

AUDITED FINANCIAL STATEMENTS

**SOUTH CAROLINA STATE HOUSING FINANCE AND
DEVELOPMENT AUTHORITY, STATE OF
SOUTH CAROLINA**
Columbia, South Carolina

June 30,1999

October 14, 1999

The Honorable James Hodges, Governor
and
Members of the Board of Commissioners
South Carolina State Housing Finance and Development Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina State Housing Finance and Development Authority for the fiscal year ended June 30, 1999 was issued by Finch, Hamilton & Co., LLC., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the South Carolina State Housing Finance and Development Authority, State of South Carolina (the Authority) as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note A to the financial statements, the accompanying financial statements of the Authority are intended to present the financial position, results of operations, and cash flows for its proprietary fund type of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Authority, a department of the State of South Carolina, and do not include any other funds of the primary government of the State of South Carolina.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1999, and the results of its operations, and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 1999 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards (presented as supplemental information on pages 61 - 63) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Additionally, other supplemental information presented on pages 49 - 59 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The required supplementary information (year 2000 issue) presented on page 47 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because we did not have access to third party information regarding year 2000 stages of work in process or completed at June 30, 1999 and the additional stages of work necessary for making computer systems and other electronic equipment year 2000 compliant. Consequently, we do not provide assurance that the South Carolina State Housing Finance and Development Authority, or parties with which the South Carolina State Housing Finance and Development Authority does business, are or will become year 2000 compliant.

September 17, 1999

COMBINED BALANCE SHEET - ALL FUND TYPES

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

	<u>Governmental</u> <u>Fund Type</u> Special <u>Revenue</u>	<u>Proprietary</u> <u>Fund Type</u> Enterprise	Total (Memorandum Only)
ASSETS			
Current assets			
Cash and cash equivalents	\$13,632,317	\$ 5,076,667	\$ 18,708,984
Accounts receivable			
Due from grantor	--	498,572	498,572
Other	--	101,849	101,849
Loans receivable	75,488	37,690	113,178
Interest receivable			
Loans	72,681	41,064	113,745
Deposits and investments	--	1,180	1,180
Due from South Carolina Department of Revenue	558,201	--	558,201
Long-term assets			
Investments	--	710,132	710,132
Loans receivable	3,739,973	13,864,558	17,604,531
Restricted assets			
Current assets			
Cash and cash equivalents	--	200,969,490	200,969,490
Accounts receivable	--	314,315	314,315
Loans receivable, net of unamortized discounts	--	11,218,610	11,218,610
Interest receivable			
Loans	--	3,738,644	3,738,644
Deposits and investments	--	1,410,467	1,410,467
Long-term assets and other			
Investments	--	12,519,608	12,519,608
Loans receivable, net of unamortized discounts	--	410,356,789	410,356,789
Unamortized bond issuance costs	--	2,299,369	2,299,369
Property and equipment			
Furniture and equipment	--	1,069,948	1,069,948
Less accumulated depreciation	--	(378,234)	(378,234)
 TOTAL ASSETS	 <u>\$18,078,660</u>	 <u>\$663,850,718</u>	 <u>\$681,929,378</u>

	<u>Governmental</u> <u>Fund Type</u> Special <u>Revenue</u>	<u>Proprietary</u> <u>Fund Type</u> Enterprise	<u>Total</u> (Memorandum Only)
LIABILITIES AND FUND EQUITY			
Current liabilities			
Accounts payable and accrued expenses	\$ --	\$ 1,017,103	\$ 1,017,103
Advance claims/mortgage escrows	3,050	--	3,050
Due to grantor	--	335,092	335,092
Liabilities payable from restricted assets			
Current liabilities			
Bonds payable, net of unamortized premiums and discounts	--	28,541,108	28,541,108
Interest payable on bonds	--	14,097,901	14,097,901
Advance claims/mortgage escrows	--	3,528,292	3,528,292
Other liabilities	--	156,089	156,089
Long-term debt			
Bonds payable, net of unamortized premiums and discounts	--	<u>438,990,259</u>	<u>438,990,259</u>
TOTAL LIABILITIES	3,050	486,665,844	486,668,894
Fund equity			
Retained earnings			
Reserved for new programs	--	7,106,277	7,106,277
Reserved for debt service	--	144,005,274	144,005,274
Reserved - bond reserve	--	13,508,369	13,508,369
Unreserved	--	12,564,954	12,564,954
Fund balance			
Reserved for long-term loans receivable	3,739,973	--	3,739,973
Unreserved	<u>14,335,637</u>	<u>--</u>	<u>14,335,637</u>
TOTAL FUND EQUITY	<u>18,075,610</u>	<u>177,184,874</u>	<u>195,260,484</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$18,078,660</u>	<u>\$663,850,718</u>	<u>\$681,929,378</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TYPE

