

TOBACCO SETTLEMENT REVENUE  
MANAGEMENT AUTHORITY  
(A Component Unit of the State of South Carolina)

Financial Statements

June 30, 2025



September 25, 2025

Members of the Tobacco Settlement Revenue  
Management Authority  
Columbia, South Carolina

This report on the audit of the financial statements of the Tobacco Settlement Revenue Management Authority for the fiscal year ended June 30, 2025, was issued by The Hobbs Group, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Sue F. Moss, CPA  
Interim State Auditor

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A Component Unit of the State of South Carolina)

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1704 Laurel Street  
Columbia, SC 29201

P.O. Box 2411  
Columbia, SC 29202

Phone (803) 799-0555  
Fax (803) 799-4212



125 W. Stone Avenue  
Greenville, SC 29609

Phone (864) 271-7503  
Fax (864) 751-5889

[www.hobbscpa.com](http://www.hobbscpa.com)

## INDEPENDENT AUDITORS' REPORT

Sue F. Moss, CPA  
Interim State Auditor  
Office of the State Auditor  
Columbia, South Carolina

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Opinion*

We have audited the financial statements of Tobacco Settlement Revenue Management Authority (the "Authority"), a component unit of the State of South Carolina as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the changes in its 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 financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 22 through 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

Columbia, South Carolina  
September 25, 2025

*The Hollar Group, P.A.*

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025

This section of the annual financial report of the Tobacco Settlement Revenue Management Authority (the “Authority”) presents the analysis of the Authority’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the financial statements and their accompanying notes, which follow this section.

**The Authority**

The Authority was created by Act No. 387 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina (the “General Assembly”), Regular Session of 2000, as codified at Section 11-49-10 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 created the Authority to receive all of the State’s payments under the Master Settlement Agreement (the “MSA”). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including South Carolina), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (collectively the “Settling States”) and the four largest United States tobacco manufacturers: Philip Morris Incorporated, R. J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company (collectively the “Original Participating Manufacturers” or “OPMs”). The MSA resolved cigarette smoking-related litigation among the Settling States and the OPMs, released the OPMs from past and present smoking-related claims by the Settling States, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States. The MSA also provides for the imposition of certain tobacco advertising and marketing restrictions, among other things. The Authority is not a party to the MSA.

The State is entitled to certain periodic payments made under the MSA. Pursuant to the Act, the Authority has been assigned all Tobacco Settlement Receipts (“TSRs”), which are the State’s right, title and interest in payments due after June 30, 2001 under the MSA. The assignment of the TSRs is irrevocable during any time when bonds are outstanding, plus one year and one day thereafter, and is a part of the contractual obligation owed to the Authority’s bondholders.

**Overview of the Financial Statements**

This analysis is intended to serve as an introduction to the Authority’s financial statements. The Authority’s financial statements consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to financial statements.

- *The Statement of Net Position and Governmental Fund Balance Sheet* include all of the Authority’s assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. The *Statement of Net Position* reports information about the Authority using accounting methods similar to those used by private sector companies and presents all assets and liabilities of the Authority – both current and long-term. The *Governmental Fund Balance*

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025

*Sheet* of the General Fund focuses only on the Authority’s resources available for expenditure at the end of the fiscal year.

- All the current year’s activity is accounted for in the *Statement of Activities* and *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance*. These statements measure the success of the Authority’s operations over the past year and can be used to determine the Authority’s credit-worthiness and ability to meet its financial objectives. The *Statement of Activities* presents information on how the Authority’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance* focuses only on the Authority’s near-term inflows and outflows of resources available for expenditure for the fiscal year.

**Summary of Financial Results**

The Authority’s financial results are summarized, discussed and compared to the prior fiscal year in the sections following.

*Government-Wide Financial Statements*

Statement of Net Position. The following table summarizes the Authority’s Net Position for the period ended June 30, 2025, along with comparative data for the prior fiscal year.

