CONNECTOR 2000 ASSOCIATION, INC.
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

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YEARS ENDED DECEMBER 31, 2019 AND 2018

Greene Finney, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Connector 2000 Association, Inc.
Piedmont, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Connector 2000 Association, Inc. (the "Association"), a component unit of the State of South Carolina and of the South Carolina Department of Transportation ("SCDOT"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Association'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Reclassification of Interest in License Agreement with South Carolina Department of Transportation ("SCDOT") and Reallocation of 2018 Net Position (Deficit)

As discussed in Note 1, item I, and Note 11 in the notes to the financial statements, for the year ended December 31, 2019, the Association reclassified its Interest in the License Agreement with the SCDOT and reallocated the 2018 Net Position (Deficit) to be consistent with a request from the SCDOT. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
April 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Connector 2000 Association, Inc. (the "Association") annual financial report presents a discussion and analysis of the Association's financial performance for the years ended December 31, 2019 and 2018. Our analysis includes comparisons of 2019, 2018 and 2017 information. We ask that you read this section of our annual report in conjunction with the financial statements that follow this section.

Our sole business is the operation of the Greenville Southern Connector Toll Road (the "Southern Connector"). The Southern Connector is an approximately 16-mile four-lane tollway facility constructed to interstate standards in Greenville County, South Carolina. We operate the Southern Connector under a License Agreement dated as of February 11, 1998 between the South Carolina Department of Transportation ("SCDOT") and the Association as amended by a First Amendment to License Agreement dated as of April 1, 2011 between the same parties (together, the "License Agreement"). Our operations are governed by the terms of our First Amended and Restated Master Indenture of Trust dated April 11, 2011 between the Association and U.S. Bank, National Association, as trustee, as supplemented by our First Supplemental Indenture of Trust between the same parties effective as of April 11, 2011 (together, the "Trust Indenture").

FINANCIAL HIGHLIGHTS

- During both years 2019 and 2018, toll revenues were sufficient to trigger the Extraordinary Mandatory Prepayment and Redemption provisions of our Trust Indenture. Accordingly, at February 15, 2020 and 2019, respectively, we paid mandatory prepayments and redemptions totaling $173,977 and $394,743.

- Annual utilization of the Southern Connector increased 2.3% and 4.2% during years 2019 and 2018 to 6,599,088 and 6,453,460 toll transactions, respectively. In 2017, toll transactions increased 4.2% to 6,191,484. Average daily toll transactions were 18,080 in 2019, 17,681 in 2018 and 16,963 in 2017.

- Total operating revenues increased to $12,389,609 in 2019. In 2018, revenues from operations rose to $11,907,237. Operating revenues in 2017 totaled $11,234,207. Operating revenues in 2019 consisted of $12,380,650 of toll and violation revenues and $8,959 of other revenues. Operating revenues in 2018 and 2017 solely consisted of toll and violation revenues. Increases in total operating revenues were 4.1% and 6.0% in 2019 and 2018, respectively.

- In 2019, total operating expenses increased by 2.0%, or $73,375, to $3,836,239 as we retained an independent traffic and revenue consultant to perform a toll rate study that is required prior to any revision in toll rates charged by the Southern Connector. Aside from the toll rate study, the net change in our 2019 total operating expenses resulted primarily from increases in contract services, card processing fees and repairs and maintenance. Our 2018 total operating expenses of $3,762,864 represented an 11.6%, or $391,974, increase over 2017 amounts. The 2018 net change was attributable primarily to increases in depreciation, miscellaneous expense, professional fees, office supplies and card processing fees.

- During 2019, the Association's net nonoperating expenses increased by 3.9% to $18,511,012 from $17,816,422 in 2018. The 2018 increase was 2.1% over the 2017 net nonoperating expenses of $17,453,024. The change in 2019 was attributable to increases in interest expense on our 2011 Bonds and SCDOT maintenance expense. The 2018 change resulted from an increase in interest expense offset by a decrease in SCDOT maintenance expense. The balances of our 2011 Bonds Payable were $219,376,358 and $212,646,304 at December 31, 2019 and 2018, respectively. Those balances represented net increases of 3.2% and 3.5% in 2019 and 2018, respectively, over prior year balances. The SCDOT maintenance payments are made from our 2011 Renewal and Replacement Fund ("2011 R&R Fund"), which is funded by deposits prescribed in the Trust Indenture. Deposits into the 2011 R&R Fund during 2019 and 2018, totaled $914,271 and $867,056, respectively, and represented increases of 5.4% and 14.0% over prior year deposits. These R&R Fund deposit increases were attributable to the increases in toll revenues.

- In 2018, we received a net amount of $3,704 in settlement of the Association's claim against Lehman Brothers, Inc. in Lehman's bankruptcy case. In accordance with governmental accounting standards, because these settlement monies were deemed to be unusual in nature and infrequent in occurrence, we recorded these gains as extraordinary items in our 2018 financial statements.

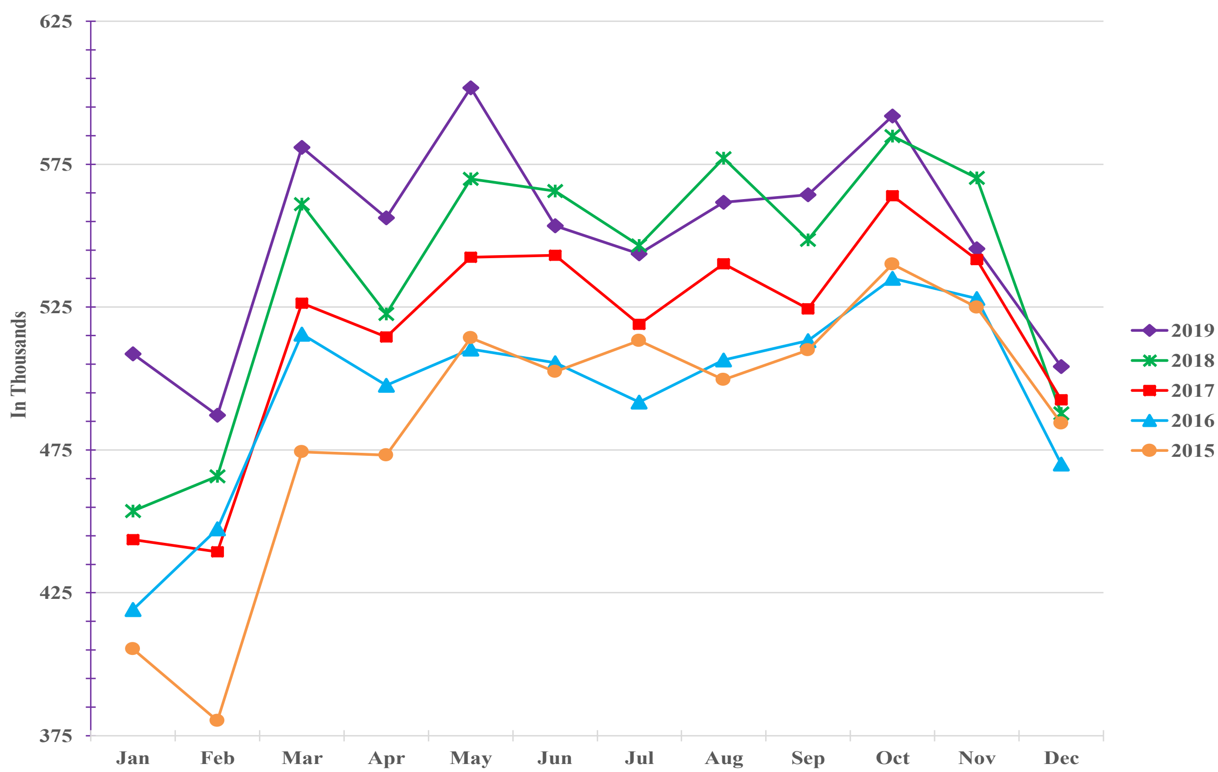
- In mid-March 2020, the Association began to feel the effects of COVID-19 travel restrictions on its operations. At present, the Association is unable to estimate the full effect of the COVID-19 outbreak on its financial condition and operations in 2020.

ECONOMIC FACTORS AND CURRENT CONDITIONS

Traffic and Revenue Summary

The tables below provide a visual summary of the Southern Connector's transactions and revenues since 2015.

Transactions by Month



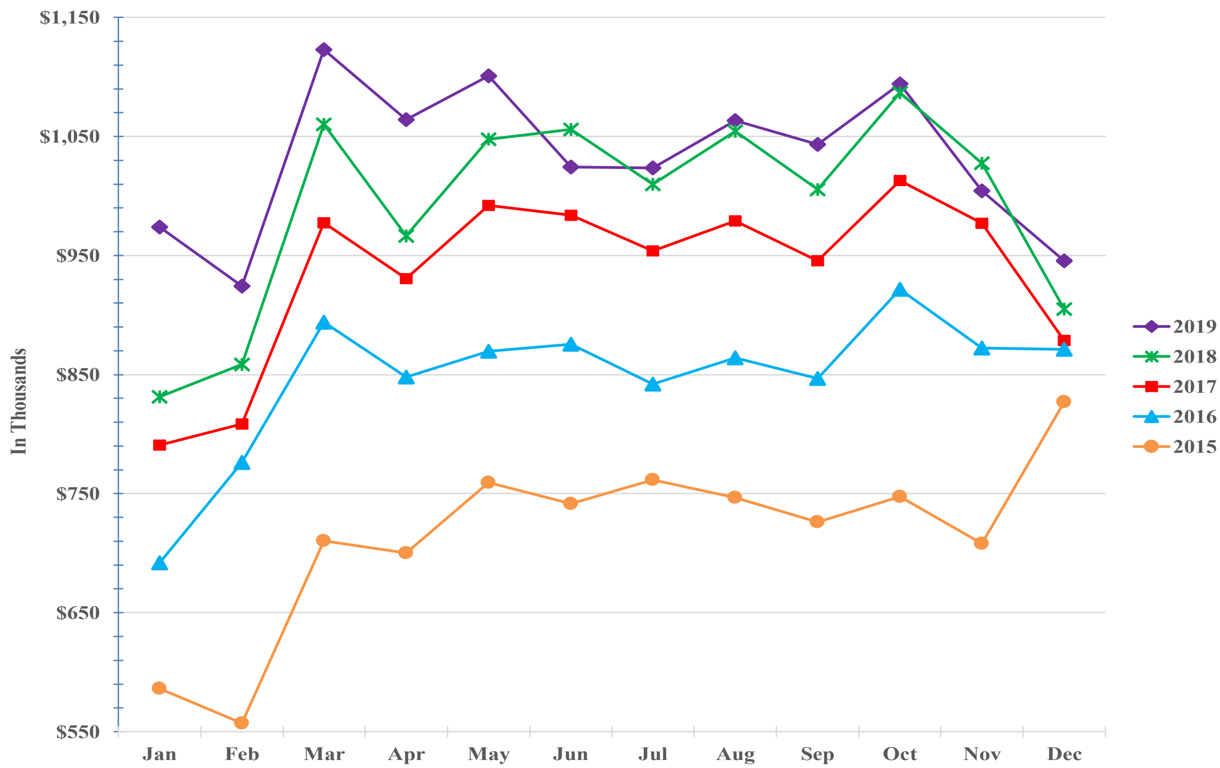
The Southern Connector's annual trend of setting new records for toll road utilization and toll revenue collection continued during 2019, even though no significant industrial or commercial development occurred along the Southern Connector corridor. During 2019 and 2018, toll transactions increased over prior year levels by 2.3% and 4.2%, respectively. Those increases translated to total transactions of 6,599,088 and 6,453,460 in 2019 and 2018, respectively. Toll revenues in 2019 totaled $12,380,650, an increase of 4.0% over 2018 amounts. Toll revenues in 2018 rose 6.0% to $11,907,237.

Toll rates in 2019 and 2018 remained unchanged from 2017 amounts. Accordingly, the cash toll rate for two-axle vehicles was $1.75 and the PalPass toll rate for two-axle vehicles was $1.50.

In January 2020, we implemented a toll rate increase determined by a toll rate study performed during 2019. Accordingly, both cash and PalPass toll rates for two-axle vehicles rose by $.25, or 14.3% and 16.7%, to $2.00 and $1.75, respectively.

As has happened in the past following toll rate increases, toll transactions in January and February of 2020 decreased by 6.6% from transaction levels for January and February of 2019. However, the increase in toll rates compensated for the decline in traffic, and our toll revenues in January and February of 2020 rose 7.2% over the toll revenues recognized in January and February of 2019.

Revenues by Month



OVERVIEW OF THE FINANCIAL STATEMENTS

The Association's 2019 and 2018 financial statements consist of two parts – management's discussion and analysis (this section) and the financial statements, including the notes to the financial statements.

The financial statements provide short-term and long-term information about the Association's overall financial status. The financial statements also include disclosures that explain some of the information in the financial statements and provide more detailed data.

The Association follows governmental accounting principles generally accepted in the United States of America. We present our financial statements on the accrual basis of accounting, similar to the accounting basis used by most private-sector companies. Under the accrual basis of accounting, all of the Association's assets and liabilities are included in our Statements of Net Position, and our revenues earned and expenses incurred are accounted for in our Statements of Revenues, Expenses, and Changes in Net Position regardless of when cash is received or paid.

Net position is one measure of the Association's financial health or financial position. It represents the difference between the Association's assets and liabilities. Because our liabilities exceeded our assets, the Association's net position at December 31, 2019 and 2018 was a deficit (or negative) balance. (See the *Net Position (Deficit)* subsection of the *Financial Analysis* section of this management's discussion and analysis below for more information.) Over time, decreases or increases in the Association's net position deficit provide an indicator that our financial health is improving or deteriorating. However, other factors such as transactions (including vehicle class and toll rates) and development along the Southern Connector corridor should also be considered in order to assess the Association's overall financial condition.

