 summarizes the SCORF Board’s Statement of Net Position as of December 31, 2022.

	<u>December 31, 2022</u>
Assets	
Current assets	\$ 10,756,793
Liabilities	
Current liabilities	<u>5,938</u>
Net position	
Restricted	1,237,246
Unrestricted	9,513,609
Total net position	<u>\$ 10,750,855</u>

The year ended December 31, 2022, was the first year of the SCORF Board’s existence. During the year ended December 31, 2022, the SCORF Board received its first settlement proceeds, of which \$5,938 was held for administrative costs per the enabling statute and reported as an accrued liability.

Table 2 summarizes the SCORF Board’s Statement of Activities for the year ended December 31, 2022.

Table 2: Statement of Activities

	<u>December 31, 2022</u>
Revenues	\$ 10,763,493
Expenses	<u>12,638</u>
Change in net position	10,750,855
Net position - beginning	<u>-</u>
Net position - ending	<u>\$ 10,750,855</u>

As noted above, December 31, 2022 was the first year of the SCORF Board’s existence. As such, all activity was new within the SCORF Board’s financial statements. Settlement proceeds of \$10,690,195 were received with an additional \$73,298 of interest income earned by the deposits on hand. Administrative costs of \$12,638 were incurred during the year ended December 31, 2022.

Economic Outlook of the SCORF Board

The SCORF Board received additional settlements totaling \$14,314,746 and the funds earned interest totaling \$1,076,839 as of October 31, 2023. The first disbursement of Fiduciary Funds which are shown in the financial statements was completed in January 2023. Through October 31, 2023, the SCORF Board distributed an additional \$9,722,524 in Fiduciary Funds and \$6,088,066 in non-fiduciary funds.

Request for information:

The primary purpose of this financial report is to provide a general overview of the South Carolina Opioid Recovery Fund Board’s finances and to demonstrate accountability for the funds received and expended. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Opioid Recovery Fund Board
1201 Main Street, Suite 420
Columbia, SC 29201

South Carolina Opioid Recovery Fund Board
Statement of Net Position
December 31, 2022

	<u>Total</u>
Assets:	
Cash	\$ 10,756,793
Total assets	<u>10,756,793</u>
Liabilities	
Accrued expenses	<u>5,938</u>
Total liabilities	<u>5,938</u>
Net position	
Unrestricted	1,237,246
Restricted	<u>9,513,609</u>
Total net position	<u>\$ 10,750,855</u>

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

South Carolina Opioid Recovery Fund Board
Statement of Activities
For the year ended December 31, 2022

	Total
Expenses	
Administration	\$ 12,638
Total expenses	12,638
 General Revenues	
Global settlements	10,690,195
Interest income	73,298
Total general revenues	10,763,493
 Change in net position	 10,750,855
 Beginning net position	 -
Ending net position	\$ 10,750,855

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

South Carolina Opioid Recovery Fund Board
Governmental Funds Balance Sheet
December 31, 2022

	Administrative Fund	Discretionary Fund	Total
Assets:			
Cash	\$ 1,243,184	\$ 9,513,609	\$ 10,756,793
Total assets	1,243,184	9,513,609	10,756,793
Liabilities			
Accrued expenses	5,938	-	5,938
Total liabilities	5,938	-	5,938
Fund Balance			
Assigned	1,237,246	-	1,237,246
Restricted	-	9,513,609	9,513,609
Total fund balance	1,237,246	9,513,609	10,750,855
Total liabilities and fund balances	\$ 1,243,184	\$ 9,513,609	\$ 10,756,793

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

South Carolina Opioid Recovery Fund Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2022

	Administrative Fund	Discretionary Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Global settlements	\$ 1,249,884	\$ 9,440,311	\$ 10,690,195
Interest income	<u> -</u>	<u> 73,298</u>	<u> 73,298</u>
Total revenues	<u>1,249,884</u>	<u>9,513,609</u>	<u>10,763,493</u>
 Expenditures			
Administration	<u> 12,638</u>	<u> -</u>	<u> 12,638</u>
Total expenditures	<u>12,638</u>	<u> -</u>	<u>12,638</u>
 Change in fund balance	1,237,246	9,513,609	10,750,855
 Beginning fund balance	<u> -</u>	<u> -</u>	<u> -</u>
Ending fund balance	<u>\$ 1,237,246</u>	<u>\$ 9,513,609</u>	<u>\$ 10,750,855</u>

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

South Carolina Opioid Recovery Fund Board
Statement of Fiduciary Net Position
December 31, 2022

	Private Purpose Trust Fund
Assets	
Cash	\$ 52,121,074
Total assets	52,121,074
 Liabilities	
Accrued expenses	2,007,583
Total liabilities	2,007,583
 Net Position	
Held in trust for political subdivisions	50,113,491
Total net position	\$ 50,113,491

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

South Carolina Opioid Recovery Fund Board
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended December 31, 2022

	Private Purpose Trust Fund
Additions	
Global Settlements	\$ 52,121,074
Total additions	52,121,074
Deductions	
Disbursements to political subdivisions	(2,007,583)
Change in net position	50,113,491
Net position	
Beginning of year	-
End of year	\$ 50,113,491

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

South Carolina Opioid Recovery Fund Board
Notes to Financial Statements
For the Year Ended December 31, 2022

Note 1. Summary of Significant Account Policies

General - The financial statements of the South Carolina Opioid Recovery Fund Board (“SCORF Board”) were prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant of the Fund’s accounting policies are described below.

