

**SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
COLUMBIA, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

State of South Carolina



Office of the State Auditor

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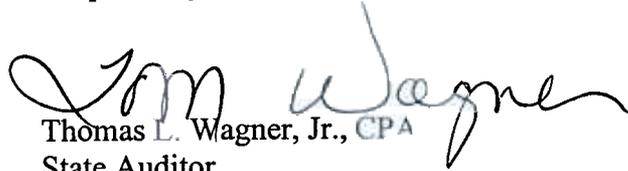
October 15, 2001

The Honorable Jim Hodges, 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, 2001, was issued by Rogers & Laban, PA, 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,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWir/kss

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

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YEAR ENDED JUNE 30, 2001**

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ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the South Carolina Transportation Infrastructure Bank (the Bank) as of and for the year ended June 30, 2001 as listed in the table of contents. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements of the Bank are intended to present the financial position and results of operations of only that portion of the funds and account groups of the State of South Carolina that is attributable to the transactions of the Bank, an agency of the State. These financial statements do not include other agencies, institutions, departments or component units of the State of South Carolina primary government.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

September 4, 2001



SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Type	Fiduciary Fund Type	Account Groups	
	Special Revenue	Agency	General Fixed Assets	General Long-Term Debt
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$ 498,873,781	\$ 26,604,988	\$	\$
Intergovernmental loans/receivables:				
State agencies	205,798,168			
County governments	281,806,598	2,057,780		
Accrued interest receivable:				
Deposits	5,759,256			
Loans and receivables	4,494,996			
Due from agency fund	7,174,087			
Fixed assets			2,081	
Amount to be provided for retirement of general long-term debt				832,575,000
Total assets and other debits	<u>\$ 1,003,906,886</u>	<u>\$ 28,662,768</u>	<u>\$ 2,081</u>	<u>\$ 832,575,000</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 9,608,323	\$	\$	\$
Deferred revenue	25,582,740			
Bonds payable				832,575,000
Funds held for others		21,488,681		
Due to special revenue fund		7,174,087		
Total liabilities	<u>35,191,063</u>	<u>28,662,768</u>		<u>832,575,000</u>
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets			2,081	
Fund balances:				
Reserved for:				
Intergovernmental receivables (long-term):				
State agency	164,075,037			
County governments	275,856,598			
Federal loan program	600,000			
Debt service reserve	63,545,070			
Bond funded projects	159,945,646			
Unreserved:				
Designated for financial assistance awards	179,434,692			
Designated for debt service	125,258,780			
Total fund equity and other credits	<u>968,715,823</u>	<u>- 0 -</u>	<u>2,081</u>	<u>- 0 -</u>
Total liabilities, fund equity and other credits	<u>\$ 1,003,906,886</u>	<u>\$ 28,662,768</u>	<u>\$ 2,081</u>	<u>\$ 832,575,000</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Special Revenue</u>
REVENUES:	
Contribution of gas tax revenue for highway projects by the South Carolina Department of Transportation	\$ 22,191,703
Truck registration fees and penalties transferred from South Carolina Department of Public Safety	50,282,203
Contributions by agreements for specific highway projects by South Carolina Department of Transportation	17,103,041
Interest/investment income:	
Deposits	42,975,277
Loans and receivables	5,907,860
Project revenues	6,071,399
Federal grant	<u>630,000</u>
TOTAL REVENUES	<u>145,161,483</u>
EXPENDITURES:	
General operating	193,445
Grant awards for constructing and improving highway and transportation facilities	138,195,387
Bond issuance costs	4,277,482
Debt service:	
Interest	35,195,773
Principal	10,510,000
Project expenditures	<u>8,808,899</u>
TOTAL EXPENDITURES	<u>197,180,986</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,019,503)
OTHER FINANCING SOURCE:	
Net bond proceeds	<u>274,265,670</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	222,246,167
FUND BALANCE, beginning of year	<u>746,469,656</u>
FUND BALANCE, end of year	<u><u>\$ 968,715,823</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - OTHER BUDGETED FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Personal services	\$ 4,000	\$ 1,505	\$ 2,495
Operating expenses	205,500	191,940	13,560
Special items:			
Transportation infrastructure grant awards and debt service	59,965,000	59,850,328	114,673
Permanent improvements:			
Transportation infrastructure grant awards and debt service	<u>483,952,456</u>	<u>227,231,670</u>	<u>256,720,785</u>
Totals	<u>\$ 544,126,956</u>	<u>\$ 287,275,443</u>	<u>\$ 256,851,513</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The South Carolina Transportation Infrastructure Bank (the Bank) was established effective June 26, 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 funds and account groups of the Bank are included in the Comprehensive Annual Financial Report of the State of South Carolina.

