SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(expressed in thousands)

	Governmental Activities
Expenses:	
Public transportation facilities development:	
General operating	$ 501
Financial assistance awards for constructing and improving highway and other transportation facilities and other project costs	99,706
Interest	66,458
Bond related expenditures/issuance costs	1,197
Total program expenses	167,862
Program revenues	
Charges for services - contributions	12,657
Net program expenses	155,205
General revenues:	
Motor fuel and vehicle registration fees	147,643
Electric power tax	4,501
Act 98 (2013) revenues, contributed from SCDOT	50,000
Interest/investment income	16,164
Total general revenues	218,308
Change in net position	63,103
Net position - beginning of year as restated	(734,300)
Net position - end of year	$ (671,197)

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

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2018
(expressed in thousands)

ASSETS	**Public Transportation Facilities Development**
Unrestricted assets:	
Cash and cash equivalents	$ 39,706
Accrued interest receivable	231
Total unrestricted assets	39,937
Restricted assets:	
Cash and cash equivalents	779,452
Accrued interest receivable	4,836
Intergovernmental loans/receivables:	
State agencies	196,806
County governments	119,765
Total restricted assets	1,100,859
Total assets	$ 1,140,796
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 10,343
Unearned revenue	67,911
Total liabilities	78,254
Fund balance:	
Restricted for financial assistance award and debt service	1,062,542
Total fund balance	1,062,542
Total liabilities and fund balance	$ 1,140,796

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

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(expressed in thousands)

Reconciliation to the statement of net position:			
Total fund balance, governmental fund		$	1,062,542
Amounts reported for governmental activites in the statement of net position are different because:			
Amounts reported for governmental activities in the statement of net position are different because:			
Liabilities are not due and payable in the current period, therefore, are not reported in the governmental fund:			
Bonds payable	(1,762,730)		
Derivative instrument liability - hedging portion of derivative instrument	(14,736)		
Derivative instrument liability - off market portion of derivative instrument	(44,167)		
Compensated absences payable	(29)		
Accrued interest payable	(15,193)		
Net pension liability	(416)		
Net OPEB liability	(299)		(1,837,570)
Deferred inflows of resources are not reported in the governmental fund:			
Deferred inflows of resources related to pensions	(9)		
Deferred inflows of resources related to OPEB	(29)		(38)
Deferred outflows of resources are not reported in the governmental fund:			
Deferred loss on bond refundings	177,741		
Less: amortization	(88,684)		
Hedging Portion of derivative instrument	14,736		
Deferred outflows of resources related to pensions	64		
Deferred outflows of resources related to OPEB	11		103,868
Rounding			1
Net position		$	(671,197)

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

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(expressed in thousands)

	Public Transportation Facilities Development
Revenues:	
Contribution of motor fuel user fee revenue for construction projects by the South Carolina Department of Transportation	$ 28,442
Contribution of Act 98 (2013) revenue for construction projects by the South Carolina Department of Transportation	50,000
Truck registration fees and penalties transferred from South Carolina Department of Motor Vehicles	76,362
Motor vehicle registration fees and penalties transferred from South Carolina Department of Motor Vehicles	42,838
Electric power tax revenue transferred from South Carolina Department of Transportation	4,501
Contributions pursuant to intergovernmental agreements for specific construction projects	12,657
Interest/investment income:	
Deposits and investments	7,566
Loans and receivables	8,599
TOTAL REVENUES	230,965
Expenditures:	
General operating	518
Financial assistance awards for constructing and improving highway and other transportation facilities	99,706
Debt service:	
Interest	74,222
Principal	79,744
Bond related expenditures	1,197
TOTAL EXPENDITURES	255,387
Other Financing Sources (Uses):	
Revenue refunding bonds	188,725
Premium on bonds issued	30,041
Payment of refunding bond proceeds to escrow agent	(217,589)
TOTAL OTHER FINANCING SOURCES (USES)	1,177
CHANGE IN FUND BALANCE	(23,245)
FUND BALANCE, beginning of year	1,085,787
FUND BALANCE, end of year	$ 1,062,542

