SOUTH CAROLINA
TRANSPORTATION INFRASTRUCTURE BANK

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

October 31, 2016

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, 2016, 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,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

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SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

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SCOTT COMPANY

Independent Auditor's Report

Mr. George L. Kennedy, III, CPA
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, 2016, 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.

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, 2016, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Bank has adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application.* This Statement required that the Bank record its interest rate swap agreements at fair value. Our opinion is not modified with respect to this matter.

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, 2016, 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, budgetary comparison schedule, schedule of the South Carolina Transportation Infrastructure Bank's proportionate share of the net pension liability – South Carolina Retirement System, schedule of the South Carolina Transportation Infrastructure Bank's contributions – South Carolina Retirement System on pages 4 through 8 and 49 through 53 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 of Changes in Assets and Liabilities – Agency Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Combining Statement of Changes in Assets and Liabilities – Agency Funds on page 54 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 statements 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 31, 2016 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 on pages 55 and 56. 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

Greenville, South Carolina
October 31, 2016

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, 2016. The Management's Discussion and Analysis should be read in conjunction with the Bank's financial statements which follow. 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 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.

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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These components are described below:

Government-Wide Financial Statements

The *Government-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 Government-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, 2016 resulting in a deficiency of $626.3 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 2016, revenues exceeded expenses by $73.4 million resulting in 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 Government-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 Fund - The financial activity related to the mission of the Bank is accounted for in the governmental fund. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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, 2016, the fund balance in the Bank's governmental fund was approximately $1.26 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, 2015 the fund balance was $1.28 billion.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-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 the governmental fund and the Bank's governmental activities. These reconciliations are presented immediately following each governmental fund financial statement.

The governmental fund financial statements can be found immediately following the Government-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 Government-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 Government-wide and the fund financial statements. The notes to the financial statements can be found immediately following fiduciary fund financial statements.

GOVERNMENT-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 and deferred inflows of resources (all classified as governmental activities) exceeded assets and deferred outflows of resources by $626.3 million at the close of business on June 30, 2016 (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, 2016	June 30, 2015
Current Assets	$ 220.9	$ 232.7
Non-current Assets	1,157.9	1,172.9
Total Assets	1,378.8	1,405.6
Deferred Outflows of Resources	131.0	115.0
Total Assets and Deferred Outflows of Resources	$ 1,509.8	$ 1,520.6
Current Liabilities	$ 193.6	$ 225.8
Non-current Liabilities	1,942.4	1,994.4
Total Liabilities	2,136.0	2,220.2
Deferred Inflows of Resources	$ 0.1	$ 0.1
Total Liabilities and Deferred Inflows of Resources	$ 2,136.1	$ 2,220.3
Net Position:		
Restricted	$ 1,310.8	$ 1,335.8
Unrestricted net position	(1,937.1)	(2,035.5)
Total net position, as restated	$ (626.3)	$ (699.7)
Total Liabilities, Deferred Inflows of Resources, and Net Position, as restated	$ 1,509.8	$ 1,520.6

The Bank implemented GASB Statement No. 72, *Fair Value Measurement and Application,* in the year ended June 30, 2016. This resulted in the adjustment of the Bank's derivative instrument fair values for the year ended June 30, 2015. However, due to the offsetting amounts of the deferred outflows of resources and associated liability, there was no effect on net position as of June 30, 2016. See Note 1 for further details regarding the restatement.

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 fiscal year 2016, the Bank's net position increased by $73.4 million. 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 2016 were truck registration fees (25%); contribution from SCDOT per Act 98 (2013) (17%); contribution from SCDOT per Act 92 (2016) (17%); contribution from SCDOT in an amount equivalent to revenues generated from one-cent of gasoline tax (10%); motor vehicle registration fees (14%); electric power tax (1%); program revenues include contributions pursuant to intergovernmental agreements of $15.7 million which is (5%) of total revenues; and investment earnings (9%). 63% of the Bank's expenses represent transportation projects and 37% 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, 2016	June 30, 2015
Revenues:		
Program Revenues:		
Charges for Services	$ 15.7	$ 11.2
General Revenues:		
Truck registration fees	71.7	67.5
Act 98 (2013) revenue	50.0	50.0
Act 92 (2016) revenue	50.0	-
Gasoline tax	28.4	27.4
Motor vehicle registration fees	41.1	41.2
Electric power tax	4.1	4.2
Interest/Investment earnings	27.8	18.5
Total general revenues	273.1	208.8
Total Revenues	288.8	220.0
Expenses:		
Administration	0.5	0.4
Transportation projects assistance	136.6	122.7
Interest and other debt costs	78.3	83.5
Total Expenses	215.4	206.6
Increase in net position	73.4	13.4
Net position, beginning of year	(699.7)	(713.1)
Net position, end of year	$ (626.3)	$ (699.7)

FINANCIAL ANALYSIS OF THE BANK'S INDIVIDUAL FUND

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

Governmental Fund

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 $1.26 billion, a decrease of $14.7 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 original principal amount of revenue bonds issued is in excess of $2 billion. During fiscal year 2016, the Bank paid $75.85 million towards principal of outstanding revenue bonds and $2.275 million towards prinicipal of outstanding general obligation bonds. In addition, the Bank refunded the 2005A and 2007A Revenue Bonds which will reduce future debt service by approximately $24.8 million. At June 30, 2016, the principal balance of outstanding revenue bonds was $1.74 billion and the outstanding balance of general obligation bonds was $34.6 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 2016 by 3% over the biennial period. The amount contributed by SCDOT equivalent to revenues from one-cent of gas tax was 3% greater than the previous year. 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.

Budgetary Highlights

Total appropriations from the State were approximately $255.5 million. These appropriations were approximately $105 million more in fiscal year 2016 than fiscal year 2015. The increase is due to the Act 98 Projects and the potential for an increase in project expenditures. Total expenditures on the budgetary basis of accounting were approximately $88.5 million. The significant positive variance with budgeted amounts is due to several infrastructure projects not reaching construction stage during the fiscal year, which significantly reduced costs incurred by the Bank.