The Bank is governed by its Board of Directors. The Board consists of seven voting directors as follows: the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor; 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 those of their appointing authority. The terms for the legislative members are coterminous with their terms of office.

The primary sources of funding of the Bank consist of a specific portion of funds appropriated under Section 11-43-160 of the South Carolina Code of Laws to the South Carolina Department of Transportation for the construction and maintenance of state highways, federal funds, contributions and donations from government units and private entities, State appropriations and truck registration fees and penalties. 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. Section 11-43-160 of the South Carolina Code of Laws provides for 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 which must be used to match federal capitalization grants to the Bank and to provide capital for the State accounts of the Bank. All of the revenues collected for truck registration fees and penalties pursuant to Sections 56-3-660 and 56-3-670 were received by the Bank from the South Carolina Department of Public Safety and were used to provide capital to fund various projects.

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. The Bank has determined it has no 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.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The 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 also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

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

The organization is fiscally independent if it holds all three of those powers. 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 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 colleges 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. In addition, the Governor and/or the General Assembly appoints most of its board members and budgets a significant portion of its funds.

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 that portion of the funds of the State of South Carolina that is attributable to the transactions of the Bank and do not include any other funds of the State of South Carolina.

Basis of Presentation and Description of Funds

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.

The Bank uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions in the combined statements have been reported by fund type. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The fund types of the Bank are classified as governmental and fiduciary.

Governmental Fund Types

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 type.

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 transportation facilities grant programs and capital projects for others, 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 expenditures or project 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. Project expenditures include those expenditures for which the Bank will receive project revenue reimbursements.

Fiduciary Fund Types

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 type.

Agency Funds

Agency funds are purely custodial (assets equal liabilities) and thus 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 as a condition to an intergovernmental agreement for debt service security.

Account Groups

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the Bank.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

General Long-Term Debt Account Group - This account group is used to account for the outstanding balance of any unmatured general long-term liabilities that are expected to be financed from governmental funds. These liabilities include bonds payable.

Basis of Accounting

All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is utilized for governmental fund types and the Agency funds. Under this method, revenue, including taxes, is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period. The Bank considers revenues available if they are collected within 60 days after year end. Expenditures are recognized when the related fund liability is incurred except for unmatured interest on general long-term debt, which is recognized when due. Payments for insurance and similar services benefiting more than one period are recognized as an expenditure in the year of payment.

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 72.14 as follows: Agencies shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the 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 31 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.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting. Because the legally prescribed budgetary basis differs materially from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary basis and generally accepted accounting principles basis is presented in Note 12.

The Statement of Expenditures – Budget and Actual – Other Budgeted Funds presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line item expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures" for each fiscal year.

Cash and Cash Equivalents

The amounts shown in the financial statements as "cash and cash equivalents" represent cash on deposit with the 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 cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. 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. For credit risk information pertaining to the State's internal cash management pool, see the deposits disclosures in Note 2.

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 general deposit accounts at cost, and 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.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fixed Assets

General fixed assets are recorded as expenditures from the applicable governmental fund and are capitalized at cost in the general fixed assets account group. Fixed assets are not depreciated in accordance with generally accepted accounting principles for governmental entities. Equipment costing more than \$500 and having a useful life of more than one year is capitalized. Donated fixed assets are recorded at estimated fair value at the time of acquisition.