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

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(expressed in thousands)

Reconciliation to the statement of activities:		
Excess of expenditures over revenues for the governmental fund	$	(23,245)
Amounts reported for governmental activites in the statement of activities are different because:		
Proceeds from the issuance of bonds are reported as other financing source in the governmental fund and as an increase in liablitities in the statement of net position		(218,766)
Decrease in accrued interest payable is reported as expense in the statement of activities		1,216
Amortization of premiums and discounts on bonds is reported as an adjustment of interest expense in the statement of activities		8,999
Amortization of deferred loss on refunding of bonds is reported as an expense in the statement of activities		(6,574)
Decrease in arbitrage liability is reported as a reduction of interest expense in the statement of activities		545
Amortization of derivative instruments is reported as a reduction to interest expense in the statement of activities		3,581
Repayment of long-term debt is reported as an expenditure in the governmental fund and as a reduction in liabilities in the statement of net position		79,744
Escrow deposits for advance refunding of long-term debt is reported as other financing use in governmental fund		217,589
Decrease in general operating expense due to increase in proportionate share of pension expense		13
Increase in general operating expense due to increase in proportionate share of OPEB expense		(8)
Decrease in compensated absences is reported as a reduction in expense in the statement of activities		9
Change in net position	$	63,103

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

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018
(expressed in thousands)

ASSETS		**Agency Funds**
Cash and cash equivalents	$	65,317
Accrued interest receivable		373
Total assets	$	65,690
LIABILITIES		
Funds held for others	$	65,690
Total liabilities	$	65,690

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

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

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

Act 275 (2016) sets the minimum eligible costs of a project that the Bank may consider for financial assistance at $25 million. In addition to the JBRC approval, Act 275 included a requirement for the Bank, before providing fiancial assistance, to submit the decision to the South Carolina Department of Transportation ("SCDOT") Commission for its consideration and approval.

The primary sources of funding of the Bank consist of an annual contribution of revenues by SCDOT to the Bank of an amount not to exceed one cent per gallon of user fee collected on gasoline, contributions and donations from government units and private entities, state appropriations, truck registration fees and penalties, electric power tax, and motor vehicle registration fees. In addition, Act 98 (2013) provides for a transfer from the SCDOT of $50 million dollars from non-tax sources to fund projects to expand or improve existing interstates or replace or rehabilitate bridges from project priority lists submitted to the Bank by SCDOT. The General Assembly passed Act 40 (2017) which repealed Act 98 (2013) effective fiscal year 2018. The last payment of $50 million dollars was September 2017. The Bank is also authorized to issue bonds to finance its activities. Additionally, SCDOT 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 SC Code of Laws Sections 56-3-660 and 56-3-670 were received by the Bank from the South Carolina Department of Motor Vehicles and were used to provide funding for various capital projects, including debt service on revenue bonds. The Bank also received 100% of the motor vehicle registration fees and one-half of the electric power tax collections exceeding $20 million dollars.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

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

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government redardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization‘s officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

(1) The primary government is legally entitled to or can otherwise access the organization‘s resources.
(2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
(3) The primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the Bank has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Bank (a primary entity).

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

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

Fund Structure

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

Governmental Funds

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

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

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

Fiduciary Funds

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Bank considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues - Exchange and Non-Exchange Transactions

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

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

Budget Policy

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

Transfers of funds may be approved by the SFAA under its authority or by the agency as set forth in Appropriation Act Proviso 117.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Executive Budget Office and Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such transfers may be provided to members of the General Assembly on an agency by agency basis.

Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the SFAA upon formal approval by a majority of the members of the SFAA. During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

Cash and Cash Equivalents

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

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

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

Capital Assets

Capital assets are recorded at cost on the date of acquisition. The Bank follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. The Bank capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and intangible assets including software costing in excess of $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Bank had no capital assets as of June 30, 2018. The Bank donates all capital infrastructure projects to the South Carolina Department of Transportation. The Bank donated $79.58 million in capital projects during the fiscal year ended June 30, 2018. All expenditures for infrastructure projects are recorded as financial assistance award expenditures.

