SOUTH CAROLINA
TRANSPORTATION INFRASTRUCTURE BANK

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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October 16, 2013

The Honorable Nikki R. Haley, Governor
and
Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Transportation Infrastructure Bank for the fiscal year ended June 30, 2013, was issued by Scott and Company, LLC, 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,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

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SCOTT + COMPANY

Independent Auditor's Report

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Bank as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Bank's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the Bank. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2013, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bank's basic financial statements. The combining statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 14, 2013, on our consideration of the Bank'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 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 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 Bank's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
October 14, 2013

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the South Carolina Transportation Infrastructure Bank (the "Bank") provides a narrative overview of the Bank's financial activities for the fiscal year ended June 30, 2013. The MDA should be read in conjunction with the Bank's financial statements which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Bank's basic financial statements. The Bank's basic financial statements include three components: 1) bank-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These components are described below:

Bank-Wide Financial Statements

The *Bank-Wide Financial Statements* provide a broad overview of the Bank's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Bank's financial position, which assists in assessing the Bank's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This method of accounting is similar to that used by most businesses. The financial statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Bank-wide financial statements include two statements:

The *Statement of Net Position* presents all of the Bank's assets, deferred outflows of resources, liabilities, and net position. Over time, increases or decreases in the Bank's net position may serve as a useful indicator of whether the mission of the Bank is successfully being implemented.

The liabilities of the Bank exceeded the assets and deferred outflows as of June 30, 2013 resulting in a deficiency of $778.4 million. The mission of the Bank is to provide financial assistance for major transportation projects. The Bank does not own or maintain any of the projects. The Bank issues bonds and incurs other financing liabilities to construct the projects, which are donated to the South Carolina Department of Transportation ("SCDOT") for ownership and maintenance. As a result, the assets of the Bank are reduced while the debt remains. Conversely, SCDOT will record these projects as construction in progress or capital assets in its financial statements with no related liability. Approximately $1.3 billion of the Bank's net position is restricted to service the outstanding debt and to fund projects under commitment.

The *Statement of Activities* presents information showing how the Bank'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. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as receivables from state agencies and county governments.

During fiscal year 2013, revenues exceeded expenses by $39.2 million resulting in a decrease in net position and an increase in net position as of fiscal year-end. This is primarily due to revenues continuing to increase while outlays for approved projects continues to be less than projections.

The Bank-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bank, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bank can be divided into two categories, governmental funds and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds - The financial activity related to the mission of the Bank is accounted for in the governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Bank-wide financial statements. However, unlike the Bank-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Bank's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Bank's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Bank.

As of June 30, 2013, the fund balance in the Bank's governmental fund was $1.337 billion. This fund balance is used for providing financial assistance to transportation projects and to service the debt related to providing that assistance. As of June 30, 2012 the fund balance was $1.372 billion. The decrease as of June 30, 2013 of $35 million was primarily due to an increase in the payment of the expenditures for highway construction and debt service.

Because the focus of governmental funds is narrower than that of the Bank-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the Bank-wide financial statements. By doing so, readers may better understand the long-term impact of the Bank's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the Bank's activities. These reconciliations are presented immediately following each governmental fund financial statement.

The governmental fund financial statements can be found immediately following the Bank-wide financial statements.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside of the Bank. Fiduciary funds are not reflected in the Bank-wide financial statements because the resources of these funds are not available to support the Bank's own programs. Fiduciary funds financial statements use the accrual basis of accounting. The Bank's fiduciary funds are the Horry County Loan Servicing Account and Horry County Loan Reserve Account which contain funds held by the Bank on behalf of Horry County to make loan payments due to the Bank from Horry County.

The fiduciary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Bank-wide and the fund financial statements. The notes to the financial statements can be found immediately following fiduciary fund financial statements.

BANK-WIDE FINANCIAL ANALYSIS
Net Position

Net position may serve over time as a useful indicator of a government's financial position, or in the case of the Bank, for which liabilities will generally exceed assets, an indicator of whether the mission is successfully being implemented. The Bank's liabilities (all classified as governmental activities) exceeded assets by $778.4 million at the close of business on June 30, 2013 (see Table 1). The largest portion of the Bank's assets are non-current assets from loans and other contributions receivable from county and state governments. The largest portion of the Bank's liabilities are non-current liabilities which include bonds payable. As the mission of the Bank is to provide financing for transportation projects, but not own or maintain these projects, the Statement of Net Position will generally reflect a negative net position. The investment in infrastructure as a result of the projects financed by the Bank will be reflected on the financial statements of the SCDOT or other governmental entity which will own and maintain the roads.

Table 1
Statement of Net Position
(expressed in millions)

	Governmental Activities	
	June 30, 2012	June 30, 2013
Current Assets	$ 185.2	$ 220.8
Non-current Assets	1,293.2	1,240.9
Deferred Outflows	47.5	17.0
Total Assets and Outflows	1,525.9	1,478.7
Current Liabilities	173.4	204.0
Non-current Liabilities	2,170.0	2,053.1
Total Liabilities and Inflows	2,343.4	2,257.1
Net Position:		
Restricted	1,417.7	1,387.7
Unrestricted net position	(2,235.2)	(2,166.1)
Total net position	(817.5)	(778.4)
Total Liabilities and Net Position	$ 1,525.9	$ 1,478.7

The restricted portion of the Bank's net position represents amounts required for debt service of bonds and commitments to fund projects from bond proceeds.

Changes in Net Position

In FY2013, the Bank's net position increased by $39.2 million. This is primarily due to revenues continuing to increase while outlays for approved projects continues to be less than projections. The primary sources of program revenues are contributions and other payments made by state and county governments pursuant to intergovernmental agreements. The general revenue sources of the Bank in 2013 were truck registration fees (40%); contribution from SCDOT in an amount equivalent to revenues generated from one-cent of gasoline tax (16%); motor vehicle registration fees (26%); electric power tax (2%); program revenues include contributions pursuant to intergovernmental agreements of $1.92 million which is (1%) of total revenues; and investment earnings (15%). 16% of the Bank's expenses represent transportation projects and 84% of expenses were interest on debt and other debt related costs.

Table 2 presents a breakdown of the revenues and expenses of the governmental activities.

Table 2
Changes in Net Position
(expressed in millions)

	Governmental Activities	
	June 30, 2012	June 30, 2013
Revenues:		
Program Revenues:		
Charges for Services	$ 3.2	$ 1.9
General Revenues:		
Truck registration fees	61.8	61.9
Gasoline tax	26.1	23.8
Motor vehicle registration fees	37.6	39.3
Electric power tax	3.5	3.4
Investment earnings	39.0	22.6
Total general revenues	168.0	151.0
Total Revenues	171.2	152.9
Expenses:		
Administration	0.2	0.4
Transportation projects assistance	36.3	18.1
Interest and other debt costs	101.7	95.3
Total Expenses	138.2	113.8
Increase in net position	33.0	39.1
Net position, beginning of year	(850.5)	(817.5)
Net position, end of year	$ (817.5)	$ (778.4)

FINANCIAL ANALYSIS OF THE BANK'S INDIVIDUAL FUNDS

As noted earlier, the Bank uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Bank's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Bank's financing requirements. In particular, the classifications of fund balance may serve as a useful measure of a government's net resources available for spending, and the level of restriction related to those resources, at the end of the fiscal year. As of the end of the current fiscal year, the ending balance in the Bank's governmental fund was $1.337 billion, a decrease of $35 million in comparison with the prior year. The entire governmental fund balance is restricted for debt service requirements, bond funded projects, or highway construction.

Debt Administration

The authority of the Bank to incur debt is pursuant to the act which created the Bank and is found in Sections 11-43-110, etseq. of the South Carolina Code. The Bank has the legal authority to issue general obligation bonds of the state and revenue bonds. The Bank's total amount of revenue bonds issued is in excess of $2 billion. During fiscal year 2013, the Bank paid $515.63 million towards principal of outstanding revenue bonds including the refunding of $424.9 million of revenue bonds and $2.125 million towards prinicipal of outstanding general obligation bonds. At year end, the principal balance of outstanding revenue bonds was $1.973 billion and the outstanding balance on general obligation bonds was $41.15 million. Additional information on the Bank's long-term debt obligations can be found in Note 5 of the Notes to the Financial Statements of this report.

Economic Factors

Revenues to the Bank continue to meet requirements for covering debt service and providing necessary cash to meet project expenditures. Truck registration fee revenues increased in fiscal year 2013 by 3.1% over the biennial period. The amount contributed by SCDOT equivalent to revenues from one-cent of gas tax was relatively flat between fiscal years 2012 and 2013. These revenues are pledged by the Bank to the repayment of revenue bonds. Due to the conservative financial plan of the Bank, including sufficient coverage ratios, and the overall strength of the Bank's revenue sources, the Bank continues to maintain an "A" credit rating on its debt. The Bank's short-term and long-range financial plans are constantly reviewed and updated to ensure financial sources are available to meet commitments made by the Bank Board.