Bonds Payable

The Bank records its bonds payable in the general long term debt account group. Bond premiums and discounts, as well as issuance cost, are recognized in the current period. Bond proceeds are reported as other financing sources in the special revenue fund net of applicable issuance premiums or discount. Issuance cost, whether or not withheld for the actual net proceeds, are reported as expenditures in the special revenue fund.

Deferred Revenue

Deferred revenue consists of advance payments for construction projects which have not been earned. Revenues are recognized in the period in which the project expenditures are made. (See Note 10.)

Fund Equity

In accordance with governmental accounting standards, the portions of fund balances, including reservations for long-term receivables that are not available for appropriation and expenditure and/or are legally segregated for a specific use, are presented as reserved at year end. Designated fund balances represent tentative plans for future use of financial resources. The remainder of the fund balance, if any, is reported as unreserved, undesignated.

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 and disclosures. Accordingly, 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 balance sheet amounts:

<u>Balance Sheet</u>		<u>Footnotes</u>	
Cash and Cash		Deposits Held by	
Equivalents	<u>\$ 525,478,769</u>	State Treasurer	<u>\$525,478,769</u>

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 2. DEPOSITS (CONTINUED):

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 insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Cash and cash equivalents reported on the balance sheet include \$7,249,565 in unrealized appreciation as of June 30, 2001 arising from changes in the fair value of investments. The interest/investment income reported in the statement of revenues, expenditures and changes in fund balance includes an unrealized gain of \$11,526,416 for the year ended June 30, 2001.

Deposits at fair value at June 30, 2001 held by the State Treasurer include \$159,945,646 of unexpended funds related to bond issues which are to be used for projects in progress (see Note 10), \$63,545,070 for actual funding for debt service reserve requirements, \$600,000 in Federal funds that are restricted for use for a loan on any project that is eligible for Federal funding (see Note 5), and \$125,258,780 of certain revenues designated for funding debt service.

NOTE 3. RECEIVABLES:

INTERGOVERNMENTAL RECEIVABLES – STATE AGENCIES

The Bank entered into an intergovernmental agreement on March 10, 1998 with Horry County (the County) and the South Carolina Department of Transportation (Transportation) to loan the County \$300,000,000 interest-free and to fund a financial assistance award of \$245,000,000 for project costs of Phase I of the Conway By-Pass. Transportation agreed to contribute to the Bank \$114,000,000 of the \$245,000,000 award. The \$114,000,000 is payable by Transportation to the Bank in annual installments of \$10,000,000 in each fiscal year for 11 years and \$4,000,000 in the 12th fiscal year. \$30,000,000 was collected by the Bank through June 30, 2001.

The above referred to intergovernmental agreement was amended April 27, 1999 to provide for Transportation to contribute an additional \$95,000,000 to be used by the Bank to fund a financial assistance award to Horry County for project costs of Phase II of the Conway By-Pass. The \$95,000,000 is payable by Transportation to the Bank in annual installments of \$7,600,000 each fiscal year beginning with fiscal year 2000 and continuing for 20 fiscal years. The annual installment of \$7,600,000 includes 5% interest per annum. \$1,819,559 of principal was received through June 30, 2001.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 3. RECEIVABLES (CONTINUED):

Each fiscal year the Bank records contributions revenue equal to the project expenditures made in the fiscal year that are applicable to Transportation's contribution share of the project costs. A contribution receivable has been recorded for the full amount of both contribution receivables which is \$114,000,000 for Phase I and \$95,000,000 for Phase II as project expenditures exceeded the contribution amount for both phases. A summary of changes in the contribution receivables from Transportation for the fiscal year ended June 30, 2001 is as follows:

	Balances 6/30/00	Current Expenditures	Contributions Received	Balances 6/30/01
Conway By-Pass				
Phase I	\$ 84,000,000	\$	\$ -0-	\$ 84,000,000 (A)
Phase II	76,077,400	17,103,041	-0-	93,180,441 (B)
Totals	<u>\$160,077,400</u>	<u>\$ 17,103,041</u>	<u>\$ -0-</u>	<u>\$ 177,180,441</u>

(A) \$30,000,000 has been collected on this receivable through June 30, 2001. The \$10,000,000 payment that was due on or before June 30, 2001 was not collected until July, 2001.