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, 2016
(expressed in thousands)

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 69,359
Accrued interest receivable	130
Restricted current assets:	
Cash and cash equivalents	77,994
Intergovernmental loans/receivables:	
State agencies	36,505
County governments	36,881
Total current assets	220,869
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	799,231
Accrued interest receivable	2,646
Intergovernmental loans/receivables:	
State agencies	212,459
County governments	143,608
Total noncurrent assets	1,157,944
Total assets	1,378,813
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding bonds	75,684
Contributions to retirement plan after measurement date	23
Difference between expected and actual retirement plan experience	8
Difference between projected and actual investment experience - retirement plan	3
Change in proportionate share of retirement plan	29
Hedging portion of derivative instrument	55,215
Total deferred outflows of resources	$ 130,962

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF NET POSITION (continued)
JUNE 30, 2016
(expressed in thousands)

	Governmental Activities
LIABILITIES	
Current liabilities:	
Liabilities payable from restricted current assets:	
Bonds payable - current portion	$ 59,215
Accrued interest payable - bonds	17,831
Total liabilities payable from restricted current assets	77,046
Accounts payable	15,641
Unearned revenue	100,898
Compensated absences payable - current portion	6
Total current liabilities	193,591
Noncurrent liabilities:	
Bonds payable, net of current portion	1,834,562
Rebatable arbitrage payable	1,063
Compensated absences payable, net of current portion	25
Net pension liability	430
Derivative instrument liability - hedging portion of derivative instrument	55,215
Derivative instrument liability - off market portion of derivative instrument	51,234
Total noncurrent liabilities	1,942,529
Total liabilities	2,136,120
DEFERRED INFLOWS OF RESOURCES	
Difference between expected and actual retirement plan experience	1
Total deferred inflows of resources	1
NET POSITION	
Restricted:	
Debt service reserve	146,278
Debt service principal and interest	1,164,453
Bond funded projects	43
Unrestricted	(1,937,120)
Total net position	$ (626,346)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(expressed in thousands)

	Governmental Activities
Expenses:	
Public transportation facilities development:	
General operating	$ 516
Financial assistance awards for constructing and improving highway and other transportation facilities and other project costs	136,551
Interest	77,931
Bond related expenditures/issuance costs	480
Total program expenses	215,478
Program revenues	
Charges for services - contributions	15,742
Net program expenses	199,736
General revenues:	
Gasoline tax and vehicle registration fees	145,294
Act 98 (2013) revenues, contributed from SCDOT	50,000
Act 92 (2016) revenues, contributed from SCDOT	50,000
Interest/investment income	27,810
Total general revenues	273,104
Change in net position	73,368
Net position - beginning of year	(699,714)
Net position - end of year	$ (626,346)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2016
(expressed in thousands)

	Public Transportation Facilities Development
ASSETS	
Unrestricted assets:	
Cash and cash equivalents	$ 69,359
Accrued interest receivable	130
Total unrestricted assets	69,489
Restricted assets:	
Cash and cash equivalents	877,225
Accrued interest receivable	2,646
Intergovernmental loans/receivables:	
State agencies	248,964
County governments	180,490
Total restricted assets	1,309,325
Total assets	$ 1,378,814
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 15,641
Unearned revenue	100,898
Total liabilities	116,539
Fund balance:	
Restricted for financial assistance award and debt service	1,262,275
Total fund balance	1,262,275
Total liabilities and fund balance	$ 1,378,814

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
(expressed in thousands)

Reconciliation to the statement of net position:		
Total fund balance, governmental fund		$ 1,262,275
Amounts reported for governmental activites in the statement of net position are different because:		
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	(1,893,777)	
Derivative instrument liability - hedging portion of derivative instrument	(55,215)	
Derivative instrument liability - off market portion of derivative instrument	(51,234)	
Rebatable arbitrage payable	(1,063)	
Compensated absences payable	(31)	
Accrued interest payable	(17,831)	
Net pension liability	(430)	(2,019,581)
Deferred inflows of resources are not reported in the governmental fund:		
Difference between projected and actual investment earnings - retirement plan		(1)
Deferred outflows of resources are not reported in the governmental fund:		
Deferred loss on bond refundings	155,933	
Less: amortization	(80,249)	
Hedging Portion of derivative instrument	55,215	
Contributions to retirement plan after measurement date	23	
Difference between expected and actual retirement plan experience	8	
Difference between projected and actual investment experience - retirement plan	3	
Change in proportionate share of retirement plan	29	130,962
Rounding		(1)
Change in net position		$ (626,346)

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
(expressed in thousands)

	Public Transportation Facilities Development
Revenues:	
Contribution of gasoline tax revenue for construction projects by the South Carolina Department of Transportation	$ 28,383
Contribution of Act 98 (2013) revenue for construction projects by the South Carolina Department of Transportation	50,000
Contribution of Act 92 (2016) revenue for construction projects by the South Carolina Department of Transportation	50,000
Truck registration fees and penalties transferred from South Carolina Department of Motor Vehicles	71,746
Motor vehicle registration fees and penalties transferred from South Carolina Department of Motor Vehicles	41,083
Electric power tax revenue transferred from South Carolina Department of Transportation	4,082
Contributions pursuant to intergovernmental agreements for specific construction projects	15,742
Interest/investment income:	
Deposits and investments	16,906
Loans and receivables	10,904
TOTAL REVENUES	288,846
Expenditures:	
General operating	500
Financial assistance awards for constructing and improving highway and other transportation facilities	136,550
Debt service:	
Interest	87,548
Principal	78,125
Bond related expenditures	782
TOTAL EXPENDITURES	303,505
Other Financing Sources:	
Revenue refunding bonds	511,995
Premium on bonds issued	21,638
Miscellaneous bond proceeds	121
TOTAL OTHER FINANCING SOURCES	533,754
EXCESS OF EXPENDITURES OVER REVENUES	519,095
Other Financing Uses:	
Payment of refunding bond proceeds to escrow agent - Principal	533,754
TOTAL OTHER FINANCING USES	533,754
EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES OVER REVENUES AND OTHER FINANCING USES	(14,659)
FUND BALANCE, beginning of year	1,276,935
FUND BALANCE, end of year	$ 1,262,276

The notes to the financial statements are an integral part of these 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, 2016
(expressed in thousands)

Reconciliation to the statement of activities:		
Excess of expenditures over revenues for the governmental fund	$	(14,659)
Amounts reported for governmental activites in the statement of activities are different because:		
Proceeds from the issuance of bonds are reported as other financing source in the governmental fund and as an increase in liablitities in the statement of net position		(533,633)
Increase in accrued interest payable is reported as expense in the statement of activities		1,244
Amortization of premiums and discounts on bonds is reported as an adjustment of interest expense in the statement of activities		8,402
Amortization of deferred loss on refunding of bonds is reported as an expense in the statement of activities		(5,553)
Change in arbitrage liability is reported as an expense in the statement of activities		150
Amortization of derivative instruments is reported as a reduction to interest expense in the statement of activities		3,378
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		78,125
Escrow deposits for advance refunding of long-term debt is reported as other financing use in governmental fund		535,931
Increase in general operating expense due to increase in proportionate share of pension expense		(17)
Decrease in compensated absences is reported as a reduction in expense in the statement of activities		1
Rounding		(1)
Change in net position	$	73,368