Reporting Entity – The South Carolina Opioid Recovery Act was established in May of 2022 as a result of the South Carolina Opioid Settlement Allocation Agreement (the “Agreement”). As a result, the SCORF Board was created by Section 11-58-10 of the South Carolina Code of Laws. The law created the SCORF Board to administer and distribute SCORF settlement monies distributed from the national settlement. The SCORF Board was created as an independent, quasi-governmental agency. The SCORF Board is not an “agency” or “state agency” as defined in Chapter 23, Title 1 of the South Carolina Code of Laws. The SCORF Board receives funds from certain opioid-related settlements entered into by the State of South Carolina and its participating political subdivisions from litigation against a number of entities and individuals in the opioid supply chain, seeking to hold them accountable for the damage they have caused and will continue to cause within the State of South Carolina. The State of South Carolina and its Political Subdivisions entered into this South Carolina Opioid Settlement Agreement, which relates to the allocation and use of any proceeds of the Opioid-Related Settlements. Funds must be held and maintained separately from all other funds, properties, assets, and accounts of the State and its other agencies. Funds must be spent on approved abatement strategies, except that up to two percent of funds may be allocated by the SCORF Board for administrative purposes.

Per the terms of the signed July 2022 settlement, the South Carolina Opioid Recovery Fund Board is comprised of nine appointed members, who shall be appointed as follows:

- (1) the Governor shall appoint one member, who shall serve as chairperson;
- (2) the President of the Senate shall appoint one member;
- (3) the Speaker of the House of Representatives shall appoint one member;
- (4) the Governor shall appoint three members, the Speaker one member, and the President of the Senate one member from a list provided by the South Carolina Association of Counties, with at least one member selected from each of the South Carolina public health regions as defined by the South Carolina Department of Health and Environmental Control; and
- (5) the Governor shall appoint one member from a list provided by the Municipal Association of South Carolina.

The core of a financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The SCORF Board is a discretely presented component unit of the State of South Carolina with a fiscal year end of December 31, and that it has no component units. This decision was made by the Comptroller General of the State of South Carolina as it was determined it would be misleading to financial statement users to omit the SCORF Board from the reporting entity of the State of South Carolina. This determination was made as the State, in compliance with the Agreement, has set criteria on how the SCORF Board's funds may be used, all funds must be held by the South Carolina State Treasurer, and nearly all administrative functions are carried out by State agencies.

The accompanying financial statements present the financial position solely of the SCORF Board and do not include any other divisions, instrumentalities, or any component units of the State of South Carolina. The State Fiscal Accountability Authority is solely responsible for all administrative operations of the SCORF Board, except legal counsel which is provided by the Office of the Attorney General.

The SCORF Board's revenues and expenditures are allocated to three sub accounts defined in the Agreement and detailed in Title 11 Chapter 58 of the South Carolina Code of Laws for specific purposes as follows:

"Guaranteed Political Subdivision Subfund" means the subaccount or subaccounts with the State Treasurer created pursuant to this chapter where certain funds in the South Carolina Opioid Recovery Fund guaranteed to participating political subdivisions are distributed by the South Carolina Opioid Recovery Fund Board to qualified applicants for approved abatement strategies.

"Discretionary Subfund" means the subaccount or subaccounts with the State Treasurer created pursuant to this chapter where certain funds in the South Carolina Opioid Recovery Fund are distributed by the South Carolina Opioid Recovery Fund Board in its discretion to qualified applicants for approved abatement strategies.

"Administrative Subfund" means the subaccount or subaccounts with the State Treasurer created pursuant to this chapter where certain funds in the South Carolina Opioid Recovery Fund are expended by the South Carolina Opioid Recovery Fund Board and the State Fiscal Accountability Authority to pay for costs associated with administering this chapter.

Further discussion of these subaccounts and their presentation in the SCORF Board's financial statements follows below.

Government-Wide Financial Statements - The government-wide financial statements are presented under GAAP using the accrual basis of accounting and pronouncements issued by the GASB. All of the functions available to finance the SCORF Board are presented together as general government activities.

Financial information for funds that are not available to finance these activities are not included; consequently, the government-wide financial statements exclude fiduciary assets and liabilities.

Fund Financial Statements - The fund financial statements are used to report the SCORF Board's financial position and results of operations as well as to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The governmental fund financial statements are presented on the modified accrual basis of accounting and the fiduciary fund financial statements are presented on the accrual basis. These methods of accounting are described below.

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the SCORF Board considers major sources of revenue to be available if they are collected within sixty days of the end of the current fiscal year.

Financial resources of fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

For the year ended December 31, 2022, there are no accounting basis differences between the government-wide financial statements and governmental fund financial statements, therefore, such statements have been presented together.

