SOUTH CAROLINA
TRANSPORTATION INFRASTRUCTURE BANK

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

State of South Carolina

Office of the State Auditor

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

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

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October 14, 2009

The Honorable Mark Sanford, Governor
and
Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Transportation Infrastructure Bank for the fiscal year ended June 30, 2009, was issued by Scott McElveen, L.L.P, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

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

RHGjr/cwc

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

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SCOTT + McELVEEN LLP

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank"), as of and for the year ended June 30, 2009, which collectively comprise the Bank's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the Bank's financial statements are intended to present the financial position and changes in financial position of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Bank, an agency of the State. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include other agencies, divisions, or component units of the State of South Carolina.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Bank as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009 on our consideration of the Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the accompanying table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bank's basic financial statements. The combining statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Scott McElveen, L.L.P.

Columbia, South Carolina
October 13, 2009

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the South Carolina Transportation Infrastructure Bank (the "Bank") provides a narrative overview of the Bank's financial activities for the fiscal year ended June 30, 2009. The MDA should be read in conjunction with the Bank's financial statements which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Bank-Wide Financial Statements

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

The *Statement of Net Assets* presents all of the Bank's assets and liabilities with the difference between the two reported as "net assets" or "deficiency". Over time, increases or decreases in the Bank's net assets may serve as a useful indicator of whether the mission of the Bank is successfully being implemented.

The liabilities of the Bank exceeded the assets as of June 30, 2009 resulting in a deficiency of $896.9 million. The mission of the Bank is to provide financial assistance for major transportation projects. The Bank does not own or maintain any of the projects. The Bank issues bonds and incurs other financing liabilities to construct the projects, which are donated to the South Carolina Department of Transportation (SCDOT) for ownership and maintenance. As a result, the assets of the Bank are reduced while the debt remains. Conversely, SCDOT will record these projects as construction in progress or capital assets in its financial statements with no related liability. Almost $1.2 billion of the Bank's net assets are restricted to service the outstanding debt and to fund projects under commitment.

The *Statement of Activities* presents information showing how the Bank's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as receivables from state agencies and county governments.

During fiscal year 2009, expenses exceeded revenues by $16.9 million resulting in a decrease in net assets as of fiscal year-end. This is primarily due to the payment of a majority of the expenditures for highway construction from bond proceeds which are not included in the revenue sources on this statement.

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

Fund Financial Statements

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

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

As of June 30, 2009, the fund balance in the Bank's governmental fund was $1.249 billion. This fund balance is used for providing financial assistance to transportation projects and to service the debt related to providing that assistance. As of June 30, 2008 the fund balance was $1.300 billion. The decrease as of June 30, 2009 of $50.5 million was primarily due to the expenditure of bond proceeds received in the previous year for financial assistance of transportation projects.

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

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

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

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

Notes to the Financial Statements

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

BANK-WIDE FINANCIAL ANAYSIS
Net Assets

Net assets may serve over time as a useful indicator of a government's financial position, or in the case of the Bank, for which liabilities will generally exceed assets, an indicator of whether the mission is successfully being implemented. The Bank's liabilities (all classified as governmental activities) exceeded assets by $896.9 million at the close of business on June 30, 2009 (see Table 1). The largest portion of the Bank's assets are non-current assets from loans and other contributions receivable from county and state governments. The largest portion of the Bank's liabilities are non-current liabilities which include bonds payable. As the mission of the Bank is to provide financing for transportation projects, but not own or maintain these projects, the Statement of Net Assets will generally reflect a "deficiency". The investment in infrastructure as a result of the projects financed by the Bank will be reflected on the financial statements of the SCDOT or other governmental entity which will own and maintain the roads.

Table 1
Statements of Net Assets
(expressed in millions)

	Governmental Activities	
	June 30, 2008	June 30, 2009
Current Assets	$ 182.6	$ 195.7
Non-current Assets	1,170.4	1,121.5
Total Assets	1,353.0	1,317.2
Current Liabilities	95.1	118.3
Non-current Liabilities	2,137.9	2,095.8
Total Liabilities	2,233.0	2,214.1
Net Assets:		
Restrictred	1,230.4	1,161.5
Unrestricted deficiency	(2,110.4)	(2,058.4)
Total Deficiency	(880.0)	(896.9)
Total Liabilities and Net Assets	$ 1,353.0	$ 1,317.2

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

Changes in Net Assets

In FY2009, the Bank's net assets decreased by $ 16.9 million. This is primarily due to a majority of the expenses for highway construction paid from bond proceeds, which are not included in the revenue sources on this statement. The primary sources of program revenues are contributions and other payments made by state and county governments pursuant to intergovernmental agreements. The general revenue sources of the Bank in 2009 were truck registration fees (32%); contribution from SCDOT in an amount equivalent to revenues generated from one-cent of gasoline tax (14%); motor vehicle registration fees (20%); electric power tax (2%); program revenues include contributions pursuant to intergovernmental agreements of $5.06 million, which is (3%) of total revenues; and investment earnings (29%). 45% of the Bank's expenses represent transportation projects and 55% of expenses were interest on debt and other debt related costs.

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

Table 2
Changes in Net Assets
(expressed in millions)

	Governmental Activities	
	June 30, 2008	June 30, 2009
Revenues:		
Program Revenues:		
Charges for Services	$ 6.8	$ 5.0
General Revenues:		
Truck registration fees	63.2	59.3
Gasoline tax	25.1	25.8
Motor vehicle registration fees	35.2	36.7
Electric power tax	3.9	3.8
Investment earnings	48.0	52.0
Total general revenues	175.4	177.6
Total Revenues	182.2	182.6
Expenses:		
Administration	0.2	0.2
Transportation projects assistance	182.4	90.0
Interest and other debt costs	121.3	109.3
Total Expenses	303.9	199.5
Decrease in net assets	(121.7)	(16.9)
Net deficiency, beginning of year	(758.3)	(880.0)
Net deficiency, end of year	$ (880.0)	$ (896.9)

FINANCIAL ANALYSIS OF THE BANK'S INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the Bank's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Bank's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the ending balance in the Bank's governmental fund was $1.249 billion, a decrease of $50.5 million in comparison with the prior year. Of the total fund balance, over $1.16 billion is reserved for debt service requirements and for bond funded projects.