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016
(expressed in thousands)

ASSETS		**Agency Funds**
Cash and cash equivalents	$	47,404
Accrued interest receivable		109
Total assets	$	47,513
LIABILITIES		
Funds held for others	$	47,513
Total liabilities	$	47,513

The notes to the financial statements are an integral part of these 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 Fiscal Accountability Authority ("SFAA"), 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 ("SCDOT") 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. In addition, Act 98 (2013) provides for a transfer from the SCDOT of $50 million dollars from non-tax sources to fund projects to expand or improve existing interstates or replace or rehabilitate bridges from project priority lists submitted to the Bank by SCDOT. The Bank is also authorized to issue bonds to finance its activities. Also, the SCDOT is committed to make contributions over a period of years to partially fund certain projects. Act 92 (2015) provided supplemental appropriations of $50 million dollars to be used to bond projects to expand or improve existing interstates or replace or rehabilitate bridges. The General Assembly (see fiscal year 2016-17 Appropriations Act Proviso 117.135) has since changed this language and the non-recurring revenue will be transferred to SCDOT for use by the County Transportation Fund.

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 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 Government-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 Bank 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 SFAA under its authority or by the agency as set forth in Appropriation Act Proviso 117.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Executive Budget Office 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 SFAA. 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.

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 had no capital assets as of June 30, 2016. The Bank donates all capital infrastructure projects to the South Carolina Department of Transportation.

Deferred Outflows and Inflows of Resources

A deferred outflow or inflow of resources is a consumption or acquisition of net position that is applicable to a future reporting period. The Bank has recorded deferred outflows and inflows of resources in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, and amounts related to its proportionate share of the net pension liability.

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 in 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 recorded a $1.0 million rebatable arbitrage liability as of June 30, 2016.

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.

Unearned Revenue

Unearned 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 $101 million of unearned revenue as of June 30, 2016.

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 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, 2016.

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 $23.8 million as of June 30, 2016. 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 their 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, 2016, 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, 2016, 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, 2016, 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 Bank reports net position in accordance with GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The statement requires the presentation of deferred inflows and outflows of resources in addition to assets and liabilities as required components of the residual measure of the government which is net position.

The following categories of net position are presented in the Statement of Net Position:

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. As of June 30, 2016, of the $1.309 billion restricted net position, $7.8 million 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.

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 days of the month are entitled 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.

Implementation of New Accounting Standards and Restatement of Net Position

The Bank implemented GASB Statement No. 72, *Fair Value Measurement and Application,* during the year ended June 30, 2016. The objective of GASB Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The Bank's derivative instruments were previously carried at a 'mid-market' value as of June 30, 2015 rather than the fair value methodology presribed by GASB Statement No. 72. The implementation of this Statement required that these balanaces be restated at fair value. However, both the deferred outflows of resources and liability related to the derivative isntrument were adjusted by the same amount, so there was no effect to net position.

See Note 10 for more information regarding the Bank's derivative instruments and below for a summary of the adjustment to amounts reported as of June 30, 2015.

Net position at June 30, 2015 as originally reported	$	(699,714)
Adjustment to derivative instrument liability to report at fair value		(1,716)
Adjustment to deferred outflows of resources related to derivative instrument to report at fair value		1,716
Net position at June 30, 2015 as restated	$	(699,714)

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			Footnotes		
Governmental fund:			Deposits held by:		
Cash and cash equivalents	$	69,359	State Treasurer	$	993,041
Restricted cash and cash equivalents		877,225	Swap Counterparties		947
Fiduciary fund:					
Cash and cash equivalents		47,404			
Total	$	993,988		$	993,988

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 $13.881 million for the governmental fund and $409 thousand for the fiduciary fund as of June 30, 2016 arising from changes in the fair value of investments. Interest/investment income from deposits and investments includes an unrealized gain of $446 thousand for the governmental funds and an unrealized loss of $207 thousand on the fiduciary funds for the year-ended June 30, 2016.

Deposits at fair value at June 30, 2016 held by the State Treasurer include $146.278 million for funding revenue bond debt service reserve requirements, $521.594 million for funding revenue bond debt service, $85 thousand in bond proceeds and cost of issuance, $69.465 million collateral funds under interest rate swap agreements, $69.359 million unrestricted highway cash, $81.014 million in Act 98 proceeds, $50.650 million in Act 92 proceeds, and $47.404 million in fiduciary funds. Deposits at fair value at June 30, 2016 held by the State Treasurer also include $7.192 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 GASB Statement No. 40, *Deposits and Investments - Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application* are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina, which can be found at www.cg.sc.gov.

NOTE 3. LOANS/RECEIVABLES/UNEARNED REVENUE:

A summary of intergovernmental loans/receivables and unearned revenue at June 30, 2016 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	$ 20,310	*	$ -		$ -
Charleston County Project					
S.C. Department of Transportation	87,333	*	-		-
S.C. Ports Authority	11,000	*	-		-
Charleston County	-		36,000	*	-
Intergovernmental loans:					
Horry County RIDE Project					
Horry County					
Loan I	-		15,000	*	-
Loan II - Pledged portion	-		129,489	*	-
S.C. Department of Transportation					
Multi-project loan	51,090	*	-		-
US 17 project	67,935	*	-		-
Berkeley County I26 Jedburg	-		-		-
Other Receivables:					
Truck registration fees and penalties -					
S.C. Department of Motor Vehicles	5,142	*	-		-
Vehicle Registration Fees - SC Dept Motor Vehicle	3,940	*	-		-
Gas Tax Revenues-SCDOT	783	*	-		-
Electric Power Tax Equivalent	1,016	*			
US 17 Loan Payment - SCDOT	415	*	-		-
Totals	$ 248,964		$ 180,489		$ -

Unearned Revenue:	
SCDOT - Unearned Gas Tax	$ 1,549
Florence County Project	99,349
	$ 100,898

*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, 2016 is as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/15	Current Expenditures	Contributions Received	Balances 6/30/16
SCDOT Phase II (a)	$ 26,605	$ -	$ 6,295	$ 20,310
	$ 26,605	$ -	$ 6,295	$ 20,310

(a) Project costs have been advanced for the $95 million contribution obligation for Phase II of which $74.690 million was collected on this receivable through June 30, 2016.