FINANCIAL ANALYSIS

This section of our management's discussion and analysis presents our analysis of the Association's overall financial position and results of operations for 2019 and 2018. In this section, we discuss significant transactions that occurred during the years, and compare each year's activities with those of the immediately preceding year.

Net Position (Deficit)

As stated above, the Association's net position was negative in 2019 and 2018. Our total revenues covered our operating expenses and debt service payable in both years (see the discussion below in the *Operating Revenues and Expenses* subsection of this section of the management's discussion and analysis). However, such revenues were not sufficient to cover all of our nonoperating expenses, which included interest expense accretions not yet payable on our 2011 Capital Appreciation Bonds and amortization of our interest in our License Agreement with SCDOT. Neither the interest expense accretions nor the amortization of our interest in our License Agreement represented cash outlays by the Association.

In 2019, total assets decreased by $3,088,032, or 2.3%, to $128,592,685, while total liabilities increased by $6,869,610, or 3.2%, to $220,316,140. During the year ended December 31, 2018, the Association's total assets decreased by $2,677,278, or 2.0%, to $131,680,717, and total liabilities increased by $6,991,067, or 3.4%, to $213,446,530. The majority of the asset decreases represent amortization of the Association's Interest in the License Agreement, while the bulk of liability increases represent accretions on the 2011 Capital Appreciation Bonds.

Table 1
Net Position (Deficit)
December 31

	2019	2018	2017
Current and Other Assets	$ 14,759,789	$ 13,949,889	$ 12,953,635
Capital Assets	113,832,896	117,730,828	121,404,360
Total Assets	128,592,685	131,680,717	134,357,995
Long-Term Liabilities (Bonds Payable):			
2011A Senior Capital Appreciation Bonds	(175,196,912)	(170,295,461)	(165,428,426)
2011B Senior Subordinate Capital Appreciation Bonds	(32,405,313)	(31,171,668)	(29,929,516)
2011C Junior Subordinate Capital Appreciation Bonds	(3,514,748)	(3,362,078)	(3,209,990)
Total Long-Term Liabilities	(211,116,973)	(204,829,207)	(198,567,932)
Other Liabilities:			
Current Portion of:			
2011A Senior Capital Appreciation Bonds	(6,591,618)	(6,283,777)	(5,493,522)
2011B Senior Subordinate Capital Appreciation Bonds	(1,484,303)	(1,364,643)	(1,253,494)
2011C Junior Subordinate Capital Appreciation Bonds	(183,464)	(168,677)	(154,949)
Accounts Payable, Unearned Revenue and Deposits	(858,218)	(755,487)	(658,566)
Amounts Payable to SCDOT	(81,564)	(44,739)	(327,000)
Total Other Liabilities	(9,199,167)	(8,617,323)	(7,887,531)
Total Liabilities	(220,316,140)	(213,446,530)	(206,455,463)
Net Position (Deficit):			
Net Investment in Capital Assets	2,280,697	(1,638,468)	(4,866,902)
Restricted for:			
SCDOT Maintenance	2,494,874	2,077,571	1,461,358
Unrestricted	(96,499,026)	(82,204,916)	(68,691,924)
Total Net Position (Deficit)	$ (91,723,455)	$ (81,765,813)	$ (72,097,468)

The Association's most significant asset is our Interest in our License Agreement with SCDOT. In order to account for the Association's Interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. As discussed further in the *Capital Assets* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis and in Note 1, item I to the financial statements, this asset and its related amortization are now classified within the Association's capital assets. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement. The net book value of that asset was $112,892,627 and $116,467,067 at December 31, 2019 and 2018, respectively. The Association's Interest in our License Agreement with SCDOT is included in capital assets in Table 1, and represented 87.8% of our total assets at December 31, 2019, and 88.4% of our total assets at December 31, 2018. The net book value of that asset decreased by 3.1% in 2019 and by 3.0% in 2018 from the previous year's net book value. The decrease of $3,574,440 in both years 2019 and 2018 represented amortization for each year. The Association is amortizing the Interest in our License Agreement with SCDOT over the remaining term of the License Agreement, or a period of approximately 31.5 years as of December 31, 2019.

The Association's Capital Appreciation Bonds Payable totaled $219,376,358 and $212,646,304 at December 31, 2019 and 2018, and comprised our most significant liabilities, representing 99.6% of total liabilities in both 2019 and 2018. The balance of our Capital Appreciation Bonds Payable increased by 3.2% in 2019 and by 3.5% in 2018, due to the accretions that occurred during each year.

In 2019, the deficit increased by $9,957,642, or 12.2%, to $91,723,455, while the 2018 deficit increased by $9,668,345, or 13.4%, to $81,765,813. Note that the categorical allocations of 2018 and 2017 net position (deficit) discussed below have been revised to reflect the reclassification of our License Agreement with SCDOT as a capital asset. (That reclassification is discussed below in the *Capital Assets* subsection of the *Capital Assets and Debt Administration* section of this management's discussion and analysis and in detail in Note 1, item I and Note 11 to the financial statements.) The Association's net position was classified in three categories as follows:

- The "net investment in capital assets" category of net position represents amounts invested in capital assets, less accumulated depreciation on those assets, less any liabilities attributable to those assets. At December 31, 2019, the balance of this category of net position swung from a deficit to a positive $2,280,697, an overall change of $3,919,165, or 239.2%, over the 2018 deficit. The December 31, 2018 balance of this category of net position was a deficit totaling $1,638,468. That balance represented a decrease of $3,228,434, or 66.3%, from the 2017 deficit balance. The 2019 and 2018 changes in this category of net position were due mainly to depreciation and amortization of our capital assets.

- The "restricted" category represents the portion of net position with attached constraints on the use of the assets. The constraints are externally imposed by such means or parties as debt covenants, laws, enabling legislation or creditors. The restricted assets in this category are offset by any related liabilities. Governmental generally accepted accounting principles do not allow this category of net position to be negative. At December 31, 2019 and 2018, amounts in this category of net position were restricted for reimbursement of SCDOT maintenance costs and totaled $2,494,874 and $2,077,571, respectively. The 2019 balance represented an increase of $417,303, or 20.1%, over the 2018 balance, while the 2018 balance increased by $616,213, or 42.2%, over the 2017 balance. Such 2019 and 2018 balances represented amounts transferred to the Association's Renewal & Replacement Fund offset by amounts accrued for any SCDOT maintenance expense reimbursement requisitions.

- The "unrestricted" category represents the residual net position that is not included in the net investment in capital assets or restricted net position categories as defined above. This category includes assets offset by liabilities, and may be used to finance daily operations. No constraints have been imposed upon this category of net position. At December 31, 2019, unrestricted net position was a deficit balance of $96,499,026, while the balance at December 31, 2018 was a deficit of $82,204,916. The 2019 change in unrestricted net position deficit totaled $14,294,110, which represented a 17.4% increase over the 2018 balance. The 2018 change in unrestricted net position deficit was $13,512,992, an increase of 19.7% over the 2017 balance.

Changes in Net Position (Deficit)

As presented in Table 2 below, the Association's total revenues were not sufficient to cover all of its nonoperating expenses.

Operating Revenues and Expenses

The Association's operating revenues far exceeded its operating expenses in both years 2019 and 2018, and operating income of $8,553,370 and $8,144,373, respectively, was realized. The 2019 operating income represented an increase of $408,997, or 5.0%, over 2018 operating income. The 2018 operating income increased 3.6%, or $281,056, over 2017 operating income.

The year 2019 marked the ninth consecutive year that the Association's total operating revenues increased to record levels since operation of the Southern Connector toll road commenced. The Association's 2019 total operating revenues were $12,389,609, an increase of $482,372, or 4.1%, over 2018 amounts. In 2018, total operating revenues increased over 2017 amounts by $673,030, or 6.0%, to $11,907,237. In 2019, total operating revenues consisted of toll and violation revenues of $12,380,650, which increased by $473,413 or 4.0% over 2018 amounts, and other revenues of $8,959. In years 2018 and 2017, total operating revenues solely consisted of toll and violation revenues.

The Association's total operating expenses increased during both 2019 and 2018. In 2019, our total operating expenses changed by a net increase over 2018 amounts of $73,375, or 2.0%, to $3,836,239, while 2018 total operating expenses increased over 2017 amounts by a net amount of $391,974, or 11.6%, to $3,762,864. Several of the operating expense increases were commensurate with the increase in traffic along the Southern Connector during the respective years, while other increases were due to specific events that occurred during the years.

Table 2
Changes in Net Position
Years Ended December 31

	2019	2018	2017
Revenues:			
Operating revenues:			
Charges for Services (Toll Revenues)	$ 12,380,650	$ 11,907,237	$ 11,234,207
Other	8,959	-	-
Nonoperating Revenues:			
Interest and Investment Earnings	150,793	124,016	46,982
Gain on Disposal of Capital Assets	-	-	6,500
Total Revenues	12,540,402	12,031,253	11,287,689
Expenses:			
Operating Expenses	3,836,239	3,762,864	3,370,890
Nonoperating Expenses:			
Interest Expense on Bonds	14,555,436	14,097,169	13,533,635
Amortization	3,574,440	3,574,440	3,574,440
SCDOT Highway Maintenance Costs	531,929	268,829	398,431
Total Expenses	22,498,044	21,703,302	20,877,396
Income (Loss) before Extraordinary Item	(9,957,642)	(9,672,049)	(9,589,707)
Extraordinary Item:			
Extraordinary Gain on Claim Against Lehman Brothers	-	3,704	20,000
Increase (Decrease) in Net Position (Deficit)	(9,957,642)	(9,668,345)	(9,569,707)
Beginning Net Position (Deficit)	(81,765,813)	(72,097,468)	(62,527,761)
Ending Net Position (Deficit)	$ (91,723,455)	$ (81,765,813)	$ (72,097,468)

The single largest operating expense increase in 2019 was due to a toll rate study performed at a cost of $150,000. The study is required to be performed prior to any toll increase to determine the optimum toll rates to be charged for the Southern Connector, projected for the following five years. The increased toll rates recommended in the study were implemented by the Association in January 2020. The previous toll rate study was performed in 2015 prior to the January 2016 toll increase.

Other 2019 operating expense increases occurred primarily in contract services, card processing fees and repairs and maintenance. Our contract services totaled $104,728 and represented an increase of $88,069, or 528.7%, over such 2018 expense. That increase was due to payments made to Brisa for several toll software modifications made during the year. Card processing fees increased 14.3%, or $39,993, to $320,351. That increase correlated with the continuing increase in patrons' use of credit and debit cards to pay toll revenues or to increase PalPass account balances. Repairs and maintenance for 2019 totaled $95,497, a 68.5% increase of $38,826 over the 2018 expense. That increase was attributable primarily to our 2019 purchases of traffic sensors with individual costs less than our capitalization limit.

The 2018 increases in operating expenses were primarily attributable to depreciation, miscellaneous expense, professional fees, office supplies and card processing fees. In 2018, depreciation increased $144,324, or 87.8%, to $308,750 as we recognized a full year's worth of depreciation on our new toll system software and equipment. In comparison, we recognized only six months' worth of depreciation on the new toll system assets in 2017, since final acceptance of the new toll system was achieved in July of that year. Miscellaneous expense in 2018 increased by $141,132, or 81.5%, to $315,003. The increase in miscellaneous expense was mainly due to a revaluation of our spare parts inventory to best estimates of the replacement costs of items that are no longer in production. Our 2018 professional fees rose 35.0%, or $100,157, to $386,685 because we recognized a full year of Brisa toll system support payments. In 2017, we incurred only six months of such Brisa toll system support payments. Office supplies rose $66,502 in 2018, or 92.2%, to $138,601 due to large purchases of stamps and mailing supplies made prior to the United States Postal Service's January 2019 increase in postage rates. Card processing fees in 2018 totaled $280,358, an increase of 15.2%, or $36,891. That increase, like the 2019 increase, related to our patrons' increased use of credit and debit cards. In addition, the 2018 increase reflected the resolution of a 2017 fourth quarter violation notice computer glitch in which certain violation payment due notices failed to print.

We also realized certain operating expense decreases in 2019 and in 2018. In 2019, the largest decreases occurred in miscellaneous expense and in office supplies. Miscellaneous expense fell 62.2% from 2018 levels, or $195,868, to $119,135. In 2018, our miscellaneous expense included a large revaluation adjustment to our spare parts inventory as discussed in the previous paragraph. We had no such adjustment in 2019. Our 2019 office supplies expense decreased from 2018 amounts by $101,460, or 73.2%, to $37,141, as we made fewer purchases of stamps and mailing supplies during the year.

The 2018 operating expense decreases were attributable primarily to repairs and maintenance and contract labor. Repairs and maintenance totaled $56,671 in 2018 and represented a reduction of 69.1%, or $126,740, from the prior year total. In 2017, repairs and maintenance were higher than normal due to the replacement of rubberized roofs on six of our buildings. We incurred no contract labor costs in 2018; accordingly, that category of operating expenses was reduced by $19,634.