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			Difference	%
<b>Assets</b>				
Cash and cash equivalents	\$ 5,037,963	\$ 5,079,263	\$ (41,300)	-0.8%
Accrued interest receivable	6,970	-	6,970	100.0%
Tobacco settlement payments receivable	31,500,000	34,000,000	(2,500,000)	-7.4%
<b>Total assets</b>	<b>36,544,933</b>	<b>39,079,263</b>	<b>(2,534,330)</b>	<b>-6.5%</b>
<b>Liabilities</b>				
Due to Health and Human Services	10,647	13,268	(2,621)	-19.8%
<b>Total liabilities</b>	<b>10,647</b>	<b>13,268</b>	<b>(2,621)</b>	<b>-19.8%</b>
<b>Net position</b>				
Restricted by statute	31,500,000	34,000,000	(2,500,000)	-7.4%
Unrestricted	5,034,286	5,065,995	(31,709)	-0.6%
<b>Total net position</b>	<b>\$ 36,534,286</b>	<b>\$ 39,065,995</b>	<b>\$ (2,531,709)</b>	<b>-6.5%</b>

The Authority’s assets include cash and cash equivalents, accrued earnings on those cash and cash equivalents, and estimated tobacco settlements receivable. Certain of the Authority’s assets are classified as restricted by statute because they are subject to external legal constraint for appropriation by the State in accordance with the expenditure provisions of Section 11-11-170 of the South Carolina Code of Laws 1976, as amended (the “Expenditure Act”). The remaining assets are held by the Authority to pay its authorized operating expenses.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025

The Authority’s cash and cash equivalents decreased by 0.8% over the course of the fiscal year. This decrease is due to decreasing investment earnings with similar amounts of payments of operating expenses. Tobacco settlement payments receivable decreased by \$2,500,000, or 7.4%, due to a decrease in anticipated payments during fiscal year 2025 based on expected cigarette sales. Total assets decreased by 6.5% reflecting these same factors.

Net position restricted by statute is comprised of that portion of TSRs forecasted to be earned in the current fiscal year but received in the ensuing fiscal year. The amount of TSRs is dependent on many factors including future tobacco consumption, certain adjustments, and the financial capability of the OPMs and consequently, except as noted above, do not meet asset recognition criteria under accounting principles generally accepted in the United States of America (“GAAP”).

Statement of Activities. The following table summarizes the Authority’s activities for the period ended June 30, 2025 with comparative amounts for the prior fiscal year.

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			Difference	%
<b>General revenues</b>				
Tobacco settlement revenues	\$ 64,333,057	\$ 67,953,028	\$ (3,619,971)	-5.3%
Investment earnings	31,289	65,407	(34,118)	-52.2%
Total general revenues	64,364,346	68,018,435	(3,654,089)	-5.4%
<b>Expenses</b>				
General government	2,059,710	2,072,710	(13,000)	-0.6%
Total expenses	2,059,710	2,072,710	(13,000)	-0.6%
Excess of general revenues over expenses before transfers	62,304,636	65,945,725	(3,641,089)	-5.5%
<b>Transfers</b>				
Transfers to state funds and programs pursuant to proviso	(64,836,345)	(68,490,081)	3,653,736	-5.3%
Total transfers	(64,836,345)	(68,490,081)	3,653,736	-5.3%
Change in net position	(2,531,709)	(2,544,356)	12,647	-0.5%
Net position - beginning of year	39,065,995	41,610,351	(2,544,356)	-6.1%
Net position - end of year	\$ 36,534,286	\$ 39,065,995	\$ (2,531,709)	-6.5%

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025

General revenues of approximately \$64,364,000 reflect the receipt of and accrual for TSRs and investment earnings. Revenues decreased year over year by \$3,654,089 or 5.4% which represent decreases in tobacco settlement payments that have been received by the Authority for the year ended June 30, 2025 furthered by a decrease of \$2,500,000 for the amount of estimated tobacco settlement payments receivable which will be collected in April 2026. These payments are dependent on remittances received by the State under the MSA each year. In addition, investment earnings of \$31,289 were earned during the year ended June 30, 2025, which decreased by \$34,118 due to a decrease in cash balances held during the fiscal year as well as poorer overall investment performance.