Charleston County Project

	Balances 6/30/15	Current Expenditures	Contributions Received	Balances 6/30/16
SCDOT Phase I (b)	$ 95,333	$ -	$ 8,000	$ 87,333
SC Ports Authority (c)	12,000	-	1,000	11,000
Charleston County (d)	39,000	-	3,000	36,000
	$ 146,333	$ -	$ 12,000	$ 134,333

(b) The total contribution obligation is $200 million which was fully advanced as of June 30, 2005. $112.667 million was collected on this receivable through June 30, 2016.

(c) The total contribution obligation is $45 million which was advanced as of June 30, 2005. $34 million was collected on this receivable through June 30, 2016.

(d) The total contribution is $75 million which was advanced as of June 30, 2005. $39 million was collected on this receivable through June 30, 2016.

Florence County Project

	Balances 6/30/15	Current Expenditures	Contributions Received	Balances 6/30/16
Florence County (e)	$ (115,086)	$ 15,737	$ -	$ (99,349)
	$ (115,086)	$ 15,737	$ -	$ (99,349)

(e) The total contribution paid from Florence County is $144.988 million through June 30, 2016. Expenditures on this project totaled $131.133 million with the County's share totaling $45.639 million resulting in unearned revenue of $99.349 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 6/30/15	Current Expenditures	Contributions Received	Balances 6/30/16
Table I projects (f)	$ 30,000	$ -	$ 15,000	$ 15,000
Table III projects (g)	146,240	-	16,751	129,489
	$ 176,240	$ -	$ 31,751	$ 144,489

(f) The original loan amount was for $300 million and was fully advanced as of June 30, 2002 and $285 million was collected on this loan through June 30, 2016.

(g) The original loan amount was for $247.578 million which was advanced through June 30, 2006. Payments on principal through June 30, 2016 total $118.089 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, 2016, payments of $20.872 million were received which consisted of $4.122 million in interest and $16.750 million in principal.

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, SCDOT 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 6/30/2015	Current Expenditures	Contributions Received	Balances 6/30/2016
SCDOT (h)	$ 58,324	$ -	$ 7,234	$ 51,090
	$ 58,324	$ -	$ 7,234	$ 51,090

(h) 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, 2016, payments of $10 million were received which consisted of $2.766 million in interest and $7.234 million in principal.

US 17 Project

	Balances 6/30/15	Current Expenditures	Contributions Received	Balances 6/30/16
SCDOT (i)	$ 69,852	$ -	$ 1,917	$ 67,935
	$ 69,852	$ -	$ 1,917	$ 67,935

(i) Total loan amount is $82.0 million which was advanced as of June 30, 2009. $14.065 million was collected on this note as of June 30, 2016.

Berkeley County

	Balance 6/30/15	Current Expenditures	Contributions Received	Balance 6/30/16
Jedburg Interchange Loan I (j)	$ 5,332	$ -	$ 5,332	$ -
	$ 5,332	$ -	$ 5,332	$ -

(j) Total loan amount is $6.401 million which was advanced as of June 30, 2011. $6.401 million was collected on this note as of June 30, 2016.

NOTE 4. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2016 are as follows (expressed in thousands):

	Beginning Balance July 1, 2015	Increases	Decreases	Ending Balance June 30, 2016	Due Within One Year
General obligation bonds payable	$ 36,865	-	$ (2,275)	$ 34,590	$ 2,305
Unamortized premiums	5,196	-	(460)	4,736	-
Total general obligation bonds payable	42,061	-	(2,735)	39,326	2,305
Revenue bonds payable	1,834,940	157,095	(248,470)	1,743,565	56,910
Unamortized premiums	112,866	21,638	(18,268)	116,236	-
Unamortized discounts	(5,350)	-	-	(5,350)	-
Total revenue bonds payable	1,942,456	178,733	(266,738)	1,854,451	56,910
Arbitrage payable	1,213	-	(150)	1,063	-
Compensated Absences Liability	32	-	(1)	31	6
Total long-term liabilities	$ 1,985,762	$ 178,733	$ (269,624)	$ 1,894,871	$ 59,221

NOTE 5. BONDS PAYABLE:

A summary of the bonds payable as of June 30, 2016 is as follows (expressed in thousands):

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate (%)	Unpaid Principal Balance
September 22, 2003	2003B Refunding	368,300	10/01/31	Variable Rate	354,900
September 1, 2004	2004B Refunding	153,450	10/01/17	3.00-5.25	30,515
Plus unamortized premium					4,062
October 1, 2005	2005A Refunding	146,445	10/01/24	5.00-5.50	66,895
Plus unamortized premium					6,552
February 1, 2007	2007A	188,335	10/01/37	4.25-5.00	150,220
Plus unamortized premium					4,627
February 1, 2007	2007B Refunding	102,015	10/01/31	4.00-5.00	85,870
Plus unamortized premium					534
October 1, 2009	2009A Refunding	88,590	10/01/17	5.00	36,800
Plus unamortized premium					4,228
December 1, 2010	2010A	203,580	10/01/40	5.25	203,580
Less unamortized discount					(5,350)
April 1, 2012	2012A Refunding	265,965	10/1/33	3.00-5.00	249,945
Plus unamortized premium					23,180
October 1, 2012	2012B Refunding	424,910	10/1/33	3.375-5.00	407,745
Plus unamortized premium					51,396
July 1, 2015	2015A Refunding	157,095	10/1/27	3.00-5.00	157,095
Plus unamortized premium					21,638
Subtotal Revenue Bonds					1,854,432
April 13, 2004	2004A GO	60,000	10/01/28	3.00-5.00	10,190
Plus unamortized premium					19
May 1, 2012	2012A GO Refunding	28,745	04/01/25	5.00	24,400
Plus unamortized premium					4,736
Subtotal GO Bonds					39,345
Total bonds payable including unamortized premiums and discounts					$1,893,777

A summary of the components of bonds payable at June 30, 2016 is as follows (expressed in thousands):

Face value of revenue bonds outstanding	$ 1,743,565
Face value of general obligation bonds outstanding	34,590
Unamortized premium	120,972
Unamortized discount	(5,350)
	$ 1,893,777

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

		Principal	Interest	Totals
Year Ending:	6/30/17	$ 56,910	$ 74,799	$ 131,709
	6/30/18	71,750	74,433	146,183
	6/30/19	76,115	70,760	146,875
	6/30/20	75,085	66,942	142,027
	6/30/21	78,165	63,091	141,256
Five years ending:	6/30/26	350,220	263,718	613,938
	6/30/31	439,275	181,338	620,613
	6/30/36	395,055	84,764	479,819
	6/30/41	200,990	27,167	228,157
Total debt serviceobligations		$ 1,743,565	$ 907,012	$ 2,650,577

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, 2016 was $146.44 million. Total cost of the investment in the State Treasuer's investment pool is $139.46 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, 2016, the Bank received pledged revenues in the amount of approximately $210.29 million, which include payments on contributions receivable and intergovernmental loans as described under the bond documents, while net debt service was $165.674 million.