(B) \$1,819,559 has been collected on this receivable through June 30, 2001. The payment of \$7,600,000 which includes interest of \$4,494,996 that was due from Transportation on or before June 30, 2001 was not collected until July, 2001.

Principal payments of \$10,000,000 for Phase I and \$3,105,004 for Phase II due from Transportation were past due at June 30, 2001 and are reported as current receivables as of year end. Due to the long term nature of the remaining balance of contribution receivables due from Transportation, \$164,075,437 has been offset by an equal reservation of fund balance to reflect that these amounts are not available to pay current expenditures.

In addition to the \$177,180,441 in contribution receivables due from Transportation under agreements for specific projects as described above, the intergovernmental receivables balance due from State agencies includes \$6,426,024 for truck registration fees and penalties due from the South Carolina Department of Public Safety and \$22,191,703 for contributions revenue from gas tax revenues for ongoing highway construction funding due from the South Carolina Department of Transportation. The Bank received these funds in July, 2001.

INTERGOVERNMENTAL LOANS – COUNTY GOVERNMENTS

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.

The intergovernmental agreement dated March 10, 1998 with Horry County (County) provided for a non-interest bearing \$300,000,000 loan to partially fund Phase I of the Conway By-Pass – see comments above. The \$300,000,000 loan provides for payments of \$15,000,000 to be due on July 1, 1998 and \$3,750,000 quarterly thereafter beginning October 1, 1998.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 3. RECEIVABLES (CONTINUED):

The intergovernmental agreement with Horry County was amended April 27, 1999 to provide for a \$247,577,664 loan to fund the RIDE Plan Table I and III projects. The availability of draws against the loan amount is limited to certain agreed-upon amounts over the fiscal years ending June 30, 1999 – 2005. The revenues from the 1.5 percent hospitality fee after the payments to the Bank on the above described \$300,000,000 loan are pledged to secure the payment on this loan. The agreed payments due from Horry County total \$348,690,172 which include interest at an annual rate of approximately 5% and are due in scheduled quarterly amounts beginning September 30, 1999 through June 30, 2017.

An intergovernmental agreement was entered into with York County on January 4, 1999 to provide funding for the Metropolitan Road Corridors project with a \$6,600,000 interest free loan which is being repaid in annual installments of \$2,200,000 through July 1, 2001 and a financial assistance award of \$130,000,000. The agreement was amended October 17, 2000 to increase the financial assistance award to \$158,000,000.

Details of the loan balances and changes thereto are as follows:

	<u>Balances June 30, 2000</u>	<u>Advances</u>	<u>Collections</u>	<u>Balances June 30, 2001</u>	
Horry County – Conway By - Pass, Phase I	\$141,493,060	\$109,731,253	\$11,250,000	\$239,974,313	(A)
Horry County Ride Project - Table I and III projects	12,147,878	32,521,340	5,036,933	39,632,285	(B)
York County	<u>4,400,000</u>	_____	<u>2,200,000</u>	<u>2,200,000</u>	(C)
Totals	<u>\$158,040,938</u>	<u>\$142,252,593</u>	<u>\$18,486,933</u>	<u>\$281,806,598</u>	

(A) The advances on this loan through June 30, 2001 total \$296,224,313 leaving \$3,775,687 available to be drawn in future periods. \$56,250,000 was collected on this loan by the Bank through June 30, 2001.

(B) The advances on this loan through June 30, 2001 total \$48,159,774 leaving \$199,417,890 available to be drawn in future periods. \$8,527,489 of principal was collected on this loan by the Bank through June 30, 2001. Collections for the current fiscal year totaled \$6,457,362 which equalled the scheduled amounts due from Horry County. The \$6,457,362 included \$1,420,429 of interest and \$5,036,933 of principal.

(C) The original loan was \$6,600,000. \$4,400,000 was collected on this loan by the Bank through June 30, 2001.