Deferred Outflows and Inflows of Resources

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

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year and if they meet specified targets for expenses of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage to be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Bank recorded no rebatable arbitrage liability as of June 30, 2018. The Bank made a $545 thousand arbitrage payment to the Internal Revenue Service during the fiscal year ended June 30, 2018.

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

Bond discounts and bond premiums are amortized over the terms of the bonds using the bonds outstanding method, which results in amortization being computed using the percentage of bonds retired to total bonds issued. This method approximates the interest method of amortization.

Unearned Revenue

Unearned revenue consists of advance payments for construction projects and other contractual payments which have not been earned. Revenues are recognized in the period in which the project expenditures are made. The Bank has recorded $67.9 million of unearned revenue as of June 30, 2018.

Restricted Assets

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

Net Position / Fund Balance

The following categories of fund balance are used in the fund level financial statement of the governmental fund:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets. The Bank did not have any nonspendable fund balance at June 30, 2018.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. All of the Bank's fund balance is presented as restricted as all fund balance is required to be used for debt service or for the construction of roads and highways.

The Bank has a Revenue Stabilization Fund which has a balance of $26.6 million as of June 30, 2018. Transfers from the Revenue Stabilization Fund are revenues pledged for debt service. The Revenue Stabilization Fund is established to ensure a proper matching, over time, of pledged revenues and debt service. The State Treasurer shall monitor the historical receipt of Truck Registration Fees and penalties in determining (i) the amount of any required deposit into the Revenue Stabilization Fund, or (ii) the amount of any available transfer from the Revenue Stabilization Fund to the Pledged Revenue Fund. An initial deposit to the Revenue Stabilization Fund in the amount of $10 million was made from non-bond proceeds of the Bank upon the issuance of the Series 1998A Bonds. In those fiscal years when the budgeted amount of Truck Registration Fees exceeds the prior year's collections, seventy-five percent (75%) of the excess will be deposited to the Revenue Stabilization Fund. When the budgeted amount of Truck Registration Fees is less than the prior year's collections, seventy-five percent (75%) of the difference will be transferred from the Revenue Stabilization Fund to the Pledged Revenue Fund. Adjustments may be made following the close of each fiscal year to reflect amounts actually received during the prior fiscal year. These amounts are considered restricted as their use is restricted per the terms of the Master Revenue Bond Resolution.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Bank's highest level of decision-making authority, which is the Bank's Board of Directors. The Board of Directors would have to pass a formal resolution to commit fund balance. Those committed amounts cannot be used for any other purpose unless the Bank removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Bank recognizes committed fund balances that have been approved for specific purposes by the Bank's Board of Directors before the fiscal year end. As of June 30, 2018, the Bank did not have any committed fund balance.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Bank's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Bank's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Department's highest level of authority. The Bank's Director can choose to assign fund balance for a specific purpose. Assigned fund balance amounts in the Bank's financial statements represent amounts approved by the Bank's Board of Directors to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. As of June 30, 2018, the Bank did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. As of June 30, 2018, the Bank did not have any unassigned fund balance.

Based on the Bank's policies regarding fund balance classifications as noted above, the Bank considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the Bank's Board of Directors or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

Net Position

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

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

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. As of June 30, 2018, the $1.1 billion restricted net position is to be used for debt service or construction of roads and bridges. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.

Unrestricted net position

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Bank's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Compensated Absences

Generally, all permanent full-time employees and certain part-time employees scheduled to work at least one-half of the agency's work days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The Bank calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses and affect disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates affecting the financial statements are the estimated fair value of derivative instruments and the actuarial estimates used to calculate the net pension and OPEB liabilities. Actual results could differ from those estimates.

Implementation of New Accounting Standard and Restatement of Net Position

The Bank implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB No. 75"), during the year ended June 30, 2018.

