

**SOUTH CAROLINA OPIOID RECOVERY FUND BOARD**

**COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**SOUTH CAROLINA OPIOID RECOVERY FUND BOARD  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
 <b><u>Financial Statements:</u></b>	
Statement of Net Position	7
Statement of Activities	8
Governmental Funds Balance Sheet	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	10
Statement of Fiduciary Net Position	11
Statement of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13
 <b><u>Governmental Auditing Report:</u></b>	
Independent Auditors' 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	19



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, 2023, 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 July 16, 2024.

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*.

### ***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 July 16, 2024, 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  
July 16, 2024

**SOUTH CAROLINA OPIOID RECOVERY FUND BOARD  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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 11-58-10 (“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 SCORF means the account or accounts with the State Treasurer created pursuant to the Act to receive recovery funds obtained through settlement with or judgment against certain companies that market, promote, distribute, dispense, or supply opioids.

**South Carolina Opioid Recovery Fund Board**

The South Carolina Opioid Recovery Act created the SCORF Board to administer and distribute designated settlement funds. These funds are to be administered pursuant to the Act and expended only for the purposes provided in the Act. 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, 2023, as compared to December 31, 2022.

*Table 1: Statement of Net Position*

	December 31, 2023	December 31, 2022	Change
<b>Assets:</b>			
Cash	\$ 10,251,489	\$ 10,756,793	\$ (505,304)
Total assets	<u>10,251,489</u>	<u>10,756,793</u>	<u>(505,304)</u>
<b>Liabilities</b>			
Accrued expenses	1,588,703	5,938	1,582,765
Total liabilities	<u>1,588,703</u>	<u>5,938</u>	<u>1,582,765</u>
<b>Net position</b>			
Unrestricted	1,284,474	1,237,246	47,228
Restricted	7,378,312	9,513,609	(2,135,297)
Total net position	<u>\$ 8,662,786</u>	<u>\$ 10,750,855</u>	<u>\$ (2,088,069)</u>

The year ended December 31, 2023, was the second year of the SCORF Board’s existence. During the year ended December 31, 2023, the SCORF Board received settlement proceeds, of which \$ 233,600 was held for administrative costs per the enabling statute and reported as an accrued liability. The accrued expenses on December 31, 2023, also include \$ 22,155 in operating payables and \$ 1,332,948 in funds approved at the December 15<sup>th</sup> Board meeting.

Table 2 summarizes the SCORF Board’s Statement of Activities for the year ended December 31, 2023, as compared to the year ended December 31, 2022.

*Table 2: Statement of Activities*

	December 31, 2023	December 31, 2022	Change
Revenues	\$ 5,620,091	\$ 10,763,493	\$ (5,143,402)
Expenses	<u>7,708,160</u>	<u>12,638</u>	<u>7,695,522</u>
Change in net position	(2,088,069)	10,750,855	(12,838,924)
Net position - beginning	10,750,855	-	10,750,855
Net position - ending	<u>\$ 8,662,786</u>	<u>\$ 10,750,855</u>	<u>\$ (2,088,069)</u>

The interest earned on the funds totaled \$1,221,316 in 2023 compared to \$ 73,298 in 2022. The Fiduciary Fund is designated to receive all interest earned by the State for the funds received from the SCORF Settlement. The table reflects a significant decrease in the revenue received due to a significant decrease of funds transferred to the SCORF Board for allocation to the Fiduciary Funds. The Fiduciary Funds received \$4,398,775 in 2023 compared to \$10,690,195 in 2022.

**Economic Outlook of the SCORF Board**

The SCORF Board received additional settlements totaling \$64,597,136 and the funds earned interest totaling \$786,217 as of April 30, 2024. As of April 30, 2024, the SCORF Board distributed an additional \$9,872,426 in 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, 2023**

Assets:	
Cash	\$ <u>10,251,489</u>
Total assets	<u>10,251,489</u>
Liabilities	
Accrued expenses	<u>1,588,703</u>
Total liabilities	<u>1,588,703</u>
Net position	
Unrestricted	1,284,474
Restricted	<u>7,378,312</u>
Total net position	<u>\$ <u>8,662,786</u></u>