Governmental Fund Types –

Special Revenue Funds – These funds are used to account for revenues derived from revenue sources that are designated to finance particular functions or activities of the SCORF Board. Special Revenue Funds include:

Discretionary Fund – The Discretionary Fund, as described above, is a special revenue fund and a major fund that accounts for proceeds received by the SCORF Board under the Agreement to be used in its discretion to qualified applicants for approved abatement strategies.

Administrative Fund – The Administrative Fund, as described above, is a special revenue fund and a major fund that accounts for proceeds received by the SCORF Board under the Agreement to pay for costs associated with administering the SCORF Board's statutory purpose.

The fund financial statements focus on major funds. Each major fund is presented in a separate column. Major funds include any fund for which total cash, receipts, or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type and any other fund that SCORF Board officials believe is particularly important to financial statement users.

Fiduciary Fund – Transactions related to assets held by the SCORF Board as an agent of other governmental agencies or private organizations are accounted for in the Fiduciary Fund. These are presented separately in the SCORF Board’s financial statements. The SCORF Board’s Fiduciary Fund consists of the following:

Private Purpose Trust Fund – The Private Purpose Trust Fund includes assets held under the SCORF Board’s Guaranteed Political Subdivision subfund. These assets have been allocated to certain political subdivisions and are held by the SCORF Board on their behalf until certain administrative requirements are met and abatement strategy applications are approved by the SCORF Board.

Net Position and Fund Balance - Net position is the residual measure of governmental activities while fund balance is the residual measure of governmental funds. A description of the various classifications of net position and fund balance are as follows:

Net Position

Net investment in capital assets - The net investment in capital assets portion of net position consists of capital assets (including intangible right of use lease assets), net of accumulated depreciation and/or amortization, reduced by any outstanding liability balances associated with these assets. The SCORF Board does not report any net investment in capital assets as it does not currently hold capital assets.

Restricted net position - Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of December 31, 2022, the SCORF Board reported \$9,513,609 of restricted net position in its governmental funds. The SCORF Board reported \$50,113,491 of restricted net position in its private purpose trust fund as of December 31, 2022, which is restricted based on the terms of the Agreement.

Unrestricted net position - All other assets that do not meet the definition of “restricted” are considered “unrestricted”. The SCORF Board’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

The SCORF Board follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following categories of fund balance are used in the fund level financial statements of the governmental funds:

Non-spendable fund balance - The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaids. It also includes the long-term amount of loans and notes receivable, as well as other assets. As of December 31, 2022, the SCORF Board did not have any non-spendable fund balance.

Restricted fund balance - The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. The SCORF Board reported restricted fund balance of \$9,513,609 as it is restricted by the terms of the Agreement.

Committed fund balance - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the SCORF Board’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the SCORF Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of December 31, 2022, the SCORF Board did not have any committed fund balance.

Assigned fund balance - The assigned fund balance classification includes amounts that are constrained by the SCORF Board’s intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the SCORF Board’s highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the SCORF Board’s highest level of authority. As of December 31, 2022, the SCORF Board reported \$1,237,246 of assigned fund balance.

Unassigned fund balance - The unassigned fund balance classification includes amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes.

Based on the SCORF Board’s policies regarding fund balance classifications as noted above, it considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure has been designated by the State or donor stipulations have been made. After these fund balances have been depleted, unassigned fund balances will be considered to have been spent.

Cash – The amounts shown in the financial statements as cash represent cash on deposit with the State Treasurer. Pursuant to State law, all such deposits are fully insured.

Accrued Expenses – Accrued expenses in the Administrative Fund consisted of administrative services provided by SFAA, purchases for administrative support of the Board and travel allowances for Board members. Accrued expenses in the Private Purpose Trust Fund consist of applications from political subdivisions approved for distribution prior to December 31, 2022.

Recognition of Global Settlement Income – The SCORF Board generally recognizes global settlement income as it is received or as the SCORF Board is notified that it will be receiving a settlement and such amount is unlikely to materially change. As the estimate of future settlements to be received by the SCORF Board is subject to the resolution of various lawsuits and legal matters, the SCORF Board has determined that accounting for such amounts to be similar to those of gain contingencies, and not accrued as revenue until probability of receipt is nearly certain and the amount can be accurately estimated.

Note 2. Related Party Transactions

The SCORF Board received certain administrative and related services, excluding legal services, from the SFAA, some at no cost. During the year ended December 31, 2022, the Office of the Attorney General provided legal counsel at no cost. No other State agencies provided services to the Fund or received from the Fund any other significant services.

Note 3. Subsequent Events

The Fund has evaluated all events subsequent to the December 31, 2022, through the date these financial statements were available for issuance, November 17, 2023.



**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***

South Carolina Opioid Recovery Fund Board
Columbia, South Carolina

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 South Carolina Opioid Recovery Fund Board (the “SCORF Board”), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the SCORF Board’s basic financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SCORF Board’s internal control over financial reporting 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 SCORF Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the SCORF Board’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 SCORF Board’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 SCORF Board’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 SCORF Board’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
November 17, 2023