Request For Information

This financial report is designed to provide a general overview of the South Carolina Transportation Infrastructure Bank's finances for all of the Bank's taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Bank's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Transportation Infrastructure Bank
955 Park Street, Room 120B
Columbia, South Carolina 29201

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF NET POSITION
JUNE 30, 2013
(expressed in thousands)

ASSETS AND DEFERRED OUTFLOW		Governmental Activities
Current assets:		
Cash and cash equivalents	$	51,775
Accrued interest receivable		111
Intergovernmental loans/receivables:		
County governments		226
Restricted current assets:		
Cash and cash equivalents		100,133
Intergovernmental loans/receivables:		
State agencies		31,630
County governments		31,027
Other entities		5,900
Total current assets		220,802
Noncurrent assets:		
Intergovernmental loans/receivables:		
County governments		5,572
Restricted assets:		
Cash and cash equivalents		683,083
Accrued interest receivable		2,722
Intergovernmental loans/receivables:		
State agencies		285,833
County governments		247,989
Unamortized bond issuance costs		15,670
Total noncurrent assets		1,240,869
Deferred Outflow:		
Deferred outflow - hedging portion		17,035
Total noncurrent assets		17,035
Total assets and deferred outflow	$	1,478,706
LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities:		
Liabilities payable from restricted current assets:		
Bonds payable - current portion	$	73,765
Accrued interest payable - bonds		20,694
Total liabilities payable from restricted current assets		94,459
Accounts payable		3,638
Deferred revenue		105,818
Compensated absences payable		7
Total current liabilities		203,922
Noncurrent liabilities:		
Bonds payable, net of current portion		1,973,774
Rebatable arbitrage payable		1,222
Compensated absences payable		26
Derivative instrument liability - hedging portion		17,035
Derivative instrument liability - off market portion		61,099
Total noncurrent liabilities		2,053,156
Total liabilities		2,257,078
Net Position:		
Restricted:		
Debt service reserve		153,558
Debt service principal and interest		1,079,272
Bond funded projects		154,911
Unrestricted net position		(2,166,113)
Total net position		(778,372)
Total liabilities and net position	$	1,478,706

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(expressed in thousands)

	Governmental Activities
Expenses:	
Public transportation facilities development:	
General operating	$ 399
Financial assistance awards for constructing and improving highway and other transportation facilities and other project costs	18,122
Interest	94,157
Bond related expenditures	1
Amortization of bond issuance costs	1,119
Total program expenses	113,798
Program revenues	
Charges for services - contributions	(1,924)
Net program expenses	111,874
General revenues:	
Gasoline tax and vehicle registration fees	128,472
Interest/investment income	22,556
Total general revenues	151,028
Change in net position	39,154
Net position - beginning of year	(817,526)
Net position - end of year	$ (778,372)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2013
(expressed in thousands)

		Public Transportation Facilities Development
ASSETS		
Cash and cash equivalents		$ 51,775
Intergovernmental loans/receivables:		
County governments		5,797
Accrued interest receivable		111
Restricted assets:		
Cash and cash equivalents		783,216
Accrued interest receivable		2,722
Intergovernmental loans/receivables:		
State agencies		317,463
County governments		279,017
Other entities		5,900
Total assets		$ 1,446,001
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		$ 3,638
Deferred revenue		105,818
Total liabilities		109,456
Fund balance:		
Restricted		1,336,545
Total fund balance		1,336,545
Total liabilities and fund balance		$ 1,446,001
Reconciliation to the statement of net position:		
Fund balance - governmental fund		$ 1,336,545
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the governmental fund:		
Bonds payable	(2,047,539)	
Derivative instrument liability	(61,099)	
Rebatable arbitrage payable	(1,222)	
Compensated absences payable	(33)	
Accrued interest payable	(20,694)	(2,130,587)
Assets that are capitalized and amortized in statement of net position are charged to expenditures in the governmental fund:		
Bond issuance cost	25,815	
Less, amortization	(10,145)	15,670
Deficiency - government activities		$ (778,372)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2013

(expressed in thousands)

		Public Transportation Facilities Development
Revenues:		
Contribution of gasoline tax revenue for construction projects by the South Carolina Department of Transportation	$	23,821
Truck registration fees and penalties transferred from South Carolina Department of Motor Vehicles		61,965
Motor vehicle registration fees and penalties transferred from South Carolina Department of Motor Vehicles		39,271
Electric power tax revenue transferred from South Carolina Department of Transportation		3,416
Contributions pursuant to intergovernmental agreements for specific construction projects		1,924
Interest/investment income:		
Deposits and investments		7,761
Loans and receivables		14,795
TOTAL REVENUES		152,953
Expenditures:		
General operating		366
Financial assistance awards for constructing and improving highway and other transportation facilities		18,123
Debt service:		
Interest		98,293
Principal		70,752
Bond issuance costs		2,425
Bond related expenditures		1
TOTAL EXPENDITURES		189,960
EXCESS OF EXPENDITURES OVER REVENUES		(37,007)
Other financing sources		
Refunding bonds issued		424,910
Premium on bonds issued		53,560
Other financing uses		
Payment of refunded bond proceeds to escrow agent		(476,620)
TOTAL OTHER FINANCING SOURCES		1,850
EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES OVER REVENUES AND OTHER FINANCING SOURCES		(35,157)
FUND BALANCE, beginning of year		1,371,702
FUND BALANCE, end of year	$	1,336,545

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

(expressed in thousands)

Excess of revenues and other financing sources (under) expenditures for the governmental fund	$	(35,157)
Proceeds from the issuance of bonds are reported as other financing source in the governmental fund and as an increase in liabilities in the statement of net position		(478,470)
Decrease in accrued interest payable is reported as an expense in the statement of activities		1,597
Amortization of premiums/discounts on bonds is reported as an adjustment of interest expense in the statement of activities		4,981
Amortization of deferred losses on refunding of bonds is reported as expenses in the statement of activities		(5,244)
Change in arbitrage liability is reported as expenses in the statement of activities		(312)
Amortization of bond issuance costs is reported as an expense in the statement of activities		(1,119)
Amortization of derivative instruments is reported as a reduction of interest expense in the statement of activities		3,114
Repayment of long-term debt is reported as an expenditure in the governmental fund and as a reduction in liabilities in the statement of net position		70,752
Increases in compensated absences is reported as an expense in the statement of activities		(33)
Escrow deposits for advance refunding of long-term debt is reported as other financing use in the governmental fund		476,620
Bond issuance costs are reported as an expenditure in the governmental fund and as an addition to assets in the statement of net position		2,425
Change in net position	$	39,154

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013
(expressed in thousands)

		Agency Funds
ASSETS		
Cash and cash equivalents	$	41,128
Total assets	$	41,128
LIABILITIES		
Funds held for others	$	41,128
Total liabilities	$	41,128

See accompanying Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of South Carolina Transportation Infrastructure Bank (the "Bank") were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Bank's accounting policies are described below:

Reporting Entity

The Bank was established in 1997 to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development. The enabling statute is Section 11-43-120 of the Code of Laws of South Carolina (the "Act").

The Bank is governed by its Board of Directors. The Board consists of seven voting directors as follows: one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor; the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Speaker of the House of Representatives; one member of the House of Representatives appointed by the Speaker, ex officio; one director appointed by the President Pro Tempore of the Senate; and one member of the Senate appointed by the President Pro Tempore of the Senate, ex officio. Directors appointed by the Governor, the Speaker, and the President Pro Tempore shall serve terms coterminous with their terms of office.

The Bank is a funding entity that only provides loans and other financial assistance to approved projects pursuant to the Act. The Bank does not own, construct, manage the construction of, or maintain any of the projects it has approved for funding. The Bank has no financial obligation to fund any portion of any project other than that which is selected by action of its Board, is approved by the Joint Bond Review Committee of the State of South Carolina (the "JBRC"), and is subject to a valid and enforceable intergovernmental agreement or loan agreement. Subject to JBRC approval and, with respect to general obligation bonds, approval of the State Budget and Control Board, the Bank may, in its sole discretion, issue bonded indebtedness in order to finance all or any portion of its obligations to provide approved projects with loans or other financial assistance.

The primary sources of funding of the Bank consist of an annual contribution of revenues by the South Carolina Department of Transportation to the Bank of an amount not to exceed one cent per gallon of tax collected on gasoline, contributions and donations from government units and private entities, state appropriations, truck registration fees and penalties, electric power tax, and motor vehicle registration fees. The Bank is also authorized to issue bonds to finance its activities. Also, the South Carolina Department of Transportation is committed to make contributions over a period of years to partially fund certain projects.

All of the revenues collected for truck registration fees and penalties pursuant to SC Code of Laws Sections 56-3-660 and 56-3-670 were received by the Bank from the South Carolina Department of Motor Vehicles and were used to provide funding for various capital projects, including debt service on revenue bonds. The Bank also received 100% of the motor vehicle registration fees and one-half of the electric power tax collections exceeding $20 million dollars.

The Bank implemented GASB Statement No. 61 in the year ended June 30, 2013, which amended requirements for the inclusion of complonent units. The implementation did not have a material effect on the Bank's financial statements.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, 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 financial reporting entity includes the Bank (a primary entity). The Bank has determined that it has no component units.

A primary government or entity is financially accountable if it appoints a voting majority of the 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 is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government redardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization‘s officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

(1) The primary government is legally entitled to or can otherwise access the organization‘s resources.
(2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
(3) The primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the Bank has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Bank (a primary entity).

The reporting entity is part of the State of South Carolina primary government unit and is included in the Comprehensive Annual Financial Report of the State of South Carolina. The accompanying financial statements present the financial position and the results of operations of only the portions of the funds of the State of South Carolina that are attributable to the transactions of the Bank and do not include any other funds, agencies, divisions, instrumentalities or component units of the State of South Carolina.