**South Carolina Opioid Recovery Fund Board**  
**Statement of Activities**  
**For the year ended December 31, 2023**

Expenses	
Distributions	\$ 7,421,013
Administration	<u>287,147</u>
Total expenses	<u>7,708,160</u>
General Revenues	
Recovery Income	4,398,775
Interest income	<u>1,221,316</u>
Total general revenues	<u>5,620,091</u>
Change in net position	(2,088,069)
Beginning net position	<u>10,750,855</u>
Ending net position	<u>\$ 8,662,786</u>

**South Carolina Opioid Recovery Fund Board  
Governmental Funds Balance Sheet  
December 31, 2023**

	Administrative Fund	Discretionary Fund	Total
Assets:			
Cash	\$ 1,540,229	\$ 8,711,260	\$ 10,251,489
Total assets	<u>1,540,229</u>	<u>8,711,260</u>	<u>10,251,489</u>
Liabilities			
Accrued expenses	255,755	1,332,948	1,588,703
Total liabilities	<u>255,755</u>	<u>1,332,948</u>	<u>1,588,703</u>
Fund Balance			
Assigned	1,284,474	-	1,284,474
Restricted	-	7,378,312	7,378,312
Total fund balance	<u>1,284,474</u>	<u>7,378,312</u>	<u>8,662,786</u>
Total liabilities and fund balances	<u>\$ 1,540,229</u>	<u>\$ 8,711,260</u>	<u>\$ 10,251,489</u>

**South Carolina Opioid Recovery Fund Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2023**

	Administrative Fund	Discretionary Fund	Total
Revenues			
Recovery income	\$ 334,375	\$ 4,064,400	\$ 4,398,775
Interest income	<u>          -</u>	<u>1,221,316</u>	<u>1,221,316</u>
Total revenues	<u>334,375</u>	<u>5,285,716</u>	<u>5,620,091</u>
Expenditures			
Distributions	-	7,421,013	7,421,013
Administration	<u>287,147</u>	<u>          -</u>	<u>287,147</u>
Total expenditures	<u>287,147</u>	<u>7,421,013</u>	<u>7,708,160</u>
Change in fund balance	47,228	(2,135,297)	(2,088,069)
Beginning fund balance	<u>1,237,246</u>	<u>9,513,609</u>	<u>10,750,855</u>
Ending fund balance	<u>\$ 1,284,474</u>	<u>\$ 7,378,312</u>	<u>\$ 8,662,786</u>

**South Carolina Opioid Recovery Fund Board**  
**Statement of Fiduciary Net Position**  
**December 31, 2023**

	Private Purpose Trust Fund
<b>Assets</b>	
Cash	\$ 53,260,873
Total assets	53,260,873
 <b>Liabilities</b>	
Accrued expenses	4,734,728
Total liabilities	4,734,728
 <b>Net Position</b>	
Held in trust for political subdivisions	48,526,145
Total net position	\$ 48,526,145

**South Carolina Opioid Recovery Fund Board**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended December 31, 2023**

	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Recovery income	\$ <u>12,874,905</u>
Total additions	<u>12,874,905</u>
<b>Deductions</b>	
Disbursements to political subdivisions	<u>(14,462,251)</u>
Change in net position	<u>(1,587,346)</u>
<b>Net position</b>	
Beginning of year	<u>50,113,491</u>
End of year	<u>\$ 48,526,145</u>

**South Carolina Opioid Recovery Fund Board**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

**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 (“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 SC Opioid Recovery Fund monies which are a portion of the national settlement funds distributed from the national settlement to the State of South Carolina. 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 recovery 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 Allocation 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 Agreement, which was updated in July 2023, 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.

### **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:

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.

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.

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, 2023, the SCORF Board reported \$7,378,312 of restricted net position in its governmental funds. The SCORF Board reported \$48,526,145 of restricted net position in its private purpose trust fund as of December 31, 2023, 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, 2023, 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 \$7,378,312 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, 2023, 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, 2023, the SCORF Board reported \$1,284,474 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. State Code Section 11- 13-60 requires full collateralization of all deposits held by the State Treasurer.