Debt Administration

The authority of the Bank to incur debt is pursuant to the act which created the Bank and is found in Sections 11-43-110, etseq. of the South Carolina Code. The Bank has the legal authority to issue general obligation bonds of the state and revenue bonds. The Bank's total amount of revenue bonds issued is in excess of $2 billion. During fiscal year 2009, the Bank paid $42.5 million toward principal of outstanding bonds. At year end, the principal balance of outstanding revenue bonds was $2.037 billion and outstanding balance on general obligation bonds was $51.6 million. Additional information on the Bank's long-term debt obligations can be found in Note 5 of the Notes to the Financial Statements of this report.

Economic Factors

Revenues to the Bank continue to meet requirements for covering debt service and providing necessary cash to meet project expenditures. Truck registration fee revenue declined in fiscal year 2009 by 6.3% over the previous year and the amount contributed by SCDOT equivalent to revenues from one-cent of gas tax increased 2% even with the economic impact due to reduced consumption and higher gas prices. These revenues are pledged by the Bank to the repayment of revenue bonds. Due to the conservative financial plan of the Bank, including sufficient coverage ratios, and the overall strength of the Bank's revenue sources, the Bank continues to maintain an "A" credit rating on its debt. Future revenue projections remain steady, and the Bank plans to refund a portion of current revenue bonds outstanding to take advantage of decreased interest rates. The Bank also plans to issue new revenue bonds during fiscal year 2010. The Bank's short-term and long-range financial plans are constantly reviewed and updated to ensure financial sources are available to meet commitments made by the Bank Board.

Request For Information

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

South Carolina Transportation Infrastructure Bank
955 Park Street, Room 304
Columbia, South Carolina 29201

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF NET ASSETS
JUNE 30, 2009
(expressed in thousands)

ASSETS	Governmental Activities
Current assets:	
Cash and cash equivalents	$ 50,307
Accrued interest receivable	3,730
Intergovernmental loans/receivables:	
State agencies	1,469
Restricted current assets:	
Cash and cash equivalents	72,911
Intergovernmental loans/receivables:	
State agencies	36,336
County governments	25,085
Other entities	5,900
Total current assets	195,738
Noncurrent assets:	
Intergovernmental loans/receivables:	
State Agencies	78,260
Restricted assets:	
Cash and cash equivalents	366,671
Accrued interest receivable	4,191
Intergovernmental loans/receivables:	
State agencies	264,146
County governments	362,734
Other entities	23,600
Unamortized bond issuance costs	21,880
Total noncurrent assets	1,121,482
Total assets	$ 1,317,220
LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities:	
Liabilities payable from restricted current assets:	
Bonds payable - current portion	$ 48,160
Accrued interest payable - bonds	24,750
Total liabilities payable from restricted current asset	72,910
Accounts payable	13,896
Deferred revenue	31,555
Total current liabilities	118,361
Noncurrent liabilities:	
Bonds payable, net of current portion	2,095,625
Rebatable arbitrage payable	201
Total noncurrent liabilities	2,095,826
Total liabilities	2,214,187
Net Assets:	
Restricted:	
Debt service reserve	160,362
Debt service principal and interest	1,001,212
Unrestricted:	
Deficiency	(2,058,541)
Total deficiency	(896,967)
Total liabilities and net assets	$ 1,317,220

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(expressed in thousands)

	Governmental Activities
Expenses:	
Public transportation facilities development:	
General operating	$ 281
Financial assistance awards for constructing and improving highway and other transportation facilities and other project costs	90,001
Interest	107,374
Bond related expenses	814
Amortization of bond issuance costs	1,067
Total program expenses	199,537
Program revenues	
Charges for services - contributions	(5,069)
Net program expenses	194,468
General revenues:	
Gasoline tax and vehicle registration fees	125,523
Interest/investment income	52,052
Total general revenues	177,575
Decrease in net assets	(16,893)
Deficiency - beginning of year	(880,074)
Deficiency - end of year	$ (896,967)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2009
(expressed in thousands)

		Public Transportation Facilities Development
ASSETS		
Cash and cash equivalents		$ 50,307
Intergovernmental loans/receivables:		
State agencies		79,729
Accrued interest receivable		3,730
Restricted assets:		
Cash and cash equivalents		439,582
Accrued interest receivable		4,191
Intergovernmental loans/receivables:		
State agencies		300,482
County governments		387,819
Other entities		29,500
Total assets		$ 1,295,340
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		$ 13,896
Deferred revenue		31,555
Total liabilities		45,451
Fund balance:		
Reserved for :		
Debt service reserve		160,362
Debt service		1,001,212
Unreserved:		
Designated for financial assistance awards		88,315
Total fund balance		1,249,889
Total liabilities and fund balance		$ 1,295,340
Reconciliation to the statement of net assets:		
Fund balance - governmental fund		$ 1,249,889
Amounts reported for governmental activities in the statement of net assets are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the governmental fund:		
Bonds payable	(2,143,785)	
Rebatable arbitrage payable	(201)	
Accrued interest payable	(24,750)	(2,168,736)
Assets that are capitalized and amortized in statement of net assets are charged to expenditures in the governmental fund:		
Bond issuance cost	27,616	
Less, amortization	(5,736)	21,880
Deficiency - government activities		$ (896,967)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(expressed in thousands)

	Public Transportation Facilities Development
Revenues:	
Contribution of gasoline tax revenue for construction projects by the South Carolina Department of Transportation	$ 25,729
Truck registration fees and penalties transferred from South Carolina Department of Motor Vehicles	59,262
Motor vehicle registration fees and penalties transferred from South Carolina Department of Transportation	36,700
Electric power tax revenue transferred from South Carolina Department of Transportation	3,832
Contributions pursuant to intergovernmental agreements for specific construction projects	5,069
Interest/investment income:	
Deposits and investments	35,499
Loans and receivables	19,001
TOTAL REVENUES	185,092
Expenditures:	
General operating	281
Financial assistance awards for constructing and improving highway and other transportation facilities	90,001
Debt service:	
Interest	101,893
Principal	42,560
Bond issuance costs	89
Bond related expenditures	814
TOTAL EXPENDITURES	235,638
EXCESS OF EXPENDITURES OVER REVENUES	(50,546)
FUND BALANCE, beginning of year	1,300,435
FUND BALANCE, end of year	$ 1,249,889