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	Special Revenue
Revenues	
Interest on loans	\$ 119,087
Investment income	584,883
Documentary stamp fees	<u>6,062,436</u>
TOTAL REVENUES	6,766,406
Expenditures	
Grant disbursements for Housing Trust Program	<u>1,788,398</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,978,008</u>
Fund balance at beginning of year, as previously reported	12,352,102
Prior period adjustment	<u>745,500</u>
Fund balance at beginning of year, as restated	<u>13,097,602</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,075,610</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
Year Ended June 30, 1999

	Enterprise Fund
Operating revenues	
Interest on loans	\$ 33,467,852
Investment income	10,712,787
Bond premium amortization	3,533
Administrative fees and other revenue	<u>3,458,817</u>
TOTAL OPERATING REVENUES	47,642,989
Operating expenses	
Bond interest	31,258,117
Program	1,321,847
General and administrative	5,486,278
Bond issuance cost amortization	192,000
Depreciation of furniture and equipment	100,651
Write-off of furniture and equipment	23,425
Other	<u>55,416</u>
TOTAL OPERATING EXPENSES	<u>38,437,734</u>
OPERATING INCOME	9,205,255
Nonoperating revenues (expenses)	
HUD housing assistance contributions earned	23,776,007
Housing assistance payments	<u>(21,397,183)</u>
TOTAL NONOPERATING REVENUES (EXPENSES) - NET	<u>2,378,824</u>
INCOME BEFORE EXTRAORDINARY ITEM	11,584,079
Extraordinary loss on early extinguishment of debt	<u>(747,543)</u>
NET INCOME	<u>10,836,536</u>
Retained earnings at beginning of year, as previously reported	161,749,471
Prior period adjustment	<u>4,598,867</u>
Retained earnings at beginning of year, as restated	<u>166,348,338</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$177,184,874</u>

See notes to financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
 STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	Enterprise Fund
Cash flows from operating activities	
Operating income	\$ 9,205,255
Adjustments to reconcile operating income to net cash provided by operating activities	
Bond premium amortization	(3,533)
Depreciation and write-off of furniture and equipment	124,076
Bond issuance cost amortization	192,000
Bond interest expense - reclassified to noncapital financing	31,258,117
Loan discount amortization reported in interest on loans operating revenue	(139,135)
Interest on deposits and investments - reclassified to investing activities	(10,712,787)
Receipt of loan principal payments	68,045,162
Purchase/origination of new loans, net of discount (no discount for FY 99)	(36,376,309)
Change in assets and liabilities	
(Increase) decrease in interest receivable on loans	307,352
(Increase) decrease in accounts receivable	862,784
(Increase) decrease in investments	(669,559)
Increase (decrease) in advance claims and mortgage escrows	(618,808)
Increase (decrease) in accounts payable and accrued expenses	485,703
Increase (decrease) in other liabilities	<u>(15,115)</u>
Total adjustments	<u>52,739,948</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	61,945,203
Cash flows from capital and related financing activities--	
Purchase of property and equipment assets	<u>(64,102)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(64,102)

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE--CONTINUED

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	Enterprise Fund
Cash flows from noncapital financing activities	
Proceeds from issuance of bonds, including \$1,389,620 premium	\$175,034,620
Interest payment on bonds	(32,823,501)
Principal payment on bonds	(179,580,000)
Payment of bond issuance costs	(1,701,361)
Transfers from other programs	14,938,806
Transfers to other programs	(14,938,806)
Receipts from HUD	23,776,007
Housing assistance payments	<u>(21,397,183)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(36,691,418)
Cash flows from investing activities	
Proceeds from sale of investments	31,820,694
Interest received on deposits and investments	<u>11,660,951</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>43,481,645</u>
Net increase in cash and cash equivalents	68,671,328
Cash and cash equivalents at beginning of year	<u>137,374,829</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$206,046,157</u>

SUPPLEMENTAL CASH FLOWS INFORMATION

OPERATING ACTIVITIES INFORMATION

- a. Included in operating income is \$33,914,340 of interest collected on loans receivable.

NONCASH OPERATING ACTIVITIES INFORMATION

- a. The June 30, 1998 balance in loans receivable has been increased \$4,598,867 to correct a prior period error. See Note N.