Nonoperating Revenues and Expenses

During both 2019 and 2018, the Association realized increases in nonoperating expenses resulting from increased interest expense accretions on our 2011 Bonds offset by nonoperating income. Overall, 2019 net nonoperating expenses increased by $694,590, or 3.9%, to $18,511,012. Our 2018 net nonoperating expenses increased by 2.1%, or $363,398, to $17,816,422. Nonoperating income in 2019 was $150,793, an increase of $26,777, or 21.6%, over 2018 amounts. In 2018, nonoperating income increased by $70,534, or 131.9%, to $124,016. Both years' increases in nonoperating income were attributable primarily to interest income recognized on government obligation mutual funds and, in 2018, on U.S. Treasury securities held in the Association's 2011 Trust accounts. In 2019 and 2018, our most significant nonoperating expense was interest expense, which increased by 3.3% in 2019 and by 4.2% in 2018, or $458,267 and $563,534, to $14,555,436 and $14,097,169, respectively. Our interest expense was attributable to accretions on our 2011 Capital Appreciation Bonds in both years. Cash outlays for debt service on our 2011 Bonds totaled $7,835,894 in 2019 and consisted of $7,441,151 paid in January and $394,743 paid as extraordinary mandatory prepayments/redemptions in February. The February payments included $18,797 of premiums. In 2018, cash outlays for debt service payments totaled $6,905,306 and consisted of $6,835,149 of January payments and $70,157 of February extraordinary mandatory prepayments/redemptions. The February payments included $3,341 of premiums.

In 2020, debt service paid in January totaled $8,093,693, while debt service paid in February as extraordinary mandatory prepayments/redemptions totaled $173,977, including $8,285 of premiums.

In 2019 and 2018, other nonoperating expenses consisted of SCDOT maintenance expense and amortization of our License Agreement with SCDOT. SCDOT maintenance expense rose 97.9%, or $263,100, to $531,929 in 2019. For 2018, such expense totaled $268,829, and represented a decline of $129,602, or 32.5%, from the 2017 total. These reimbursements of Southern Connector maintenance costs incurred by SCDOT are paid solely from and to the extent of monies accumulated in the Association's 2011 R&R Fund as prescribed by the terms of the Trust Indenture and License Agreement. Monies transferred into the 2011 R&R Fund in 2019 in accordance with the New Waterfall provisions of the Trust Indenture totaled $914,271, an increase of $47,215, or 5.4%, over the 2018 additions of $867,056. The 2018 transfers increased 14.0%, or $106,282 over 2017 additions. (See Note 1, item J and Notes 5, 8 and 10 to the financial statements for more information about deposits into and payments from our 2011 R&R Fund.) The amortization of our License Agreement with SCDOT totaled $3,574,440 in both 2019 and 2018.

Extraordinary Items

In 2018, the Association received $14,950 as partial settlement of its claim filed several years ago against Lehman Brothers, Inc. in Lehman's bankruptcy case. This settlement receipt was offset by claim-related expenses incurred in 2018 of $2,376 of Trustee fees and $8,870 of Trustee legal fees. In 2017, we received $20,000 of claim settlement monies. No Trustee or legal fees were charged in 2017. The Lehman Brothers claim was filed for losses incurred by the Association in 2008 when Lehman Brothers defaulted under a collateralized repurchase agreement held in connection with investments of monies in our 1998 Bonds Debt Service Reserve Accounts. Governmental accounting standards require that a gain or loss be reported as an extraordinary item if it is both unusual in nature and infrequent in occurrence. The monies that we received in this settlement are clearly unrelated to our ordinary and typical activity of operating of the Southern Connector, so they meet the "unusual" criteria specified by accounting literature. They also meet the "infrequent" criteria since (a) at the time that we filed our claim against Lehman Brothers, we had no reasonable expectation of recovery, and (b) upon each receipt of monies, the Association had no further expectation of receiving additional sums from our claim. Accordingly, we reported these gains as extraordinary items in our 2018 financial statements. At the time this management's discussion and analysis was written, the Association did not expect to receive any additional monies under this claim.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In 2019, SCDOT notified the Association that it and the South Carolina Office of State Auditor disagree with the Association's assessment and financial reporting of its interest in its License Agreement with SCDOT as a service concession arrangement (an "SCA"). SCDOT requested that we revise our financial reporting for this interest. We have reviewed our original assessment regarding our interest in our License Agreement with SCDOT, and although we believe that assessment was properly made, we acknowledge that the actual accounting for our interest in the License Agreement does not change, regardless of how the asset is reported. Whether it is reported as an SCA or as a capital asset, our interest in our License Agreement with SCDOT still constitutes an intangible asset that is properly recorded and amortized over the term of the License Agreement. The only changes necessary to comply with the SCDOT request were to reclassify the interest in our License Agreement with SCDOT within capital assets, and to reallocate the components of net position (deficit) for this move. Accordingly, we have complied with SCDOT's request, and the accompanying analyses and financial statements reflect these changes. (See Note 1, item I and Note 11 to the financial statements for detailed discussions.)

At December 31, 2019, capital assets, net of depreciation and amortization, totaled $113,832,896, a net decrease of 3.3%, or $3,897,932, from 2018 amounts. In 2018, the change in total capital assets, net of depreciation and amortization, was a net decrease of $3,673,532, or 3.0%, to $117,730,828.

In 2019, our additions to depreciable capital assets included a new HVAC system with a cost of $13,020 and two coin sorters purchased for $11,293. In 2018, an $11,000 deposit was paid on the HVAC system. That payment was recorded as additions to nondepreciable capital assets at that time. In 2019, when the balance of the cost of the HVAC system was paid and the system was placed in service, the HVAC system total cost was reclassified from nondepreciable to depreciable capital assets. The 2018 additions to depreciable capital assets totaled $199,950, and included $160,285 of new transponder readers and a new truck (via trade-in) valued at $39,665.

Table 3
Changes in Capital Assets at Year-End
(Net of Depreciation)

	2019	2018	2017
Nondepreciable Capital Assets	$ -	$ 11,000	$ -
Capital Assets, Net of Depreciation:			
Equipment	306,700	372,586	276,521
Software	553,839	775,375	996,910
Vehicles	79,730	104,800	89,422
Interest in License Agreement with SCDOT	112,892,627	116,467,067	120,041,507
Total Capital Assets, Net of Depreciation	$ 113,832,896	$ 117,730,828	$ 121,404,360

Our toll system development contract with Brisa includes provisions covering a minimum one-month training period and a minimum 60-month support period, which overlapped the training period, during which we will pay Brisa monthly payments totaling $937,409. Such monthly support payments began in July 2017; accordingly, $187,482 of toll system support was included in both 2019 and 2018 professional fees. (See 2018 discussion above in the *Operating Revenues and Expenses* subsection of the *Financial Analysis* section of this management's discussion and analysis.) At December 31, 2019 and 2018, our outstanding commitments related to the toll system development contract totaled $468,704 and $656,186, respectively.

Debt Administration

The balance of the Association's 2011 Bonds totaled $219,376,358 and $212,646,304 at December 31, 2019 and 2018, respectively. Of those amounts, $8,259,385 and $7,817,097 were due and paid in early 2020 and 2019, respectively. The Bonds payable balance increased by net amounts totaling $6,730,054 and $7,176,407, or 3.2% and 3.5%, during 2019 and 2018, respectively. In both years, the net increases resulted from interest expense accretions offset by debt service paid early in the year. Interest expense for 2019 and 2018 totaled $14,555,436 and $14,097,169, respectively. The 2019 interest expense included regularly scheduled accretions of $14,547,151 plus $8,285 of premiums paid in February 2020 as part of the 2020 extraordinary mandatory prepayments/redemptions discussed below. The 2018 interest expense included $14,078,372 of regularly scheduled accretions and $18,797 of premiums paid in February 2019 as part of the 2019 extraordinary mandatory prepayments/redemptions. Interest expense increased by 3.3% and 4.2% during 2019 and 2018, respectively, and translated to changes of $458,267 and $563,534, respectively. The debt service paid in 2019 on our 2011 Bonds totaled $7,835,894 and included $7,441,151 of regularly scheduled accretions paid in January and $394,743 of extraordinary mandatory prepayments/redemptions (including $18,797 of premiums) paid in February. The 2018 debt service payments totaling $6,905,306 included regularly scheduled accretions of $6,835,149 paid in January and February extraordinary mandatory prepayments/redemptions of $70,157 that included premiums of $3,341.

Our 2011 Bonds are not rated by a national rating agency.

SUBSEQUENT EVENTS

At December 31, 2019, the balance of our extraordinary prepayment fund exceeded $50,000. Accordingly, the Association became subject to the Extraordinary Mandatory Prepayment and Redemption provisions of our Trust Indenture. Those provisions require the Association to apply monies in its Extraordinary Prepayment Fund toward the mandatory prepayment or redemption of our 2011 Bonds whenever more than $50,000 has accumulated in that Fund at January 1 of any year. Those provisions also prescribe the date, amounts, order and manner of such prepayments/redemptions of our 2011 Bonds. In accordance with those provisions of our Trust Indenture, on February 15, 2020, we paid mandatory prepayments totaling $703 towards our 2011A Retained Term Bonds and mandatory redemptions totaling $173,274 towards our 2011A1 New Term Bonds. The mandatory prepayments and redemptions included premiums of $34 and $8,251, respectively. (See Note 1, item J, and Notes 8 and 14 to the financial statements for more information about the Association's Trust Fund accounts and the mandatory prepayment/redemption provisions of the Trust Indenture.)

In March of 2020, the World Health Organization classified the outbreak of a new strain of coronavirus, COVID-19, as a pandemic. Accordingly, local and federal governments have recommended or mandated restrictions on travel as an effort to curb the spread of COVID-19. At the time this management's discussion and analysis was written, the Association had just begun experiencing negative impacts on utilization of the Southern Connector due to COVID-19. Although the travel restrictions are expected to be temporary, the Association is unable to estimate the full financial impact and duration of the pandemic on its operations, net position, liquidity and workforce. (See Note 14 to the financial statements for additional information.)

CONTACTING THE CONNECTOR 2000 ASSOCIATION, INC.

This financial report is designed to provide our Bondholders, patrons and interested parties with a general overall view of the Association's finances and to demonstrate the Association's accountability for the money it receives. If you have any questions about this report or need additional financial information, please visit the *Official Filings* link under the *Postings* arrow of our website at www.SouthernConnector.com or contact Connector 2000 Association, Inc. at Post Office Box 408, Piedmont, South Carolina 29673 or by telephone at (864) 527-2150.

Basic Financial Statements

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
ASSETS	**2019**	**2018**
Current Assets:		
Cash and Cash Equivalents	$ 1,413,569	$ 1,724,910
Prepaid Expenses	48,713	67,393
Inventories	132,870	110,473
Total Current Assets	1,595,152	1,902,776
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	13,164,637	12,047,113
Total Noncurrent Restricted Assets	13,164,637	12,047,113
Capital Assets:		
Nondepreciable	-	11,000
Equipment	879,660	855,347
Software	1,129,948	1,129,948
Vehicles	207,675	207,675
Interest in License Agreement with SCDOT	192,623,492	192,623,492
Less: Accumulated Depreciation and Amortization	(81,007,879)	(77,096,634)
Total Capital Assets	113,832,896	117,730,828
Total Noncurrent Assets	126,997,533	129,777,941
TOTAL ASSETS	**$ 128,592,685**	**$ 131,680,717**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 120,603	$ 106,014
Unearned Toll Revenue	737,615	649,473
Revenue Bonds Payable, Current Portion	8,259,385	7,817,097
SCDOT Maintenance Payable	81,564	44,739
Total Current Liabilities	9,199,167	8,617,323
Noncurrent Liabilities:		
Revenue Bonds Payable, Less Current Portion	211,116,973	204,829,207
TOTAL LIABILITIES	**220,316,140**	**213,446,530**
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	2,280,697	(1,638,468)
Restricted for:		
SCDOT Maintenance	2,494,874	2,077,571
Unrestricted	(96,499,026)	(82,204,916)
TOTAL NET POSITION (DEFICIT)	**$ (91,723,455)**	**$ (81,765,813)**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
OPERATING REVENUES	**2019**	**2018**
Toll Revenues	$ 12,380,650	$ 11,907,237
Other Toll Road Revenues	8,959	-
TOTAL OPERATING REVENUES	**12,389,609**	**11,907,237**
OPERATING EXPENSES		
Automobile	21,906	27,609
Bank Fees and Charges	14,182	14,173
Contract Services	104,728	16,659
Card Processing Fees	320,351	280,358
Employee Benefits	233,273	222,953
Miscellaneous	119,135	315,003
Office Supplies	37,141	138,601
Payroll Taxes	120,229	118,784
Repairs and Maintenance	95,497	56,671
Salaries	1,547,876	1,522,163
Telephone	28,886	31,721
Toll Rate Study	150,000	-
Utilities	60,725	59,819
Advertising	27,912	40,067
Depreciation	336,805	308,750
Insurance	166,370	154,770
Marketing	30,304	30,150
Professional Fees	381,806	386,685
Trustee Fees and Costs	39,113	37,928
TOTAL OPERATING EXPENSES	**3,836,239**	**3,762,864**
OPERATING INCOME	**8,553,370**	**8,144,373**
NONOPERATING REVENUES (EXPENSES)		
Interest Earned on Cash Equivalents and Investments	150,793	124,016
Interest Expense	(14,555,436)	(14,097,169)
SCDOT Maintenance Expense	(531,929)	(268,829)
Amortization of Interest in License Agreement with SCDOT	(3,574,440)	(3,574,440)
TOTAL NONOPERATING REVENUES (EXPENSES)	(18,511,012)	(17,816,422)
LOSS BEFORE EXTRAORDINARY ITEM	(9,957,642)	(9,672,049)
EXTRAORDINARY ITEM		
Extraordinary Gain on Claim against Lehman Brothers	-	3,704
CHANGE IN NET POSITION	(9,957,642)	(9,668,345)
NET POSITION (DEFICIT), Beginning of Year	(81,765,813)	(72,097,468)
NET POSITION (DEFICIT), End of Year	**$ (91,723,455)**	**$ (81,765,813)**

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

CONNECTOR 2000 ASSOCIATION, INC., GREENVILLE, SOUTH CAROLINA
(A Component Unit of the State of South Carolina and of the South Carolina Department of Transportation)

