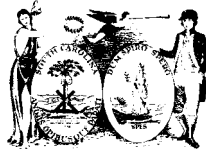


**SOUTH CAROLINA RESOURCES AUTHORITY  
COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2001**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
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THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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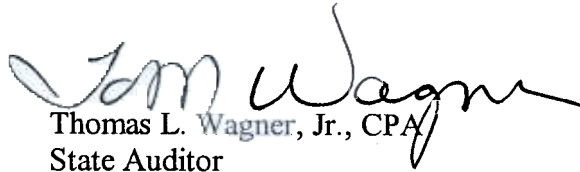
August 24, 2001

The Honorable Jim Hodges, Governor  
and  
Members of the South Carolina Resources Authority  
State of South Carolina  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Resources Authority for the fiscal year ended June 30, 2001, was issued by Rogers & Laban, PA., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

**SOUTH CAROLINA RESOURCES AUTHORITY**

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YEAR ENDED JUNE 30, 2001**

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# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the South Carolina Resources Authority, (the Authority) as of and for the year ended June 30, 2001 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying financial statements of the Authority are intended to present the financial position, results of operations, and cash flows of only the portion of the funds of the State of South Carolina that are attributable to the transactions of the Authority and do not include any other divisions, instrumentalities or any component units of the State of South Carolina.

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

*Rogers & Laban, PA*

July 23, 2001



**SOUTH CAROLINA RESOURCES AUTHORITY  
BALANCE SHEET**

**PROPRIETARY FUND TYPE -- INTERNAL SERVICE FUND  
JUNE 30, 2001**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 608,305
Local government bond obligations receivable, net of \$27,825 unamortized discounts - current portion	890,175
Investments	279,762
Accrued interest receivable	<u>213,231</u>
Total current assets	1,991,473

**NONCURRENT ASSETS**

Local government bond obligations receivables, net of \$217,476 unamortized discounts - net of current portion	20,621,524
Bond issuance costs, net of \$396,002 accumulated amortization	<u>162,198</u>

**TOTAL ASSETS**

\$ 22,775,195

**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Accrued interest payable	\$ 172,672
Bonds payable, net of \$12,963 unamortized discounts	<u>882,037</u>
Total current liabilities	1,054,709

**NONCURRENT LIABILITIES**

Bonds payable, net of \$119,546 unamortized discounts	<u>21,530,454</u>
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**TOTAL LIABILITIES**

22,585,163

**FUND EQUITY:**

Retained earnings	<u>190,032</u>
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**TOTAL LIABILITIES AND FUND EQUITY**

\$ 22,775,195

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA RESOURCES AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**

**PROPRIETARY FUND TYPE -- INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2001**

Operating revenues:	
Interest/investment income, including \$1,688,705 from local government obligation bonds	<u>\$ 1,757,581</u>
<b>TOTAL OPERATING REVENUES</b>	<b>1,757,581</b>
Operating expenses:	
Amortization of bond issuance costs	9,059
Interest, including \$14,985 amortized discounts	1,693,354
Administrative	<u>22,580</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,724,993</u></b>
<b>OPERATING INCOME BEFORE EXTRAORDINARY ITEM</b>	<b>32,588</b>
<b>EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT</b>	<b><u>(18,107)</u></b>
<b>NET INCOME</b>	<b>14,481</b>
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<b><u>175,551</u></b>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<b><u><u>\$ 190,032</u></u></b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA RESOURCES AUTHORITY  
STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND TYPE -- INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2001**

Cash in-flows (out-flows) from operating activities	
Payment of administrative expenses	\$ (22,580)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(22,580)</u>
Cash in-flows (out-flows) from investing activities	
Sale of treasury bills	662,792
Purchase of treasury bills	(691,411)
Principal payments received from local government bond obligations receivable	1,671,000
Interest received on deposits and investments	69,713
Interest payments received on local government bond obligations receivable	<u>1,666,568</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,378,662</u>
Cash in-flows (out-flows) from noncapital financing activities	
Principal payments made on bonds payable	(1,615,000)
Bond interest paid	<u>(1,698,806)</u>
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(3,313,806)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	42,276
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>566,029</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 608,305</u></u>
Reconciliation of operating income before extraordinary item to net cash used by operating activities:	
Operating income	\$ 32,588
Adjustments to reconcile operating income to net cash used by operating activities:	
Amortization of bond issuance costs	9,059
Investment income reclassified to investing activities	(1,757,581)
Interest expense reclassified to noncapital financing activities	<u>1,693,354</u>
Total adjustments	<u>(55,168)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (22,580)</u></u>

**SOUTH CAROLINA RESOURCES AUTHORITY**

**STATEMENTS OF CASH FLOWS – INTERNAL SERVICE FUND - CONTINUED**  
**YEAR ENDED JUNE 30, 2001**

**NONCASH INVESTING INFORMATION**

- a. Interest received on deposits and investments do not include \$1,979 amortization of discount on U.S. treasury bills included in interest/investment income.
- b. Interest payments received on local government bond obligations receivable do not include \$29,261 amortization of discount included in interest/investment income.