**Accrued Expenses** – Accrued expenses in the Administrative Fund consisted of administrative services provided by the State Fiscal Accountability Authority (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, 2023.

**Recognition of Recovery Income** – The SCORF Board generally recognizes recovery income as it is received or as the SCORF Board is notified that it will be receiving an allocation and such amount is unlikely to materially change. As the estimate of future recovery funds 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 administrative support, excluding legal services, from the SFAA, as directed under Section 11-58. The SCORF Board approved a transfer of \$233,600 to SFAA-Administration for the year ending December 31, 2023, related to this support; such amount has been accrued as of December 31, 2023. During the year ended December 31, 2023, 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 SCORF Board received additional recovery funds in March of 2024 which are allocated as follows:

- Guaranteed Political Subdivision subfund - \$46,107,358

- Discretionary Subfund - \$10,950,491
- Administrative Subfund - \$1,152,683

The SCORF Board received additional recovery funds in April of 2024 which are allocated as follows:

- Guaranteed Political Subdivision subfund - \$4,981,552
- Discretionary Subfund - \$1,277,321
- Administrative Subfund - \$127,732

The Fund has evaluated all events subsequent to the December 31, 2023, through the date these financial statements were available for issuance, July 16, 2024.



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, 2023, 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 July 16, 2024.

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  
July 16, 2024



July 16, 2024

South Carolina Opioid Recovery Fund Board  
Columbia, South Carolina

We have audited the financial statements of the South Carolina Opioid Recovery Fund Board (“SCORF Board”) for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our previously issued engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SCORF Board are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2023.

We noted no transactions entered into by the SCORF Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The SCORF Board had no significant estimates for the year ended December 31, 2023.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 16, 2024, as attached at Exhibit A.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the SCORF Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the SCORF Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In addition, in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated July 16, 2024, we communicated internal control and compliance related matters identified during the audit.

The results of our audit disclosed no instances of audit findings or issues that are required to be reported under *Government Auditing Standards*.

*Restriction on Use*

Our auditor's opinion, the audited financial statements, and the notes to the financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the governance and management of the South Carolina Opioid Recover Fund Board and is not intended to be, and should not be, used by anyone other than these specified parties.



Columbia, South Carolina  
July 16, 2024





July 16, 2024

**BOARD MEMBERS**Eric Bedingfield, *Chair*Aditi Bussells, Ph.D.  
*Vice Chair*

Toby Chappell

Steven Donaldson

Mayes DuBose, MD

Martine Helou-Allen

Gary Mixon

Lisa Montgomery

Chief Judge H. Bruce  
Williams

Mr. George L. Kennedy, III CPA  
State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

This representation letter is provided in connection with your audit of the financial statements of the South Carolina Opioid Recovery Fund Board (the "SCORF Board") and the related footnotes to the financial statements which collectively comprise the basic financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 16, 2024, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 20, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

South Carolina Opioid Recovery Fund Board  
1201 Main Street, Suite 420 Columbia, SC 29201  
[contact@scorf.sc.gov](mailto:contact@scorf.sc.gov)



- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements,
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the SCORF Board is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the SCORF Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have no knowledge of any fraud or suspected fraud that affects the SCORF Board and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the SCORF Board's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 15) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 16) We have disclosed to you the names of the SCORF Board's related parties and all the related party relationships and transactions, including any side agreements.

South Carolina Opioid Recovery Fund Board  
1201 Main Street, Suite 420 Columbia, SC 29201  
[contact@scorf.sc.gov](mailto:contact@scorf.sc.gov)



#### Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The SCORF Board has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 23) There are no violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 24) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
- 25) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 26) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 27) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 28) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 29) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 30) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 31) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 32) We have appropriately disclosed the SCORF Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

South Carolina Opioid Recovery Fund Board  
1201 Main Street, Suite 420 Columbia, SC 29201  
[contact@scorf.sc.gov](mailto:contact@scorf.sc.gov)



33) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

Signature: *Pat M. Deery, Jr.*

Title: South Carolina Opioid Recovery Fund Board Chair

Signature: *Denise Canaway*  
*Director, Office of Budget &  
Finance, State Fiscal  
Accountability Authority*

Title: \_\_\_\_\_