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

	Business-Type Activities - Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES	**2019**	**2018**
Receipts from:		
Toll Collections	$ 12,468,792	$ 11,994,036
Other Toll Road Operations	8,959	-
Payments for:		
Toll Road Employees and Contract Labor	(1,899,585)	(1,863,154)
Vendors and Service Providers	(2,073,569)	(1,976,679)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,504,597	8,154,203
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(13,313)	(209,659)
Principal Paid on Bonds Payable	(7,817,097)	(6,901,965)
Premium Paid on Prepayment of Bonds Payable	(18,797)	(3,341)
Proceeds from Lehman Brothers Settlement	-	14,950
Payments of Fees Related to Lehman Brothers Settlement	-	(11,246)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(7,849,207)	(7,111,261)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(2,036,166)
Proceeds (Including Interest) from Maturities and Sales of Investments	-	2,065,000
Interest Received	150,793	95,183
NET CASH PROVIDED BY INVESTING ACTIVITIES	150,793	124,017
INCREASE IN CASH AND CASH EQUIVALENTS	**806,183**	**1,166,959**
CASH AND CASH EQUIVALENTS, Beginning of Year	13,772,023	12,605,064
CASH AND CASH EQUIVALENTS, End of Year	**$ 14,578,206**	**$ 13,772,023**
Reconciliation of Cash and Cash Equivalents - Statements of Cash Flows to Statements of Net Position		
Unrestricted Cash and Cash Equivalents - Current Assets	$ 1,413,569	$ 1,724,910
Restricted Cash and Cash Equivalents - Noncurrent Assets	13,164,637	12,047,113
Total Cash and Cash Equivalents Shown on Statements of Net Position	**$ 14,578,206**	**$ 13,772,023**
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	$ 8,553,370	$ 8,144,373
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	336,805	308,750
SCDOT Maintenance Expense	(531,929)	(268,829)
Change In:		
Prepaid Expenses	18,680	(5,868)
Miscellaneous Receivables	-	4,416
Inventories	(22,397)	172,157
Accounts Payable	25,101	(5,334)
Unearned Toll Revenue	88,142	86,799
SCDOT Maintenance Payable	36,825	(282,261)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,504,597	$ 8,154,203
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ITEMS		
Amortization of Interest in Revised License Agreement with SCDOT	$ 3,574,440	$ 3,574,440
Interest Accreted on Series 2011 Revenue Bonds	14,547,151	14,078,372
Accrued Premiums on Extraordinary Mandatory Bond Prepayments/Redemptions	$ 8,285	$ 18,797

The notes to the financial statements are an integral part of these statements.
See accompanying independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Connector 2000 Association, Inc. (the "Association") is a South Carolina nonprofit corporation organized as a "public benefit corporation" under the South Carolina Nonprofit Corporation Act of 1994. The Articles of Incorporation of the Association were originally filed with the South Carolina Secretary of State on January 12, 1996, and were amended by a filing on March 5, 1997. The Internal Revenue Service issued a letter dated October 20, 1997, determining that the Association is an exempt organization that is not a private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Association was formed to assist the South Carolina Department of Transportation (the "SCDOT") in the financing, acquisition, construction, and operation of turnpikes, highway projects, and other transportation facilities.

The Association's operations are governed by a license agreement (the original License Agreement as amended, the "License Agreement") with the SCDOT that grants the Association rights and obligations to finance, acquire, construct, and operate an approximately 16 mile fully controlled access toll highway (the "Southern Connector").

The Association originally financed construction of the Southern Connector by issuing toll road revenue bonds in 1998. In 2011, in connection with implementation of its Debt Adjustment Plan pursuant to its Chapter 9 Bankruptcy case, the Association exchanged its 1998 Bonds for new toll road revenue bonds (the "2011 Bonds"). The Association's Debt Adjustment Plan encompasses a First Amended and Restated Master Indenture of Trust and a First Supplemental Indenture of Trust (collectively, the "Trust Indenture") and the License Agreement, all of which became effective April 21, 2011. Following a 2012 mandatory exchange (subject to Bondholder opt out of the exchange) of certain of its 2011 Pro-Rata Term bonds for 2011 By-Lot Term Bonds and payment of outstanding issuance costs of the 2011 Bonds, the Association's bankruptcy proceedings were finalized on August 27, 2012, when the United States Bankruptcy Court issued the Final Decree closing the Association's Bankruptcy case. See Notes 5 and 8 for additional detailed information pertaining to the Association's License Agreement and its 2011 Bonds. See the *Bankruptcy Filings* link under the Association's *Postings* arrow on our website, www.SouthernConnector.com, for detailed information regarding the Association's Bankruptcy case and complete copies of the Association's Debt Adjustment Plan, including the Trust Indenture and the License Agreement.

The State of South Carolina Office of Comptroller General has determined that the Association is a component unit of the State of South Carolina and of the SCDOT. The Association is governed by a Board of Directors, the members of which are subject to approval of the SCDOT.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). For the purpose of applying GAAP, the Association's management has determined that the Association should be treated as a governmental entity. The Governmental Accounting Standards Board ("GASB"), which has jurisdiction over accounting and financial reporting standards applicable to governmental entities, and the Financial Accounting Standards Board ("FASB"), which has jurisdiction over such standards applicable to nongovernmental entities, have agreed on a definition of a governmental entity that is to be used when determining whether governmental GAAP is applicable. Since (a) the Association is a public benefit corporation, (b) the members of the Association's Board of Directors are subject to the approval of the SCDOT, and (c) upon dissolution of the Association, all of the Association's net position will revert to the SCDOT, the Association meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying financial statements of the Association have been prepared in accordance with GAAP applicable to governmental unit proprietary funds.

The Association has no component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Presentation and Accounting

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of an entity (the "Primary Government").

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Association has no governmental activities since its sole activity is of a business type.

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.

Fund financial statements – Since the Association is a special purpose entity engaged in only business-type activities, it is required to present only financial statement information as required for enterprise funds (not allowed to present government-wide financial statements). See following sections for more details on enterprise funds.

The accounts of the Association are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained to keep the accounts consistent with legal and managerial requirements. The Association uses only the proprietary fund type.

Proprietary fund types are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Association does not have any internal service funds and has one enterprise fund.

> ***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For purposes of GAAP reporting, the Association has one major Enterprise Fund:
>
> > The **Enterprise Fund** is used to account for all of the operations of the Association. All activities of the Association in financing, acquiring, constructing and operating the toll road are accounted for in this fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Presentation and Accounting (Continued)

The Association's principal operating revenues of the Association are toll revenues received from patrons. Operating expenses of the Association primarily consist of the costs of operating the Southern Connector, including administrative expenses, depreciation and amortization of capital assets other than the Association's intangible interest in its License Agreement with SCDOT, professional fees, and trustee fees and costs. Nonoperating revenues primarily include interest earned on cash equivalents and investments. Nonoperating expenses primarily include (a) interest expense on the Association's debt (b) amortization of the Association's intangible interest in its License Agreement with SCDOT, and (c) reimbursements of SCDOT highway maintenance expense from the 2011 Renewal and Replacement Fund as discussed in Note 1, item J below.

During 2019, the Association implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* ("GASBS No. 88"). The provisions of this statement that are applicable to the Association establish disclosure requirements for its debt. The application of the provisions of GASBS No. 88 had no effect on the Association's financial statements, since the Association's financial statement disclosures already address the items discussed in this Statement.

C. Use of Estimates

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

D. Budget

The Association's Board of Directors adopts an annual non-appropriated operating budget. The Board of Directors also approves any amendments to the budget during the year. The budget is prepared using a modified accrual (non-GAAP) basis for Revenue Fund expenses (as defined in the Trust Indenture). Expenses are recognized in the period in which they are paid rather than the period in which they are incurred for budgetary control purposes. Depreciation and amortization are not recognized as expenses, but capital outlays are recognized as expenses for budgetary control purposes. The expenses are reclassified for the purpose of preparing financial statements in accordance with governmental GAAP. Since the Association's activities are accounted for in a proprietary fund, a budget-to-actual comparison is not presented in the accompanying financial statements.

E. Cash and Cash Equivalents

The Association considers all investments with maturities of three months or less when purchased to be cash equivalents. The amounts shown in the financial statements as "cash and cash equivalents" of the Association comprise cash on hand, deposits in banks, and funds invested in money market mutual funds.

F. Investments

The Association's Trust Indenture contains provisions requiring all bond proceeds and toll revenues received by the Association to be held in trust. Such monies held in the 2011 Trust Fund Accounts are expended in accordance with Trust Indenture guidelines. All monies held in the 2011 Trust Fund Accounts that are not insured by the FDIC must be secured by and/or invested in investment securities as defined in the Trust Indenture. Investment securities include, but are not limited to, direct obligations of, or obligations guaranteed by, the United States of America or an agency thereof.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments (Continued)

The Association's investments are stated at fair value and categorized within the fair value hierarchy established under governmental GAAP. For short-term, highly liquid instruments that have a remaining maturity of one year or less at the time of purchase, the investments' fair value is generally equivalent to amortized cost. The fair value hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Gains or losses that result from changes in fair value are included in nonoperating revenues or expenses.

See Note 2 below for additional detailed information pertaining to the Association's investments.

G. Receivables

All of the Association's receivables are reported net of any allowances for uncollectible amounts and any discounts. See Note 3 below for additional information.

H. Prepaid Expenses and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements. All inventories are valued at cost using the first-in/first-out method.

I. Interest in License Agreement with SCDOT

The Association's License Agreement encompasses its original License Agreement with SCDOT, which governed the Association's operations prior to the April 21, 2011 effective date of the Association's Debt Adjustment Plan, and its revised License Agreement with SCDOT, which modifies or amends certain provisions of the original License Agreement. The revised License Agreement became effective April 21, 2011. Any terms of the original License Agreement that were not amended or modified by the revised License Agreement remain in effect. See Note 5 for a detailed discussion of the terms of the Association's License Agreement.

In years prior to 2019, the Association treated its interest in its License Agreement with SCDOT as a service concession arrangement (an "SCA") that was accounted for as an intangible asset relating to the Southern Connector that began generating revenues upon commencement of toll road operations. An SCA is an arrangement between a transferor government and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration, and the operator collects and is compensated by fees from third parties. In order to account for its interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement.

In September of 2019, the Association's auditor received correspondence from SCDOT's auditors regarding the Association's financial presentation of its interest in its License Agreement with SCDOT. The Association was informed that SCDOT and the South Carolina Office of State Auditor ("SCOSA") do not concur with the Association's classification of its interest in its License Agreement as an SCA, and accordingly, the Association should reevaluate its method of presentation within its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interest in License Agreement with SCDOT (Continued)

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASBS No. 60") defines and governs the accounting and financial reporting for SCAs. One of the requirements for an arrangement to be classified as an SCA is that the transferor government retains a degree of control over pricing via an ability to determine, modify or approve the prices or rates that the operator can charge for the services provided. SCDOT and SCOSA have determined that the provisions of GASBS No. 60 do not extend to the License Agreement, since SCDOT does not have the explicit ability to determine, modify or approve the toll rates that the Association charges.

The Association's original assessment of the terms of its interest in its License Agreement with SCDOT, made in consultation with its legal counsel, concluded that the terms of the License Agreement grant SCDOT an indirect ability to modify or approve the Southern Connector's toll rates because (a) SCDOT has the right to object to the Association's selection of the independent traffic and revenue consultant hired to perform any toll rate study prior to the commencement of such study, (b) the Association must deliver a copy of any completed toll rate study to SCDOT and (c) upon the Association's request, SCDOT will confirm the effectiveness of and take other steps as necessary to implement the recommended toll rate revisions. The Association's conclusion that SCDOT's indirect control is sufficient to cause the License Agreement to fall within the scope of GASBS No. 60 is supported by guidance provided in GASB's *Comprehensive Implementation Guide* in which GASB indicates that a requirement to set prices "within a reasonable range of acceptable rates" meets the SCA control requirement. In addition, the Association considered the reporting of other similar toll road arrangements which have been deemed to constitute SCAs and an example found in Appendix D of GASBS No. 60, which presents an illustration of a hypothetical SCA tollway arrangement.

Regardless of the SCA determination, the accounting for the Association's interest in its License Agreement with SCDOT is unchanged. Such interest in the License Agreement remains an intangible asset properly recognized and amortized over the term of the License Agreement. Accordingly, the Association is complying with SCDOT's request to reevaluate its financial statement presentation. Therefore, in these comparative 2019 and 2018 financial statements, the Association's intangible interest in its License Agreement is now presented within capital assets, and the 2018 allocation of the components of net position (deficit) has changed. See Note 11 for detailed information regarding the reallocation of 2018 net position (deficit).

J. Restricted Assets

The Trust Indenture contains provisions to establish certain Funds and Accounts (the "2011 Funds and Accounts") to be held by the Trustee. The Trust Indenture's terms define the amounts that may be deposited into the Funds and Accounts, and restrict payments from such Funds and Accounts. The various Funds and Accounts established and the related restrictions imposed by the Trust Indenture are described below.

The Trust Indenture established new 2011 Funds and Accounts and required the transfer of amounts remaining in the 1998 Funds and Accounts to certain of the 2011 Funds and Accounts. The Trust Indenture directs the deposit of all revenues and other deposits in the 2011 Funds and Accounts, and restricts the payments from the 2011 Funds and Accounts. The funds and accounts established are as follows:

> The 2011 *Cost of Issuance Fund* was established to pay or reimburse the Association for costs of implementing its Debt Adjustment Plan. Upon issuance of the 2011 Bonds, monies remaining in the 1998 Funds and Accounts were transferred into this fund. Costs of implementing the Debt Adjustment Plan and issuing the 2011 Bonds were paid from this fund in accordance with the Trust Indenture. In 2012, following the Association's payment of the costs of issuing the 2011 By-Lot Term Bonds discussed below in Note 8, the 2011 Cost of Issuance Fund was closed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

The 2011 *Revenue Fund* was established to hold all revenues from toll road operations. The Trust Indenture provides that all revenues received from the operation of the Southern Connector after March 31, 2011, shall be delivered to the Trustee immediately upon receipt by, or on behalf of, the Association and shall be deposited into the 2011 Revenue Fund.