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

- c. Bond interest paid does not include \$14,985 amortization of bond discount which is included in interest expense.
- d. Unamortized bond discounts of \$13,794 and unamortized bond issuance costs of \$4,313 were written off as an extraordinary loss.



## **SOUTH CAROLINA RESOURCES AUTHORITY**

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **General**

The financial statements of the South Carolina Resources Authority (the Authority) were prepared in conformity with accounting principles generally accepted in the United States of America 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 Authority's accounting policies are described below.

##### **Reporting Entity**

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. The primary government is the State of South Carolina. The Authority was declared by the General Assembly to be a body politic and corporate and a public instrumentality of the State. Authority membership consists of members of the State Budget and Control Board, sitting ex-officio. The State has determined that the Authority is part of the primary government but it is not legally separate. Therefore, the Authority is not a component unit.

The Authority is a public instrument of the State of South Carolina established by the General Assembly in 1988 (in Act 682), Chapter 37, Title 11 of the South Carolina Code of Laws, as amended. In taking that action, the General Assembly found "...a definite need for additional sources from which to finance the present and future needs of the people of South Carolina for the undertakings authorized by this act" (which are predominantly water supply and waste water construction and improvement projects).

Under Act 682, the Authority's role is to issue bonds to provide the funds needed to finance water and sewer projects via the purchasing of local government obligation revenue bonds. If at any time any local government fails to effect the punctual payment of the principal or interest on its local obligations, the State Treasurer shall withhold from the local government sufficient monies from any state appropriation and apply so much as is necessary to make the payment of the principal and/or interest on the local obligation of the government.

The projects are recommended first by the Water Resources Coordinating Council. It's membership includes a Governor's representative; the Commissioner of the Department of Health and Environmental Control; the Director of the South Carolina Department of Natural Resources; the Director of the State Budget and Control Board's Office of Local Government; and the chairmen of the Coordinating Council on Economic Development (a division of the Department of Commerce), the Jobs-Economic Development Authority (JEDA), the Joint Bond Review Committee, the House Ways and Means Committee, and the Senate Finance Committee. The Governor names the chairman of the Council from the membership. Act 682 provides that the Council be assisted in its work by staff from JEDA.

## **SOUTH CAROLINA RESOURCES AUTHORITY**

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Reporting Entity (Continued)**

Effective October, 1994, the General Assembly enacted legislation that prohibits the Authority from issuing bonds except to refund bonds previously issued.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements.

The accompanying financial statements present the financial position, results of operations and cash flows solely of the Authority and do not include any other divisions, instrumentalities or any component units of the State of South Carolina.

The Authority's debt is reported and included in the Comprehensive Annual Financial Report of the State of South Carolina as conduit debt.

##### **Fund Accounting**

The Authority uses funds to report on its financial position, the results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

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 which 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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is, in turn, divided into separate "fund types". The fund used by the Authority is a proprietary fund type.

Proprietary funds are used to account for activities similar to those found in private business, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds), to other departments/agencies primarily within the government, or to other governmental units or not-for-profit organizations on a cost reimbursement basis (internal service funds).

The internal service fund accounts for the activities of the Authority in its capacity to issue its bonds in amounts it determines to be necessary or convenient to provide funds to carry out its purposes and powers and to pay all costs and expenses incurred in connection with the issuance of bonds. Section 11-37-60 of the State of South Carolina Code of Laws, as amended, states that "the total principal amount of bonds outstanding at any one time may not exceed the sum of sixty million dollars".

## **SOUTH CAROLINA RESOURCES AUTHORITY**

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred. Under this method, all assets and liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated by retained earnings components. Retained earnings have been designated for the financing of projects recommended by the Water Resources Coordinating Council, debt service and payment of administrative costs. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Pursuant to Governmental Accounting Standards Board Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply only those standards issued by the Financial Accounting Standards Board on or before November 30, 1989.

##### **Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

For financial reporting purposes, the Authority classifies cash on deposit in financial institutions and repurchase agreements as cash and cash equivalents. Of its investments meeting the definition of cash equivalents and having maturities at the time of purchase of 3 months or less, the Authority's policy is to classify repurchase agreements and open ended guaranteed investment contracts as cash equivalents in accordance with GASB Statement No. 9.

##### **Investments**

Investments, consisting of U.S. Treasury Bills are stated at amortized costs. Purchases and sales are accounted for on the trade date. Amortization of discounts is included in investment income. The investments in overnight repurchase agreements are carried at cost which approximates market value.