The Authority's expenses primarily consisted of its administrative expenses and directed transfers to other state agencies for diligent enforcement. Total expenses during the year ended June 30, 2025 approximated those for the year ended June 30, 2024. Transfers to the state fund decreased by \$3,653,736 as a result of the decrease in tobacco settlement payments received during the year ended June 30, 2025, which are subsequently transferred to State funds and programs.

*Governmental Funds*

As of the end of the current fiscal year, the ending fund balance in the Authority's governmental fund was \$36,534,286, a decrease of \$2,531,709 by comparison to the prior fiscal year due to a decrease in receipt of TSRs. Of the total fund balance, \$31,500,000 is restricted for statutory expenditures. The factors contributing to the change in fund balance year over year are the same as those described above in the discussion and analysis of the government-wide financial statements.

**Long-Term Debt Activity**

On March 22, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by the Bank of New York), as trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased the Series 2001 Bonds with certain cash funds and proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between the Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority. All of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in, and accordingly are no longer outstanding under, the Trust Indenture. On June 1, 2012, the Authority redeemed the outstanding Series 2008 Bonds as Turbo Redemptions; accordingly, all of the Authority's debt has been fully discharged.

The Authority has no present plans to undertake the issuance of additional debt.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025

**Budgetary Highlights**

The Authority annually adopts an operating budget as required by its by-laws. From a budgetary perspective, the Authority realized a \$41,526 deficiency of revenues over expenditures during the fiscal year ended June 30, 2025 which arose due to factors described in the Summary of Financial Results contained herein. The difference between the budgetary excess, as compared to the excess reported on the Statement of Activities, is due primarily to the lack of recognition of the \$2,500,000 decrease in tobacco settlement payments receivable under the budgetary basis of accounting.

**Economic Factors and Outlook**

As noted above, the amount of TSRs is dependent on many factors including future tobacco consumption, certain adjustments, and the financial capability of the OPMs; accordingly, the amount of future TSRs, and particularly the financial effects of the Disputed Payments Settlement thereon, cannot be presently determined with precision.

Since all of the Authority's debt has been fully discharged and the Authority has no present plans to undertake the issuance of additional indebtedness, the effects of these factors on the Authority's debt profile have been abated. The Authority's continuing responsibility thereafter is limited to the receipt and distribution of future TSRs as prescribed by law.

**Contacting the Authority**

Persons needing additional information concerning this report or otherwise needing to contact the Authority should address requests to:

SC Office of the Treasurer  
1200 Senate Street, Suite 214  
Wade Hampton Office Building  
Columbia, SC 29201

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

STATEMENT OF NET POSITION

JUNE 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,037,963
Accrued interest receivable	6,970
Tobacco settlement payments receivable	<u>31,500,000</u>
Total assets	<u>36,544,933</u>
Liabilities	
Due to Health and Human Services	<u>10,647</u>
Total liabilities	<u>10,647</u>
Net position	
Restricted by statute	31,500,000
Unrestricted	<u>5,034,286</u>
Total net position	<u>\$ 36,534,286</u>

The Notes to Financial Statements are an integral part of this statement.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Activities
Program expenses	
General government	\$ 2,059,710
Total expenses	2,059,710
Net program expense	2,059,710
General revenues	
Tobacco settlement revenues	64,333,057
Investment earnings	31,289
Total general revenues	64,364,346
Change in net position before transfers	62,304,636
Transfers	
Transfers to state funds and programs pursuant to proviso	(64,836,345)
Change in net position	(2,531,709)
Net position	
Beginning of the year	39,065,995
End of the year	\$ 36,534,286

The Notes to Financial Statements are an integral part of this statement.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 5,037,963
Accrued interest receivable	6,970
Tobacco settlement payments receivable	31,500,000
Total assets	36,544,933
<b>Liabilities</b>	
Due to Health and Human Services	10,647
Total liabilities	10,647
<b>Fund balance</b>	
Restricted by statute	31,500,000
Committed to operating expenses	5,034,286
Total fund balance	36,534,286
Total liabilities and fund balance	\$ 36,544,933