Due to long term nature of the loans receivable at June 30, 2001, \$275,856,598 has been offset as a reservation of fund balance to reflect that portion of the receivables that is not currently available to pay current expenditures.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 3. RECEIVABLES (CONTINUED):

The April, 1999 amendment to the intergovernmental agreement with Horry County included certain loan covenants. The \$247,577,664 loan covenants for the RIDE Project and the previously made \$300,000,000 loan covenants 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 \$300,000,000 loan and the \$247,577,664 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 are 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 and 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. See Note 6 for details of the account balances as of June 30, 2001 and activity for the fiscal year.

INTERGOVERNMENTAL RECEIVABLE/PAYABLE – COUNTY GOVERNMENT

The Intergovernmental Agreement entered into March 10, 1998 with Horry County and the South Carolina Department of Transportation and previously referred to provides that Transportation shall be paid a project management fee of \$3,000,000 in thirty-six (36) equal monthly installments commencing with the execution of the loan agreement. During the current fiscal year, the Bank paid Transportation \$750,000 on behalf of Horry County which was included in current year project expenditures. The \$3,000,000 obligation was paid in full as of June 30, 2001.

NOTE 4. FIXED ASSETS:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	Furniture and Equipment
	\$ 4,344
Balance, June 30, 2000	0
Additions	(2,263)
Deletions	\$ 2,081
Balance, June 30, 2001	\$ 2,081

NOTE 5. GENERAL LONG-TERM DEBT/BONDS PAYABLE:

A summary of changes in bonds payable for the year ended June 30, 2001 is as follows:

	Bonds Payable
	\$ 574,275,000
Balances, beginning of year	268,810,000
Increases	(10,510,000)
Decreases	\$ 832,575,000
Balances, end of year	\$ 832,575,000

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 5. GENERAL LONG-TERM DEBT/BONDS PAYABLE (CONTINUED):

A summary of the bonds payable as of June 30, 2001 is as follows:

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate(%)	Unpaid Principal Balance
October 21, 1998	1998A	\$275,000,000	10/01/17	4.00 – 6.00	\$254,865,000
July 27, 1999	1999A	308,900,000	10/01/24	5.00 – 5.50	308,900,000
November 9, 2000	2000A	268,810,000	10/01/30	5.00 – 6.00	<u>268,810,000</u>
Total					<u>\$832,575,000</u>

On November 9, 2000 the Bank issued \$268,810,000 in bonds (Series 2000A). The net bonds proceeds consist of the following:

Face amount of bonds	\$268,810,000
Original issue premium	<u>5,455,670</u>
Net bond proceeds	<u>\$274,265,670</u>

Issuance costs for the Series 2000A bonds consist of the following:

Underwriters discount	\$ 2,722,968
Guaranty insurance premium	1,059,000
Issuance costs	<u>495,514</u>
Total	<u>\$ 4,277,482</u>

The purpose of the 2000A bonds was to fund portions of the costs of the Horry County RIDE Project, the Beaufort County Project, the Upstate GRID Project and the York County Project, and to recover moneys previously advanced for the Horry County RIDE Project, the Beaufort County Project, the Upstate GRID Project and the York County Project. Also, see Note 10 for additional details.

Annual payments of principal and interest are due on the bonds outstanding and are being paid semiannually. Details of annual debt service, including interest, for each year are as follows:

Year ending June 30,	Principal	Interest	Totals
2002	\$ 10,865,000	\$ 43,616,769	\$ 54,481,769
2003	20,440,000	42,779,819	63,219,819
2004	23,950,000	41,653,231	65,603,231
2005	24,635,000	40,411,250	65,046,250
2006	28,515,000	39,044,769	67,559,769
Thereafter	<u>724,170,000</u>	<u>430,855,052</u>	<u>1,155,025,052</u>
Total debt service obligations	<u>\$832,575,000</u>	<u>\$ 638,360,890</u>	<u>\$1,470,935,890</u>

Interest expenditures for the fiscal year ended June 30, 2001 were \$35,195,773. The total interest payments of \$35,525,922 include \$330,149 of accrued interest that was received at the time of sale of the 2000A bonds.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 5. GENERAL LONG-TERM DEBT/BONDS PAYABLE (CONTINUED):

The payment of the principal and interest on the bonds outstanding is secured by liens on and pledges of certain of the Bank's revenues. 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 their 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 requirements is the lesser of the 10% of bonds outstanding; the maximum annual aggregate debt service; or, 125% of the aggregate average annual debt service. The current year's reserve requirements for all of the bonds outstanding is based on 125% of the aggregate average annual debt service. Funds on deposit to meet the reserve requirements are as follows:

<u>Reserve Requirements</u>	<u>Actual Funding at Fair Value</u>
<u>\$62,607,618</u>	<u>\$63,545,070</u>

Also, the Bank has bond insurance to guarantee the payments of all of its bonds outstanding to the bond holders.