The outstanding balance at June 30, 2016 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 2015A Revenue Refunding Bonds is $31.700 million on Series 2001A Revenue Bonds, $245.570 million on Series 2003A Revenue Bonds, $195.925 million on Series 2004A Revenue Bonds, and $98.020 on Series 2007A Revenue Bonds for a total of $645.815 million.

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

		Principal	Interest	Totals
Year Ending:	6/30/17	$ 2,305	$ 1,447	$ 3,752
	6/30/18	2,400	1,332	3,732
	6/30/19	2,495	1,212	3,707
	6/30/20	2,595	1,087	3,682
	6/30/21	2,695	957	3,652
Five years ending:	6/30/26	15,490	2,731	18,221
	6/30/28	6,610	284	6,894
Total debt service obligations		$ 34,590	$ 9,050	$ 43,640

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 principal 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 was 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 10 for additional details regarding the interest rate swap agreement.

On June 15, 2016 Wells Fargo Bank, National Association agreed to purchase all of the outstanding Series 2003B Bonds (all of which will be subject to mandatory tender on June 15, 2019) having the terms provided in this Second Amended and Restated Sixth Series Resolution pursuant to the terms of the Amended and Restated Continuing Covenants Agreement dated June 15, 2016 (the "Continuing Covenant Agreement"), between the Bank and Wells Fargo Bank, National Association.

The Series 2003B Refunding 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 below:

	Principal Amount Redeemed		
October 1	2003B-1	2003B-2	Total
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
	$ 177,485,000	$ 177,415,000	$ 354,900,000

The Series 2004B Bonds issued October 1, 2004 with a principal balance of $153,450,000 maturing October 1, 2017 are not subject to redemption.

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. In July 2015, the Bank advance refunded $74.6 million of the 2005A Refunding Bonds maturing between 2021 and 2014 with Series 2015A Revenue Refunding Bonds.

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. In July 2015, the Bank advance refunded a portion of the 2007A Bonds with the Series 2015A Revenue Refunding Bonds.

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. In July 2015, the Bank advance refunded $98.02 million of the 2007A Refunding Bonds maturing between 2017 and 2027.

In July of 2016, the Bank Refunded $143.635 million of the 2007A Bonds which included all the 2032, 2034, and 2037 term bonds. See note 13 for further details.

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 redemption, prior to 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 interest 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.

In July of 2016, the Bank refunded $85.570 million of the 2007B Bonds. See note 13 for further details.

The Series 2009A Refunding Bonds issued in the amount of $88.590 million are not subject to redemption. Series 2009A Refunding Bonds have a maturity date of October 1, 2017. Proceeds from the Series 2009A were used to refund a portion of the Series 1998A Bonds, Series 1999A Bonds and Series 2000A Bonds.

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. 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 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. The 2012B 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 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 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. 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 deferred outflow 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.

The Bank issued $157.095 million of revenue refunding bonds on July 1, 2015. The 2015A bonds were issued to refund $74.60 million of the 2005A bonds and $98.020 million of the 2007A bonds. The bonds were issued with a premium of $21.638 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in an accounting loss of $246 thousand. This difference is reported in the accompanying financial statements as a deferred outflow of resources 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 $24.818 million with a net present value, or economic gain, of $20.895 million.

NOTE 6. DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources at June 30, 2016 consist of the following (in thousands):

Deferred loss on refunding bonds	$ 75,684
Hedging portion of derivative instrument	55,215
Contributions to retirement plan after measurement date	23
Difference between expected and actual retirement plan experience	8
Difference between projected and actual investment experience – retirement plan	3
Change in proportionate share of retirement plan liability	29
	$ 130,962

Discussion regarding the hedging portion of the derivative instrument can be found in Note 10. The deferred loss on refunding bonds is amortized based on the shorter of the shorter of the original bond or refunding bond issuance.

The detail below summarizes the deferred loss on refunding bonds by bond issue (in thousands):

Series	Original Face Amount	Final Maturity Date	Deferred Loss on Refunding Bonds
2003B Refunding	368,300	10/1/2031	$ 50,565
2005A Refunding	221,045	10/1/2024	3,325
2007B Refunding	102,015	10/1/2031	2,483
2012A Refunding	265,965	10/1/2033	4,346
2012B Refunding	424,910	10/1/2033	12,637
2015A Refunding	157,095	10/1/2027	313
			73,669
2012A GO Refunding	28,745	4/1/2025	2,015
			2,015
			$ 75,684

Amortization of the deferred loss on refunding bonds was approximately $5.557 million for the year ended June 30, 2016 as was recognized as a component of interest expense.

See Note 11 for information regarding deferred outflows of resources related to the Bank's net pension liability.

NOTE 7. 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 Executive Budget Office and State Fiscal Accountability Authority 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 Fiscal Accountability Authority for insurance plan premiums and to the State Accident Fund for workers' compensation insurance.

The SCDOT provided the Bank certain project management and other related services during fiscal year 2016 in the total amount of $3.7 million which was reimbursed by the Bank. The Bank reimbursed SCDOT $32.1 million for direct project expenditures on various projects and construction management paid by SCDOT to consultants. In addition, the Bank reimbursed SCDOT $115 thousand for administrative related services provided by SCDOT.

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

The gas tax amounts received from SCDOT during the year totaled $27.6 million. SCDOT has prepaid one month of gas tax amounts to the Bank resulting in unearned 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 SCDOT should pay the Bank $783 thousand. Therefore, the amount of gas tax revenue recognized by the Bank was $28.383 million for the year ended June 30, 2016.

The Bank recorded $71.746 million of revenues from truck registration fees and penalties from the South Carolina Department of Motor Vehicles during fiscal year 2016.

The Bank recorded $41.083 million of revenues from motor vehicle fees from the South Carolina Department of Motor Vehicles.