The Notes to Financial Statements are an integral part of this statement.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund
Revenues	
Tobacco settlement revenues	\$ 64,333,057
Investment earnings	31,289
Total revenues	64,364,346
Expenditures	
General government	2,059,710
Total expenditures	2,059,710
Excess of revenues over expenditures before transfers	62,304,636
Transfers	
Transfers to state funds and programs pursuant to proviso	(64,836,345)
Total transfers	(64,836,345)
Net change in fund balance	(2,531,709)
Fund balance	
Beginning of the year	39,065,995
End of the year	\$ 36,534,286

The Notes to Financial Statements are an integral part of this statement.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 1. Reporting Entity**

The Tobacco Settlement Revenue Management Authority (the “Authority”) is a public body and an instrumentality of the State of South Carolina (the “State”) established in 2001 pursuant to Section 11-49-10 et seq. of the South Carolina Code of Laws 1976, as amended. The State transferred to the Authority all of its rights and interests under the Master Settlement Agreement (the “MSA”) and the Consent Decree and Final Judgment (the “Decree”) between all participating States and the participating Tobacco manufacturers. These rights include the State’s share of all Tobacco Settlement revenue received after June 30, 2001 and in perpetuity to be received under the MSA.

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 Authority has determined that it qualifies as a primary entity, it is a component unit of the State of South Carolina, and it has no component units.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization’s governing body including situations in which the voting majority consists of the primary entity’s officials serving as required by law (e.g., employees who serve in an ex-officio capacity on the component unit’s board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally independent if it holds all of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally dependent on the primary government or entity that holds one or more of the above powers. Based on these criteria, the Authority is a blended component unit of the primary government of the State. Accordingly, the financial statements are blended in the State’s special revenue funds in the State’s Annual Comprehensive Financial Report.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

**Note 1. Reporting Entity (continued)**

The Authority is governed by a board, which consists of five members. The members are the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The Governor serves as chairman; in the absence of the Governor, the meeting is chaired by the State Treasurer. All members of the Board serve ex officio.

**Note 2. Summary of Significant Accounting Policies**

**General**

In its accounting and financial reporting in conformity with accounting principles generally accepted in the United States of America, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB").

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund. Significantly, the statement of net position may include non-current assets and liabilities, which generally are not included in the fund statements. The statement of net position includes three components of net position.

- (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The Authority does not have any capital assets; thus this classification is not used.
- (2) Restricted net position consists of net position subject to external constraints imposed by creditors (such as through debt covenants), contributors, laws, or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The Authority reports that portion of its net position restricted by statutory constraints as restricted net position.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 2. Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

- (3) Unrestricted net position consists of net position that does not meet the definition of restricted net position or invested in capital assets, net of related debt. The Authority reports that portion of its net position not externally constrained, primarily funds available for payment of its authorized operating expenses, as unrestricted net position.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues. The Authority has no program revenues.

In addition to the government-wide financial statements, the Authority has prepared financial statements for the Authority's only governmental fund. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Tobacco Settlement Revenues ("TSRs") are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The Authority reports one governmental fund, the General Fund, which is the general operating fund of the Authority. It is used to account for all financial resources of the Authority. As a blended component unit of the State, the Authority's General Fund is reported as a special revenue fund in the financial statements of the State.

**Asset Recognition Criteria for TSRs**

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

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

**Note 2. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

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

**Investments**

Investments, if any, are recorded on the Statement of Net Position and the Governmental Fund Balance Sheet at fair value. All investment income, including changes in the fair value of investments, is reported as revenue in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**Fund Balance**

The Authority reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications for governmental funds that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported therein. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed, as well as accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent.

The Authority conforms its fund balance reporting to the classification and hierarchy structure of the State, generally as follows:

*Restricted*

Fund balance is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors, grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources from resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party can compel the government to honor.