The order and priority of permissible payments from the 2011 Revenue Fund (the “New Waterfall”) is as follows:

Whether or not an event of default has occurred under the Trust Indenture, the Trustee may withdraw its fees and expenses from the 2011 Revenue Fund from time to time, and is obligated to notify the Association of such fees and expenses withdrawn. Thereafter, the Trustee is obligated to transfer monies from the 2011 Revenue Fund for the following purposes in the priority listed below:

1. Operating costs budgeted for the next succeeding month shall be distributed to the Association.

   All amounts remaining in the 2011 Revenue Fund (other than proceeds from liability or casualty insurance, condemnation awards and loans) after distribution of Trustee fees and costs and Association operating costs are deemed to be Distributable Cash. On the business day prior to each 2011 Bond payment date, the Trustee shall transfer Distributable Cash as follows:

2. The Trustee will deposit into the 2011 Renewal and Replacement Fund (the “2011 R&R Fund”):

   (i) for 2011 Bond payment dates on or before January 1, 2016, an amount equal to 5.0% of the amount of Distributable Cash, and

   (ii) for 2011 Bond payment dates after January 1, 2016, an amount equal to 2.5% of the amount of Distributable Cash.

3. The Trustee shall transfer to the 2011 Senior Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Note 8) on the 2011 Senior Bonds from earlier 2011 Bond payment dates.

4. The Trustee shall deposit into the 2011 R&R Fund:

   (i) for 2011 Bond payment dates on or before January 1, 2016, an amount equal to 0.0% of the amount of Distributable Cash, and

   (ii) for 2011 Bond payment dates after January 1, 2016, an amount not to exceed 2.5% of the amount of Distributable Cash.

5. If any Account in the 2011 Debt Service Reserve Fund contains less than the 2011 Debt Service Reserve Fund Requirement for such Account, the Trustee shall transfer into such Account an amount equal to the amount needed to restore the balance in such Account to the 2011 Debt Service Reserve Fund Requirement for such Account.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

6. The Trustee shall transfer to the 2011 Senior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Senior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Senior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Note 8) on the 2011 Senior Subordinate Bonds from earlier 2011 Bond payment dates.

7. The Trustee shall deposit into the 2011 R&R Fund an amount not to exceed 2.5% of the amount of Distributable Cash.

8. The Trustee shall transfer to the 2011 Junior Subordinate Bonds Debt Service Account amounts which, when added to other amounts then in the 2011 Junior Subordinate Bonds Debt Service Account, and available for such purposes, shall equal the debt service on the 2011 Junior Subordinate Bonds required to be paid on such 2011 Bond payment date, including any amounts representing Arrearages as defined in the Trust Indenture (see Note 8) on the 2011 Junior Subordinate Bonds from earlier 2011 Bond payment dates.

9. The Trustee will deposit into the 2011 R&R Fund an amount not to exceed 2.5% of the amount of Distributable Cash.

Any Distributable Cash remaining after making the distributions listed above ("Excess Net Revenues") will be deposited into the 2011 Extraordinary Prepayment Fund to be used (if the amount on deposit in the 2011 Extraordinary Prepayment Fund exceeds $50,000) towards the prepayment of 2011 Senior Bonds in accordance with provisions of the Trust Indenture.

See Notes 5, 8 and 10, respectively, for additional information regarding deposits of Distributable Cash into the 2011 R&R Fund and payments of Distributable Cash for debt service on the 2011 Bonds.

The Trust Indenture specifies that nonpayment of amounts to the 2011 R&R Fund due to the insufficiency of Distributable Cash will not result in a default under the License Agreement or the Trust Indenture, and shall not be added to the 2011 R&R Fund deposits for future 2011 Bond payment dates.

The 2011 *Debt Service Fund*, which consists of the 2011 Senior Bonds Debt Service Account, the 2011 Senior Subordinate Bonds Debt Service Account and the 2011 Junior Subordinate Bonds Debt Service Account, was established for the payment of debt service on the 2011 Bonds. Amounts in the 2011 Senior Bonds Debt Service Account, the 2011 Senior Subordinate Bonds Debt Service Account and the 2011 Junior Subordinate Bonds Debt Service Account may only be applied to pay debt service on 2011 Bonds of the same tier.

The 2011 *Debt Service Reserve Fund*, which consists of the 2011 Senior Bonds Debt Service Reserve Account, the 2011 Senior Subordinate Bonds Debt Service Reserve Account and the 2011 Junior Subordinate Bonds Debt Service Reserve Account, was established to pay shortfalls in debt service on the 2011 Senior Bonds initially; and once all 2011 Senior Bonds have been redeemed, on the 2011 Senior Subordinate Bonds; and once all 2011 Senior Subordinate Bonds have been redeemed, on the 2011 Junior Subordinate Bonds. The Trust Indenture contains provisions allowing transfers from Accounts of the 2011 Debt Service Reserve Fund to the corresponding Accounts of the 2011 Debt Service Fund of amounts needed to pay debt service on the respective tier of 2011 Bonds or to fully pay such tier of 2011 Bonds when prescribed conditions have been met. Minimum balances for each of the Accounts of the 2011 Debt Service Reserve Fund are determined in accordance with terms prescribed in the Trust Indenture. If any debt service payments are made from any 2011 Debt Service Reserve Fund Account,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets (Continued)

the Trust Indenture requires that the minimum balance of such Account be restored before any debt service payments be made in respect of the 2011 Senior Subordinate or 2011 Junior Subordinate Bonds. Amounts in excess of the minimum balance requirement for any 2011 Debt Service Reserve Fund Account are transferred to the 2011 Extraordinary Prepayment Fund. The Trust Indenture describes circumstances in which amounts in a 2011 Debt Service Reserve Account will be transferred to the 2011 Debt Service Reserve Account of a subordinate tier of 2011 Bonds. If such transfers are made, the minimum balance requirement for the recipient 2011 Debt Service Reserve Account will be reset.

The 2011 *R&R Fund* was established to reimburse SCDOT, to the extent of available funds, for Highway Maintenance Costs of the Southern Connector, as provided in the License Agreement. The Trustee shall transfer amounts from the 2011 Revenue Fund to the 2011 R&R Fund on or before each 2011 Bond payment date as described above in the New Waterfall. Although the 2011 R&R Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

The 2011 *Extraordinary Prepayment Fund* was established to make mandatory prepayments of the 2011 Bonds in accordance with the Trust Indenture. The 2011 Extraordinary Prepayment Fund will receive transfers from the 2011 Revenue Fund and/or the 2011 Debt Service Reserve Fund, and shall apply amounts to the Extraordinary Mandatory Prepayment of the Series 2011 Bonds in accordance with the terms of the Trust Indenture.

The 2011 *Rebate Fund* was established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury. Because tax-exempt bond proceeds are invested at rates of return not exceeding the maximum amount that is permitted under the applicable tax code, at December 31, 2019 and 2018, there were no monies on deposit in this Fund. Although the 2011 Rebate Fund is maintained by the Trustee, it is not a part of the 2011 Trust Estate.

K. Compensated Absences

The Association grants its regular full-time employees paid vacation days based on years of service and 10 paid holidays per year. Employees receive no sick days but are allowed to use vacation or holiday time when sick. All vacation and holiday time must be taken in the year earned. Therefore, at December 31, 2019 and 2018, there are no accumulating vacation or holiday benefits, thus no liability for such items was recognized.

L. Capital Assets

All capital assets, including the Association's intangible interest in its License Agreement with SCDOT (see Note 1, item I above), are stated at cost or at acquisition value at the time of donation. The Association generally follows capitalization policies recommended by the State of South Carolina's Office of Comptroller General.

Pursuant to this policy, equipment and vehicles with individual or group costs greater than $5,000 and intangible assets (including software) with costs generally in excess of $100,000 are capitalized. Equipment and vehicle depreciation is computed using the straight-line method over the equipment's estimated useful life between four and ten years, or the vehicle's estimated useful life of five years. The Association's intangible software is amortized over three to five years. The Association's intangible interest in its License Agreement with SCDOT is amortized over the term of the License Agreement as described in Note 5. When capital assets are disposed of, the cost and accumulated depreciation/amortization are removed from the books. The resulting gain or loss is included in nonoperating revenues or expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Bonds Payable and Related Bond Issuance Costs

The current and noncurrent portions of bonds payable are recorded as liabilities in the accompanying Statement of Net Position. Bond issuance costs, excluding those related to prepaid insurance costs, are expensed as incurred.

N. Rebatable Arbitrage

Arbitrage involves the investment of proceeds resulting from the sale of tax-exempt securities in a taxable investment that yields a higher rate, which produces income in excess of interest costs. With certain exceptions, 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. The Federal Government only requires arbitrage rebates 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, and any arbitrage rebate liability incurred is recognized at that time. The liability is recorded using the revenue reduction method, whereby the rebate is recorded as a reduction of interest revenue. At December 31, 2019 and 2018, the Association had no arbitrage liability.

O. Net Position (Deficit)

Proprietary Fund equity is classified as net position (deficit) and is displayed as the following three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of certain assets, reduced by liabilities related to those assets. Assets included in this category of net position include those with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Allocations of the Association’s 2018 components of net position (deficit) were revised as discussed in Note 1, item Q and Note 11.

Unless otherwise dictated in the Trust Indenture, the Association’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Association’s net deficit at December 31, 2019 and 2018 represents accumulated shortfalls since commencement of operations because toll revenues have been insufficient to cover interest accretions on the Association’s Bonds. Such accretions are not payable from current toll revenues, but from those to be received in future years.

P. Discounts

The Association’s toll revenues are reported net of discounts. Such discounts totaled $53,562 and $56,689 in 2019 and 2018, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Reclassification and Reallocations

The Association's 2018 interest in its License Agreement with SCDOT has been reclassified to capital assets to conform to the 2019 presentation. Accordingly, the components of the Association's 2018 net position (deficit) have been reallocated. See Note 1, item I above for detailed information regarding the capital asset reclassification and Note 11 for detailed information regarding the reallocation of 2018 net position (deficit).

NOTE 2 – DEPOSITS AND INVESTMENTS

The Association's Trust Indenture requires that all trust fund bank deposits that are not insured by the FDIC be collateralized by investment securities. The types of investment securities that may be used as collateral are: direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America or certain of its agencies; repurchase agreements with underlying securities that are obligations of, or guaranteed by, the United States of America or certain of its agencies; certain obligations of, or guaranteed by, any state within the territorial United States of America; agreements that provide for the forward delivery of any securities previously described; investments in money market mutual funds rated "AAAm", "AAm", "AAAmG", or better; unsecured investment agreements with any bank or financial institution, the unsecured debt or counterparty rating of which is "investment grade" rated as of the date of acquisition; and any other obligation which, at the date of acquisition, is rated by a rating agency in one of the two highest rating categories for long-term obligations or in the highest rating category for short-term obligations.

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits might not be recovered. The Association does not have a formal deposit policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. At December 31, 2019, approximately $1,027,600 of the Association's bank balances of approximately $1,284,900 (with a carrying value of $1,413,569) were uninsured and uncollateralized. At December 31, 2018, approximately $1,386,700 of the Association's bank balances of approximately $1,640,900 (with a carrying value of $1,724,910) were uninsured and uncollateralized. The South Carolina State Treasurer held none of the deposits noted above.

Investments

The South Carolina State Treasurer held none of the investments noted below. As of December 31, 2019 and 2018, the Association had the following investments as defined by GASB:

Investment Type	Credit Rating (1)	Fair Value Level (2)	Fair Value	Percentage of Total Investments	Weighted Average Maturity (in Years)
December 31, 2019:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 13,164,637	100.00%	0.066
December 31, 2018:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 12,047,113	100.00%	0.066

(1) If available, credit ratings are from Standard & Poor's, Moody's Investors Service and Fitch Ratings.

(2) See Note 1, item F for information about the Association's fair value heirarchy.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk: The Association does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates, but follows the investment requirements outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier). As of December 31, 2019 and 2018, none of the Association's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association does not have a formal investment policy for credit risk but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

Concentration of Credit Risk for Investments: The Association places no limit on the amount the Association may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

The following schedule reconciles deposits and investments within the notes to the amounts in the Statements of Net Position:

Statements of Net Position			Notes		
	2019	2018		2019	2018
Unrestricted Current Assets:					
Cash and Cash Equivalents	$ 1,413,569	$ 1,724,910	Deposits	$ 1,413,569	$ 1,724,910
Investments	-	-	Investments	13,164,637	12,047,113
Restricted Noncurrent Assets:					
Cash and Cash Equivalents	13,164,637	12,047,113			
Investments	-	-			
	$ 14,578,206	$ 13,772,023		$ 14,578,206	$ 13,772,023

See Note 1, item J, Note 8 and Note 10 for additional information about restrictions on deposits and balances of the various Trust Funds at December 31, 2019 and 2018.

NOTE 3 – RECEIVABLES

At December 31, 2019 and 2018, the Association had no receivable balances.

NOTE 4 – CAPITAL ASSETS

The following tables summarize the changes in capital assets of the Association during the past two years and their balances at December 31, 2019 and 2018. See Note 1, item I for more information about the reclassification of the Association's interest in its License Agreement with SCDOT.