The Bank is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the state and authorizes expenditures of total funds. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the Bank. Generally, all state departments, agencies, and institutions are included in the state's reporting entity, which is the primary government of the State of South Carolina. These entities are financially accountable to and fiscally dependent on the state. Although the Bank operates somewhat autonomously, it lacks full corporate powers.

Fund Structure

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein. These accounts are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. Separate accounts are maintained for each fund. The funds of the Bank are classified as governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance. The Bank has only one governmental fund.

Special Revenue Fund - The special revenue fund generally records the expenditure of revenues that are restricted to specific programs or projects. The special revenue fund accounts for financial assistance awards for construction of capital projects, taxes levied with statutorily defined distributions, and any other resources restricted as to purpose.

The expenditures for constructing and improving highway and transportation facilities for the benefit of government units and private entities are recorded as grant award expenditures in the special revenue fund. Grant awards for constructing and improving highway and transportation facilities include those expenditures made pursuant to financial assistance awards for specific projects.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Bank in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Bank has only one fiduciary fund.

Agency Fund: Agency funds are custodial (assets equal liabilities) and do not involve the measurement of the results of operations. The Loan Servicing Account and the Loan Reserve Account are held for Horry County, South Carolina in connection with an intergovernmental agreement for debt service security. These funds cannot be used to address activities or obligations of the Bank.

Government-wide and Fund Financial Statements

The financial statements of the Bank are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. 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.

These financial statements are prepared in accordance with GASB statement No. 34, “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments” and No. 37 “Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus”, as amended. The primary impacts of using these statements involved the presentation of the Bank-wide financial statements on an accrual basis of accounting and the inclusion of a “Statement of Activities”, which demonstrates the degree to which the direct expenses of the Bank's programs are offset by program revenues, and a “Management's Discussion and Analysis”.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the 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 or applicants who purchase, use or directly benefit from goods, services, or privileges 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. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Bank, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Bank receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Bank must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Bank on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Budget Policy

The Bank is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the state and authorizes expenditures of total funds. The “Total Funds” column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, state General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the state's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 89.09 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such transfers may be provided to members of the General Assembly on an agency by agency basis. Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the Budget and Control Board upon formal approval by a majority of the members of the Budget and Control Board. During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

A budgetary comparison schedule is not presented as required supplementary data since not all revenues and expenses of the Bank are legally budgeted.

Cash and Cash Equivalents

The amounts shown in the financial statements as “cash and cash equivalents” represent cash on deposit with the South Carolina State Treasurer and cash invested in various instruments by the State Treasurer as part of the state's internal cash management pool. Most state agencies, including the Bank, participate in the state's internal cash management pool.

Because the internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The state's internal cash management pool consists of a general deposit account and several special deposit accounts. The state records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the state. The Bank records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Bank's special deposit accounts is posted to the Bank's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Bank's accumulated daily interest receivable to the total income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool. Some State Treasurer accounts are not included in the state's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition. At year-end, the Bank held no short-term investments. For information pertaining to the state's internal cash management pool, see the deposits disclosures in Note 2.

Capital Assets

Capital assets are recorded at cost on the date of acquisition. The Bank follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. The Bank capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and intangible assets including software costing in excess of $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Bank did not have any capital assets as of June 30, 2013. The Bank donates all capital projects to the South Carolina Department of Transportation.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the “excess” earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year and if they meet specified targets for expenses of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Bank incurred $1.2 million of rebatable arbitrage liability as of June 30, 2013.

Bond Discounts, Bond Premiums, Bond Issuance Costs, and Amortization

Bond discounts and bond premiums are amortized over the terms of the bonds using the bonds outstanding method, which results in amortization being computed using the percentage of bonds retired to total bonds issued. Costs incurred in connection with the bond issues are deferred and amortized on the straight-line method over the lives of the related issues. Amortization of bond discounts, bond premiums, and gain or loss on refunded debt are included in expenditures as an addition to interest expense. Amortization of bond issuance costs is included in expenditures as a separate line item amount.

Deferred Revenue

Deferred revenue consists of advance payments for construction projects and other contractual payments which have not been earned. Revenues are recognized in the period in which the project expenditures are made. The bank recorded $105.8 million of deferred revenue as of June 30, 2013.

Restricted Assets

Generally, under the applicable bond indentures, the earnings and receipts of loans and certain receivables are required to be used for the related bonds payable debt service payment. Because the assets are generally restricted for this purpose, they have been reflected in the restricted portion of the accompanying statements. The liabilities that are to be paid from these restricted assets are noted as liabilities payable from restricted assets.

Net Position / Fund Balance

The GASB has issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2010. The Bank implemented the provisions of this statement during the year ended June 30, 2011. The following categories of fund balance are now being used in the fund level financial statement of the governmental fund:

Nonspendable fund balance

The nonspendable 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 prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets. The Bank did not have any nonspendable fund balance at June 30, 2013.

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. All of the Bank’s fund balance is presented as restricted as all fund balance is required to be used for debt service or for the construction of roads and highways.

The Bank has a Revenue Stabilization Fund which has a balance of $19.034 million as of June 30, 2013. Transfers from the Revenue Stabilization Fund are revenues pledged for debt service. The Revenue Stabilization Fund is established to ensure a proper matching, over time, of pledged revenues and debt service. The State Treasurer shall monitor the historical receipt of Truck Registration Fees and penalties in determining (i) the amount of any required deposit into the Revenue Stabilization Fund, or (ii) the amount of any available transfer from the Revenue Stabilization Fund to the Pledged Revenue Fund. An initial deposit to the Revenue Stabilization Fund in the amount of $10 million was made from non-bond proceeds of the Bank upon the issuance of the Series 1998A Bonds. In those fiscal years when the budgeted amount of Truck Registration Fees exceeds the prior year’s collections, seventy-five percent (75%) of the excess will be deposited to the Revenue Stabilization Fund. When the budgeted amount of Truck Registration Fees is less than the prior year’s collections, seventy-five percent (75%) of the difference will be transferred from the Revenue Stabilization Fund to the Pledged Revenue Fund. Adjustments may be made following the close of each fiscal year to reflect amounts actually received during the prior fiscal year. These amounts are considered restricted as there use is restricted per the terms of the Master Revenue Bond Resolution.

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 Bank's highest level of decision-making authority, which is the Bank's Board of Directors. The Board of Directors would have to pass a formal resolution to commit fund balance. Those committed amounts cannot be used for any other purpose unless the Bank 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. The Bank recognizes committed fund balances that have been approved for specific purposes by the Bank's Board of Directors before the fiscal year end. As of June 30, 2013, the Bank did not have any committed fund balance.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Bank'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 Bank'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 Department's highest level of authority. The Bank's Director can choose to assign fund balance for a specific purpose. Assigned fund balance amounts in the Bank's financial statements represent amounts approved by the Bank's Board of Directors to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. As of June 30, 2013, the Bank did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. As of June 30, 2013, the Bank did not have any unassigned fund balance.

Based on the Bank's policies regarding fund balance classifications as noted above, the Bank considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the Bank's Board of Directors or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

Net Position

The GASB has issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements by providing guidance where none previously existed. The statement incorporated deferred inflows and outflows as required components of the residual measure of the government and renaming that measure as net position, rather than net assets.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Bank implemented the provisions of this statement during the year ended June 30, 2013. The following categories of net position are now being used in the Statement of Net Position:

Restricted net position

Restricted net position consists of assets with constraints place on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. As of June 30, 2013, $8.6 million of restricted net position was restricted by legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.

Net investment in capital assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances if bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Bank'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.

Compensated Absences

Generally, all permanent full-time employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitiled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The Bank calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Use of Estimates

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

NOTE 2. DEPOSITS:

All deposits of the Bank are under the control of the State Treasurer who, by law, has sole authority for investing state funds. The following schedule reconciles deposits within the footnotes to the financial statement amounts (expressed in thousands):

Financial Statements		
Governmental fund:		
Cash and cash equivalents	$	51,775
Restricted cash and cash equivalents		783,216
Fiduciary fund:		
Cash and cash equivalents		41,128
Total	$	876,119

Footnotes		
Deposits held by		
State Treasurer	$	873,832
Swap Counterparties		2,378
Items in transit		(91)
	$	876,119

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the state's internal cash management pool, all of the State Treasurer's investments are required to be insured or registered or are investments for which the securities are held by the state or its agent in the state's name.

Cash and cash equivalents reported include unrealized appreciation of $24.243 million for the governmental fund and $792 thousand for the fiduciary fund as of June 30, 2013 arising from changes in the fair value of investments. Interest/investment income from deposits and investments includes an unrealized loss of $9.8 million for the governmental funds and current depreciation of $339 thousand on the fiduciary funds for the year-ended June 30, 2013.

Deposits at fair value at June 30, 2013 held by the State Treasurer include $153.558 million for funding revenue bond debt service reserve requirements, $417.043 million for funding revenue bond debt service, $154.944 million in bond and cost of issuance proceeds, $50.175 million collateral and funds held by others, $52.794 million unrestricted highway cash, and $41.128 million fiduciary funds. Deposits at fair value at June 30, 2013 held by the State Treasurer include $4.187 million for funding general obligation bond debt service.