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009
(expressed in thousands)

Reconciliation to the statement of activities:

Excess (deficiency) of revenues and other financing sources (under) over expenditures for the governmental fund	$	(50,546)
Increase in accrued interest payable is reported as an expense in statement of activities		(5,481)
Interest receivable for multi-project loan previously reported as revenue in statement of activities is currently reported in the statement of revenues, expenditures and changes in fund balance		(2,448)
Amortization of bond issuance costs is reported as an expense in the statement of activities		(1,067)
Repayment of long-term debt is reported as an expenditure in the governmental fund and as a reduction in liabilities in the statement of net assets		42,560
Bond issuance costs are reported as an expenditure in the governmental fund and as an addition to assets in the statement of net assets		89
Decrease in net assets -government activities	$	(16,893)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

		Agency Funds
ASSETS		
Cash and cash equivalents	$	36,019
Intergovernmental Receivable		
County government		2,200
Total assets	$	38,219
LIABILITIES		
Funds held for others	$	38,219
Total liabilities	$	38,219

See accompanying Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of South Carolina Transportation Infrastructure Bank (the "Bank") were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant of the Bank's accounting policies are described below:

Reporting Entity

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

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

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

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

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

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Bank (a primary entity). The Bank has determined that it has no component units.

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

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

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the Bank has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Bank (a primary entity).

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

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

Fund Structure

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

Governmental Funds

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

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

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

Fiduciary Funds

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

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

Government-wide and Fund Financial Statements

The financial statements of the Bank are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if

they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues - Exchange and Non-Exchange Transactions

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

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

Budget Policy

The Bank is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the

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

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.10 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal service accounts or from other operating accounts may be restricted to any established standard level set by the Budget and Control Board upon formal approval by a majority of the members of the Budget and Control Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

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

Cash and Cash Equivalents

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

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

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Bank follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. The Bank capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and intangible assets including software costing in excess of $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Bank did not have any capital assets as of June 30, 2009. The Bank donates all capital projects to the South Carolina Department of Transportation.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year and if they meet specified targets for expenses of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Bank incurred $201 thousand of rebatable arbitrage liability as of June 30, 2009.

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

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

Deferred Revenue

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

Restricted Assets

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

Net Assets / Fund Balance

The Bank records reservations for portions of its equity which are legally segregated for specific future uses or which do not represent available expendable resources and, therefore, are not available for expenditures in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. If restricted and unrestricted resources are available for the same purpose, restricted resources will be used before the unrestricted resources.

Use of Estimates

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

NOTE 2. DEPOSITS:

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

Financial Statements		Footnotes	
Governmental fund:		Deposits held by	
Cash and cash equivalents	$ 50,307	State Tresurer	$ 524,738
Restricted cash and cash equivalents	439,582	Deposits in transit	11,300
Fiduciary fund:		Payments in process	(10,130)
Cash and cash equivalents	36,019		
Total	$ 525,908		$ 525,908

Deposits Held by State Treasurer

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

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

Cash and cash equivalents reported include unrealized appreciation of $14.8 million for the governmental fund and unrealized appreciation of $886 thousand for the fiduciary fund as of June 30, 2009 arising from changes in the fair value of investments. Interest/investment income from deposits and investments includes an unrealized gain of $15.7 million for the year-ended June 30, 2009.

Deposits at fair value at June 30, 2009 held by the State Treasurer include $160.8 million for funding revenue bond debt service reserve requirements, $283.3 million for funding revenue bond debt service, $45.8 million unrestricted highway cash, and $36.0 million fiduciary funds.

Deposits at fair value at June 30, 2009 held by the State Treasurer include $20 thousand for funding general obligation bond debt service.

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

NOTE 3. LOANS/RECEIVABLES/DEFERRED REVENUE:

A summary of intergovernmental loans/receivables and deferred revenue at June 30, 2009 is as follows (expressed in thousands):

	State Agencies	County Governments	Other Entities
Contribution Receivables:			
Horry County RIDE Project			
S.C. Department of Transportation			
Phase II	$ 59,190 *	$ -	$ -
Charleston County Project			
S.C. Department of Transportation	144,000 *	-	-
S.C. Ports Authority	18,000 *	-	-
Charleston County	-	57,000 *	-
Lexington County Project			
S.C Electric & Gas Company	-	-	29,500 *
Intergovernmental loans:			
Horry County RIDE Project			
Horry County			
Loan I	-	120,000 *	-
Loan II - Pledged portion	-	210,819 *	-
S.C. Department of Transportation			
Multi-project loan	63,502 *	-	-
US 17 project	79,729	-	-
Other Receivables:			
Truck registration fees and penalties -			
S.C. Department of Motor Vehicles	4,769 *	-	-
Gas tax revenues/other reimbursements - SCDOT	2,647 *	-	-
Vehicle Registration Fees - SCDOT	7,343 *	-	-
Electric Power Tax	1,031 *	-	-
Totals	$ 380,211	$ 387,819	$ 29,500

Deferred Revenue:	
Aiken County Project	$ 28
Florence County Project	31,527
	$ 31,555

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

CONTRIBUTION RECEIVABLES:

Each fiscal year, the Bank records revenues from contributions pursuant to intergovernmental agreements in amounts equal to the project expenditures made in the fiscal year that are applicable to the contribution share of the project costs. A summary of changes in the contribution receivables for the fiscal year ended June 30, 2009 is as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
SCDOT Phase I (a)	$ 4,000	$ -	$ 4,000	$ -
SCDOT Phase II (b)	63,717	-	4,527	59,190
Horry County RIDE II (c)	963	-	963	-
	$ 68,680	$ -	$ 9,490	$ 59,190

(a) Project costs have been advanced for the $114 million contribution obligation for Phase I of which $114 million was collected on this receivable through June 30, 2009.

(b) Project costs have been advanced for the $95 million contribution obligation for Phase II of which $35.810 million was collected on this receivable through June 30, 2009.

(c) The project costs to be contributed total $2.279 million and were advanced as of June 30, 2009 of which $2.279 million was collected on this receivable through June 30, 2009.