## **SOUTH CAROLINA RESOURCES AUTHORITY**

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Investments (Continued)**

The State Treasurer has full power to invest and reinvest all funds of the Authority in any of the following:

- (1) obligations of the United States, its agencies and instrumentalities;
- (2) obligations of the state of South Carolina or any of its political subdivisions;
- (3) obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank;
- (4) obligations of any corporation within the United States, if such obligations bear any of the three highest ratings of at least two nationally recognized rating services;
- (5) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; but this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government; and,
- (6) repurchase agreements when collateralized by securities of the type described in (1) and (2) and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.

##### **Credit Risks**

Credit risks can be associated with the issuer of a security, with a financial institution holding deposits, or with a party holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments in any one-investment type or with any one counterparty.

Credit risk categories are concerned with custodial credit risk. For deposits, this is the risk that the entity will not be able to recover deposits if the financial institution fails or to recover the value of collateral that are in the possession of an outside party if the counterparty to the transaction fails. For investments, credit risk is the risk that the government entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails.

For the fiscal year ended June 30, 2001, the Authority classified investments into three risk categories. Category 1 includes investments that were insured or registered or for which the securities were held by the Authority or by its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities were held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. For the fiscal year ended June 30, 2001, there was no activity in either Category 2 or 3.

**SOUTH CAROLINA RESOURCES AUTHORITY**

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

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

**Local Government Bond Obligations Receivable**

Local government bond obligations receivable consist of obligations due from various local governments and are stated at amortized costs. The Authority does not consider these receivables to be investments since they are not holding them for investment purposes and is therefore not required to carry them at fair value as required by GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

**Bond Issuance Costs**

Legal, printing and other expenses associated with the issuance of the Local Government Program Revenue Bonds, Series 1989, 1990, and 1991 are being amortized over the life of the related bonds.

**Bond Discounts**

Bond discounts on local government bond obligations receivable and bonds payable are being amortized over the life of the related bond receivable or payable using the effective interest rate method. Amortization on bonds receivable is recorded as investment income and amortization on bonds payable is recorded as interest expense.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. DEPOSITS**

Cash and cash equivalents consist of the following:

Demand deposits	\$ 699
U.S. Treasury tri party overnight repurchase agreements Yielding 4.05% at June 30, 2001	178
Guaranteed investment contracts	<u>607,428</u>
Total	<u>\$ 608,305</u>

The Authority conducts all its banking and investment transactions with its depository bank and trustee financial institutions.

The repurchase agreements and guaranteed investment contracts are considered investments for GASB Statement 3, Deposits with Financial Institutions (including Repurchase Agreements), and Reverse Repurchase Agreements, purposes.

**SOUTH CAROLINA RESOURCES AUTHORITY**

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

**NOTE 2. DEPOSITS (CONTINUED)**

All deposits with financial institutions are required to be insured or collateralized with securities held by the State or its agent in the Authority's name. At June 30, 2001, all deposits were in compliance with this requirement.

**NOTE 3. INVESTMENTS**

Investments consist of the following at June 30, 2001:

\$169,000 U.S. treasury bill maturing September 20, 2001 yielding 4.25% at June 30, 2001	\$ 167,418
\$114,000 U.S. treasury bill maturing November 29, 2001 yielding 3.55% at June 30, 2001	<u>112,344</u>
Total	<u>\$ 279,762</u>

Included in the definition of investments for credit risk classification are the U.S. Treasury tri-party overnight repurchase agreements discussed in Note 2. Also included in investments are the guaranteed investment contracts which pay guaranteed rates from 7.75% to 8.5% and have open ended maturity dates. These investment contracts are not subject to credit risk categorization and their fair value is not readily determinable.

**NOTE 4. LOCAL GOVERNMENT OBLIGATION BONDS RECEIVABLE**

Local government obligation bonds receivable represent the balance due from twenty-three entities with effective interest rates ranging from 6.15% - 8.145% with final maturity dates from June 2010 to December 2021.

Face amount	\$21,757,000
Less amount representing unamortized discounts	<u>(245,301)</u>
Net carrying value	21,511,699
Less amount due within one year	<u>(890,175)</u>
Long-term portion of local government obligation bonds receivable	<u>\$20,621,524</u>

**SOUTH CAROLINA RESOURCES AUTHORITY**

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

**NOTE 4            LOCAL GOVERNMENT OBLIGATION BONDS RECEIVABLE (CONTINUED)**

Interest/investment income includes \$29,261 of unamortized bond purchase discount attributable to these receivables.

A receivable included on the balance sheet with a balance of \$4,285,000 as of June 30, 2001 due from the Town of New Ellenton is in default. The funds were used to construct a sewer system and the system has not generated adequate revenues to pay the debt service. A court order entered into in 1997 provides that as long as the Town deposits set percentages of its revenues from the system with the Trustee, the Trustee agrees not to seek appointment of a receiver for the Town.