Information pertaining to reported amounts, fair values, and credit risks of the State Treasurer's deposits and investments, including disclosure under Governmental Accounting Standards Board Statement No. 40, *Deposits and Investments - Risk Disclosures*, is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina, which can now be found at www.cg.sc.gov.

NOTE 3. LOANS/RECEIVABLES/DEFERRED REVENUE:

A summary of intergovernmental loans/receivables and deferred revenue at June 30, 2013 is as follows (expressed in thousands):

	State Agencies		County Governments		Other Entities	
Contribution Receivables:						
Horry County RIDE Project						
S.C. Department of Transportation						
Phase II	$ 38,338	*	$ -		$ -	
Charleston County Project						
S.C. Department of Transportation	111,333	*	-		-	
S.C. Ports Authority	14,000	*	-		-	
Charleston County	-		45,000	*	-	
Lexington County Project						
S.C Electric & Gas Company	-		-		5,900	*
Intergovernmental loans:						
Horry County RIDE Project						
Horry County						
Loan I	-		60,000	*	-	
Loan II - Pledged portion	-		174,017	*	-	
S.C. Department of Transportation						
Multi-project loan	71,750	*	-		-	
US 17 project	73,440	*	-		-	
Berkeley County I26 Jedburg	-		5,797		-	
Other Receivables:						
Truck registration fees and penalties -						
S.C. Department of Motor Vehicles	4,057	*	-		-	
Vehicle Registration Fees - SC Dept Motor Vehicle	3,589	*	-		-	
Electric Power Tax Equivalent	956	*	-		-	
Totals	$ 317,463		$ 284,814		$ 5,900	

Deferred Revenue:	
SCDOT - Deferred Gas Tax	1,550
Florence County Project	104,268
	$ 105,818

*These receivables are pledged pursuant to the bond covenants to secure the payment of bonds outstanding and are classified as restricted for debt service principal and interest in the net position section of the statement of net position and as restricted for debt service in the fund balance section of the governmental fund balance sheet.

CONTRIBUTION RECEIVABLES:

Each fiscal year, the Bank records revenues from contributions pursuant to intergovernmental agreements in amounts equal to the project expenditures made in the fiscal year that are applicable to the contribution share of the project costs. A summary of changes in the contribution receivables for the fiscal year ended June 30, 2013 is as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
SCDOT Phase II (a)	$ 43,803	$ -	$ 5,465	$ 38,338
	$ 43,803	$ -	$ 5,465	$ 38,338

(a) Project costs have been advanced for the $95 million contribution obligation for Phase II of which $56.662 million was collected on this receivable through June 30, 2013.

Charleston County Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
SCDOT Phase I (b)	$ 119,333	$ -	$ 8,000	$ 111,333
SC Ports Authority (c)	15,000	-	1,000	14,000
Charleston County (d)	48,000	-	3,000	45,000
	$ 182,333	$ -	$ 12,000	$ 170,333

(b) The total contribution obligation is $200 million which was fully advanced as of June 30, 2005. $88.667 million was collected on this receivable through June 30, 2013.

(c) The total contribution obligation is $45 million which was advanced as of June 30, 2005. $31 million was collected on this receivable through June 30, 2013.

(d) The total contribution is $75 million which was advanced as of June 30, 2005. $30 million was collected on this receivable through June 30, 2013.

Lexington County Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
SCE&G (e)	$ 11,800	$ -	$ 5,900	$ 5,900
	$ 11,800	$ -	$ 5,900	$ 5,900

(e) Project costs have been advanced for the $59 million contribution obligation of SC Electric and Gas Company of which $53.1 million was collected on this receivable through June 30, 2013.

Florence County Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
Florence County (f)	$ (84,360)	$ 1,816	$ (21,724)	$(104,268)
	$ (84,360)	$ 1,816	$ (21,724)	$(104,268)

(f) The total contribution paid from the County is $117.165 million through June 30, 2013. Expenditures on this project totaled $38.690 million with the County's share totaling $12.897 million resulting in a deferred revenue of $104.268 million. The County has committed $125 million to the project.

INTERGOVERNMENTAL LOANS

The Bank has also entered into intergovernmental agreements with various local governments whereby the Bank will make loans for all or partial funding for certain permanent highway and transportation facilities projects. Details of the loan balances and changes thereto are as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
Table I projects (g)	$ 75,000	$ -	$ 15,000	$ 60,000
Table III projects (h)	185,421	-	11,404	174,017
	$ 260,421	$ -	$ 26,404	$ 234,017

(g) The original loan amount was for $300 million and was fully advanced as of June 30, 2002 and $240 million was collected on this loan through June 30, 2013.

(h) The original loan amount was for $247.578 million which was advanced through June 30, 2006. Payments on principal through June 30, 2013 total $73.561 million. The loan was restructured during fiscal year 2004 with the total repayment amount remaining the same, but extending the repayment timeframe up to five years. The agreed payments on this loan total $348.690 million including principal and interest. As there was no stated interest rate with this loan, interest is imputed at 2.9%. For the period ended June 30, 2013, payments of $16.738 million were received which consisted of $5.334 million in interest and $11.404 million in principle.

The loan covenants for the $300 million loan and the $247.578 million loan for the Horry County RIDE Project required the County to establish a Loan Reserve Account by depositing the entire balance it was holding in the Road Special Revenue Fund and to deposit all future receipts of the 1.5% Road Special Revenue Fund portion of the Hospitality Fee into a Loan Servicing Account. The Bank pays itself from the Loan Servicing Account the scheduled loan payments for the $300 million loan and the $247.578 million loan. Unspent funds in the Loan Servicing Account are to be transferred to the Loan Reserve Account as of each year end. As quarterly payments become due, if the balance of the Loan Servicing Account is not sufficient to make the loan payments, the Bank will cause the State Treasurer to pay the deficiency from the balance in the Loan Reserve Account. If the balance in the Reserve Account is not sufficient to make the loan payment, the Bank shall have the option, in its sole discretion, of instructing the State Treasurer, pursuant to section 11-43-210 of the South Carolina Code of Laws, to withhold any pay over the amount due from other funds held by the state and allotted or appropriated to Horry County or utilize those remedies provided by paragraph 4.2 of the Series 1999A Master Loan Agreement. Upon the expiration or earlier termination of this agreement, the balance of the Loan Reserve Account, if any, after satisfying all remaining payments due on outstanding agreements or loans, shall be paid to Horry County. During fiscal year 2004, South Carolina Department of Transportation made a commitment to advance Horry County up to $10 million if needed to prevent a shortfall in its loan payments to the Bank.

SCDOT Multi-Project

	Balances 6/30/2012	Current Expenditures	Contributions Received	Balances 6/30/2013
SCDOT (i)	$ 77,973	$ -	$ 6,223	$ 71,750
	$ 77,973	$ -	$ 6,223	$ 71,750

(i) Total loan amount is $94.1 million which was fully advanced as of June 30, 2012. Interest is imputed on this loan as it did not have a stated interest rate in the loan agreement. Currently, the imputed interest rate is 5.025%. During the year ended June 30, 2013, payments of $10 million were received which consisted of $3.776 million in interest and $6.224 million in principal.

US 17 Project

	Balances 6/30/12	Current Expenditures	Contributions Received	Balances 6/30/13
SCDOT (j)	$ 75,118	$ -	$ 1,678	$ 73,440
	$ 75,118	$ -	$ 1,678	$ 73,440

(j) Total loan amount is $82.0 million which was advanced as of June 30, 2009. $8.56 million was collected on this note as of June 30, 2013. (See Note 8 for additional information on this loan.)

Berkeley County	Balance 6/30/12	Current Expenditures	Contributions Received	Balance 6/30/13
Jedburg Interchange Loan I (k)	$ 5,957	$ -	$ 160	$ 5,797
	$ 5,957	$ -	$ 160	$ 5,797

(k) Total loan amount is $6.401 million which was advanced as of June 30, 2011. $604 thousand was collected on this note as of June 30, 2013

DEFERRED REVENUE:

The intergovernmental agreement with Florence County provided for the County to contribute $125 million of the project cost which, based on current funding levels, is approximately 33.33%. Project costs through June 30, 2013 totaled $38.363 million with the County's share totaling $12.732 million. Through June 30, 2013, the County has contributed a total amount of $117 million resulting in a deferred revenue of $104.268 million.