The primary objective of GASB No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also improves information provided by state and local government employers about financial support for OPEB that are proved by other entities. In addition, state and local governments who participate in a costsharing multiple employer plan are now required to recognize a liability for their proportionate share of the net OPEB liability of the plan.

In particular, GASB No. 75 requires the Bank to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its participation in the State's Retiree Health Plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures which can be found in Note 12.

The implementation of GASB No. 75 resulted in the restatement of net position reported as of June 30, 2017 as presented below:

Net position at June 30, 2017 as originally reported	$	(733,988)
The Bank's proportionate share of the net OPEB liability		(322)
Deferred outflows of resources for contributions made after the measurement date		10
Net position at June 30, 2017 as restated	$	(734,300)

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	$	39,707	State Treasurer	$	882,528
Restricted cash and cash equivalents		779,452	Swap Counterparties		1,948
Fiduciary fund:					
Cash and cash equivalents		65,317			
Total	$	884,476		$	884,476

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 depreciation of $6.237 million for the governmental fund and $528 thousand for the fiduciary fund as of June 30, 2018 arising from changes in the fair value of investments. Interest/investment income from deposits and investments includes an unrealized loss of $11.728 million for the governmental funds and an unrealized loss of $660 thousand on the fiduciary funds for the year-ended June 30, 2018. The Bank reported unrealized depreciation of its cash and cash equivalents due to increasing interest rates which have decreased the value of the portfolio held by the State Treasurer in which the Bank has its funds held.

Deposits at fair value at June 30, 2018 held by the State Treasurer include $131.764 million for funding revenue bond debt service reserve requirements, $516.215 million for funding revenue bond debt service, $6.811 million for funding general obligation bond debt service, $22 thousand in bond proceeds and cost of issuance, $72.430 million collateral funds under interest rate swap agreements, $39.706 million unrestricted highway cash, $50.269 million in Act 98 proceeds, and $65.317 million in fiduciary funds.

Information pertaining to reported amounts, fair values, and credit risks of the State Treasurer’s deposits and investments, including disclosure under GASB Statement No. 40, *Deposits and Investments - Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application* are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina, which can be found at www.cg.sc.gov.

NOTE 3. LOANS/RECEIVABLES/UNEARNED REVENUE:

A summary of intergovernmental loans/receivables and unearned revenue at June 30, 2018 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	$ 6,795	*	$ -		$ -
Charleston County Project					
S.C. Department of Transportation	71,333	*	-		-
S.C. Ports Authority	9,000	*	-		-
Charleston County	-		30,000	*	-
Intergovernmental loans:					
Horry County RIDE Project					
Horry County					
Loan II - Pledged portion	-		89,765	*	-
S.C. Department of Transportation					
Multi-project loan	35,486	*	-		-
US 17 project	63,836	*	-		-
Other Receivables:					
Truck registration fees and penalties -					
S.C. Department of Motor Vehicles	5,022	*	-		-
Vehicle Registration Fees - SC Dept Motor Vehicle	4,257	*	-		-
Electric Power Tax Equivalent	1,077	*	-		-
Totals	$ 196,806		$ 119,765		$ -
Unearned Revenue:					
SCDOT - Unearned Motor Fuel User Fee					$ 1,549
Florence County Project					66,362
					$ 67,911

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

CONTRIBUTION RECEIVABLES:

Each fiscal year, the Bank records revenues from contributions pursuant to intergovernmental agreements in amounts equal to the project expenditures made in the fiscal year that are applicable to the contribution share of the project costs. A summary of changes in the contribution receivables for the fiscal year ended June 30, 2018 is as follows (expressed in thousands):

Horry County RIDE Project

	Balances 6/30/17	Current Expenditures	Contributions Received	Balances 6/30/18
SCDOT Phase II (a)	$ 13,711	$ -	$ 6,916	$ 6,795
	$ 13,711	$ -	$ 6,916	$ 6,795

(a) Project costs have been advanced for the $95 million contribution obligation for Phase II of which $88.205 million was collected on this receivable through June 30, 2018.