Charleston County Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
SCDOT Phase I (d)	$ 152,000	$ -	$ 8,000	$ 144,000
SC Ports Authority (e)	19,000	-	1,000	18,000
Charleston County (f)	60,000	-	3,000	57,000
	$ 231,000	$ -	$ 12,000	$ 219,000

(d) The total contribution obligation is $200 million which was advanced as of June 30, 2009. $56 million was collected on this receivable through June 30, 2009.

(e) The total contribution obligation is $45 million which was advanced as of June 30, 2009. $27 million was collected on this receivable through June 30, 2009.

(f) The total contribution is $75 million which was advanced as of June 30, 2009. $18 million was collected on this receivable through June 30, 2009.

Lexington County Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
SCE&G (g)	$ 35,400	$ -	$ 5,900	$ 29,500
	$ 35,400	$ -	$ 5,900	$ 29,500

(g) Project costs have been advanced for the $59 million contribution obligation of SC Electric and Gas Company of which $29.5 million was collected on this receivable through June 30, 2009.

Aiken County Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
Aiken County (h)	$ (3,581)	$ 3,553	$ -	$ (28)
	$ (3,581)	$ 3,553	$ -	$ (28)

(h) The total contribution paid from the County is $15 million of which $14.972 million was advanced through June 30, 2009. The Bank collected $15 million on this receivable through June 30, 2009 resulting in a deferred revenue of $28 thousand. The county committed an additional $2 million to the project to be collected in future years.

Florence County Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
Florence County (i)	$ (13,046)	$ 1,516	$ 19,997	$ (31,527)
	$ (13,046)	$ 1,516	$ 19,997	$ (31,527)

(i) The total contribution paid from the County is $34.706 million through June 30, 2009. Expenditures on this project amounted to $3.179 million resulting in a deferred revenue of $31.527 million. The County has committed $125 million to the project.

INTERGOVERNMENTAL LOANS

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

Horry County RIDE Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
Table I projects (j)	$ 135,000	$ -	$ 15,000	$ 120,000
Table III projects (k)	216,763	-	5,944	210,819
	$ 351,763	$ -	$ 20,944	$ 330,819

(j) The original loan amount was for $300 million and was fully advanced as of June 30, 2009 and $180 million was collected on this loan through June 30,2009.

(k) The original loan amount was for $247.578 million which was advanced through June 30, 2009. Payments on principal through June 30, 2009 total $36.759 million. The loan was restructured during fiscal year 2004 with the total repayment amount remaining the same, but extending the repayment timeframe up to five years. The agreed payments on this loan total $348.690 million including principal and interest.

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

SCDOT Multi-Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
SCDOT (l)	$ 62,897	$ 605	$ -	$ 63,502
	$ 62,897	$ 605	$ -	$ 63,502

(l) Total loan amount is $94.1 million of which $63.502 million was advanced as of June 30, 2009. The remaining loan balance of $30.598 million will be advanced to SCDOT during fiscal year 2010. (See Note 8 for additional information on this loan.)

US 17 Project

	Balances 6/30/08	Current Expenditures	Contributions Received	Balances 6/30/09
SCDOT (m)	$ 52,133	$ 29,000	$ 1,404	$ 79,729
	$ 52,133	$ 29,000	$ 1,404	$ 79,729

(m) Total loan amount is $82.0 million which was advanced as of June 30, 2009. $2.271 million was collected on this note as of June 30, 2008. (See Note 8 for additional information on this loan.)

DEFERRED REVENUE:

The intergovernmental agreement with Aiken County provided for the County to contribute $17 million of the project costs of which $15 million has actually been received. Based on current total funding levels, the County's participation is approximately 7.553%. Project costs through June 30, 2009 totaled $200.573 million with the County's share totaling $14.972 million. Through June 30, 2009, the County had contributed a total amount of $15 million, resulting in a deferred revenue of $28 thousand.

The intergovernmental agreement with Florence County provided for the County to contribute $125 million of the project cost which, based on current funding levels, is approximately 33.33%. Project costs through June 30, 2009 totaled $9.538 million with the County's share totaling $3.179 million. Through June 30, 2009, the County has contributed a total amount of $34.706 million resulting in a deferred revenue of $31.527 million.

NOTE 4. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2009 are as follows (expressed in thousands):

	Beginning Balance July 1, 2008	Increases	Decreases	Ending Balance June 30, 2009	Due Within One Year
General obligation bonds payable	$ 53,445	$ -	$ (1,810)	$ 51,635	$ 1,885
Unamortized premiums	297	-	(11)	286	-
Total general obligation bonds payable	53,742	-	(1,821)	51,921	1,885
Revenue bonds payable	2,078,110	-	(40,750)	2,037,360	46,275
Unamortized premiums and discounts	78,970	-	(470)	78,500	-
Unamortized loss on refunded debt	(31,440)	-	7,444	(23,996)	-
Total revenue bonds payable	2,125,640	-	(33,776)	2,091,864	46,275
Arbitrage payable	1,150	-	(949)	201	-
Total long-term liabilities	$ 2,180,532	$ -	$ (36,546)	$ 2,143,986	$ 48,160

NOTE 5. BONDS PAYABLE:

A summary of the bonds payable as of June 30, 2009 is as follows (expressed in thousands):

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate (%)	Unpaid Principal Balance
October 21, 1998	1998A	$ 275,000	10/01/17	4.00-6.00	$ 75,240
July 27, 1999	1999A	308,900	10/01/24	5.00-5.50	21,840
November 9, 2000	2000A	268,810	10/01/30	5.00-6.00	16,315
November 28, 2001	2001A	249,140	10/01/31	5.00-5.75	42,415
Less unamortized discount					(315)
October 30, 2002	2002A	285,195	10/01/33	5.00-5.75	271,260
Plus unamortized premium					5,499
December 16, 2003	2003A	275,435	10/01/33	3.00-5.00	270,930
Plus unamortized premium					8,361
September 22, 2003	2003B Refunding	368,300	10/01/31	Variable Rate	362,450
Less unamortized loss on refunded debt					(6,950)
July 1, 2004	2004A	228,940	10/01/33	3.60-5.25	218,560
Plus unamortized premium					13,917
September 1, 2004	2004B Refunding	153,450	10/01/17	3.00-5.25	151,200
Less unamortized loss on refunded debt					(3,198)
Plus unamortized premium					20,128
October 1, 2005	2005A Refunding	221,045	10/01/24	5.00-5.50	219,045
Less unamortized loss on refunded debt					(10,142)
Plus unamortized premium					21,455
February 1, 2007	2007A	286,355	10/01/37	4.25-5.00	286,355
Plus unamortized premium					8,822
February 1, 2007	2007B Refunding	102,015	10/01/31	4.00-5.00	101,750
Less unamortized loss on refunded debt					(3,623)
Plus unamortized premium					633
Unamortized loss on defeased debt					(83)
Subtotal Revenue Bonds					2,091,864
April 13, 2004	2004A GO	60,000	10/01/28	3.00-5.00	51,635
Plus unamortized premium					286
Subtotal GO Bonds					51,921
Total bonds payable including unamortized premiums and discounts and loss on refunded debt					$ 2,143,785