NOTE 4. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2013 are as follows (expressed in thousands):

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013	Due Within One Year
General obligation bonds payable	$ 43,275	-	$ (2,125)	$ 41,150	$ 2,215
Unamortized premiums	5,606	-	(4)	5,602	-
Unamortized loss on refunded debt	(2,928)	-	228	(2,700)	-
Total general obligation bonds payable	45,953	-	(1,901)	44,052	2,215
Revenue bonds payable	2,062,214	424,910	(513,509)	1,973,615	71,550
Unamortized premiums	98,604	53,560	(25,475)	126,689	-
Unamortized discounts	(5,381)		(1)	(5,382)	
Unamortized loss on refunded debt	(81,129)	(15,323)	5,016	(91,436)	-
Total revenue bonds payable	2,074,308	463,147	(533,969)	2,003,486	71,550
Arbitrage payable	910	1,222	(910)	1,222	-
Compensated Absences Liability	-	33	-	33	7
Total long-term liabilities	$ 2,121,171	$ 464,402	$ (536,780)	$ 2,048,793	$ 73,772

NOTE 5. BONDS PAYABLE:

A summary of the bonds payable as of June 30, 2013 is as follows (expressed in thousands):

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate (%)	Unpaid Principal Balance
December 16, 2003	2003A	275,435	10/01/33	3.00-5.00	4,870
Plus unamortized premium					150
September 22, 2003	2003B Refunding	368,300	10/01/31	Variable Rate	357,800
Less unamortized loss on refunded debt					(60,590)
July 1, 2004	2004A	228,940	10/01/33	3.60-5.25	8,730
Plus unamortized premium					556
September 1, 2004	2004B Refunding	153,450	10/01/17	3.00-5.25	116,065
Plus unamortized premium					15,450
October 1, 2005	2005A Refunding	221,045	10/01/24	5.00-5.50	159,545
Less unamortized loss on refunded debt					(7,482)
Plus unamortized premium					15,627
February 1, 2007	2007A	286,355	10/01/37	4.25-5.00	266,180
Plus unamortized premium					8,200
February 1, 2007	2007B Refunding	102,015	10/01/31	4.00-5.00	97,405
Less unamortized loss on refunded debt					(2,972)
Plus unamortized premium					606
October 1, 2009	2009A Refunding	88,590	10/01/17	5.00	68,565
Plus unamortized premium					7,874
Less unamortized discount					(68)
December 1, 2010	2010A	203,580	10/01/40	5.25	203,580
Less unamortized discount					(5,314)
April 1, 2012	2012A Refunding	265,965	10/1/33	3.00-5.00	265,965
Plus unamortized premium					24,666
Less unamortized loss on refunded debt					(5,539)
October 1, 2012	2012B Refunding	424,910	10/1/33	3.375-5.00	424,910
Plus unamortized premium					53,560
Less unamortized loss on refunded debt					(14,853)
Subtotal Revenue Bonds					2,003,486
April 13, 2004	2004A GO	60,000	10/01/28	3.00-5.00	12,405
Plus unamortized premium					23
May 1, 2012	2012A GO Refunding	28,745	04/01/25	5.00	28,745
Plus unamortized premium					5,579
Less unamortized loss on refunded debt					(2,700)
Subtotal GO Bonds					44,052
Total bonds payable including unamortized premiums and discounts and loss on refunded debt					$ 2,047,538

A summary of the components of bonds payable at June 30, 2013 is as follows (expressed in thousands):

Face value of revenue bonds outstanding	$ 1,973,615
Face value of general obligation bonds outstanding	41,150
Unamortized premium	132,291
Unamortized discount	(5,382)
Unamortized loss on refunded debt	(94,136)
	$ 2,047,538

Details of the future revenue bond debt service payments, including interest, are as follows (expressed in thousands):

		Principal	Interest	Totals
	6/30/14	$ 71,550	$ 92,522	$ 164,072
	6/30/15	67,125	89,129	156,254
	6/30/16	75,850	85,574	161,424
	6/30/17	56,910	82,246	139,156
	6/30/18	72,050	79,025	151,075
Five years ending:	6/30/23	377,785	337,774	715,559
	6/30/28	379,685	248,049	627,734
	6/30/33	490,520	146,867	637,387
	6/30/38	255,665	56,762	312,427
	6/30/41	126,475	10,186	136,661
Total debt service obligations		$ 1,973,615	$ 1,228,134	$ 3,201,749

The payment of the principal and interest on the bonds outstanding is secured by liens on and pledges of a certain portion of the Bank's revenues and collections of certain receivables. Pledged revenues are defined as all payments payable to the Bank pursuant to any agreement between the Bank and the United States government, the state, any county, municipality, political subdivision, public body or other government entity or under any law, statute, ordinance, resolution or other authorizing instrument. The master revenue bond resolution also requires the establishment and maintenance of various debt service reserve bank accounts. The reserve requirement is the lesser of 10% of bonds outstanding; the maximum annual aggregate debt service; or 125% of the aggregate average annual debt service. The fair value of the Debt Service Reserve Fund at June 30, 2013 was $153.55 million. Total cost of the investment is $142.39 million. Pursuant to Section 3.08 of the Master Revenue Bond Resolution, the amount in the Debt Service Reserve Fund is to be valued at the “cost” of the investment in order to comply with the reserve requirements. For the year ended June 30, 2013, the Bank received pledged revenues in the amount of $195.09 million while net debt service was $169.1 million.

The outstanding balance at June 30, 2013 on defeased debt, after issuance of the Series 2003B, Series 2004B, Series 2005A, Series 2007B Revenue Refunding Bonds, 2009A Revenue Refunding Bonds, 2012A Revenue Refunding Bonds, 2012B Revenue Refunding Bonds and cash defeasance of 2001B bonds is $34.380 million on Series 2001A Revenue Bonds, and $253.970 million on Series 2003A Revenue Bonds and $198.810 million on Series 2004A Revenue Bonds for a total of $487.160 million.

Amortization expense relating to the deferred loss on refund of debt was $5.244 million for the year ended June 30, 2013.

Details of the future general obligation bond debt service payments, including interest, are as follows (expresed in thousands):

		Principal	Interest	Totals
Year Ending:	6/30/14	$ 2,215	$ 1,358	$ 3,573
	6/30/15	2,070	1,358	3,428
	6/30/16	2,275	1,255	3,530
	6/30/17	2,305	1,141	3,446
	6/30/18	2,400	1,026	3,426
Five years ending:	6/30/23	13,505	3,231	16,736
	6/30/28	16,380	748	17,128
Total debt service obligations		$ 41,150	$ 10,117	$ 51,267

The Series 2003A Bonds issued January 1, 2004 with a principal of $275,235,000 were partially refunded by the Series 2012B Revenue Refunding Bonds October 1, 2012. The principle refunded was $253,970,000 for maturities from 10-1-14 to 10-1-28, 10-1-30 and 10-1-33. The remaining principal balance of $4,870,000 and interest of $121,750 is to be paid October 1, 2013.

The Series 2003B Refunding Bonds were issued in three tranches (the “Series 2003B-1 Bonds, Series 2003B-2 Bonds and Series 2003B-3 Bonds) and initially paid interest at an Auction Rate and were subject to redemption on the first day of any Auction Period, in whole or in part, at the option of the Bank, at a price equal to one hundred percent of the principal amount thereof plus interest accrued to the redemption date without any premium or penalty.

On June 18, 2008 the Bank exercised its option to convert the interest rate mode from the Auction Rate mode to a Variable Rate Demand Obligation mode for the Series 2003B Bonds. The 2003B Bonds were secured by direct pay letters of credit from Bank of America, N.A., Branch Banking and Trust Company, and Wachovia Bank, National Association.

On June 17, 2011 the direct pay letters of credit associated with the Bank's Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") issued by Bank of America, N.A.; Branch Banking & Trust and Wachovia Bank, National Association expired. In order to pay off the Series 2003B Bonds, the Bank entered into the following direct placement loans: (1) $180,150,000 Revenue Refunding Bonds, Series 2003B-1-2 with Bank of America, N.A. and (2) $180,100,000 Revenue Refunding Bonds, Series 2003B-2-3 with Wells Fargo Bank, National Association. Both series of bonds have a final maturity of October 1, 2031. See Note 9 for additional details regarding the interest rate swap agreement.

The Series 2003B Bonds shall be subject to mandatory sinking fund redemption and will be redeemed at a price equal to 100% of the principal amount of the bonds so redeemed, plus accrued interest to the date of redemption, on the date and in the amounts set forth on the following page.

	Principal Amount Redeemed		
October 1	2003B-1	2003B-2	Total
2013	$ 600,000	$ 625,000	$ 1,225,000
2014	675,000	675,000	1,350,000
2015	175,000	150,000	325,000
2016	750,000	725,000	1,475,000
2017	725,000	725,000	1,450,000
2018	810,000	790,000	1,600,000
2019	825,000	825,000	1,650,000
2020	825,000	825,000	1,650,000
2021	2,575,000	2,550,000	5,125,000
2022	5,775,000	5,775,000	11,550,000
2023	3,400,000	3,400,000	6,800,000
2024	2,700,000	2,700,000	5,400,000
2025	20,700,000	20,675,000	41,375,000
2026	20,815,000	20,785,000	41,600,000
2027	23,485,000	23,515,000	47,000,000
2028	23,740,000	23,735,000	47,475,000
2029	26,585,000	26,590,000	53,175,000
2030	26,940,000	26,960,000	53,900,000
2031	16,835,000	16,840,000	33,675,000
	$ 178,935,000	$ 178,865,000	$ 357,800,000

The Series 2004A Bonds issued July 1, 2004 with a principal of $228,940,000 were partially refunded by the Series 2012B Revenue Refunding Bonds October 1, 2012. The principal refunded was $198,810,000 for maturities from 10-1-15 to 10-1-29, and 10-1-33. The remaining principal balance of $8,730,000 and interest of $320,559 is scheduled to be paid off by October 1, 2015.

The Series 2005A Refunding Bonds maturing prior to October 1, 2021 are not subject to redemption. The Series 2005A Refunding Bonds maturing on or after October 1, 2021, shall be subject to redemption prior to maturity, at the option of the Bank, on and after October 1, 2015, in whole or in part, at any time in any order of maturity selected by the Bank, at a Redemption Price of par plus interest accrued thereon to the date fixed for redemption.