Charleston County Project

	Balances 6/30/17	Current Expenditures	Contributions Received	Balances 6/30/18
SCDOT Phase I (b)	$ 79,333	$ -	$ 8,000	$ 71,333
SC Ports Authority (c)	10,000	-	1,000	9,000
Charleston County (d)	33,000	-	3,000	30,000
	$ 122,333	$ -	$ 12,000	$ 110,333

(b) The total contribution obligation is $200 million which was fully advanced as of June 30, 2005. $128.667 million was collected on this receivable through June 30, 2018.

(c) The total contribution obligation is $45 million which was advanced as of June 30, 2005. $36 million was collected on this receivable through June 30, 2018.

(d) The total contribution is $75 million which was advanced as of June 30, 2005. $45 million was collected on this receivable through June 30, 2018.

Florence County Project

	Balances 6/30/17	Current Expenditures	Contributions Received	Balances 6/30/18
Florence County (e)	$ (79,018)	$ 12,656	$ -	$ (66,362)
	$ (79,018)	$ 12,656	$ -	$ (66,362)

(e) The total contribution paid from Florence County is $144.988 million through June 30, 2018. Expenditures on this project totaled $232.076 million with the County's share totaling $78.626 million resulting in unearned revenue of $66.362 million.

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 6/30/17	Current Expenditures	Contributions Received	Balances 6/30/18
Table III projects (f)	$ 110,608	$ -	$ 20,843	$ 89,765
	$ 110,608	$ -	$ 20,843	$ 89,765

(f) The original loan amount was for $247.578 million which was advanced through June 30, 2006. Payments on principal through June 30, 2018 total $157.813 million. The loan was restructured during fiscal year 2004 with the total repayment amount remaining the same, but extending the repayment timeframe up to five years. The agreed payments on this loan total $348.690 million including principal and interest. As there was no stated interest rate with this loan, interest is imputed at 2.9%. For the period ended June 30, 2018, payments of $23.871 million were received which consisted of $3.028 million in interest and $20.843 million in principal.

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

SCDOT Multi-Project

	Balances 6/30/2017	Current Expenditures	Contributions Received	Balances 6/30/2018
SCDOT (g)	$ 43,484	$ -	$ 7,998	$ 35,486
	$ 43,484	$ -	$ 7,998	$ 35,486

(g) Total loan amount is $94.1 million which was fully advanced as of June 30, 2012. Interest is imputed on this loan as it did not have a stated interest rate in the loan agreement. Currently, the imputed interest rate is 5.025%. During the year ended June 30, 2018, payments of $10 million were received which consisted of $2.002 million in interest and $7.998 million in principal.

US 17 Project

	Balances 6/30/17	Current Expenditures	Contributions Received	Balances 6/30/18
SCDOT (h)	$ 65,931	$ -	$ 2,095	$ 63,836
	$ 65,931	$ -	$ 2,095	$ 63,836

(h) Total loan amount is $82.0 million which was advanced as of June 30, 2009. $18.164 million was collected on this loan as of June 30, 2018.

NOTE 4. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2018 are as follows (expressed in thousands):

	Beginning Balance July 1, 2017	Increases	Decreases	Ending Balance June 30, 2018	Due Within One Year
General obligation bonds payable	$ 32,285	-	$ (2,400)	$ 29,885	$ 2,495
Unamortized premiums	4,345	-	(505)	3,840	-
Total general obligation bonds payable	36,630	-	(2,905)	33,725	2,495
Revenue bonds payable	1,671,045	188,725	(274,840)	1,584,930	75,640
Unamortized premiums	122,519	30,041	(8,485)	144,075	-
Unamortized discounts	(5,332)	-	5,332	-	-
Total revenue bonds payable	1,788,232	218,766	(277,993)	1,729,005	75,640
Arbitrage payable	545	-	(545)	-	-
Compensated Absences Liability	38	-	(9)	29	6
Total long-term liabilities	$ 1,825,445	$ 218,766	$ (281,452)	$ 1,762,759	$ 78,141