*Committed*

Fund balance is reported as committed if the Authority's by-laws or official actions, including adoption of its annual budget, constrain the use of its resources. Committed constraints can be removed only through similar action that created the constraint.

*Assigned*

Fund balance is reported as assigned if the fund balance is constrained by the Authority's intent to expend resources for specific purposes. Such intent may be expressed by an official or body pursuant to delegation by the Authority.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 2. Summary of Significant Accounting Policies (continued)**

**Fund Balance (continued)**

*Non-spendable*

Fund balance is reported as non-spendable if the balance has a lack of availability in form or substance of the assets and liabilities reported in the fund to meet its obligations in the near future.

*Unassigned*

Fund balance is reported as unassigned for all residual amounts not otherwise classified.

The Authority has no assigned, non-spendable, or unassigned fund balance.

The Authority's bond enabling act provides a covenant for the irrevocable assignment of certain of the Authority's assets during any time bonds are outstanding, plus one year and one day thereafter. All of the Authority's outstanding bonds were retired on June 1, 2012. Accordingly, until June 2, 2013, certain of the Authority's assets were classified as restricted by bond covenants because they were subject to a legally enforceable external constraint by the terms of the Trust Indenture.

Subsequent to June 2, 2013, assets previously restricted by bond covenants are available to the State in accordance with the expenditure provisions of Section 11-11-170 of the South Carolina Code of Laws 1976, as amended (the "Expenditure Act"). The Authority classifies all TSRs held at, or received or receivable subsequent to June 2, 2013, as restricted by statute, since the Expenditure Act constrains the use of that portion of the Authority's resources. The remaining portion of net position is reported as unrestricted.

Likewise, in the Governmental Fund Balance Sheet, the portion of fund balance that is subject to the Expenditure Act is reported as restricted by statute; however, the remaining portion of fund balance is reported as committed to operating expense inasmuch as that portion of fund balance is constrained by the Authority's annually adopted budget. The Authority has full statutory power to adopt, revise and rescind its budget, and to expend funds for the costs of administering its operations.

The Authority classifies the expenditure of funds when incurred based on the nature of the expenditure, with externally directed expenditures generally made from restricted funds, and expenditures made within the discretion of the Authority or subject to its own budget, primarily its authorized operating expenditures, made from committed funds.

The Authority is required by State proviso to transfer any remaining TSRs, after transfers to the South Carolina Attorney General and Law Enforcement Division, to the South Carolina Department of Health and Human Services ("HHS"). At HHS' request, the Authority held \$10,647 of cash due to HHS at June 30, 2025 and has recorded a liability to HHS as a result for the remaining transfer of these funds.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 2. Summary of Significant Accounting Policies (continued)**

**Administrative Expenses**

The State of South Carolina and certain of its agencies perform certain accounting, administrative, legal, and enforcement services for the Authority, and the value of these services is accounted for as general government expenses in the financial statements. Note 6 – Related Party Transactions contains descriptions of and amounts expended for these purposes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3. Deposits**

Prior to June 2, 2013, the Authority’s cash deposits held by the trustee were held in several restricted accounts in the name of the Authority, subject to investment restrictions imposed by the Trust Indenture. The Authority has not adopted a formal policy for these deposits because the Trust Indenture contains these restrictions.

Subsequent to June 2, 2013, all of the Authority’s cash deposits are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all bank balances under the control of the State Treasurer, who must correct any deficiencies in collateral within two days. At June 30, 2025, all bank balances under the control of the State Treasurer were fully insured or collateralized with securities held by the State’s agent in the name of the State Treasurer.

The following schedule reflects the Authority’s deposits at their fair and reported values at June 30, 2025, and reconciles the amounts reported in the statement of net position to the notes.

	Notes		Statements
Deposits			
Held by State Treasurer	\$ 5,037,963	Cash and cash equivalents	\$ 5,037,963
Totals	\$ 5,037,963		\$ 5,037,963

Further information concerning among other things values and risks of deposits and investments under the control of the State Treasurer, including disclosure under GASB Statement No. 40, Deposits and Investments – Risk Disclosures, is disclosed in the Annual Comprehensive Financial Report of the State of South Carolina, which may be accessed at [www.cg.sc.gov](http://www.cg.sc.gov).