The Bank recorded $4.082 million in Electric Power Tax Revenue transferred from the SCDOT. The Bank also recorded $50 million in revenue transferred under Act 98 (2013) and $50 million in revenue transferred under Act 92 (2016) from the SCDOT.

NOTE 8. 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 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. The Bank paid $5,448 to the IRF for insurance premiums during fiscal year 2016.

NOTE 9. 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, 2016 are as follows:

A. Intergovermental agreements not utilizing ACT 98 Funding

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. The project is nearing completion.

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 the Bank 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 the Bank 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. The additional funding for the Mark Clark Expressway project would not be available until the Florence Project was fully funded. In December 2013, the JBRC approved the $90 million additional funding for Florence County. Modifications 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 the Bank 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 the Bank was executed on May 3, 2007. The projects are under various stages of preliminary design, 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. In December of 2013, the Joint JBRC approved the additional $90 million for Florence County.

Berkeley County - Sheep Island Interchange Project. On February 6, 2009, the Bank approved loan I in the amount of $6.401 million 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, 2016 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 previously 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 four 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 fiscal year 2017 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 which are components of the Dorchester project.

The Bank approved financial assistance in the form of a grant of up to $30 million for improvements to the Berlin G. Myers Parkway at its April 20, 2015 meeting. The project was approved by the JBRC at their June meeting. An intergovernmental agreement is currently being executed.

The Bank approved financial assistance in the form of a grant of up to $4 million for additional costs for the Widening of SC Highway 165 at their May 26, 2016 meeting. The project was approved by the JBRC at their September meeting.

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.

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.

In September of 2014, the City of Aiken requested and was granted a scope change to the components of the approved project. Hitchcock Parkway was removed; University Parkway received an additional $1.6 million; and the Dougherty Road/Whiskey Road Project received an additional $700,000. The remaining $7.3 million was returned to the Bank.

B. Intergovermental agreements utilizing ACT 98 Funding

The S.C. General Assembly passed Act 98 during its 2013 Session. The legislation provides that $50 million per year transferred from SCDOT to the Bank "must be used solely by the bank to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing mainline interstates". From the list of projects provided by SCDOT the following projects were approved by the Bank and subsequently by the Joint Bond Review Committee (JBRC) in December of 2013.

Act 98 Greenville I-85/I-385 Interchange - The Bank approved financial assistance in the form of a grant to provide $80 million to reconfigure the interchange to improve safety and capacity. An additional through lane in each direction will be provided along I-385. Structures along I-85 will be designed to accommodate an additional lane in each direction in the future. Scope also includes rehabilitation of the northbound lane, improvements at the Garlington Road and Woodruff Road intersection, and improvements at the northbound I-85 ramp at Woodruff Road. The total cost estimate for the design build contract, construction, engineering, inspection, and project management is $270 million.

Act 98 Lexington County I-20 Widening - The Bank approved financial assistance in the form of a grant to provide up to $154.7 million to widen I-20 with a third travel lane to the median in each direction for approximately 11 miles. The widening will begin just west of US 378 and terminate west of Longs Pond Road.

Act 98 Cherokee/Spartanburg I-85 Widening - The Bank approved financial assistance in the form of a grant to provide up to $262 million for phase one and two for the widening of I-85 from four to six lanes for approximately 16 miles. Most of the widening will occur toward the median. The project includes intersection improvements, railroad crossing replacement, and bridge improvements.

Act 98 Richland County I-77 Widening - The Bank approved financial assistance in the form of a grant to provide up to $38.7 million to widen I-77 with a third travel lane to the median in each direction for approximately seven miles. The widening will begin just south of I-20 and terminate at Killian Road. The project will also include the widening or replacement of the north and southbound bridges at five locations.

Act 98 Richland/Lexington PE I-26/I-20 - The Bank approved financial assistance in the form of a grant to provide up to $10 million for preliminary engineering for the area generally defined as I-20 from the Saluda River to the Broad River, I-26 from US 378 to Broad River Road, and I-126 from Colonial Life Boulevard to I-26. The project includes the development of an Environmental Impact Statement (EIS) that will identify and access the impacts of solutions to reduce congestion, improve traffic operations, increase safety and capacity.

Act 98 PE Cherokee County I-85 Phase III - The Bank approved financial assistance in the form of a grant to provide up to $4 million for preliminary engineering for Phase Three of I-85 Widening in Cherokee County. The project includes widening the interstate from four lanes to six for approximately 10 miles. The preliminary engineering and environmental document will be developed concurrently with phase one and two.

Act 98 PE Projects- The Bank approved financial assistance in the form of a grant to provide up to $6 million for preliminary engineering on three additional projects at the May 18, 2015 board meeting:

Interstate 26/US 176 to SC 296
Interstate 20 at the Georgia State Line to US 25
Interstate 26 Widening in Berkeley & Dorchester Counties

The projects were approved by the JBRC at their June 3, 2015 meeting.

Outstanding commitments on active projects as of June 30, 2016 are as follows (expressed in millions):

		Expenditures		Outstanding Commitments
	Total Award	Prior	Current	6/30/2016
Horry County RIDE II	$ 254.2	$ 251.1	$ -	$ 3.1
Horry County Sales Tax Project	235.0	104.7	25.2	105.1
Charleston County Mark Clark Project	420.0	26.1	12.8	381.1
Mount Pleasant Project	57.4	54.6	-	2.8
Florence County Project	340.0	85.6	47.3	207.1
Berkeley County I-26 Widening	15.0	-	2.2	12.8
Berkeley County Sheep Island	6.5	-	6.5	-
City of Aiken	6.2	-	-	6.2
Beaufort County SC 170	24.9	17.9	2.5	4.5
City of Charleston (beginning 2017)	88.0	-	-	88.0
Dorchester County	53.0	1.8	0.3	50.9
Jasper County/City of Hardeeville	3.9	0.5	0.4	3.0
Act 98 Greenville I85/I-385 Interchange	80.0	31.0	22.7	26.3
Act 98 Lexington County I-20 Widening	154.7	0.4	2.6	151.7
Act 98 Cherokee/Spartanburg I-85 Widening	262.0	2.7	2.1	257.2
Act 98 Richland County I-77 Widening	38.7	1.1	9.5	28.1
Act 98 Richland/Lexington PE I-26/I-20	10.0	0.6	1.9	7.5
Act 98 PE Cherokee County I-85 Phase III	4.0	0.1	0.5	3.4
Act 98 PE - (I-26/US176 to SC296, I-20 to US25, I-26 Widening)	6.0	-	0.0	6.0
Totals	$ 2,059.5	$ 578.2	$ 136.5	$ 1,344.8

NOTE 10. 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. (now Wells Fargo Bank), 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 $120.425 million for the 2003B-3 (Swap #4) and $60.225 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.