NOTE 5. BONDS PAYABLE:

A summary of the bonds payable as of June 30, 2018 is as follows (expressed in thousands):

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate (%)	Unpaid Principal Balance
September 22, 2003	2003B Refunding	368,300	10/01/31	Variable Rate	351,975
October 1, 2005	2005A Refunding	146,445	10/01/24	5.00-5.50	66,895
Plus unamortized premium					6,552
April 1, 2012	2012A Refunding	265,965	10/1/33	3.00-5.00	248,310
Plus unamortized premium					23,029
October 1, 2012	2012B Refunding	424,910	10/1/33	3.375-5.00	368,670
Plus unamortized premium					46,471
July 1, 2015	2015A Refunding	157,095	10/1/27	3.00-5.00	150,480
Plus unamortized premium					20,727
July 7, 2016	2016A Refunding	213,595	10/1/31	Variable Rate	209,875
Plus unamortized premium					17,254
July 27, 2017	2017A Refunding	188,725	10/11/41	Variable Rate	188,725
Plus unamortized premium					30,041
Subtotal Revenue Bonds					1,729,005
April 13, 2004	2004A GO	28,780	10/01/28	3.00-5.00	10,190
Plus unamortized premium					18
May 1, 2012	2012A GO Refunding	28,745	04/01/25	5.00	19,695
Plus unamortized premium					3,822
Subtotal GO Bonds					33,725
Total bonds payable including unamortized premiums					$ 1,762,730

A summary of the components of bonds payable at June 30, 2018 is as follows (expressed in thousands):

Face value of revenue bonds outstanding	$	1,584,930
Face value of general obligation bonds outstanding		29,885
Unamortized premium		147,915
	$	1,762,730

ended June 30, 2018, the Bank made variable bond interest payments in the amount of $4.852 million and fixed rate payments on the swap in the amount of $13.687 million. The Bank also received variable payments on the swap in the amount of $3.501 million. The net of variable payments on the bonds and receipts on the swaps was ($1.35) million. Contingency payments of $1.410 million were also made under the swap agreement.

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2018, the swaps were in liability positions; therefore, the Bank is not exposed to credit risks. However, should interest rate change the market value of the swaps become in asset positions, the Bank would be exposed to credit risks.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Bank's financial instruments of its cash flows. The Bank is exposed to interest rate risk on its pay-fixed, received-variable interest rate swaps. As LIBOR swap index decreases, the Bank's net pay on the swap increases.

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedge item are based on different reference rates. The Bank is exposed to basis risk on its pay-fixed interest rate swap hedging instruments because the variable-rate payments received by the Bank on these hedging derivative instruments are based on a rate or index other than interest rates the Bank pays on its hedge variable-rate debt.

Termination Risk – Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the Bank's financial planning strategy. The obligation of the Bank to make any Termination Payments under the Interest Rate Exchange Agreements is junior and subordinate to the obligation to make debt service payments on revenue bonds. Under certain circumstances, the Interest Rate Exchange Agreements are subject to termination prior to their respective scheduled expiration dates and prior to the maturity of the bonds to which each such Interest Rate Exchange Agreement relates, in which event the Bank may be obligated to make a substantial payment to the respective counterparty ("Termination Payments").

Rollover Risk – Rollover risk is the risk that a hedging instrument associated with hedgeable item does not extend to the maturity of that hedgeable item. The Bank is not exposed to rollover risks because the hedging derivative instruments associated with the hedgeable debt items extend to the maturity of the hedgeable debt items.

Cancellations - Due to the refunding of the 2003B bonds mentioned previously, a portion of the interest rate swap was considered terminated under the provisions of GASB Statement 53. The 2003B bonds on which the interest rate swaps were based had changed and therefore the original interest rate swap was deemed to be terminated although there was no actual termination of the swap. GASB 53 requires the fair value of the swap to be deferred and amortized as a component of interest expense over the life of the refunded debt.