The State of South Carolina has been making part of the payments due to the Trustee under this obligation. The payments have been used to fund the remaining part of the annual principal and interest payments and to replenish the debt service revenue fund which the Town was required to maintain. Through June 30, 2001, the State has paid a total of approximately \$2,990,000 with \$420,000 being paid in the current fiscal year. There is no provision in the court order requiring this State payment; however, the State considers itself morally obligated to cover the shortfall. The State has appropriated \$420,000 in fiscal year 2002.

During the current fiscal year, the Authority received \$808,000 from bonds receivable that were paid off early.

**NOTE 5.            BONDS PAYABLE**

Local Government Program Revenue Bonds payable at June 30, 2001 are comprised of the following individual issues:

\$16,810,000 Series 1989 bonds due in annual principal installments ranging from \$75,000 to \$ 430,000 through April 1, 2019. Interest rates range from 7.00% to 7.625% and interest is paid semiannually.	\$ 3,225,000
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\$25,980,000 Series 1990 bonds due in annual principal installments ranging from \$485,000 to \$1,045,000 through June 2020. Interest rates range from 6.95% to 7.25% and interest is paid semiannually.	13,525,000
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# SOUTH CAROLINA RESOURCES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

### NOTE 5. BONDS PAYABLE: (CONTINUED)

\$7,940,000 Series 1991 bonds due in annual principal installments ranging from \$80,000 to \$555,000 through December 2021. Interest rates range from 6.15% to 6.75% and interest is paid semiannually.	<u>5,795,000</u>
	22,545,000
Less, unamortized bond discounts	<u>(132,509)</u>
Net carrying value	<u>\$ 22,412,491</u>

At the option of the Authority, the Series 1990 bonds may be redeemed prior to maturity in whole at any time or if in part on any interest payment date after June 1, 2000. The redemption dates ranges from June 1, 2000 to June 1, 2020, and the redemption price (expressed as a percentage of par) ranges from 102 to 100. The Series 1991 bonds may be redeemed on any interest payment date from December 1, 2001 to December 1, 2022 and the redemption price (expressed as a percentage of par) ranges from 102 to 100. The Series 1989 bonds redeemed in the current year were redeemed at par.

Annual requirements to amortize outstanding bond indebtedness as of June 30, 2001 are as follows:

	Principal	Interest	Total
For the year ended June 30:			
2002	\$ 895,000	\$ 1,583,548	\$ 2,478,548
2003	935,000	1,522,883	2,457,883
2004	1,005,000	1,458,589	2,463,589
2005	1,080,000	1,388,750	2,468,750
2006	1,155,000	1,312,946	2,467,946
Thereafter	<u>17,475,000</u>	<u>9,215,068</u>	<u>26,690,068</u>
Total	<u>\$22,545,000</u>	<u>\$16,481,784</u>	<u>\$39,026,784</u>

The Authority is obligated for its bond issues, but only from and to the extent of the trust estate. Bonds of the Authority do not constitute a debt of the State and neither the State's faith and credit nor its taxing power is pledged to their payment.

The trust estate property for securing the performance of the obligations of the Authority consist of:

- a. All cash and securities now or hereafter held in the Funds and Accounts created and established under the Indentures and the investment earnings thereon and all proceeds thereof (except to the extent transferred from such Funds and Accounts from time to time in accordance with the Indentures);



**SOUTH CAROLINA RESOURCES AUTHORITY**

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

**NOTE 5. BONDS PAYABLE: (CONTINUED)**

- b. The Local Obligations and the earnings thereon and all proceeds thereof, including all Local Obligation Payments, subject to the transfer, sale and other disposition of Local Obligations and Local Obligation Payments from time to time in accordance with the Indentures; and
- c. Any and all property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Authority or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The \$18,107 extraordinary loss on early extinguishment of debt that is attributable to the early redemption of \$755,000 of Series 1989 bonds and includes \$4,313 of unamortized issuance costs and \$13,794 of unamortized bond discount related to these bonds and, therefore, written off.

**NOTE 6. RELATED PARTY TRANSACTIONS**

The Authority received audit services at no cost from the South Carolina State Auditor's Office, a part of the State Budget and Control Board, during the year ended June 30, 2001.

The Authority has received some custodial, investment and related services from the State Treasurer's Office at no cost.

The South Carolina Jobs Economic Development Authority (JEDA) provided project investigation and research services to the Authority at no cost in prior years. JEDA also provided application-processing services. Costs for these services are included in bond issue costs.

During the year ended June 30, 2001, no other State agencies provided the Authority or received from the Authority any other significant services.

**NOTE 7. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS:**

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