On June 15, 2016 Wells Fargo Bank, National Association agreed to purchase all of the outstanding Series 2003B Bonds (all of which will be subject to mandatory tender on June 15, 2019) having the terms provided in this Second Amended and Restated Sixth Series Resolution pursuant to the terms of the Amended and Restated Continuing Covenants Agreement dated June 15, 2016 (the "Continuing Covenant Agreement"), between the Bank and Wells Fargo Bank, National Association.

The fair value balances* and notional amounts of derivative instruments outstanding at June 30, 2016 are classified by type, and the changes in fair value of the derivative instrument are as follows (expressed in thousands):

		Changes in Fair Value		Fair Value at June 30, 2016		
SWAP	Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional
1	Pay-fixed rate interest swaps	Deferred Outflow	$ (8.938)	Liability	$ (18.408)	$121.150
2	Pay-fixed rate interest swaps	Deferred Outflow	(4.474)	Liability	(9.201)	60.587
3	Pay-fixed rate interest swaps	Deferred Outflow	(4.476)	Liability	(9.201)	60.225
4	Pay-fixed rate interest swaps	Deferred Outflow	(8.943)	Liability	(18.405)	120.425
			$ (26.831)		$ (55.215)	

*Fair values determined pursuant to GASB Statement No. 72, *Fair Value Measurement and Application*. Note the balance at June 30, 2015 was restated and the changes in fair value are in compliance with the provisions of GASB Statement No. 72 as discussed in Note 1.

GASB Statement No. 72 delineates the following fair value input hierarchy:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

The fair value of the interest rate swaps is calculated on a recurring basis using Level 2 inputs. The fair value is calculated 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 ($51.233) million and the accumulated fair value at June 30, 2016 is ($106.449) million.

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, 2016.

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 67% 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 67% 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, 2016, the Bank made variable bond interest payments in the amount of $3.704 million and fixed rate payments on the swap in the amount of $13.786 million. The Bank also received variable payments on the swap in the amount of $740 thousand. The net of variable payments on the bonds and receipts on the swaps was ($2.993) million. Contingency payments of $2.485 million were also made under the swap agreement.

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2016, 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.

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 hedgeable 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 Statement 53 in 2014, amounted to $3.378 million, which was a reduction of interest expense, and the balance at June 30, 2016 was $51.233 million. Amortization related to the deferred loss on refunding amounted to $3.320 million, which was charged to interest expense, and the balance at June 30, 2016 was $50.565 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 11. PENSION PLANS:

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

Plan Descriptions

• The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The Bank does not participate in the State Optional Retirement Program or the Police Officers Retirement System as it does not have any eligible employees.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

• SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms is presented below.

• SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one- half of one percent per year.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2016	Fiscal Year 2015
SCRS		
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2016	Fiscal Year 2015
SCRS		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuation for SCRS.

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

	SCRS
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or $500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2016, the Bank's proportional share of the NPL amounts for SCRS are presented below (in thousands):

Proportional Share of Net Pension Liability

(in thousands)

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 836,646	$ 476,819	$ 430	57.0%

The total pension liability is calculated by the Systems' actuary, and the plan's fiduciary net position is reported in the Systems' financial statements. The Bank's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2016, the Bank's percentage of the SCRS net pension liability was 0.002270% which is an increase from the Bank's percentage of the SCRS net pension liability for the year ending June 30, 2015 which was 0.0020610%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	**31.0%**	7.10%	2.20%
Global Tactical Asset Allocation	**10.0%**	4.90%	0.49%
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.00%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate (expressed in thousands).

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	$ 543	$ 430	$ 336

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2016, the Bank recognized pension expense of $40 thousand. At June 30, 2016, the Bank reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23	$ -
Differences in actual and proportionate share of employer contributions	-	-
Differences in actual and expected experience	8	(1)
Net differences between projected and actual earnings on plan investments	3	-
Change in proportionate share of net pension liability	29	-
	$ 63	$ (1)

$23 thousand reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Bank's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2016. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2016 was 4.164 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	(in thousands)
2015	2016	$ (11)
2016	2017	(11)
2017	2018	(9)
2018	2019	(8)
Net Balance of Deferred Outflows / (Inflows) of Resources		$ (39)

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Bank contributes to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority ("PEBA").

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the SFAA, 5.0% of annual covered payroll for 2016 and 4.92% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Bank paid $9 thousand each year applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was $3.22 for the fiscal years ended June 30, 2016 and 2015. The Bank recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately $300 for the years ended June 30, 2016 and 2015.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

NOTE 13. OTHER MATTERS/SUBSEQUENT EVENT:

In July 2016, the Bank closed on the Series 2016A Revenue Refunding Bond issue. The par amount of the bonds was $213,595,000 and was issued at a premium of $17,560,044. The bonds will mature on October 1, 2037. The bond proceeds were used to refund a portion of the series 2007A and 2007B bonds. The present value of total estimated savings is approximately $40 million.

South Carolina Transportation Infrastructure Bank
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
Governmental Fund
For the Fiscal Year Ended June 30, 2016
(in thousands)

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Expenditures				
Administration				
Classified positions	$ 145	$ 150	$ 150	$ -
Other personal services	25	31	31	-
Other operating expenses	225	316	261	55
Transportation infrastructure	255,000	254,900	87,983	166,917
Employer contributions	58	56	56	-
Total expenditures	$ 255,453	$ 255,453	$ 88,481	$ 166,972

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2016

NOTE 1. BUDGETARY FUNDS:

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

The Bank's legally adopted budget is part of the Total Funds budget for the State. It is presented for the Infrastructure Bank Board at the program level. However, not all of the Bank's funds are legally budgeted and therefore, the budgetary comparison schedule only includes funds legally budgeted by the State.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION:

The original appropriations presented in the accompanying schedule for the Infrastructure Bank Board include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Infrastructure Bank Board. However, Section 115 (Recapitulations) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the Infrastructure Bank Board is presented as required supplementary information.