At the time of the refunding, the swap counterparties quoted fixed interest rates that they would require if the Bank had entered into a new swap at the date of the refunding. Although the Bank did not enter into a new swap, the rates were used to calculate a new market rate which is to be considered "on market" and the difference between the current market rate and the original fixed rate is to be considered "off market". These amounts are used to amortize the derivative instrument liability that existed at the date of the refunding over the remaining life of the swap as a component of interest expense. The "on market" portion is also still considered a hedging derivative instrument and valued based on the synthetic and regression analysis methods and has been discussed previously in this note.

The amortization of the "off market" derivative instrument liability which was recorded under GASB Statement 53, amounted to $3.580 million, which was a reduction of interest expense, and the balance at June 30, 2018 was $44.167 million. Amortization related to the deferred loss on refunding amounted to $3.581 million, which was charged to interest expense, and the balance at June 30, 2018 was $44.167 million.

The deferred outflow of the interest rate swap, and the two derivative instrument liabilities are reported on the statement of net position. Debt service payments on the 2003B Revenue Refunding Bonds are disclosed in Note 5.

Note 11. Pension Plans

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the SFAA, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

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

The Bank does not currently participate in the State Optional Retirement Program or Police Officers Retirement System.

Membership

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

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

Benefits

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

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

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

Contributions

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2018	Fiscal Year 2017
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2018	Fiscal Year 2017
SCRS		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

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

The Bank has contributed $27 thousand, $22 thousand, and $23 thousand to the SCRS for the years ended June 30, 2018, 2017, and 2016, respectively.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return[1]	7.25%
Projected salary increases[1]	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or $500 annually

[1] *Includes inflation at 2.75%*

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2017, the Bank's proportional share of the NPL amounts for SCRS is presented below (in thousands):

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 48,244,437,494	$ 25,732,829,268	$ 22,511,608,226	53.3%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The Bank's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2017, the Bank's percentage of the SCRS net pension liability was 0.001856%. For the year ending June 30, 2018, the Bank's percentage of the SCRS net pension liability was 0.001845% which is a decrease of 0.000011%. The Bank's proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in the Bank's recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

The estimated long term expected portfolio real rate of return is as follows:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**45.0%**		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	**8.0%**		
Real Estate	5.0%	4.32%	0.22%
Commodities	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk Parity	10.0%	4.16%	0.42%
HF (Low Beta)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.01%	4.16%	0.12%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal			7.56%

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate (in thousands)			
System	**1.00% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
SCRS	$ 535	$ 416	$ 343

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2018, the Bank recognized pension expense of $15 thousand which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2018, the Bank reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2018 was 4.073 years for SCRS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 28	$ —
Differences in actual and expected plan experience	1	—
Change in proportionate share and differences between the Bank's contributions and proportionate share of contributions	—	9
Changes in assumptions	24	—
Net differences between projected and actual earnings on plan investments	12	—
	$ 65	$ 9

Measurement Period Ending June 30,	**Fiscal Year Ending June 30,**	**SCRS**
2017	2018	$ 9
2018	2019	14
2019	2020	1
2020	2021	4

The Bank reported $28 thousand as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

NOTE 12. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts. By law, the SFAA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). See Note 11 for additional information on the SFAA and PEBA.

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Fund. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The Other Post-Employment Benefits Trust Fund (OPEB Trust), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the OPEB Trust is administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public-school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 and 2017 was 5.50 and 5.33 percent, respectively. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015

Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort.

The following table represents the components of the net OPEB liability as of June 30, 2017:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	$ 14,659,610,970	$ 1,114,774,760	$ 13,544,836,210	7.60%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2018, the Bank reported a liability of $299,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The Bank's proportion of the net OPEB liability was based on a projection of the Bank's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Bank's proportion was 0.002207%.

Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. For actuarial purposes, the 4.00 percent assumed annual investment rate of return includes a 1.75 percent real rate of return and a 2.25 percent inflation component. and This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation Weighted Long Term Expected Portfolio Real Rate of Return
US Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total Expected Real Return	100.0%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

Sensitivity Analysis

The following table represents the Bank's proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate (in thousands)			
OPEB Trust	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
SCRHITF	$ 352	$ 299	$ 256

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the Bank's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)			
OPEB Trust	1.00% Decrease	Current Discount Rate (3.56%)	1.00% Increase
SCRHITF	$ 245	$ 299	$ 368

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's Contributions –
South Carolina Retirement System
As of June 30, 2018
Last Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	$ 27,952	$ 21,901	$ 23,210	$ 22,822	$ 19,831
Contributions in relation to the contractually required contribution	27,952	21,901	23,210	22,822	19,831
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Bank's covered payroll	$ 206,135	$ 189,461	$ 209,855	$ 209,376	$ 187,085
Contributions as a percentage of covered payroll	13.56%	11.36%	11.06%	10.90%	10.60%

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

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's
Proportionate Share of the Net OPEB Liability –
South Carolina Health Insurance Trust Fund
As of June 30, 2018
Last One Fiscal Year

	2018
Bank's proportion of the net OPEB liability	0.0022070%
Bank's proportionate share of the net OPEB liability	$ 298,939
Bank's covered payroll	$ 170,450
Bank's proportionate share of the net OPEB liability as percentage of covered payroll	175.38%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%

Note: Only one year of data was available; thus, only one year is presented.

South Carolina Transportation Infrastructure Bank
Required Supplementary Information -
Schedule of the South Carolina Transportation Infrastructure Bank's Contributions –
South Carolina Health Insurance Trust Fund
As of June 30, 2018
Last Two Fiscal Years

	2018	2017
Contractually required contribution	$ 10,100	$ 9,085
Contributions in relation to the contractually required	10,100	9,085
Contribution deficiency (excess) contribution	$ -	$ -
Bank's covered payroll	$ 183,636	$ 170,450
Contributions as a percentage of covered payroll	5.50%	5.33%

Note: Only two years of data were available; thus, only two years are presented.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(expressed in thousands)

	Balances June 30, 2017	Additions	Deductions	Balances June 30, 2018
Horry County Loan Servicing Account				
Cash and cash equivalents (1)	$ 4	$ 39,694	$ 24,002	$ 15,696
Accrued interest receivable	21	90	21	90
Total assets	$ 25	$ 39,784	$ 24,023	$ 15,786
Funds held for others	$ 25	39,784	39,809	-
Due to Public Transportation Facilities Development Fund		15,786	-	15,786
Total liabilities	$ 25	$ 55,570	$ 39,809	$ 15,786
Horry County Loan Reserve Account				
Cash and cash equivalents (2)	$ 49,411	$ 739	$ 529	$ 49,621
Interfund transfer receivable	-	15,786	-	15,786
Accrued interest receivable	174	283	174	283
Total assets	$ 49,585	$ 16,808	$ 703	$ 65,690
Funds held for others	$ 49,585	$ 16,808	$ 703	$ 65,690
Total liabilities	$ 49,585	$ 16,808	$ 703	$ 65,690
Totals				
Cash and cash equivalents	$ 49,415	$ 40,433	$ 24,531	$ 65,317
Accrued interest receivable	195	373	195	373
Total assets	$ 49,610	$ 40,806	$ 24,726	$ 65,690
Funds held for others	$ 49,610	$ 56,638	$ 40,558	$ 65,690
Total liabilities	$ 49,610	$ 56,638	$ 40,558	$ 65,690

(1) Includes fair value adjustment of $(127) thousand at June 30, 2018 and $4 thousand at June 30, 2017.
(2) Includes fair value adjustment of $(401) thousand at June 30, 2018 and $128 thousand at June 30, 2017.

SCOTT + COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements and have issued our report thereon dated September 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes

Scott and Company LLC

Columbia, South Carolina
September 26, 2018