A summary of the components of bonds payable at June 30, 2009 is as follows (expressed in thousands):

Face value of revenue bonds outstanding	$ 2,037,360
Face value of general obligation bonds outstanding	51,635
Unamortized premium	79,101
Unamortized discount	(315)
Unamortized loss on refunded debt	(23,996)
	$ 2,143,785

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

		Principal	Interest	Totals
Year ending:	6/30/10	$ 46,275	$ 95,458	$ 141,733
	6/30/11	48,715	92,998	141,713
	6/30/12	54,765	90,310	145,075
	6/30/13	60,985	87,347	148,332
	6/30/14	69,540	84,118	153,658
Five years ending:	6/30/19	343,635	370,157	713,792
	6/30/24	376,375	279,488	655,863
	6/30/29	432,330	186,726	619,056
	6/30/34	539,620	80,647	620,267
	6/30/37	65,120	6,022	71,142
Total debt service obligations		$ 2,037,360	$ 1,373,271	$ 3,410,631

The payment of the principal and interest on the bonds outstanding is secured by liens on and pledges of a certain portion of the Bank's revenues and collections of certain receivables. Pledged revenues are defined as all payments payable to the Bank pursuant to any agreement between the Bank and the United States government, the state, any county, municipality, political subdivision, public body or other government entity or under any law, statute, ordinance, resolution or other authorizing instrument. The master revenue bond resolution also requires the establishment and maintenance of various debt service reserve bank accounts. The reserve requirement is the lesser of 10% of bonds outstanding; the maximum annual aggregate debt service; or 125% of the aggregate average annual debt service. The fair value of the Debt Service Reserve Fund at June 30, 2009 was $160.845 million. Total cost of the investment is $154.151 million. Pursuant to Section 3.08 of the Master Revenue Bond Resolution, the amount in the Debt Service Reserve Fund is to be valued at the "cost" of the investment in order to comply with the reserve requirements.

Also, the Bank purchased bond insurance at the time of issuance to guarantee the payments of the bonds outstanding to the bond holders.

The outstanding balance at June 30, 2009 on defeased debt, after issuance of the Series 2003B, Series 2004B, Series 2005A, Series 2007B Revenue Refunding Bonds, and cash defeasance of 2001B bonds is $249.955 million on Series 1999A Revenue Bonds, $187.505 million on Series 2000A Revenue Bonds, $206.725 million on Series 2001A Revenue Bonds, and $107.460 million on Series 2001B Revenue Bonds for a total of $751.645 million.

Amortization expense relating to the deferred loss on refund of debt was $7.4 million for the year ended June 30, 2009.

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

		Principal	Interest	Totals
Year Ending:	6/30/10	$ 1,885	$ 2,356	$ 4,241
	6/30/11	1,960	2,262	4,222
	6/30/12	2,040	2,164	4,204
	6/30/13	2,125	2,062	4,187
	6/30/14	2,215	1,956	4,171
Five years ending:	6/30/19	12,505	8,025	20,530
	6/30/24	15,275	4,633	19,908
	6/30/28	13,630	1,047	14,677
				-
Total debt service obligations		$ 51,635	$ 24,505	$ 76,140

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

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

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

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

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

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

The Series 2001A Bonds maturing on or after October 1, 2012 are redeemable at the option of the Bank, on and after October 1, 2011, in whole or in part, at any time in any order of maturity selected by the Bank, at the principal amount of the Series 2001A Bonds to be redeemed, together with interest accrued to the redemption date. The Series 2001A Bonds maturing on October 1, 2021, October 1, 2027, October 1, 2029 and October 1, 2031, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1, of each year set forth below (expressed in thousands):

October 1, 2021 Term Bond	
Year	Principal Amount
2020	$ 6,505
2021	7,200

October 1, 2027 Term Bond	
Year	Principal Amount
2025	$ 20,945
2026	20,615
2027	25,320

October 1, 2029 Term Bond	
Year	Principal Amount
2028	$ 25,155
2029	30,220

October 1, 2031 Term Bond	
Year	Principal Amount
2030	$ 30,245
2031	35,135

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2001A Bonds of a maturity subject to mandatory redemption for Series 2001A Bonds of the same maturity previously purchased or redeemed by the Bank delivered to the paying agent for cancellation.

The Series 2001B Bonds maturing on or after October 1, 2012, are redeemable prior to maturity, at the option of the Bank, on and after October 1, 2011, in whole or in part, at any time, in any order of maturity selected by the Bank, at the principal amount of the Series 2001B Bonds to be redeemed, together with interest accrued to the redemption date. The Series 2001B Bonds maturing on October 1, 2021, October 1, 2026 and October 1, 2031, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1, of each year set forth below (expressed in thousands):

October 1, 2021 Term Bond		October 1, 2026 Term Bond		October 1, 2031 Term Bond	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2019	$ 4,315	2023	$ 5,270	2027	$ 6,440
2020	4,535	2024	5,540	2028	6,775
2021	4,765	2025	5,825	2029	7,130
		2026	6,125	2030	7,505
				2031	7,900

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2001B Bonds of a maturity subject to mandatory redemption for Series 2001B Bonds (Junior Lien) of the same maturity previously purchased or redeemed by the Bank delivered to the paying agent for cancellation.