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Description	Balance December 31, 2018	Additions	Disposals	Reclassifications	Balance December 31, 2019
Capital Assets, Not Being Depreciated:					
Deposit on Equipment	$ 11,000	$ 2,020	$ -	$ (13,020)	$ -
Capital Assets, Being Depreciated:					
Equipment	855,347	11,293	-	13,020	879,660
Software	1,129,948	-	-	-	1,129,948
Vehicles	207,675	-	-	-	207,675
Interest in License Agreement with SCDOT	192,623,492	-	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(77,096,634)	(3,911,245)	-	-	(81,007,879)
Capital Assets, Being Depreciated, Net	117,719,828	(3,899,952)	-	13,020	113,832,896
Total Capital Assets, Net	$ 117,730,828	$ (3,897,932)	$ -	$ -	$ 113,832,896

Description	Balance December 31, 2017	Additions	Disposals	Reclassifications	Balance December 31, 2018
Capital Assets, Not Being Depreciated:					
Deposit on Equipment	$ -	$ 11,000	$ -	$ -	$ 11,000
Capital Assets, Being Depreciated:					
Equipment	695,062	160,285	-	-	855,347
Software	1,129,948	-	-	-	1,129,948
Vehicles	193,848	39,665	(25,838)	-	207,675
Interest in License Agreement with SCDOT	192,623,492	-	-	-	192,623,492
Less: Accumulated Depreciation and Amortization	(73,237,990)	(3,883,190)	24,546	-	(77,096,634)
Capital Assets, Being Depreciated, Net	121,404,360	(3,683,240)	(1,292)	-	117,719,828
Total Capital Assets, Net	$ 121,404,360	$ (3,672,240)	$ (1,292)	$ -	$ 117,730,828

For the years ended December 31, 2019 and 2018, depreciation and amortization expense related to capital assets totaled $3,911,245 and $3,883,190, respectively. Such amounts are reported in the accompanying 2019 and 2018 statements of revenues, expenses and changes in net position – proprietary fund as $336,805 and $308,750, respectively, of depreciation within operating expenses and as $3,574,440 (for both years) of amortization within nonoperating expenses. See Note 1, item L and Note 5 for additional information about the Association's capitalization policy and its methods of calculating depreciation and amortization.

The Association's toll system development contract with Brisa includes a minimum one-month training period and a minimum 60-month support period (to overlap the training period) during which the Association will pay Brisa 60 monthly installments totaling $937,409. The monthly toll system support payments began in July 2017, when provisional acceptance of the toll system was granted; accordingly, the Association's professional fees expense for both years 2019 and 2018 included $187,482 paid to Brisa for such toll system support. At December 31, 2019 and 2018, the Association had $468,704 and $656,186, respectively, of outstanding toll system support commitments related to the toll system upgrade contract.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, the Association entered into a revised License Agreement with SCDOT, which became effective April 21, 2011. The revised License Agreement specifies that any terms of the original License Agreement that are not amended or modified by the revised License Agreement remain in effect.

The revisions to the original License Agreement include (1) requiring the Association to make periodic deposits into the 2011 R&R Fund, (2) modification of the Association's responsibility for performance and payment of highway maintenance, repair and renewal, (3) elimination of License Fees payable to SCDOT, (4) modification of the manner in which toll rates are set, and (5) prohibiting SCDOT from terminating the License Agreement for any insolvency of or failure by the Association to pay or perform its obligations due to insufficient toll revenues.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT (CONTINUED)

Under the License Agreement, SCDOT is responsible for performance and payment of all highway maintenance of the Southern Connector. As defined in the License Agreement, highway maintenance includes all maintenance, repair, renewal, replacement, enhancement, resurfacing and restoration of the Southern Connector.

The Association's sole obligation related to highway maintenance is to make the periodic deposits into the 2011 R&R Fund described above in items 2, 4, 7 and 9 of the New Waterfall discussed in Note 1, item J. The Association's inability to make deposits into the 2011 R&R Fund due to insufficiency of toll revenues will not result in a default under the License Agreement, nor will any resulting nonpayments constitute arrearages requiring deposits to the 2011 R&R Fund from future Distributable Cash.

Once SCDOT has incurred highway maintenance costs relating to the Southern Connector, SCDOT may, on a quarterly basis, submit to the Association a requisition for reimbursement and supporting documentation of such highway maintenance costs to be paid from monies deposited in the 2011 R&R Fund. The Association shall in turn request the 2011 Trustee to pay to SCDOT such amounts requested for reimbursement from the 2011 R&R Fund.

The Association has or will appoint at its expense an Association Engineer to perform an inspection of the Southern Connector to identify, review, monitor and report highway maintenance issues and needs, and the Association Engineer may estimate the costs of addressing those issues and needs, and assess the appropriate timing of performing related maintenance activities. The parties will collaborate with SCDOT to schedule necessary highway maintenance activities.

The Association is responsible for maintenance and related costs of the Southern Connector toll facilities under the License Agreement.

Under the Association's Debt Adjustment Plan, toll rates were initially set at amounts set forth in the Stantec Traffic Study as defined in the License Agreement. Subsequent revisions of the Southern Connector toll rates are permitted or required in certain circumstances as prescribed by the terms of the Association's Trust Indenture and the License Agreement.

Any revisions to the toll rates shall require a toll rate study to be performed by a qualified independent traffic and revenue consultant selected by the Association. The consultant will study the toll rates charged for use of the Southern Connector, the past and future projected traffic and other relevant factors in order to determine the toll rates which, in the opinion of the consultant, will maximize Southern Connector toll revenues over a projected period of at least five years.

Prior to commencement of the toll rate study, the Association must submit the name and a summary of qualifications of the selected independent traffic and revenue consultant to SCDOT for approval.

As prescribed in the License Agreement, SCDOT may object to the Association's selection of a consultant on the basis of lack of expertise or qualifications and propose at least one alternate consultant considered acceptable by SCDOT for the performance of the toll rate study.

Once the toll rate study has been completed by the independent traffic and revenue consultant, the Association will deliver a copy of such toll rate study to SCDOT and the 2011 Bonds Trustee, and, at the Association's request, SCDOT will confirm the effectiveness of and take other steps as necessary to implement the recommended revisions to the Southern Connector toll rates.

The License Agreement specifies that neither SCDOT nor the State of South Carolina is responsible for determining whether the toll rates charged by the Association are adequate to satisfy the Association's obligations to third parties.

NOTE 5 – INTEREST IN LICENSE AGREEMENT WITH SCDOT (CONTINUED)

The License Agreement allows the Association to grant toll rate discounts to encourage the use of the electronic toll collection system or to provide an incentive to fleet purchasers. Any such discounts will not be deemed a revision of toll rates.

A toll rate study was performed during 2019; accordingly, in January 2020, the Association implemented the new toll rates recommended in the toll rate study.

The License Agreement shall expire on July 22, 2051, or upon repayment, redemption or defeasance of the 2011 Bonds and all other project debt. The License Agreement also includes other termination provisions, but specifically states that the failure of the Association to pay any amounts owing or to perform any obligations under the License Agreement due to insufficient toll revenues shall not be an event of default under the License Agreement.

Provisions are included to extend the License Agreement's term by any period equal to any length of time during which toll revenues are impaired due to events of force majeure, or upon written agreement by the Association and SCDOT.

Under the License Agreement, SCDOT at all times retains fee simple title to the Southern Connector, all tolling facilities and all real property and improvements thereon. All machinery, equipment, furniture, fixtures and other personal property are the sole property of the Association. Neither the State of South Carolina nor any political subdivision or agency thereof (including, without limitation, SCDOT, the County of Greenville, South Carolina, and the City of Greenville, South Carolina) have any liability whatsoever for payment of any Bonds or any other obligations secured by the License Agreement.

The Association is amortizing the License Agreement through its contractual termination date, or July 2051. Amortization of the License Agreement was $3,574,440 for each of the years ended December 31 2019 and 2018.

See Note 1, items I, L and Q, and Notes 4 and 11 for additional information.

NOTE 6 – PAYABLES

At December 31, 2019 and 2018, the Association's accounts payable comprised the following:

Description	Balance December 31, 2019	Balance December 31, 2018
Accounts Payable - Trade	$ 12,580	$ 10,421
Accrued Payroll	64,243	62,354
Accrued Payroll Taxes	5,027	5,123
Accrued Professional Fees	28,183	9,319
Health Insurance Payable	2,285	-
Premiums Payable on Extraordinary Mandatory Bond Prepayments/Redemptions	8,285	18,797
Total Accounts Payable	$ 120,603	$ 106,014

At December 31, 2019 and 2018, the Association had accrued $81,564 and $44,739, respectively, of maintenance payable to SCDOT solely from the 2011 R&R Fund. These amounts were billed by SCDOT for maintenance performed during the respective year's fourth quarter in accordance with the maintenance provisions of the License Agreement. See Note 1, items B and J, and Notes 5, 8 and 10 for additional information.

NOTE 7 – INTEREST COSTS INCURRED

Interest costs expensed during the years ended December 31, 2019 and 2018 totaled $14,555,436 and $14,097,169, respectively. Interest expense in both years included interest accreted on the Association's 2011 Bonds and the accrued premiums paid as part of the extraordinary mandatory prepayments/redemptions discussed in Notes 6 and 8.

NOTE 8 – BONDS PAYABLE

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, on April 21, 2011, the Association issued its 2011 Bonds, consisting of both Serial and Term capital appreciation bonds, in exchange for the Association's 1998 Bonds. At that time, the Association's obligations under the 2011 Bonds were substituted for its obligations under the 1998 Bonds, and the Association was relieved of any further obligations under the 1998 Bonds. The 2011 Bonds were issued to the existing holders of the 1998 Bonds on a pro rata basis, based on unpaid principal and accrued/accreted interest as of the Bankruptcy Petition date of June 24, 2010.

The Series 2011A and 2011B Bonds were exchanged for the 1998 Senior Bonds, and the Series 2011C Bonds were exchanged for the 1998 Subordinate Bonds.

The Series 2011A, 2011B and 2011C Term Bonds as originally issued in April 2011 are registered with the Depository Trust Corporation (the "DTC") and are Pro-Rata Term Bonds for which each holder of such Bonds will receive a pro-rata share of any debt service payment made by the Association on such Bonds. In 2012, the Association effected a mandatory Bond Exchange (with option to retain) of 2011 Pro-Rata Term Bonds for 2011 By-Lot Term Bonds. The 2011 By-Lot Term Bonds are registered with the DTC in a form that allows such Bonds to be traded on the secondary market; however, in accordance with DTC policies and procedures, the distribution of debt service redemption payments made on such Bonds prior to maturity occurs "by-lot" under a lottery system, rather than on a pro-rata basis. Accordingly, holders of the 2011 By-Lot Term Bonds are not assured of the timing of any particular bond payment prior to maturity. The option to retain provision of the Bond Exchange allowed holders of the Association's 2011 Term Bonds to decide whether they would retain their 2011 Pro-Rata Term Bonds as originally issued (the "2011 Retained Term Bonds") and suffer the illiquidity of those obligations, or exchange those Bonds for 2011 By-Lot Term Bonds (the "2011 New Term Bonds") and accept the uncertainty of timing of debt service payments.

The Bond Exchange did not alter the Association's financial obligations under its 2011 Term Bonds.

All of the Association's 2011 Bonds are dated April 1, 2011, and accrete interest from that date. Interest on the Association's 2011 bonds is tax-exempt.

The Association's 2011 Bonds consist of the following. (Descriptions of the Association's Term Bonds have been updated for the Bond Exchange and any extraordinary mandatory prepayments/redemptions as noted.)

The *2011 Senior Bonds* as follows:

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Serial Bonds") are dated April 1, 2011, and originally included eleven serial bonds. The original principal amount at issuance of these serial bonds totaled $36,625,650. Five serial bonds remained outstanding following the Association's January 1, 2017 payment of debt service and before 2018 activity. Such remaining outstanding serial bonds mature January 1 of the years 2018 through 2022 inclusive, and accrete interest at rates ranging from 5.50% to 6.00%.

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Retained Term Bonds") are dated April 1, 2011, and include three term bonds.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- The Series 2011A term bonds maturing on January 1, 2032, with an aggregate original principal amount of $163,949 are subject to annual pro rata paydown payments on January 1 of the years 2023 through 2031 in varying amounts from $34,395 to $54,516, with a payment of $55,448 at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.

- The Series 2011A term bonds maturing on January 1, 2042, with an aggregate original principal amount of $126,990 are subject to annual pro rata paydown payments on January 1 of the years 2033 through 2041 in varying amounts from $63,621 to $89,912, with a payment of $90,392 at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.

- The Series 2011A term bonds maturing on July 22, 2051, with an aggregate original principal amount of $73,418 are subject to annual pro rata paydown payments on January 1 of the years 2043 through 2051 in varying amounts from $90,876 to $113,077, with a payment of $34,817 (as revised following the extraordinary mandatory prepayments paid on February 15 of years 2014 and 2018 through 2020) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.50%.

- *Series 2011A1 Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A1 New Term Bonds") are dated April 1, 2011, and include three term bonds.

  - The Series 2011A1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $40,455,704 and a maturity value of $149,446,102 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2023 through 2031 in varying amounts from $8,487,008 to $13,452,215, with a payment of $13,683,044 at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.

  - The Series 2011A1 term bonds maturing on January 1, 2042, with an aggregate original principal amount of $31,336,681 and a maturity value of $250,959,619 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2041 in varying amounts from $15,698,783 to $22,186,026, with a payment of $22,305,954 at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.

  - The Series 2011A1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $18,117,434 and a maturity value of $334,287,216 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2043 through 2051 in varying amounts from $22,424,076 to $27,900,334, with a payment of $8,585,851 (as revised following the extraordinary mandatory redemptions paid on February 15 of years 2014 and 2018 through 2020) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.5%.