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 4. Bonds Payable**

On March 22, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by the Bank of New York), as trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased the Series 2001 Bonds with certain cash funds and proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between the Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority. On June 1, 2012, the Authority redeemed the outstanding Series 2008 Bonds as Turbo Redemptions; accordingly, all of the Authority's debt has been fully discharged.

At June 30, 2025, a total of \$64,890,000 of the Authority's legally and economically defeased Series 2001 Bonds remained outstanding; however, all of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in, and accordingly are no longer outstanding under, the Trust Indenture.

**Note 5. Disputed Payments**

Under the provisions of the MSA, the participating manufacturers ("PMs") are potentially entitled to an adjustment of their required payments under the MSA (an "NPM Adjustment") in the event that all of the PMs, in the aggregate, lose more than two percentage points of market share compared to the market share of the PMs in 1997. However, the annual adjustment cannot be applied against settling states that have enacted and diligently enforced an escrow fund statute during the applicable year. Each year since 1999, the PMs have requested that the Independent Auditor, PricewaterhouseCoopers, apply the NPM Adjustment. In accordance with the terms of the MSA, the Independent Auditor will not apply any given year's adjustment until a panel of three arbitrators determines the diligent enforcement efforts of all states. In 2003, the MSA signatories settled the NPM Adjustment disputes for 1999 through 2002.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

**Note 5. Disputed Payments (continued)**

In May 2013, South Carolina joined 21 other states and the PMs in agreeing to terms of a settlement of the NPM adjustment disputes for the years 2003 through 2012. In October 2017, the terms of the settlement for 2003 through 2012, were memorialized in the NPM Adjustment Settlement Agreement (the "Agreement"). Between 2013 and October 2017, the number of signatory states increased to 35, and during that same period, those states and the PMs agreed to settle the 2013 through 2015 NPM Adjustment disputes. Thereafter, in November 2018, an addendum to the Agreement resolved the 2016 and 2017 disputed payments. In July 2020, the Agreement was further extended to resolve the 2018 through 2022 disputes. The Agreement has been extended through 2023-2024. The number of signatory states is now 39. The State of New York settled its disputed payments in a separate agreement with the PMs. The Agreement and addendum provided that the signatory states would receive certain payments released from the disputed payments account and that the PMs would be entitled to take certain credits from MSA payments. In addition to the financial terms of the settlement, the PMs agreed to reduce withholding amounts for future disputed payments, and the parties agreed to a modification of the diligent enforcement standards for future NPM Adjustment disputes.

As of its most recent payment dates of April 15, 2025 and April 17, 2025, South Carolina has received \$159,206,118 released from the MSA Disputed Payment Account (DPA) related to the Agreement. For the same time period, South Carolina related MSA payment credits and DPA funds disbursed to the PMs totaled \$103,445,868.

The \$103,445,868 in South Carolina related MSA payment credits and DPA funds represent amounts disbursed to the PMs as a result of the settling of NPM adjustment disputes. The State of South Carolina has chosen not to litigate the PMs assertion that South Carolina has not diligently enforced statutes created in response to the MSA between the State of South Carolina and the PMs.

South Carolina's current estimated minimum exposure related to the NPM adjustment is \$19,898,255 (Sales Year 2024) relating to challenges of diligent enforcement and other settlement factors. At this time the result of this dispute cannot be determined.

**Note 6. Related Party Transactions**

The State of South Carolina, through the Office of Attorney General, the State Law Enforcement Division, and the South Carolina Department of Revenue, provides certain legal and enforcement services to the Authority. During the fiscal year ended June 30, 2025, the Authority made or provided for \$2,028,000 in expenditures from its general fund to these state agencies to cover costs of providing these services. The Office of State Treasurer provides administrative, investment, operations, record keeping, and other support services to the Authority; however, no reimbursements were made by the Authority during the fiscal year ended June 30, 2025 to cover costs of providing these services.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

**Note 7. Risk Management**

The Authority is exposed to risks of loss from torts and maintains State coverage for these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The insurer promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles. The Authority and other entities pay premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to torts. The IRF is a self-insurer whose rates are determined actuarially.