The Series 1998A bonds maturing on or after October 1, 2009 are redeemable at the option of the Bank on and after October 1, 2008, in whole or in part at any time in any order of maturity to be determined by the Bank by payment of the respective redemption prices, expressed as percentages set forth below of the principal amount of the bonds to be redeemed together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

The Series 1999A Bonds maturing on or after October 1, 2010 are redeemable at the option of the Bank on and after October 1, 2009 in whole or in part at any time in any order of maturity to be determined by the Bank by payment of the respective redemption prices, expressed as percentages of the principal amount of the Series 1999A Bonds to be redeemed together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
October 1, 2009 through September 30, 2010	101%
October 1, 2010 and thereafter	100%

The Series 2000A Bonds maturing on or after October 1, 2010 are redeemable at the option of the Bank, on or after October 1, 2009 in whole or in part at any time in any order or maturity to be determined by the Bank by payment of the respective redemption prices, expressed as percentages of the principal amount of the Series 2000A Bonds to be redeemed together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
October 1, 2009 through September 30, 2010	101%
October 1, 2010 and thereafter	100%

None of the Bank's bonds are backed by the full faith, credit and taxing powers of the State of South Carolina.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 6. AGENCY FUNDS

The changes in assets and liabilities for the agency funds are as follows:

	Balances 06/30/2000	Additions	Deductions	Balances 06/30/2001
<u>Horry County Loan Servicing</u>				
Cash and cash equivalents	\$ 1,604,167	\$29,019,605 (A)	\$ 17,707,362	\$ 12,916,410
Intergovernmental receivable - County government	1,974,654	21,421,884	21,338,758	2,057,780
Total assets	\$ 3,578,821	\$50,441,489	\$ 39,046,120	\$ 14,974,190
Due to Special Revenue Fund	\$	\$ 7,174,087 (A)	\$	\$ 7,174,087
Funds held for others	3,578,821	21,928,644	17,707,362	7,800,103
Total liabilities	\$ 3,578,821	\$29,102,731	\$ 17,707,362	\$ 14,974,190
<u>Horry County Loan Reserve</u>				
Cash and cash equivalents	\$ 12,834,038	\$ 854,540	\$	\$ 13,688,578
Funds held for others	\$ 12,834,038	\$ 854,540	\$	\$ 13,688,578
<u>Totals</u>				
Cash and cash equivalents	\$ 14,438,205	\$29,874,145	\$ 17,707,362	\$ 26,604,988
Intergovernmental receivable - County government	1,974,654	21,421,884	21,338,758	2,057,780
Total assets	\$ 16,412,859	\$51,296,029	\$ 39,046,120	\$ 28,662,768
Due to Special Revenue Fund	\$	\$ 7,174,087	\$	\$ 7,174,087
Funds held for others	16,412,859	22,783,184	17,707,362	21,488,681
Total liabilities	\$ 16,412,859	\$29,957,271	\$ 17,707,362	\$ 28,662,768

(A) Includes \$7,174,087 of revenues for the Bank's Special Revenue Fund that was deposited in the Loan Servicing account in error.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 7. TRANSACTIONS WITH STATE ENTITIES:

The Bank has significant transactions with the State of South Carolina and various State agencies.

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 telephone and insurance plans premiums and to the State Accident Fund for workers' compensation insurance.

The South Carolina Department of Transportation provided the Bank certain administrative services and clerical assistance during the fiscal year 2001 for which no consideration will be paid.