The Series 2007A Bonds maturing prior to October 1, 2017 are not subject to redemption. The Series 2007A Bonds maturing on and after October 1, 2017 shall be subject to redemption prior to maturity, at the option of the Bank, on or after October 1, 2016, in whole or in part, at any time in any order of maturity selected by the Bank, at a Redemption Price of par plus interest accrued thereon to the date fixed for redemption.

The Series 2007A Bonds maturing October 1, 2032, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2032 Term Bond

Year	Principal Amount	Year	Principal Amount
2028	$11,690	2031	$13,340
2029	12,215	2032*	13,940
2030	12,765		

** denotes final maturity*

The Series 2007A Bonds maturing October 1, 2034, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2034 Term Bond

Year	Principal Amount	Year	Principal Amount
2033	$14,565	2034*	$15,220

** denotes final maturity*

The Series 2007A Bonds maturing October 1, 2037, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2037 Term Bond

Year	Principal Amount	Year	Principal Amount
2035	$15,905	2037*	$17,370
2036	16,625		

** denotes final maturity*

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2007A Bonds of a maturity subject to mandatory redemption for Series 2007A Bonds of the same maturity previously redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Bank delivered to the Paying Agent for cancellation.

The Series 2007B Bonds maturing prior to October 1, 2017 are not subject to redemption. The Series 2007B Bonds maturing on or after October 1, 2017 shall be subject to prior to redemption, maturity, at the option of the Bank, on and after October 1, 2016, in whole or in part at any time in any order of maturity selected by the Bank, at a Redemption Price of par plus interest accrued thereon to the date fixed for redemption.

The Series 2007B Bonds maturing October 1, 2031, shall be subject to mandatory redemption at par plus accrued interet to the redemption date in the respective principal amounts on October 1 of each year set forth below:

October 1, 2031 Term Bond

Year	Principal Amount	Year	Principal Amount
2028	$6,620	2030	$7,230
2029	6,915	2031*	7,555

** denotes final maturity*

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2007B Bonds of a maturity subject to mandatory redemption for Series 2007B Bonds of the same maturity previously redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Bank delivered to the Paying Agent for cancellation.

The Series 2009A Refunding Bonds are not subject to redemption prior to maturity.

The Bank issued $203.580 million of revenue bonds on December 1, 2010. The bonds were issued net of a discount of $5.314 million. Bond issuance costs in the amount of $1.200 million have been capitalized in the Statement of Net Position and will be amortized in a straight-line manner over the life of the bond. The 2010A bonds have a maturity date of October 1, 2040 with a 5.25% coupon rate. The 2010A Revenue Bonds are not subject to redemption prior to maturity.

The Bank issued $265.965 million of revenue refunding bonds on April 1, 2012. The 2012A bonds were issued to refund $34.635 million of the 2001A bonds and $253.625 million of the 2002A bonds. The bonds were issued with a premium of $24.666 million. Bond issuance costs of $2.8 million have been capitalized in the Statement of Net Position and will be amortized in a straight-line manner over the life of the bond. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in an accounting loss of $6.036 million. This difference is reported in the accompanying financial statements as a reduction of bonds payable and is being amoritized on a straight line basis over the life of the bonds. The refunding was completed to reduce the overall debt service by $55.335 million with a net present value, or economic gain, of $29.323 million.

The 2012A refunding bonds have a maturity date of October 1, 2033 with a 3.00 to 5.00% coupon rate over the life of the issue.

The Series 2012A Refunding Bonds maturing on or after October 1, 2022, are redeeemable prior to maturity, at the option of the Bank, on and after October 1, 2021, in whole or in part, at any time, at par plus accrued interest to the date fixed for redemption.

The Bank issued $424.910 million of revenue refunding bonds on October 1, 2012. The 2012B bonds were issued to refund $253.970 million of the 2003A bonds and $198.810 million of the 2004A bonds. The bonds were issued with a premium of $53.560 million. Bond issuance costs of $2.425 million have been capitalized in the Statement of Net Position and will be amortized in a straight-line manner over the life of the bond as it approximates the economc interest method. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in an accounting loss of $15.323 million. This difference is reported in the accompanying financial statements as a reduction of bonds payable and is being amoritized on a straight line basis over the life of the bonds. The refunding was completed to reduce the overall debt service by $104.438 million with a net present value, or economic gain, of $67.400 million.

The 2012B refunding bonds have a maturity date of October 1, 2033 with a 3.50 to 5.00% coupon rate over the life of the issue. The 2012B bonds maturing on and after October 1, 2023 are subject to optional redemption prior to their stated maturity dates on any date on and after October 1, 2022 at par.

The SC State Treasurer’s Office issued $28.745 million to refund a portion of the outstanding general obligation bonds on May 1, 2012. The bonds were issued to refund $31.220 million of the 2004A general obligation bonds issued on behalf of the Bank. The bonds were issued with a premium of $5.579 million. Bond issuance costs of $142 thousand have been capitalized in the Statement of Net Position and will be amortized in a straight-line manner over the life of the bond. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt as an accounting loss of $2.966 million. This difference is reported in the accompanying financial statements as a reduction of bonds payable and is being amoritized on a straight line basis over the life of the bonds. The refunding was completed to reduce the overall debt service by $4.389 million with a net present value, or economic gain, of $3.847 million.

NOTE 6. TRANSACTIONS WITH STATE ENTITIES:

The Bank has significant transactions with the State of South Carolina and various state agencies. Additional information regarding these transactions can be found in Note 3.

Services received at no cost from state agencies include maintenance of certain records by the Comptroller General; check preparation, banking, bond trustee and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from various divisions of the State Budget and Control Board include insurance plans administration, procurement services, audit services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions.

The Bank had financial transactions with various state agencies during the fiscal year. Payments were made to divisions of the State Budget and Control Board for insurance plan premiums and to the State Accident Fund for workers' compensation insurance.

The South Carolina Department of Transportation provided the Bank certain project management and other related services during fiscal year 2013 in the total amount of $1.767 million which was reimbursed by the Bank. In addition, the Bank reimbursed SCDOT $545 thousand for direct project expenditures on various projects and construction management paid by SCDOT to consultants.

The South Carolina Department of Transportation provided the Bank certain administrative services and clerical assistance during fiscal year 2013 for which the Bank reimbursed SCDOT the amount of $204 thousand.

The Bank provided no services free of charge to other State agencies during the fiscal year.

The gas tax amounts received from the South Carolina Department of Transportation during the year totaled $26.691 million, which included $685 thousand of amounts due from the year ended June 30, 2012. SCDOT has prepaid one month of gas tax amounts to the Bank resulting in deferred revenue of $1.549 milllion. Additionally, based on the year-end calculation of the required SCDOT gas tax contribution, an amount not to exceed the one cent per gallon collected in accordance with Section 11-43-160 of the South Carolina Code of Laws, it was determined that the Bank will have to reimburse SCDOT $636 thousand. Therefore, the amount of gas tax revenue recognized by the Bank was $23.821 million for the year ended June 30, 2013.

The Bank recorded $61.965 million of revenues from truck registration fees and penalties from the South Carolina Department of Motor Vehicles during fiscal year 2013.

The Bank recorded $39.271 million of revenues from motor vehicle fees from the South Carolina Department of Motor Vehicles.

The Bank recorded $3.416 million in Electric Power Tax Revenue transferred from the South Carolina Department of Transportation.

During the year, per agreement, SCDOT transferred to the Bank $2.838 million in non-tax revenues and in exchange, the Bank transferred to SCDOT $2.838 million in revenues not pledged to the repayment of bonds.

NOTE 7. RISK MANAGEMENT:

The Bank is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts, and board member breach, theft or misappropriation and maintains state insurance coverage for non-owned motor vehicles and genral torts. The bank did not incur any losses during the year.

The Bank 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 the following assets, activities and/or events:

1. Motor vehicles (non-owned); and
2. Torts

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Bank paid $4,149 to the IRF for insurance premiums during FY 2013.

The Department has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a state or commercial insurer. The Bank has not reported an estimated claims loss expenditure, and the related liability at June 30, 2013 based on the requirements of GASB Statements No. 10 and No. 30 which state that liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2013 and the amount of the loss is reasonably estimable. Liabilities include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claim liabilities, when recorded, are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 using past experience adjusted for factors that would modify past experience. In management's opinion, claim losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Bank's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded, therefore, no loss accrual has been recorded.

NOTE 8. COMMITMENTS/INTERGOVERNMENTAL AGREEMENTS:

The Bank entered into various intergovernmental agreements to provide financial assistance for highway and transportation facilities projects. Details of the agreements that still have Bank commitments outstanding and their status as of June 30, 2013 are as follows:

Horry County Ride II Project. The total project costs were previously estimated to be $198 million, which were to be funded by the Bank as a financial assistance award and $2.279 million of contributions by Horry County from Admissions Tax District revenues. The full amount has been paid as of June, 30, 2009. The county and the Bank have executed an Intergovernmental Agreement. In July 2005, the Bank increased approved financial assistance for this project in the amount of $37 million with $25 million paid by the Bank and $12 million included in the SCDOT Multi-Project Loan. Subsequently, the $12 million was not needed by the Horry County Ride II program and was transferred to the bridge replacement program (see description below). In October 2006, the Bank increased approved financial assistance for this project in the amount of $31.256 million in the form of a grant from the Bank. Construction is ongoing.