The Series 2002A Bonds maturing on or after October 1, 2013, are redeemable prior to maturity, at the option of the Bank, on and after October 1, 2012, in whole or in part, at any time, in any order of maturity selected by the Bank, at the principal amount of the Series 2002A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption. The Series 2002A Bonds maturing October 1, 2029 and October 1, 2033, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2029 Term Bond		October 1, 2033 Term Bond	
Year	Principal Amount	Year	Principal Amount
2027	$ 13,165	2030	$ 15,695
2028	13,430	2031	17,760
2029	15,335	2032	44,525
		2033	46,975

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2002A Bonds of a maturity subject to mandatory redemption for Series 2002A Bonds of the same maturity previously purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Bank delivered to the paying agent for cancellation.

The Series 2003A Bonds maturing on or after October 1, 2014, are redeemable prior to maturity, at the option of the Bank, on and after October 1, 2013, in whole or in part, at any time, in any order of maturity selected by the Bank, at the principal amount of the Series 2003A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption. The Series 2003A Bonds maturing October 1, 2030 and October 1, 2033, shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2030 Term Bond		October 1, 2033 Term Bond	
Year	Principal Amount	Year	Principal Amount
2029	$ 9,890	2031	$ 37,685
2030	11,275	2032	47,935
		2033	52,280

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2003A Bonds of a maturity subject to mandatory redemption for Series 2003A Bonds of the same maturity previously purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Bank delivered to the paying agent for cancellation.

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

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

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

	Principal Amount Redeemed			
October 1	2003B-1	2003B-2	2003B-3	Total
2004	$ 300,000	$ 300,000	$ 325,000	$ 925,000
2005	325,000	300,000	325,000	950,000
2006	325,000	300,000	300,000	925,000
2007	675,000	675,000	700,000	2,050,000
2008	325,000	350,000	325,000	1,000,000
2009	375,000	375,000	375,000	1,125,000
2010	350,000	350,000	375,000	1,075,000
2011	400,000	400,000	400,000	1,200,000
2012	400,000	425,000	425,000	1,250,000
2013	400,000	400,000	425,000	1,225,000
2014	450,000	450,000	450,000	1,350,000
2015	125,000	100,000	100,000	325,000
2016	500,000	500,000	475,000	1,475,000
2017	475,000	500,000	475,000	1,450,000
2018	550,000	525,000	525,000	1,600,000
2019	550,000	550,000	550,000	1,650,000
2020	550,000	550,000	550,000	1,650,000
2021	1,725,000	1,700,000	1,700,000	5,125,000
2022	3,850,000	3,850,000	3,850,000	11,550,000
2023	2,275,000	2,250,000	2,275,000	6,800,000
2024	1,800,000	1,800,000	1,800,000	5,400,000
2025	13,800,000	13,800,000	13,775,000	41,375,000
2026	13,875,000	13,875,000	13,850,000	41,600,000
2027	15,650,000	15,675,000	15,675,000	47,000,000
2028	15,825,000	15,825,000	15,825,000	47,475,000
2029	17,725,000	17,725,000	17,725,000	53,175,000
2030	17,950,000	17,975,000	17,975,000	53,900,000
2031	11,225,000	11,225,000	11,225,000	33,675,000
	$ 122,775,000	$ 122,750,000	$ 122,775,000	$ 368,300,000

The Series 2004A General Obligation Bonds maturing on or after April 1, 2015 are redeemable, at the option of the Bank, in whole or in part, at any time in any order of maturity to be determined by the state, on and after April 1, 2014 at par plus accrued interest to the date fixed for redemption.

The Series 2004A Revenue Bonds maturing on or after October 1, 2015, are redeemable prior to maturity, at the option of the Bank, on and after October 1, 2014, in whole or in part, at any time, in any order of maturity selected by the Bank, at the principal amount of the Series 2004A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

The Series 2004A Bonds maturing October 1, 2033 shall be subject to mandatory redemption at par plus accrued interest to the redemption date in the respective principal amounts on October 1 of each year set forth below (expressed in thousands):

October 1, 2033 Term Bond

Year	Principal Amount	Year	Principal Amount
2030	$2,000	2032	$2,670
2031	2,000	2033	2,000

The Bank shall receive credit on any redemption date against its mandatory obligation to redeem Series 2004A Bonds of a maturity subject to mandatory redemption for Series 2004A Bonds of the same maturity previously purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Bank delivered to the paying agent for cancellation.

The Series 2004B Refunding Bonds are not subject to redemption prior to maturity.

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

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

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

October 1, 2032 Term Bond

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

** denotes final maturity*

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

October 1, 2034 Term Bond

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

** denotes final maturity*

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

October 1, 2037 Term Bond

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

** denotes final maturity*

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

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

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

October 1, 2031 Term Bond

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

** denotes final maturity*

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

NOTE 6. TRANSACTIONS WITH STATE ENTITIES:

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

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

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

The South Carolina Department of Transportation provided the Bank certain project management and other related services during fiscal year 2009 in the total amount of $3.873 million which was reimbursed by the Bank. In addition, the Bank reimbursed SCDOT $2.725 million for direct project expenditures on various projects and construction management paid by SCDOT to consultants.

The South Carolina Department of Transportation provided the Bank certain administrative services and clerical assistance during fiscal year 2009 for which the Bank reimbursed SCDOT the amount of $140 thousand.

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

The Bank recorded $25.729 million as revenue contributions of gas tax from the South Carolina Department of Transportation during fiscal year 2009. The gas tax represented an amount not to exceed the one cent per gallon collected in accordance with Section 11-43-160 of the South Carolina Code of Laws.

The Bank recorded $59.262 million of revenues from truck registration fees and penalties from the South Carolina Department of Motor Vehicles during fiscal year 2009.

The Bank recorded $36.700 million of revenues from motor vehicle fees from the South Carolina Department of Transportation.

The Bank recorded $3.832 million in Electric Power Tax Revenue transferred from the South Carolina Department of Transportation.

During the year, per agreement, SCDOT transferred to the Bank $2.761 million in non-tax revenues and in exchange, the Bank transferred to SCDOT $2.761 million in revenues not pledged to the repayment of bonds.

NOTE 7. RISK MANAGEMENT:

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

The Bank and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities and/or events:

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

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Bank paid $4,131 to the IRF for insurance premiums during FY 2009.

The Department has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a state or commercial insurer. The Bank has not reported an estimated claims loss expenditure, and the related liability at June 30, 2009 based on the requirements of GASB Statements No. 10 and No. 30 which state that liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June

30, 2009 and the amount of the loss is reasonably estimable. Liabilities include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claim liabilities, when recorded, are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 using past experience adjusted for factors that would modify past experience. In management's opinion, claim losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Bank's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded, therefore, no loss accrual has been recorded.