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

The Bank recorded \$22,191,703 as revenue contributions of gas tax from the South Carolina Department of Transportation during fiscal year 2001. The gas tax represented 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 for the on-going funding of construction and maintenance of highways. Also, the Bank is due \$177,180,441 from Transportation pursuant to intergovernmental agreements – see Note 3 for details.

The Bank recorded \$50,282,203 of revenues from truck registration fees and penalties from the South Carolina Department of Public Safety during fiscal year 2001.

NOTE 8. INTERFUND RECEIVABLE/PAYABLE

Amounts presented in the Due to/Due from other funds represent deposits credited to or expenditures made from the incorrect cash account. These transactions are temporary in nature and corrections are promptly made as soon as discovered. No interest is charged on these type liabilities.

\$7,174,087 was due to the Special Revenue Fund by the Agency Fund at June 30, 2001 for revenues deposited in one of the Agency Fund accounts in error.

NOTE 9. 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 but does not maintain any State or commercial insurance coverage for those risks except for non-owned motor vehicles and general 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.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 9. RISK MANAGEMENT (CONTINUED):

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, 2001, 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, 2001 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. Claims 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, claims 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, and, therefore, no loss accrual has been recorded.

The Bank has recorded insurance premium expenditure in the general operating expenditures category.

NOTE 10. COMMITMENTS

The Bank has entered into various intergovernmental agreements to provide financial assistance for certain highway and transportation facilities projects. A listing of the commitments and their status as of June 30, 2001 is as follows:

<u>Project Description</u>	<u>Total Award</u>	<u>Expenditures</u>		<u>Outstanding Commitments 6/30/01</u>
		<u>Prior</u>	<u>Current</u>	
<u>Local Governments:</u>				
Horry County				
Conway By-Pass Phase I	\$245,000,000	\$ 119,911,377	\$ 70,555,042	\$ 54,533,581
York County				
Improvement of Metropolitan Road Corridors	158,000,000	38,349,391	8,146,769	111,503,840
Counties for the GRID Project (Anderson, Spartanburg, and Greenville) Upstate GRID Project				
	369,000,000	12,410,454	31,507,071	325,082,475
Beaufort County				
Route 170 Improvement	64,300,000		10,883,464	53,416,536
<u>State Agency:</u>				
SC Department of Transportation				
Guardrails	<u>30,000,000</u>	<u>-0-</u>	<u>-0-</u>	<u>30,000,000</u>
Totals	<u>\$866,300,000</u>	<u>\$ 170,671,222</u>	<u>\$ 121,092,346</u>	<u>\$ 574,536,432</u>

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 10. COMMITMENTS (CONTINUED):

Additional details regarding the financial assistance commitments are as follows:

- The Bank entered into an intergovernmental agreement on March 10, 1998 with Horry County which included provisions therein to provide \$245,000,000 of financial assistance for Phase I of the Conway By-Pass. See Note 3 for additional details regarding the \$114,000,000 contribution funded by the South Carolina Department of Transportation.
- The Bank entered into an intergovernmental agreement with York County on January 4, 1999 to provide funding for the Metropolitan Road Corridors project with a \$6,600,000 loan and a financial assistance award of \$130,000,000. The agreement was amended October 17, 2000 to increase the award to \$158,000,000.
- The Bank entered into an intergovernmental agreement on March 25, 1999 with Anderson, Greenville and Spartanburg counties for funding for the Upstate Growth, Reduce Congestion, Improve Safety, Design for the Future (GRID) Project with a financial assistance award of \$350,000,000. The agreement was amended October 17, 2000 to increase the award to \$369,000,000.
- The Bank entered into an interdepartmental agreement on December 2, 1998 with Beaufort County to share the costs of improvements of Route 170. The agreement was amended on October 17, 2000. The agreement, as amended, provided for Beaufort County to provide \$30,795,265 of the funding and the Bank to provide \$64,300,000 (the original award of \$86,500,000 was revised) of funding with a financial assistance award. Costs are prorated and allocated between Beaufort County and the Bank based on the agreed-upon funding ratio by each. Project expenditures for the fiscal year ended June 30, 2001 totaled \$16,095,989. \$5,212,525 was allocated to the County and \$10,883,464 to the Bank. The County paid the Bank the \$30,795,265 of which \$25,582,740 is reflected as deferred revenues in the Special Revenue Fund as of June 30, 2001 and the \$5,212,525 of expenditures allocated the County is reflected as project expenditures for the year ended June 30, 2001 in the Special Revenue Fund.
- The Bank entered into an intergovernmental agreement on February 1, 2001 with the South Carolina Department of Transportation (Transportation) to install median barriers along 284 miles of interstate highways. The estimated cost is \$40,000,000. The Bank agreed to fund up to \$30,000,000 of the cost.