Multi-Project Agreement At its July 15, 2005 meeting, the Bank's Board of Directors approved a Multi-Project Loan to SCDOT which provides financial assistance to the following projects:

Cooper River Bridge demolition	$62.1 million
Beaufort County project	$10.0 million
Horry County RIDE II	$12.0 million
Lexington County project	$10.0 million
Total SCDOT loan	$94.1 million

On August 20, 2009, The Bank's Board of Directors transferred $10 million each from the Beaufort and Lexington projects to the US 17 project increasing the project's total allocation. On August 10, 2011, the Bank's Board of Directors approved transferring $12 million from the Horry County project to the SCDOT Statewide Bridge Replacement Project. The $94.1 million loan will be repaid by SCDOT by extending its current $10 million per year payment through FY2022. SCDOT will also provide additional revenues which will be pledged by the Bank to repayment of revenue bonds in exchange for current revenues of the Bank which are not pledged to the repayment of revenue bonds. During 2013, the Bank transferred $2.8 million to SCDOT from non-pledged revenue sources and SCDOT transferred $2.8 million to the Bank from non-tax revenue sources. An Intergovernmental Agreement between SCDOT and SCTIB was executed on September 30, 2005.

US 17 Widening in Beaufort County SCDOT On June 30, 2006 the Bank approved a loan to SCDOT of up to $93 million for the Southern segment of US 17 widening in Beaufort County. A loan agreement between SCDOT and SCTIB was executed on April 18, 2007. In July 2007, SCTIB transferred to SCDOT $53 million as the initial loan draw and in July 2008, a loan draw of $29 million was transferred. SCDOT will make monthly payments to the SCTIB through FY2037. On August 20, 2009, the Bank's Board of Directors transferred $10 million from each of the Beaufort and Lexington projects included in the Muti-Project Agreement to the US17 project.

Horry County – Carolina Bays Parkway Southern Extension/Widening of SC 707. Total project funding requested from Bank was $150 million. An Intergovernmental Agreement between Horry County, SCDOT, and SCTIB was executed on June 20, 2007. In November 2007 the Bank approved a request to increase its financial assistance in the amount of $85 million for a total of $235 million. The projects are under construction.

Charleston County – Mark Clark Expressway. Total project funding requested from Bank was $420 million. The Bank approved funding for the total projected project cost. An Intergovernmental Agreement between Charleston County, SCDOT, and SCTIB was executed on June 8, 2007. Preliminary design is underway on the project. In August 2012, the Bank approved an additional amount of up to $150 million to complete the Mark Clark Expressway project from future capacity of the Bank and an additional amount of up to $90 million to complete the Florence County Project. Funding for the Mark Clark Expressway project will not be available until the Florence Project is fully funded. Modifcations to the Intergovernmental Agreements are being executed to reflect the additional funding.

Mount Pleasant – US17/Mark Clark Expressway Interchange. Total project funding requested from Bank was $40 million. An Intergovernmental Agreement between the Town of Mount Pleasant and SCTIB was executed on May 1, 2007. In November 2007 the Bank approved a request to increase its financial assistance in the amount of $11.4 millon to a total of $51.4 million. Preliminary design and right of way are underway on the project. In February 2011 the Bank approved a request to increase its financial assistance to the project in the amount of $6.01 million. The total funding approved for the project is $57.41 million.

Florence County Project – Total project funding in the amount of $375 million consisting of a $250 million financial assistance award by the Bank and a contribution from the County from Capital Project Sales Tax in the amount of $125 million. An Intergovernmental Agreement between Florence County, SCDOT, and SCTIB was executed on May 3, 2007. The projects are under various stages of preliminary deisgn, right of way, and construction. In August 2012, the Bank approved an additional amount of up to $90 million to complete the Florence County project from future capacity of the Bank.

Berkeley County - Sheep Island Interchange Project. On February 6, 2009, the Bank approved loan I in the amount of $6.401 and loan II in the amount of $22.563 million for the Jedburg I-26 Interchange Project. An intergovernmental agreement has been executed for loan I. Berkeley began drawing down the loan I funds in September 2009. As of June 30, 2013 Berkeley had drawn the entire amount. Phase II of the loan is contingent upon the Bank's ability to pledge the repayments to revenue bonds. On May 15, 2009, the Bank also approved a $2.1 million grant to Berkeley County for the Sheep island Interchange project. In February 2011 the Bank approved a request by Berkeley County to provide a grant not to exceed $6.5 million to complete the funding for the Sheep Island Interchange Project. An Intergovernmental Agreement has been executed. In January 2012 the Bank approved an additional $15 million for widening a portion of I-26 from mile marker 199 to approximately mile marker 197 to facilitate the interchange project previoulsy approved. An Intergovernmental Agreement has been executed.

In February 2012, the Bank approved funding in the form of grants to fund various component projects of previously approved applications. Intergovernmental agreements have been executed for three projects:

Beaufort County - The Bank approved financial assistance in the form of a grant up to $24.9 million for the widening of SC 170 which is a component of the Beaufort approved project.

City of Charleston – The Bank approved financial assistance in the form of a grant for $88 million from resources available beginning in FY2017 for the US17/Septima Clark Transportation and Drainage Improvement Project.

Dorchester County – The Bank approved financial assistance in the form of a grant up to $19 million for the Widening of SC Highway 165 from two lanes to five lanes from Carolinian to Ashley Ridge High School, U.S. Highway 78 Phase 3 Right-of-Way, U.S. Highway 78 and Deming Way Intersection Improvement, and Orangeburg Road and Butternut Road Intersection Improvement (near Pinewood Prep) which are components of the Dorchester project.

Intergovernmental agreements are currently being executed for the following component projects:

City of Aiken – The Bank approved financial assistance in the form of a grant up to $13.5 million for the Hitchcock Parkway widening, University Parkway widening, and Intersection Improvement at Dougherty & Whiskey Road which are components of the Aiken approved project.

Jasper County/City of Hardeeville - The Bank approved financial assistance in the form of a grant up to $3.9 million for new Exit 3 interchange on I-95 – Interchange Justification Reports and NEPA processes component of the Jasper/City of Hardeeville project.

Outstanding commitments on active projects as of June 30, 2013 are as follows (expressed in millions):

	Total Award	Expenditures Prior	Expenditures Current	Outstanding Commitments 6/30/2013
Horry County RIDE II	$ 254.2	$ 251.3	$ (0.2)	$ 3.1
Multi-Project Agreement	94.1	94.1	-	-
US 17 Widening	82.0	82.0	-	-
Horry County Sales Tax Project	235.0	56.2	0.1	178.7
Charleston County Mark Clark Project	420.0	11.6	0.4	408.0
Mount Pleasant Project	57.4	44.5	9.9	3.0
Florence County Project	250.0	22.1	3.6	224.3
Berkeley County Sheep Island	15.0	10.6	-	4.4
Berkeley County I-26 Widening	6.5	-	-	6.5
City of Aiken	13.5	-	-	13.5
Beaufort County SC 170	24.9	-	3.4	21.5
City of Charleston (beginning 2017)	88.0	-	-	88.0
Dorchester County	19.0	-	0.3	18.7
Jasper County/City of Hardeeville	3.9	-	-	3.9
Totals	$ 1,563.5	$ 572.4	$ 17.5	$ 973.6

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS:

The Bank's $368.3 million Revenue Refunding Bonds, Series 2003B, were issued in three tranches: Series 2003B-1 in the principal amount of $122.775 million, Series 2003B-2 in the principal amount of $122.750 million, and Series 2003B-3 in the principal amount of $122.775 million. Effective October 1, 2003, the Bank entered into an Interest Rate Exchange Agreement with Bank of America, N.A., relating to the Series 2003B-1 Bonds, an Interest Rate Exchange Agreement with Citibank, N.A., relating to the Series 2003B-2 Bonds, and an Interest Rate Exchange Agreement with Wachovia Bank, N.A., relating to the Series 2003B-3 Bonds.

On June 18, 2008 the Bank terminated the above referenced Interest Rate Exchange Agreement with Citibank, N.A. and entered into Interest Rate Exchange Agreements with Bank of America, N.A. and Wachovia Bank, N.A. relating to the Series 2003B-2 Bonds. The notional amounts for Bank of America, N.A. are $121.150 million for 2003B-I (Swap #1) and $60.587 million for the 2003B -2A (Swap #2). The notional amounts for Wachovia Bank, N.A. are $121.150 million for the 2003B-3 (Swap #4) and $60.587 million for the 2003B-2B (swap #3). In return, the respective counterparties will pay the Bank a variable rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) on such notional amount.