NOTE 8. COMMITMENTS/INTERGOVERNMENTAL AGREEMENTS:

The Bank entered into various intergovernmental agreements to provide financial assistance for highway and transportation facilities projects. Details of the agreements that still have Bank commitments outstanding and their status as of June 30, 2009 are as follows:

Horry County Ride II Project. The total project costs were previously estimated to be $198 million, which were to be funded by the Bank as a financial assistance award and $2.279 million of contributions by Horry County from Admissions Tax District revenues. The full amount has been paid as of June, 30, 2009. The county and the Bank have executed an Intergovernmental Agreement. In July 2005, the Bank increased approved financial assistance for this project in the amount of $37 million with $25 million paid by the Bank and $12 million included in the SCDOT Multi-Project Loan (see description below). In October 2006, the Bank increased approved financial assistance for this project in the amount of $31.256 in the form of a grant from the Bank. Consruction is ongoing.

Beaufort County Project. The total costs are estimated to be approximately $104.7 million. Funding for the project consists of a $64.7 million financial assistance award by the Bank, a $29.9 million contribution by Beaufort County, plus interest, that has already been paid and $10.1 million of expenditures to be paid by SCDOT and claimed by SCDOT as federal expenditures. The County and the Bank have executed an Intergovernmental Agreement and construction of the project is complete and open to traffic. Due to continuing costs related to the bridge surface, the Bank increased funding of this project by $10 million which is included in the SCDOT Multi-Project Loan (see description below).

Upstate GRID Project (Anderson. Greenville and Spartanburg Counties) The project costs are estimated to be $617 million. Funding for the Upstate GRID project consists of a $406 million financial assistance award by the Bank and a $211 million in-kind contribution by Anderson, Greenville and Spartanburg Counties. The counties, SCDOT, and the Bank have executed an Intergovernmental Agreement. Construction is completed with a small amount of commitment for outstanding issues.

York County Project The project consists of four component projects which have a total estimated cost of $257 million to be constructed by SCDOT and local option projects to be constructed by the county. Previous funding for the York County Project consisted of a $158 million financial assistance award by the Bank and a $99 million contribution by York County. The Bank and York County executed an Intergovernmental Agreement and construction is in progress. In July 2005, the Bank increased the approved financial assistance by $18.8 million. An amendment to the Intergovernmental Agreement has been executed. Construction is complete.

Aiken County Project The project consists of construction of a new bridge over the Savannah River and the extension into South Carolina of Interstate 520 from Georgia. Total project costs were previously estimated to be approximately $195 million. Funding consisted of a financial assistance award by the Bank of $160 million, contribution from Aiken County in the amount of $15 million, and contribution from the State of Georgia for one-half of the cost of the new bridge of approximately $15 million. Phase I of the project is complete. In June 2006, the Bank was advised that project costs for Phase II construction had increased significantly. The Bank approved an increase in its financial assistance in the amount of $30 million, to a total of $190 million. In November 2007 the Bank approved an additonal request to increase its finanical assistance in the amount of $18 millon. The total finanical assistance to be provided by the Bank is $208 million. An amendment to the Intergovernmental Agreement has been executed to reflect this increase. Construction is expected to be completed in the fall 2009.

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

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

The $94.1 million loan will be repaid by SCDOT by extending its current $10 million per year payment through FY2022. SCDOT will also provide additional revenues which will be pledged by the Bank to repayment of revenue bonds in exchange for current revenues of the Bank which are not pledged to the repayment of revenue bonds. During 2009, the Bank transferred $2.7 million to SCDOT from non-pledged revenue sources and SCDOT transferred $2.7 million to the Bank from non-tax revenue sources. An Intergovernmental Agreement between SCDOT and SCTIB was executed on September 30, 2005.

Charleston County – Mark Clark Expressway. Total project funding requested from Bank was $420 million. The Bank approved funding for the total projected project cost. An Intergovernmental Agreement between Charleston County, SCDOT, and SCTIB was executed on June 8, 2007. Preliminary design is underway on the project.

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

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

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

SCDOT– Widening of US17 in Beaufort County – On June 30, 2006, the Bank approved a loan to SCDOT of up to $93 million for the Southern segment of US 17 widening in Beaufort County. A loan agreement between SCDOT and SCTIB was executed on April 18, 2007. In July 2007, SCTIB transferred to SCDOT $53 million as the initial loan draw and in July 2008, a loan draw of $29 million was transferred. SCDOT will make monthly payments to the SCTIB through FY2037.

Outstanding commitments as of June 30, 2009 are as follows (expressed in thousands):

	Total Award	Expenditures Prior	Expenditures Current	Outstanding Commitments 6/30/2009
Horry County Ride II Project	$ 254,256	$ 207,514	$ 30,406	$ 16,336
Beaufort County Project Route 170 Improvement	64,696	64,696	-	-
Upstate GRID Project (Anderson, Spartanburg, and Greenville)	406,000	402,164	505	3,331
York County Project Improvement of Metropolitan Road Corridors	176,800	173,704	214	2,882
Aiken County Project Extension of I-520 into SC	208,000	142,113	43,488	22,399
Multi-Project Agreement	94,100	62,897	604	30,599
Horry County Sales Tax Project	235,000	34,929	2,759	197,312
Charleston County Mark Clark Project	420,000	5,018	3,189	411,793
Florence County Project	250,000	3,327	3,032	243,641
Mount Pleasant Project	51,400	919	1,309	49,172
US 17 Widening	82,000	53,000	29,000	-
Totals	$ 2,242,252	$ 1,150,281	$ 114,506	$ 977,465

NOTE 9. OTHER MATTERS/SUBSEQUENT EVENT:

Through June 30, 2009, the Joint Bond Review Committee of the State of South Carolina has approved the issuance of up to $3.933 billion Bank General Obligation and/or Revenue Bonds. $3.001 billion in new Revenue Bonds and $60 million in General Obligation Bonds have been issued through June 30, 2009. The Bank has issued $845 million in revenue refunding bonds which refunded $824 million new money revenue bonds. The Bank issued $88.590 million of revenue refunding bonds on October 1, 2009 to refund a portion of the Bank's Series 1998A, Series 1999A, and Series 2000A which are callable on on October 1, 2009 at a redemption price of 100% for the 1998A and 101% for the 1999A and 2000A. The 2009A Bonds will result in $8.694 million of net present value debt service savings of the refunded amount. Refer to Note 5 for additional information on these bond series.