The *2011 Senior Subordinate Bonds* as follows:

- *Series 2011B Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B Retained Term Bonds") are dated April 1, 2011, and include two term bonds.

  - The Series 2011B term bonds maturing on January 1, 2032, with an aggregate original principal amount of $56,612 are subject to annual pro rata paydown payments on January 1 of the years 2013 through 2031 in varying amounts from $2,754 to $12,923, with a payment of $13,152 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.

NOTE 8 – BONDS PAYABLE (CONTINUED)

- The Series 2011B term bonds maturing on July 22, 2051, with an aggregate original principal amount of $28,491 are subject to annual pro rata paydown payments on January 1 of the years 2033 through 2051 in varying amounts from $14,702 to $26,129, with a payment of $14,676 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

- *Series 2011B1 Senior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011B1 New Term Bonds") are dated April 1, 2011, and include two term bonds.

  - The Series 2011B1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $13,606,458 and a maturity value of $73,945,516 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2031 in varying amounts from $662,275 to $3,106,955, with a payment of $3,160,274 at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.

  - The Series 2011B1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $7,029,534 and a maturity value of $226,739,016 are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2051 in varying amounts from $3,626,162 to $6,444,579, with a payment of $3,616,453 at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

The *2011 Junior Subordinate Bonds* as follows:

- *Series 2011C Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C Retained Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $17,943. These term bonds are subject to annual pro rata paydown payments on January 1 of the years 2013 through 2051 in varying amounts from $697 to $6,762, with a payment of $3,775 at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.

- *Series 2011C1 Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C1 New Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $2,142,491 and a maturity value of $97,782,636. These term bonds are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2051 in varying amounts from $81,503 to $792,986, with a payment of $445,033 at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.

In addition to the regularly scheduled debt service payments described above, the Trust Indenture requires or allows the Association to make additional payments of debt service in certain situations.

The Association is required to make extraordinary mandatory prepayments of its 2011 Retained Term Bonds and redemptions of its 2011 New Term Bonds if on any January 1, the 2011 Extraordinary Prepayment Fund described in Note 1, item J contains in excess of $50,000. In such case, the monies in the 2011 Extraordinary Prepayment Fund shall be applied toward extraordinary mandatory prepayments/redemptions of the 2011 Bonds on the following February 15, at 105% of the accreted value of the respective 2011 Bonds being paid. Extraordinary mandatory prepayments/redemptions shall pay the 2011 Senior Bonds first. If there are no 2011 Senior Bonds outstanding, then the 2011 Senior Subordinate Bonds shall be prepaid/redeemed. If there are no outstanding 2011 Senior or Senior Subordinate Bonds, then the 2011 Junior Subordinate Bonds shall be prepaid/redeemed. The Association made such extraordinary mandatory prepayments/redemptions in 2014, 2018, 2019 and 2020. See Note 14 for information regarding the extraordinary mandatory prepayments/redemptions made by the Association on February 15, 2020.

NOTE 8 – BONDS PAYABLE (CONTINUED)

At any time on or after April 1, 2026, the Association may make optional prepayments of its 2011 Retained Term Bonds or redemptions of its 2011 New Term Bonds at prescribed percentages of such 2011 Bonds' respective accreted values. If the Association makes optional partial prepayments/redemptions of its 2011 Retained/New Term Bonds, the amount of such 2011 Retained/New Term Bonds to be prepaid/redeemed will be selected ratably based upon the accreted values of the outstanding 2011 Retained/New Term Bonds as of the prepayment/redemption date.

Any extraordinary mandatory or optional prepayments of the Association's 2011 Retained Term Bonds will be distributed to Bondholders on a pro-rata basis. Any extraordinary mandatory or optional redemptions of less than all of the Association's 2011 New Term Bonds of a single maturity will be distributed to Bondholders by lot.

The Association's bonds payable activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019	Amount Due in One Year
Senior Bonds:					
Series 2011A Serial Bonds	$ 25,535,157	$ 1,119,309	$ 5,907,831	$ 20,746,635	$ 6,425,926
Series 2011A Retained Term Bonds	609,625	41,880	1,517	649,988	669 #
Series 2011A1 New Term Bonds	150,434,456	10,331,880	374,429	160,391,907	165,023 #
Total Senior Bonds	176,579,238	11,493,069	6,283,777	181,788,530	6,591,618
Senior Subordinate Bonds:					
Series 2011B Retained Term Bonds	133,340	11,131	5,653	138,818	6,152
Series 2011B1 New Term Bonds	32,402,971	2,706,817	1,358,990	33,750,798	1,478,151
Total Senior Subordinate Bonds	32,536,311	2,717,948	1,364,643	33,889,616	1,484,303
Junior Subordinate Bonds:					
Series 2011C Retained Term Bonds	29,935	2,851	1,432	31,354	1,554
Series 2011C1 New Term Bonds	3,500,820	333,283	167,245	3,666,858	181,910
Total Junior Subordinate Bonds	3,530,755	336,134	168,677	3,698,212	183,464
Total Revenue Bonds Payable	$ 212,646,304	$ 14,547,151	$ 7,817,097	$ 219,376,358	$ 8,259,385

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018	Amount Due in One Year
Senior Bonds:					
Series 2011A Serial Bonds	$ 29,543,239	$ 1,418,624	$ 5,426,706	$ 25,535,157	$ 5,907,831
Series 2011A Retained Term Bonds	570,624	39,269	268	609,625	1,517 #
Series 2011A1 New Term Bonds	140,808,085	9,692,919	66,548	150,434,456	374,429 #
Total Senior Bonds	170,921,948	11,150,812	5,493,522	176,579,238	6,283,777
Senior Subordinate Bonds:					
Series 2011B Retained Term Bonds	127,854	10,680	5,194	133,340	5,653
Series 2011B1 New Term Bonds	31,055,156	2,596,115	1,248,300	32,402,971	1,358,990
Total Senior Subordinate Bonds	31,183,010	2,606,795	1,253,494	32,536,311	1,364,643
Junior Subordinate Bonds:					
Series 2011C Retained Term Bonds	28,529	2,721	1,315	29,935	1,432
Series 2011C1 New Term Bonds	3,336,410	318,044	153,634	3,500,820	167,245
Total Junior Subordinate Bonds	3,364,939	320,765	154,949	3,530,755	168,677
Total Revenue Bonds Payable	$ 205,469,897	$ 14,078,372	$ 6,901,965	$ 212,646,304	$ 7,817,097

Amounts due in one year at December 31, 2019 and 2018 on the Series 2011A Retained Term Bonds and the 2011A1 New Term Bonds represent the extraordinary mandatory prepayments and redemptions (discussed below and in Note 14) that were paid in February 2020 and 2019, respectively. Such amounts due in one year exclude the premiums paid with the February 2020 and 2019 extraordinary mandatory prepayments and redemptions.

None of the Association's 2011 Bonds represent direct borrowings from lenders or direct placements of debt securities with investors.

NOTE 8 – BONDS PAYABLE (CONTINUED)

During 2019 and 2018, increases in bonds payable totaled $14,547,141 and $14,078,372, respectively, and represented accretions on the Association's bonds. Those accretions plus $8,285 and $18,797, respectively, of accrued premiums (paid as part of the February 2020 and 2019 extraordinary mandatory prepayments/redemptions of 2011 bonds) were recorded as interest expense. Accordingly, total interest expense for 2019 and 2018 was $14,555,436 and $14,097,169, respectively. The 2019 decreases in bonds payable totaled $7,817,097 and included $7,441,151 of debt service paid in January 2019 and extraordinary mandatory prepayments/redemptions of $375,946 of accreted value of the respective 2011 Bonds paid in February 2019. The 2018 decreases in bonds payable of $6,901,965 represented January 2018 debt service payments of $6,835,149 and February 2018 extraordinary mandatory prepayments/redemptions of $66,816.

On January 1 of both 2020 and 2019, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Therefore, in accordance with provisions of the Trust Indenture, the Association made extraordinary mandatory prepayments/redemptions of accreted value to prepay certain of its 2011A Retained Term Bonds and to redeem certain of its 2011A1 New Term Bonds on the following February 15. Details of the extraordinary mandatory prepayments/redemptions are as follows.

	At February 15, 2020		
Bonds Prepaid/Redeemed	Accreted Value Paid	Premium Paid	Total Payments
Series 2011A Retained Term Bonds	$ 669	$ 34	$ 703
Series 2011A1 New Term Bonds	165,023	8,251	173,274
Total Senior Bonds Prepaid/Redeemed	$ 165,692	$ 8,285	$ 173,977

	At February 15, 2019		
Bonds Prepaid/Redeemed	Accreted Value Paid	Premium Paid	Total Payments
Series 2011A Retained Term Bonds	$ 1,517	$ 76	$ 1,593
Series 2011A1 New Term Bonds	374,429	18,721	393,150
Total Senior Bonds Prepaid/Redeemed	$ 375,946	$ 18,797	$ 394,743

Had the above 2011A Retained Term Bonds and 2011A1 New Term Bonds that were prepaid/redeemed on February 15, 2020 remained outstanding until their scheduled maturity on July 22, 2051, their accreted value at such maturity date would have been $6,495 and $1,602,402, respectively. The 2011A Retained Term Bonds and 2011A1 New Term Bonds prepaid/redeemed on February 15, 2019 would have had accreted values at July 22, 2051 of $15,831 and $3,908,446, respectively.

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2019. Since all of the 2011 Bonds are capital appreciation bonds, accretions are accounted for as interest expense and additions to principal. For purposes of the following debt service schedule, all accretions are included as principal, and no interest is shown. The amount shown as debt service for 2020 includes the Association's extraordinary mandatory prepayment/redemption paid in February 2020. (See Note 14 for more information.)

NOTE 8 – BONDS PAYABLE (CONTINUED)

Year Ending December 31	Principal	Interest	Totals
2020	$ 8,259,385	$ -	$ 8,259,385
2021	9,600,057	-	9,600,057
2022	10,151,975	-	10,151,975
2023	10,733,044	-	10,733,044
2024	11,345,072	-	11,345,072
2025 - 2029	71,039,100	-	71,039,100
2030 - 2034	90,907,223	-	90,907,223
2035 - 2039	113,848,194	-	113,848,194
2040 - 2044	138,111,163	-	138,111,163
2045 - 2049	161,504,727	-	161,504,727
2050 - 2051	83,085,416	-	83,085,416
Totals	$ 708,585,356	$ -	$ 708,585,356

As discussed in Note 1, item J, the terms of the Trust Indenture require the establishment of various 2011 Trust Fund accounts. The monies deposited into the 2011 Trust Fund Accounts are invested as provided in the Trust Indenture. The types of payments that may be made from the various 2011 Trust Fund Accounts are specified in the Trust Indenture. All of the 2011 Trust Fund Accounts established under the Trust Indenture except for the 2011 R&R Fund and the 2011 Rebate Fund are included in the 2011 Trust Estate, which the Association has pledged as security for payment of the 2011 Bonds. The 2011 Trust Estate also includes the Association's interest in Revenues as defined in the Trust Indenture, the Association's interest in its License Agreement with the SCDOT, and any other property pledged as security for the 2011 Bonds.

At December 31, 2019 and 2018, the following accounts established by the Trust Indenture were included in the Trust Estate and provided security for the 2011 Bonds. The account totals shown below include accruals of year-end interest and any year-end transfers prescribed by the New Waterfall as discussed in Note 1, item J above. The 2019 balance of the 2011 Revenue Fund shown below includes $273,075 for January 2020 budgeted operating costs. The Trustee distributed such monies to the Association in early January 2020.

	2019		
Trust Account	Account Balance	Accrued Interest	Total Security
2011 Revenue Fund	$ 273,086	$ 9,038	$ 282,124
2011 Debt Service Fund	8,093,693	270	8,093,963
2011 Debt Service Reserve Fund	2,034,225	2,148	2,036,373
2011 Extraordinary Prepayment Fund	173,977	7	173,984
Total	$ 10,574,981	$ 11,463	$ 10,586,444

	2018		
Trust Account	Account Balance	Accrued Interest	Total Security
2011 Revenue Fund	$ 35,889	$ 13,521	$ 49,410
2011 Debt Service Fund	7,441,151	408	7,441,559
2011 Debt Service Reserve Fund	2,034,225	2,802	2,037,027
2011 Extraordinary Prepayment Fund	394,744	2	394,746
Total	$ 9,906,009	$ 16,733	$ 9,922,742

During the years ended December 31, 2019 and 2018, payments from the various accounts were made in accordance with the terms of the Trust Indenture. (See Note 1, item J for more details).

NOTE 8 – BONDS PAYABLE (CONTINUED)

The 2011 Bonds are expressly nonrecourse to the State of South Carolina, SCDOT or any agency, department or political subdivision of the State of South Carolina. In addition, the 2011 Bonds are expressly nonrecourse against any Association assets other than the 2011 Trust Estate, from which the 2011 Bonds are solely payable. The 2011 Bonds are not rated by a national rating agency.

The 2011 Senior Subordinate Bonds are subordinated to the 2011 Senior Bonds in all respects, including in right of payment and priority of liens. The 2011 Junior Subordinate Bonds are subordinated to the 2011 Senior and Senior Subordinate Bonds in all respects, including in right of payment and priority of liens.

If any debt service payment pertaining to any tier of 2011 Bonds is not paid when due, the Trust Indenture prescribes the manner in which subsequent payments of debt service in respect of such tier of 2011 Bonds shall be applied, first, to any Arrearages, and, second, to the current debt service owing on such tier of 2011 Bonds. The Trust Indenture specifies that any amounts owing on the 2011 Bonds that are unpaid due to insufficient Distributable Cash (defined in Note 1, item J) shall be deferred and bear interest from the date of non-payment at a rate equal to the interest rate or yield on the 2011 Bond to which such unpaid amount relates, compounded annually. The term *Arrearages* in the Trust Indenture refers to such unpaid amounts plus interest.