As operating conditions change, the Bank may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL:

The Bank maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

NOTE 4: BASIS OF BUDGETING:

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2016

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14.
- The gasoline and motor fuel taxes are recorded on the modified accrual basis in accordance with State law.
- All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES:

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Bank to charge the previous fiscal year's appropriations. Additionally, a significant portion of the Bank's expenditures are unbudgeted as the funding source, principally pledged revenues, is held by the South Carolina State Treasurer. The Bank must request transfer of pledged revenue funds from the Treasurer before expending the funds, however, these expenditures are not budgeted by the State. As not all of the Bank's expenditure activity is budgeted, a reconciliation of budget to GAAP basis differences is not provided.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's
Proportionate Share of the Net Pension Liability –
South Carolina Retirement System
As of June 30, 2016
Last Two Fiscal Years

	2016	2015
Bank's proportion of the net pension liability	0.002270%	0.0020610%
Bank's proportionate share of the net pension liability	$ 430,891	$ 354,836
Bank's covered employee payroll	$ 209,376	$ 187,085
Bank's proportionate share of the net pension liability as percentage of covered employee payroll	186.66%	189.67%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.9%

Note: The amounts presented above were determined as of June 30th of the preceding year. Prior to the year ended June 30, 2014, the Bank did not perform the payroll function for its employees as these duties were performed and paid by the South Carolina Department of Transportation. Therefore, information prior to June 30, 2014 is not available.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's Contributions –
South Carolina Retirement System
As of June 30, 2016
Last Three Fiscal Years

	2016	2015	2014
Contractually required contribution	$ 23,210	$ 22,822	$ 19,831
Contributions in relation to the contractually required contribution	23,210	22,822	19,831
Contribution deficiency (excess)	$	$	$
Bank's covered employee payroll	$ 209,855	$ 209,376	$ 187,085
Contributions as a percentage of covered employee payroll	11.06%	10.90%	10.60%
	-	-	-

Note: Prior to the year ended June 30, 2014, the Bank did not perform the payroll function for its employees as these duties were performed and paid by the South Carolina Department of Transportation. Therefore, information prior to June 30, 2014 is not available.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(expressed in thousands)

	Balances June 30, 2015	Additions	Deductions	Balances June 30, 2016
Horry County Loan Servicing Account				
Cash and cash equivalents (1)	$ 19,125	$ 725	$ 17,333	$ 2,517
Accrued interest receivable	-	18	-	18
Total assets	$ 19,125	$ 743	$ 17,333	$ 2,535
Funds held for others	$ 1,961	38,407	37,833	2,535
Due to Public Transportation Facilities Development Fund	17,164	-	17,164	-
Total liabilities	$ 19,125	$ 38,407	$ 54,997	$ 2,535
Horry County Loan Reserve Account				
Cash and cash equivalents (2)	$ 42,600	$ 2,711	$ 424	$ 44,887
Accrued interest receivable	-	91	-	91
Total assets	$ 42,600	$ 2,802	$ 424	$ 44,978
Funds held for others	$ 42,600	$ 2,802	$ 424	$ 44,978
Total liabilities	$ 42,600	$ 2,802	$ 424	$ 44,978
Totals				
Cash and cash equivalents	$ 61,725	$ 3,436	$ 17,757	$ 47,404
Accrued interest receivable	-	109	-	109
Total assets	$ 61,725	$ 3,545	$ 17,757	$ 47,513
Funds held for others	$ 44,561	$ 41,209	$ 38,257	$ 47,513
Due to Public Transportation Facilities Development Fund	17,164	-	17,164	-
Total liabilities	$ 61,725	$ 41,209	$ 55,421	$ 47,513

(1) Includes fair value adjustment of $21 thousand at June 30, 2016 and $191 thousand at June 30, 2015.
(2) Includes fair value adjustment of $387 thousand at June 30, 2016 and $425 thousand at June 30, 2015.

SCOTT COMPANY

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. George L. Kennedy, III, CPA
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, 2016, 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 31, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, which is listed as 2016-01.

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.*

Bank's Response to Finding

The Bank's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Greenville, South Carolina
October 31, 2016

Condition Considered to be a Significant Deficiency

2016-01 – Year end closing adjustments for the annual financial statements

Condition:

The Bank improperly recorded year end adjustments related to the 2015A Revenue Refunding Bonds related to the deferred loss on refunding. The deferred loss on refunding recorded by the Bank was initially overstated. In addition, payments related to and subsequent to the purchase of the 2003B bonds were not recorded by the Bank which resulted in an understatement of interest expense and overstatement of cash balances.

Criteria:

The deferred loss on refunding bonds should be recorded in accordance with generally accepted accounting principles. In addition, all transactions should be recorded in the accounting records of the Bank

Context/Effect:

The 2015A Revenue Refunding Bonds refunded a portion of both the 2005A and 2007A bonds and the resulting allocation of the existing carrying amount was a more complex calculation. Additionally, the records provided in relation to payments on the 2003B bonds were not specific enough for the Bank to properly record the transaction in its accounting records.

Cause:

Complexity of the refunding bond transaction and lack of clear third-party documentation related to the 2003B payments.

Recommendation:

We recommend that the Bank follow the specific requirements of generally accepted accounting principles when recording the deferred loss on refunding bonds. In addition, we recommend that the Bank request enough documentation so that it can properly record all transactions in its accounting records.

BOARD OF DIRECTORS

Vincent G. Graham
Chairman

Paul C. Aughtry, III

Ernest Duncan

Senator Hugh K. Leatherman, Sr.

Representative Chip Limehouse

Mike Wooten

Joe E. Taylor, Jr.

South Carolina Transportation Infrastructure Bank

955 Park Street
Room 120 B
Columbia, SC 29201
P: (803) 737-2875
Fax: (803) 737-2014

October 31, 2016

Mr. George L. Kennedy, III, CPA
State Auditor
State of South Carolina
Columbia, South Carolina

RE: Management Response Fiscal Year (FY) 2016

Dear Mr. Kennedy:

The South Carolina Transportation Infrastructure Bank (the "Bank") respectfully submits the following Corrective Action Plan for the year ended June 30, 2016.

The plan outlines the actions taken, or to be taken, to address the significant deficiency listed as 2016-01 in the audit report prepared by Scott & Company dated October 31, 2016. The Bank takes the recommendation of the Auditor seriously and appreciates the opportunity to make improvements in controls and reporting.

The Bank agrees with the finding. The Bank will be more diligent in following the requirements of generally accepted accounting principles when recording year end closing adjustments. Also, the Bank will request additional documentation as needed to properly record all transactions. The Bank will examine existing controls and implement additional reviews for the year-end financial statement reporting process.

Signed: _____

Tami Reed, CGFO, CPM
CFO, SCTIB