On June 17, 2011 the direct pay letters of credit associated with the Bank's Revenue Refunding Bonds, Series 2003B (the "Series 2003B Bonds") expired. In order to pay off the Series 2003B Bonds, the Bank entered into the following direct placement loans: (1) $180,150,000 Revenue Refunding Bonds, Series 2003B-1-2 with Bank of America, N.A. and (2) $180,100,000 Revenue Refunding Bonds, Series 2003B-2-3 with Wells Fargo Bank, National Association. Both series of bonds have a final maturity of October 1, 2031. The Initial Purchase Date as defined in the Amended and Restated Sixth Series Resolution is June 15, 2016.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013 are classified by type, and the changes in fair value of the derivative instrument are as follows:

		Changes in Fair Value		Fair Value at June 30, 2013		
SWAP	Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional
1	Pay-fixed rate interest swaps	Deferred Outflow	$ 10.164	Liability	$ (5.679)	$121.150
2	Pay-fixed rate interest swaps	Deferred Outflow	5.082	Liability	(2.840)	60.587
3	Pay-fixed rate interest swaps	Deferred Outflow	5.082	Liability	(2.840)	60.225
4	Pay-fixed rate interest swaps	Deferred Outflow	10.164	Liability	(5.676)	120.425
			$ 30.492		$ (17.035)	

The fair value was a calculated value using the discounted cash flow methodology which considers the net present value of the future payments from payments to be made or received under the swap. The present value of a "fixed leg" is calculated as the sum of the present values, as of the computation date, of the payment amounts (computed at the fixed swap rate) expected to be paid over the scheduled term of the swap. The value of a "floating leg" is calculated as the sum of the present values, as of the valuation date, of the floating leg payment amounts expected to be paid over the scheduled term of the swap. The floating leg coupon rates are based on the forward rates derived from the relevant interest rate swap yield curve data (e.g., LIBOR, SIFMA, etc.) as of the valuation date. The present value discount factors for each future payment date is determined by the LIBOR swap curve data using the zero coupon method. The fair value of the non-hedging portion is ($63.439) million and the accumulated fair value at June 30, 2013 is ($80.474).

Objective and Terms of Hedging Derivative Instrument – The following table displays the objective and terms of the Bank's hedging derivative instrument outstanding at June 30, 2013.

Swap	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
1	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	$121.150	10/1/2003	10/1/2031	Receive 67% of 1 month LIBOR + 0.75% pay 3.859%	BofA A-1
2	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	60.587	10/1/2003	10/1/2031	Receive 67% of 1 month LIBOR + 0.75% pay 3.932%	BofA A-1
3	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	60.225	10/1/2003	10/1/2031	Receive 75% of 1 month LIBOR + 0.885% pay 3.932%	Wells Fargo Bank, NA A+
4	Pay-fixed rate interest swaps	Hedge of changes in cash flows of variable debt obligations	120.425	10/1/2003	10/1/2031	Receive 75% of 1 month LIBOR + 0.885% pay 3.859%	Wells Fargo Bank, NA A+

The Bank uses the synthetic instrument method and the regression analysis method to determine whether the changes in cash flows of the swap substantially offset the changes in cash flows of the bonds. During fiscal year ended June 30, 2013, the Bank made variable bond interest payments in the amount of $3.551 million and fixed rate payments on the swap in the amount of $13.910 million. The Bank also received variable payments on the swap in the amount of $526 thousand. The net of variable payments on the bonds and receipts on the swaps was ($3.025) million. The estimated total net payment by the Bank on the 2003B Bonds and related interest rate exchange agreements was $15.160 million (including $1.25 million principal payment).

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2013, the swaps were in liability positions; therefore, the Bank is not exposed to credit risks. However, should interest rate change the market value of the swaps become in asset positions, the Bank would be exposed to credit risks.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Bank's financial instruments of its cash flows. The Bank is exposed to interest rate risk on its pay-fixed, received-variable interest rate swaps. As LIBOR swap index decreases, the Bank's net pay on the swap increases.

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedge item are based on different reference rates. The Bank is exposed to basis risk on its pay-fixed interest rate swap hedging instruments because the variable-rate payments received by the Bank on these hedging derivative instruments are based on a rate or index other than interest rates the Bank pays on its hedge variable-rate debt. The Revenue Refunding Bonds, Series 2003B-1-2 accrue interest at the LIBOR Index Rate (as defined in the Amended and Restated Sixth Series Resolution), which is calculated based on 67% of 1 Month LIBOR plus 0.75%. The Revenue Refunding Bonds, Series 2003B-2-3 accrue interest at the LIBOR Index Rate (as defined in the Amended and Restated Sixth Series Resolution), which is calculated based on 75% of 1 Month LIBOR plus 0.885%.

Termination Risk – Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the Bank's financial planning strategy. The obligation of the Bank to make any Termination Payments under the Interest Rate Exchange Agreements is junior and subordinate to the obligation to make debt service payments on revenue bonds. Under certain circumstances, the Interest Rate Exchange Agreements are subject to termination prior to their respective scheduled expiration dates and prior to the maturity of the bonds to which each such Interest Rate Exchange Agreement relates, in which event the Bank may be obligated to make a substantial payment to the respective counterparty ("Termination Payments").

Rollover Risk – Rollover risk is the risk that a hedging instrument associated with hedgable item does not extend to the maturity of that hedgeable item. The Bank is not exposed to rollover risks because the hedging derivative instruments associated with the hedgeable debt items extend to the maturity of the hedgeable debt items.

Cancellations - Due to the refunding of the 2003B bonds mentioned previously, a portion of the interest rate swap was considered terminated under the provisions of GASB Statement 53. The 2003B bonds on which the interest rate swaps were based had changed and therefore the original interest rate swap was deemed to be terminated although there was no actual termination of the swap. GASB 53 requires the fair value of the swap to be deferred and amortized as a component of interest expense over the life of the refunded debt.

At the time of the refunding, the swap counterparties quoted fixed interest rates that they would require if the Bank had entered into a new swap at the date of the refunding. Although the Bank did not enter into a new swap, the rates were used to calculate a new market rate which is to be considered "on market" and the difference between the current market rate and the original fixed rate is to be considered "off market". These amounts are used to amortize the derivative instrument liability that existed at the date of the refunding over the remaining life of the swap as a component of interest expense. The "on market" portion is also still considered a hedging derivative instrument and valued based on the synthetic and regression analysis methods and has been discussed previously in this note.

The amortization of the "off market" derivative instrument liability which was recorded under GASB 53 in 2011, amounted to $3.113 million, which was a reduction of interest expense, and the balance at June 30, 2013 was $61.099 million. Amortization related to the deferred loss on refunding amounted to $3.202 million, which was charged to interest expense, and the balance at June 30, 2013 was $60.705 million.

The deferred outflow of the interest rate swap, and the two derivative instrument liabilities are shown on the statement of net position. Debt service payments on the 2003B Revenue Refunding Bonds are disclosed in Note 5.

NOTE 10. OTHER MATTERS/SUBSEQUENT EVENT:

Through June 30, 2013, the Joint Bond Review Committee of the State of South Carolina has approved the issuance of up to $4.679 billion Bank General Obligation and/or Revenue Bonds. $2.50 billion in new Revenue Bonds and $60 million in General Obligation Bonds have been issued through June 30, 2013. The Bank has issued $1.19 billion in revenue refunding bonds which refunded $1.21 billion new money revenue bonds. Also the Office of State Treasurer issued $28.7 million in general obligation refunding bonds in 2012 which refunded $31.2 million in general obligation debt of the Bank. Refer to Note 5 for additional information on these bond series.

During the 2013 Legislative Session, the South Carolina General Assembly passed Act 98, which became effective July 1, 2013, providing a new recurring revenue source for the South Carolina Transportation Infrastructure Bank (new Section 11-43-165 of SCTIB Act) which states:

(1) SC Department of Transportation shall transfer $50 million to SCTIB annually from non-tax sources.

(2) Transferred funds must be used to finance projects to expand or improve existing interstates or replace or rehabilitate bridges from project priority lists submitted to the SCTIB by SCDOT.

(3) Projects and financial assistance must be reviewed and approved by the SCTIB Board and General Assembly's Joint Bond Review Committee.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(expressed in thousands)

	Balances June 30, 2012	Additions	Deductions	Balances June 30, 2013
Horry County Loan Servicing Account				
Cash and cash equivalents (1)	$ 1,066	$ 32,213	$ 33,270	$ 9
Total assets	$ 1,066	$ 32,213	$ 33,270	$ 9
Interfund transfer payable	$ 1,036	$ -	$ 1,036	$ -
Funds held for others	30	32,213	32,234	9
Total liabilities	$ 1,066	$ 32,213	$ 33,270	$ 9
Horry County Loan Reserve Account				
Cash and cash equivalents (2)	$ 39,209	$ 3,010	$ 1,100	$ 41,119
Interfund transfer receivable	1,036	-	1,036	-
Total assets	$ 40,245	$ 3,010	$ 2,136	$ 41,119
Funds held for others	$ 40,245	$ 1,974	$ 1,100	$ 41,119
Total liabilities	$ 40,245	$ 1,974	$ 1,100	$ 41,119
Totals				
Cash and cash equivalents	$ 40,275	$ 35,223	$ 34,370	$ 41,128
Total assets	$ 40,275	$ 35,223	$ 34,370	$ 41,128
Interfund Payable	$ 1,036	$ -	$ 1,036	$ -
Funds held for others	40,275	34,187	33,334	41,128
Total liabilities	$ 41,311	$ 34,187	$ 34,370	$ 41,128

(1) Includes fair value adjustment of $9 thousand at June 30, 2013 and $30 thousand at June 30, 2012.

(2) Includes fair value adjustment of $782 thousand at June 30, 2013 and $1.1 million at June 30, 2012.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
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 governmental activities, the major fund and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank'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 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 Bank'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bank's financial statements are free of 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes

Scott and Company LLC

Columbia, South Carolina
October 14, 2013