Payments are to be made on behalf of the various entities as costs are incurred and billed to the Bank for all of these agreements.

NOTE 11. OTHER MATTERS/SUBSEQUENT EVENT:

Through June 30, 2001 the Joint Bond Review Committee of the State of South Carolina has reviewed and approved the issuance of \$2,023,000,000 of Bank General Obligation and/or Revenue Bonds. \$852,710,000 in bonds have been issued through June 30, 2001.

On May 4, 2001 the Board of Directors of the Bank approved an additional bond issue in an amount not to exceed \$300,000,000 which is expected to be issued prior to December 31, 2001. The purpose of the bonds is to partially fund existing project commitments.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 11. OTHER MATTERS/SUBSEQUENT EVENT (CONTINUED):

The Bank entered into an intergovernmental agreement with the South Carolina Department of Transportation (Transportation) on July 2, 2001 to fund the Charleston County Project (Cooper River Bridges Replacement Project). The estimated cost of the project is \$667,500,000 of which the Bank is to provide a financial assistance award of \$325,000,000. Additional funding for this project includes a Federal loan of \$215,000,000 that will bear interest of 5.73% per annum and be repaid over a 25 year term; \$96,600,000 of Federal funds from Transportation; and, \$30,900,000 from other sources. Anticipated revenue contributions to repay the Federal loan include the following:

- (a) Transportation - \$8,000,000 per year for 25 years beginning on or about July 25, 2002;
- (b) Charleston County - \$3,000,000 per year for 25 years; and,
- (c) State Ports Authority - \$5,000,000 per year for 25 years.

The base contract for the construction of the project totals \$531,276,000 and was entered into July 2, 2001 by Transportation on behalf of the Bank. The expected start date was July 15, 2001 and the expected completion date is July 15, 2006.

The Board of Directors has approved the Lexington County Dam Project in the amount of \$115,000,000. The anticipated funding for this project includes a \$48,000,000 financial assistance award by the Bank, \$59,000,000 from SCANA Corporation, \$2,000,000 from Lexington County and \$6,000,000 from Federal grant awards. No agreements have been entered into by the Bank as of June 30, 2001 for this project.

NOTE 12. BUDGETARY REPORTING BASIS:

The financial statements prepared on the legally enacted basis differ from the generally accepted accounting principles (GAAP) statements. The statement of expenditures – budget and actual – other budgeted funds presents the legal basis budget which was enacted.

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassification from financial statement fund types to budgetary fund categories and adjustments for non-budgeted items and to classify loan advances as expenditures. The following schedule reconciles the differences.

	Special Revenue	Budgeted Funds
Expenditures on GAAP Basis	\$ 197,180,986	\$
Fund reclassification:		
General operating	(193,445)	193,445
Grant awards for constructing and improving highway and transportation facilities	(138,195,387)	138,195,387
Project expenditures	(6,071,399)	6,071,399
Loan advances budgeted as expenditures		142,252,595
Refunds of prior year expenditures included in revenues		562,617
Non-budgeted:		
Project expenditures	(2,737,500)	
Debt service	(45,705,773)	
Bond issuance costs	(4,277,482)	
Totals	\$ -0-	\$ 287,275,443

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE 13. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS:

The governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. This new accounting and reporting standard will impact the revenue and expenditure recognition and assets, liabilities, and fund equity reporting for the fiscal year beginning July 1, 2001. The financial statements will be reformatted and some beginning balances will be restated for the fiscal year ending June 30, 2002.