During the 2009 Legislative session, Act 18 was passed to tranfer the vehicle registration fees directly to the Bank beginning with July 2009. Previously these revenues passed through SCDOT to the Bank. The Bank also approved a loan to Berkely County for road improvement not to exceed $6.4 million. The intergovernmental agreement is pending execution by the Bank and the County.

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS:

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

Interest Rate Exchange Agreements with three high credit quality counterparties. The termination date of the Interest Rate Exchange Agreements is October 1, 2031. The objective of the interest rate exchange agreements is to enhance the savings to the Bank from the issuance of the Series 2003B Bonds and to offset changes in tax-exempt variable interest rates applicable to those Bonds.

On June 18, 2008 the Bank terminated the above referenced Interest Rate Exchange Agreement with Citibank, N.A. and entered into Interest Rate Exchange Agreements with Bank of America, N.A. and Wachovia Bank, N.A. relating to the Series 2003B-2 Bonds. At the same time, the terms of the Interest Rate Exchange Agreements related to the Series 2003B-1 Bonds and Series 2003B-3 Bonds were amended. The current terms of the 2003B-1 and 2003B-3 Interest Rate Exchange Agreements provide for payment by the Bank of a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the Series 2003B-1 Bonds and the Series 2003B-3 Bonds, respectively. In return, the respective counterparties will pay the Bank a variable rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) on such notional amount. The terms of the Interest Rate Exchange Agreements related to the Series 2003B-2 Bonds provide for payment by the Bank of a 3.9315% fixed rate on a notional amount, having an amortization schedule equal to that of the Series 2003B-2. In return, the respective counterparties will pay the Bank a variable rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) on such notional amount.

At June 30, 2009, 67% of LIBOR was 0.21%. As a result of these hedge transactions, the payments received by the Bank from the counterparties pursuant to the 2003B Interest Rate Exchange Agreements are expected to approximate the interest payments on the Series 2003B Bonds, which are based on a variable rate, resulting in net fixed rate debt service. Because the variable interest rates paid by the Bank on the Series 2003B Bonds and variable interest rates received by the Bank on the Interest Rate Exchange Agreements are based on different indexes, the Bank is exposed to basis risk. There can be no assurance that the actual payments received by the Bank from the counterparties will match the actual interest payments.

The obligation of the Bank to make regularly scheduled payments under the Interest Rate Exchange Agreements ranks on a parity basis with the Bank's obligation to make debt service payments on its outstanding revenue bonds. Under certain circumstances, the Interest Rate Exchange Agreements are subject to termination prior to their respective scheduled expiration dates and prior to the maturity of the bonds to which each such Interest Rate Exchange Agreement relates, in which event the Bank may be obligated to make a substantial payment to the respective counterparty ("Termination Payments"). The obligation of the Bank to make any Termination Payments under the Interest Rate Exchange Agreements is junior and subordinate to the obligation to make debt service payments on revenue bonds. Under the Interest Rate Exchange Agreements, the counterparties have certain limited rights to consent to modifications to the master resolution, which modifications would affect the rights of the counterparties under the Interest Rate Exchange Agreements. To minimize credit or repayment risk, the swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's or Bank's credit rating fall below the applicable thresholds. During fiscal year 2009, the Bank made variable bond interest payments in the amount of $5.012 million and fixed rate payments on the swap in the amount of $13.421million. The Bank also received variable payments on the swap in the amount of $3.706 million. The net of variable payments on the bonds and receipts on the swaps was ($1.306) million. The estimated total net payment by the Bank on the 2003B Bonds and related interest rate exchange agreements was $15.727 million (including $1 million principal payment). The mark to market value of the swaps was ($56.117) million at June 30, 2009. Debt service payments on the 2003B Revenue Refunding Bonds are disclosed in Note 5.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(expressed in thousands)

	Balances June 30, 2008	Additions	Deductions	Balances June 30, 2009
Horry County Loan Servicing Account				
Cash and cash equivalants (1)	$ 4,290	$ 29,641	$ 31,551	$ 2,380
Intergovernmental receivable - County government	2,690	2,200	2,690	2,200
Total assets	$ 6,980	$ 31,841	$ 34,241	$ 4,580
Interfund transfer payable	$ 4,279	$ 2,322	$ 4,279	$ 2,322
Funds held for others	2,701	29,519	29,962	2,258
Total liabilities	$ 6,980	$ 31,841	$ 34,241	$ 4,580
Horry County Loan Reserve Account				
Cash and cash equivalants (2)	$ 27,311	$ 6,355	$ 27	$ 33,639
Interfund transfer receivable	4,279	2,322	4,279	2,322
Total assets	$ 31,590	$ 8,677	$ 4,306	$ 35,961
Funds held for others	$ 31,590	$ 8,677	$ 4,306	$ 35,961
Total liabilities	$ 31,590	$ 8,677	$ 4,306	$ 35,961
Totals				
Cash and cash equivalants	$ 31,601	$ 35,996	$ 31,578	$ 36,019
Intergovernmental receivable - County government	2,690	2,200	2,690	2,200
Total assets	$ 34,291	$ 38,196	$ 34,268	$ 38,219
Funds held for others	34,291	38,196	34,268	38,219
Total liabilities	$ 34,291	$ 38,196	$ 34,268	$ 38,219

(1) Includes fair value adjustment of $828 thousand at June 30, 2009 and $11.1 thousand at June 30, 2008.

(2) Includes fair valur adjustment of $58 thousand at June 30, 2009 and $27.9 thousand at June 30, 2008.

SCOTT + McELVEEN LLP

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

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank") as of and for the year ended June 30, 2009, which collectively comprise the Bank's basic financial statements and have issued our report thereon dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bank's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Bank's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bank's financial statements that is more than inconsequential will not be prevented or detected by the Bank's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bank's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the State Auditor, the Governor of the State of South Carolina, and the Board of Directors and management of the Bank, and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
October 13, 2009