No payments for uninsured losses were made during the fiscal year ended June 30, 2025.

**Note 8. Subsequent Events**

The Authority has evaluated all events subsequent to the statement of net position date of June 30, 2025 through the date of issuance of these financial statements, September 25, 2025, and has determined that there are no subsequent events requiring disclosure.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
<b>Revenues</b>				
Tobacco settlement receipts	\$ 69,000,000	\$ 69,000,000	\$ 66,833,057	\$ (2,166,943)
Investment earnings	-	-	24,093	24,093
<b>Total revenues</b>	<b>69,000,000</b>	<b>69,000,000</b>	<b>66,857,150</b>	<b>(2,142,850)</b>
<b>Expenditures</b>				
Contractual services	41,000	41,000	26,700	14,300
Fixed charges and contributions	6,000	6,000	5,010	990
<b>Total expenditures</b>	<b>47,000</b>	<b>47,000</b>	<b>31,710</b>	<b>15,290</b>
<b>Transfers</b>				
Transfers to other state agencies	69,000,000	69,000,000	66,866,966	2,133,034
<b>Total transfers</b>	<b>69,000,000</b>	<b>69,000,000</b>	<b>66,866,966</b>	<b>2,133,034</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (47,000)</b>	<b>\$ (47,000)</b>	<b>\$ (41,526)</b>	<b>\$ 5,474</b>

See accompanying notes to required supplementary information.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF SOUTH CAROLINA)  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 1. Basis of Presentation**

Section 11-49-60 of the South Carolina Code of Laws 1976, as amended requires the Authority to adopt an annual budget for its operational expenditures. The accompanying budgetary comparison schedule compares the Authority’s legally adopted budget to actual results on the budgetary basis.

**Note 2. Budgetary Revisions**

The Authority maintains budgetary control at the object category of expenditure and must approve any transfer of appropriations between the object categories.

**Note 3. Differences in Budgetary and GAAP Reporting**

The accompanying budgetary comparison schedule compares the Authority’s legally adopted budget with actual results in accordance with the Authority’s basis of budgeting. The Authority’s primarily cash basis budgetary accounting principles, however, differ significantly from GAAP. These different accounting principles may result in basis differences in the excess (deficiency) of revenues over expenditures. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the governmental fund statement of revenues, expenditures, and changes in fund balance. The primary differences reflected in the budgetary comparison schedule for the fiscal year ended June 30, 2025 were as follows:

Total revenues, budgetary basis	\$ 66,857,150
Decrease in accrual for TSRs not accounted for under the budgetary basis	(2,500,000)
Change in accrued interest receivable and mark- to-market amounts	7,196
Total revenues, GAAP basis	\$ 64,364,346
Total expenditures, budgetary basis	\$ 31,710
Transfers accounted for as expenditures for GAAP	2,028,000
Total expenditures, GAAP basis	\$ 2,059,710
Total transfers, budgetary basis	\$ 66,866,966
Change in amounts payable under GAAP	(2,621)
Transfers accounted for as expenditures for GAAP	(2,028,000)
Total expenditures, GAAP basis	\$ 64,836,345

1704 Laurel Street  
Columbia, SC 29201

P.O. Box 2411  
Columbia, SC 29202

Phone (803) 799-0555  
Fax (803) 799-4212



125 W. Stone Avenue  
Greenville, SC 29609

Phone (864) 271-7503  
Fax (864) 751-5889

[www.hobbscpa.com](http://www.hobbscpa.com)

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*

Sue F. Moss, CPA  
Interim State Auditor  
Office of the State Auditor  
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 (*Government Auditing Standards*), the financial statements of the governmental activities and the major fund of Tobacco Settlement Revenue Management Authority (the "*Authority*") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements, will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

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

Columbia, South Carolina  
September 25, 2025

*The Halle Group, P.A.*