If on any 2011 Bond payment date, no 2011 Bonds remain outstanding in any tier, the remaining 2011 Bonds of subordinate tiers will ascend to the next higher tier in the hierarchy described in the New Waterfall in Note 1, item J above. For example, if no 2011 Senior Bonds are outstanding on any 2011 Bond payment date, then any 2011 Senior Subordinate Bonds outstanding will be treated as 2011 Senior Bonds payable from the 2011 Senior Bonds Debt Service Account, and any 2011 Junior Subordinate Bonds outstanding will be treated as 2011 Senior Subordinate Bonds payable from the 2011 Senior Subordinate Bonds Debt Service Account.

The 2011 Bonds are subject to certain bond covenants other than payment covenants. The bond covenants include, but are not limited to, the following:

- The Association is prohibited from taking any action, or omitting to take any action, that would cause the 2011 Bonds to lose their tax-exempt status.

- By June 30 of each year, an Association Engineer (as defined) is required to inspect the toll road and submit a report documenting the Association Engineer’s findings as to whether the Southern Connector has been maintained by SCDOT in good repair and any deficiencies in the physical condition of the toll road. The report shall identify any highway maintenance needs of the Southern Connector, an assessment of the materiality of such needs, and may estimate the cost and appropriate timing of such needs. The Association received the latest report from its Engineer in June 2019 and in turn submitted that report to the Association’s Trustee and SCDOT. At the time these financial statements were issued, the 2020 Engineer’s inspection was underway.

- On or before April 30, 2016, and once every five years thereafter as prescribed in the Trust Indenture, the Association shall retain an independent traffic and revenue consultant to perform a toll rate study to determine the optimum toll rates to be charged for the Southern Connector. In addition, a toll rate study will be required if (a) the Association fails to make any debt service payment on its 2011 Senior and/or Senior Subordinate Bonds, or (b) the debt service coverage ratio (as defined in the Trust Indenture) for the 2011 Senior Bonds is less than (i) 1.20 for periods ending on or before January 1, 2016 and (ii) 1.25 for periods ending after January 1, 2016, or (c) the debt service coverage ratio (as defined in the Trust Indenture) for the 2011 Senior Subordinate Bonds is less than 1.00 for any period. Despite the above provisions, the Association will not be required to have a toll rate study performed more frequently than once every two years.

NOTE 8 – BONDS PAYABLE (CONTINUED)

Copies of any toll rate study will be presented to SCDOT, the Trustee and the 2011 Bondholders. Unless the 2011 Bondholders submit an objection in accordance with the terms of the Trust Indenture, the toll rates on the Southern Connector will be set at the optimum toll rates as determined by the traffic and revenue consultant and reported in the toll rate study.

- The Association shall certify to the 2011 Trustee the actual debt service coverage ratios compared to the threshold ratios set forth above. Calculations of the actual debt service coverage ratios shall accompany such certification.

- Prior to the end of each fiscal year, the Association is required to file an annual budget for the next fiscal year with the 2011 Trustee.

The terms of the Trust Indenture provide that any of the following events will be considered an event of default under such Trust Indenture:

- The Association's failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Bonds will constitute an event of default. Once all of the 2011 Senior Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Subordinate Bonds will constitute an event of default under the Trust Indenture. Once all of the 2011 Senior Bonds and all of the 2011 Senior Subordinate Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Junior Subordinate Bonds will constitute an event of default under the Trust Indenture. The Trust Indenture clarifies that the occurrence of an event of default pertaining to any tier of 2011 Bonds as described in this bullet will not automatically cause an event of default with respect to any other tier of 2011 Bonds.

- The Association's failure to perform any covenant other than those relating to payment of the 2011 Bonds will constitute an event of default, if such failure continues 30 days after written notice of the failure has been provided to the Association by the Trustee or to the Association and the Trustee by not less than 25% of the 2011 Senior and/or 2011 Senior Subordinate Bondholders. However, if the Association has taken action to cure such failure within 30 days of receipt of the written notice, the duration of the cure period will be extended to 180 days following the date of the written notice, and no event of default will be deemed to occur, so long as the Association continues to diligently attempt to cure the failure within the 180-day cure period.

- An event of default shall be deemed to occur if the Association (i) voluntarily files a bankruptcy petition or any petition seeking reorganization, readjustment or relief of its debts under federal or State bankruptcy or insolvency act or law; (ii) takes any action consenting to, approving, or acquiescing in any such petition or proceeding; (iii) applies for, or consents to or acquiesces in the appointment of, a receiver or trustee of the Association or for all or a substantial part of its property; (iv) makes an assignment for the benefit of its creditors; or (v) is unable to, or admits in writing its inability to, pay its debts as they come due (except for any inability to make payments due on its 2011 Senior Subordinate or 2011 Junior Subordinate Bonds that would not constitute an event of default under the first bullet above of this paragraph).

- Involuntary bankruptcy proceedings; involuntary petitions seeking reorganization, readjustment or relief of the Association's debts under federal or State bankruptcy or insolvency act or law; or petitions seeking the involuntary appointment of a receiver or trustee of the Association or for all or a substantial part of the Association's property will constitute an event of default if such proceedings or petitions continue undismissed or undischarged for 90 days, or if such proceedings or petitions result in a ruling of bankruptcy or insolvency.

NOTE 8 – BONDS PAYABLE (CONTINUED)

The Trust Indenture does not provide any right to accelerate the maturity of the 2011 Bonds. If an event of default occurs, the 2011 Trustee shall have the right to retain, or cause the Association to retain, (i) an independent consultant to recommend the optimum toll rates for the Southern Connector, and (ii) a management consultant or other third party to examine and make recommendations regarding the Association's operations and operating costs. Unless certain 2011 Bondholders object to the recommendations made by such consultant or other third party, the Association will be required to implement those recommendations to the extent it is able to do so.

The Association monitors the above covenants for compliance throughout the year, and determined that its coverage ratios at December 31, 2019 and 2018 for its 2011 Senior Bonds were 1.39 and 1.43, and for its 2011 Senior Subordinate Bonds were 1.10 and 1.13, respectively. The Association believes it was in compliance with and has met its 2011 Bond covenants as of and during the years ended December 31, 2019 and 2018.

More detailed information pertaining to the Association's 2011 Bonds, including complete copies of the First Amended and Restated Master Indenture of Trust; the First Supplemental Indenture of Trust; and related filings, notices and Court Orders pertaining to the Bond Exchange, may be found on the Association's website, www.SouthernConnector.com under the *Bankruptcy Filings* link under the *Postings* arrow.

NOTE 9 – RISK MANAGEMENT

The Association is exposed to various types of risk including loss related to torts; theft of, damage to, and destruction of assets; injuries to construction workers and others; professional design; and damage to property of others. The Association obtained commercial insurance covering known risks of loss as follows:

Automobile Liability	Professional Design	Worker's Compensation
Crime	Directors and Officers	Force Majeure
Builder's Risk	General Liability	

No claim settlements have exceeded insurance coverage during the past three years. There were no materially significant reductions in insurance coverage during the years ended December 31, 2019 or 2018.

NOTE 10 – 2011 R&R FUND ACTIVITY

The Association's sole obligation related to maintenance of the Southern Connector under its License Agreement with SCDOT is to make periodic deposits into the 2011 R&R Fund as prescribed by the New Waterfall provisions of the Trust Indenture. As SCDOT incurs highway maintenance costs relating to the Southern Connector, the License Agreement permits SCDOT to submit quarterly to the Association, requisitions for reimbursement of such highway maintenance costs. Any SCDOT highway maintenance cost requisitions received by the Association will be paid from, and to the extent of, monies accumulated in the 2011 R&R Fund. (See Note 1, item J and Note 5 for additional information.)

At December 31, 2018, the balance of the Association's 2011 R&R Fund account was $2,122,310. During 2019, deposits into the 2011 R&R Fund consisted of $914,271 deposited in accordance with the New Waterfall provisions of the Trust Indenture and $34,961 of interest income. The Association paid $495,104 of highway maintenance expense incurred by SCDOT, of which $44,739 was accrued and expensed in 2018. At December 31, 2019, the Association accrued $81,564 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2020. Total highway maintenance expense recognized by the Association for the year ended December 31, 2019 was $531,929. At December 31, 2019, the balance of the 2011 R&R Fund was $2,576,438 and the Fund's net position was $2,494,874.

NOTE 10 – 2011 R&R FUND ACTIVITY (CONTINUED)

At December 31, 2017, the balance of the Association's 2011 R&R Fund account was $1,788,359. During 2018, deposits into the 2011 R&R Fund consisted of $867,056 deposited in accordance with the New Waterfall provisions of the Trust Indenture and $17,985 of interest income. In 2018, the Association paid $551,090 of highway maintenance expense incurred by SCDOT, of which $327,000 was accrued and expensed in 2017. At December 31, 2018, the Association accrued $44,739 of highway maintenance expense to be reimbursed from the 2011 R&R Fund in 2019. Total highway maintenance expense recognized by the Association for the year ended December 31, 2018 was $268,829. At December 31, 2018, the balance of the 2011 R&R Fund was $2,122,310 and the Fund's net position was $2,077,571.

NOTE 11 – REALLOCATION OF 2018 NET POSITION (DEFICIT) BALANCE

Pursuant to the Association's 2019 compliance with the request received from SCDOT to present its interest in its License Agreement with SCDOT as an asset other than an SCA, the Association has reallocated the balance of its 2018 net position (deficit) to conform with the 2019 financial presentation. Accordingly, the December 31, 2018 portions of net position (deficit) attributable to the Association's interest in its License Agreement with SCDOT and the related 2011 Bonds payable have been reclassified from the unrestricted category of net position to the net investment in capital assets category as follows. See the discussion in Note 1, items I and Q above for additional information regarding SCDOT's request.

	2018 Balances			
	Net Investment in Capital Assets	Restricted for SCDOT Maintenance	Unrestricted	Total Net Position (Deficit)
Balances as originally allocated	$ 1,263,761	$ 2,077,571	$ (85,107,145)	$ (81,765,813)
Reclassifications of:				
Interest in License Agreement with SCDOT, net of amortization	116,467,067	-	(116,467,067)	-
2011 Bonds payable attributable to the interest in License Agreement with SCDOT	(119,369,296)	-	119,369,296	-
Balances as reallocated	$ (1,638,468)	$ 2,077,571	$ (82,204,916)	$ (81,765,813)

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

The Association has established and administers a defined contribution pension plan, the Connector 2000 Association, Inc. 401(k) Profit Sharing Plan and Trust (the "Plan"). The Association's Board of Directors holds the authority for establishing and amending the Plan, its benefit terms and contribution rates.

Under the terms of the Plan, employees who are 21 years of age or older and who have completed 1,000 hours of service are eligible to participate in the Plan. Subject to applicable federal limitations, Plan participants may elect to contribute a percentage (up to 92%) of their compensation to the Plan under a salary reduction agreement. The Association matches 100% of employee deferrals less than or equal to three percent, and 50% of employee deferrals greater than three percent but less than or equal to five percent. The Association may also make additional discretionary profit sharing contributions to the Plan. Forfeitures may be used to pay Plan administrative expenses, restore the Plan account balances of certain re-employed Plan participants, reduce the Association's matching or discretionary profit sharing contributions, or may be allocated to Plan participants

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

Plan participants are at all times 100% vested in their employee deferral contributions and in the Association's matching contributions to the Plan. Association profit sharing contributions are vested at a rate of 20% per year such that, with six years of service, Plan participants are 100% vested in any profit sharing contributions.

No assets are accumulated in a trust that meets criteria defined in paragraph 4 of GASBS No. 73.

During the years ended December 31, 2019 and 2018, the Association contributed $24,216 and $24,763, respectively, to the Plan. These amounts are included in employee benefits in the accompanying statements of revenues, expenses and changes in net position – proprietary fund. Forfeitures were immaterial in both 2019 and 2018.

NOTE 13 – EXTRAORDINARY GAIN ON CLAIM AGAINST LEHMAN BROTHERS.

During the year ended December 31, 2018, the Association received $3,704 (net of related Trustee fees of $2,376 and Trustee attorney fees of $8,870) as partial settlement of a $2,000,000 claim filed against Lehman Brothers, Inc. ("Lehman Brothers") for losses incurred by the Association in 2008 upon Lehman Brothers' default under a collateralized repurchase agreement held in connection with investments of monies in the Association's 1998 Bonds Debt Service Reserve Accounts. The Association does not expect to receive any additional distributions under this claim.

NOTE 14 – SUBSEQUENT EVENTS

Payments of February 2020 Extraordinary Mandatory Prepayments/Redemptions

At December 31, 2019, the balance of the Association's 2011 Extraordinary Prepayment Fund exceeded $50,000. Accordingly, on February 15, 2020, in accordance with provisions of the Trust Indenture, the Association made extraordinary mandatory prepayments/redemptions of certain of its 2011A Retained Term Bonds and 2011A1 New Term Bonds. See Note 8 for more information.

Effects of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Association's net position, liquidity, and future results of operations. Management is actively monitoring the repercussions of the situation on its financial condition, liquidity, operations, workforce and toll patrons.

As local and federal governments recommend or mandate restrictions on travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the Association expects such restrictions to negatively impact utilization and revenues of the Southern Connector as traffic levels decline. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration.

Given the daily evolution of the COVID-19 outbreak, the Association cannot estimate the duration or gravity of its impact at this time. If pandemic continues, it may have a material adverse effect on the Association's results of operations, net position and liquidity in 2020.