NONCASH CAPITAL AND RELATED FINANCING INFORMATION

- a. Furniture and equipment assets with cost of \$49,800 and accumulated depreciation of 26,375 were written off as normal deletions during the year.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE--CONTINUED

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30, 1999

SUPPLEMENTAL CASH FLOWS INFORMATION--Continued

NONCASH INVESTING ACTIVITIES INFORMATION

- a. Investments totaling \$747,022 were transferred from the 1984 Series A Multi-family Program to the Program Fund.
- b. Decrease in fair value of investments for the year ended June 30, 1999 (included in these financial statements in "investment income") follows:

Single family programs	\$ 709,890
Multi-family programs	3,458
Program funds	<u>36,890</u>
	<u>\$ 750,238</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

- a. Interest payment on bonds does not include \$282,631 amortization expense reported as operating expense-bond interest.
- b. Unamortized bond discounts of \$616,905 and unamortized bond issuance costs of \$130,638 were written off as an extraordinary loss. See Note D.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by South Carolina State Housing Finance and Development Authority (the Authority) and the methods of applying those principles which materially affect the determination of financial position, results of operations, and cash flows are summarized as follows:

Authorizing Legislation and Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Authority has determined it has no 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 primary entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determine its budget without another government having the authority to approve and modify that budget.
- (2) Levy taxes or set rates or charges without approval by another government.
- (3) Issue bonded debt without approval by another government.

The Authority is a part of the State of South Carolina primary government and its funds are included in the Comprehensive Annual Financial Report of the State of South Carolina.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Authorizing Legislation and Reporting Entity--Continued

The South Carolina State Housing Finance and Development Authority (the Authority) is a public body, corporate and politic, and a reporting entity of the primary government of the State of South Carolina. The Authority was established pursuant to Section 31-13-20, an Amendment to the Housing Authorities Law of South Carolina. The laws of the State and polices and procedures specified by the State for State agencies are applicable to the Authority. The powers of the Authority were expanded through the passage of the South Carolina State Housing Act of 1977 (31-13-10 through 330 and 31-3-1510), and as amended in 1982 (31-13-70), 1983 (31-13-80), 1986 (31-1-340), 1988 (31-13-50) and 1990 (31-13-200). The Act empowers the Authority to enter into grants and contracts with the federal government and to issue bonds and notes. In 1992, the General Assembly amended Chapter 13, Title 13 by adding Article 4 which enacts the Housing Trust Fund Act of 1992.

The Authority's Board of Commissioners, whose members are appointed by the Governor, is the governing body of, and accordingly, has jurisdiction over and is responsible for the Authority. The accompanying financial statements present the financial position, results of operations, and cash flows solely of the Authority and do not include any other reporting entities that comprise the primary government of the State of South Carolina.

The Mortgage Revenue Bonds are special obligations of the Authority and are not a debt, grant or loan of the State of South Carolina nor any political subdivision of the State, and neither the State of South Carolina or any political subdivision is liable thereon. The bonds are secured by and payable solely from the monies, income, and receipts of the Authority pledged for the payment thereof under the Indentures. Payment of the principal or redemption price of, and interest on, all bonds is secured ratably and equally by the proceeds of the bonds, revenue (including scheduled payments of principal and interest on mortgages and repayments of mortgage loans and interest and income received on investments of money held in the funds and accounts), and the right, title, and interest of the Authority in and to the mortgage loans.

The Authority has issued bonds and notes which are insured, secured and/or guaranteed such that the Authority has no liability. These bonds and notes are identical to industrial development bonds. Original issue amounts and the related investments are not included in the financial statements of the Authority.

Basis of Accounting and Reporting

All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases in net current assets.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting and Reporting--Continued

Governmental fund revenues and expenditures are recognized on the modified accrual basis of accounting. Revenues and other fund financial resources are recognized in the accounting period in which they become both measurable and available to finance expenditures. Federal reimbursement type grants are recorded as revenue when the related expenditures are incurred. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Payments for prepaid items are recognized as an expenditure in the year of payment.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases in net total assets.

The Authority recognizes revenues and expenses and the recording of depreciation expense for the enterprise fund-type using the accrual basis of accounting. Revenues and federal reimbursement type grants are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for generally accepted accounting principles for all State governmental entities. The accounting policies of the Authority conform to generally accepted accounting principles. Accordingly, the Authority applies all applicable GASB pronouncements, and, for its proprietary activities, the Authority has elected to apply only those standards issued by the Financial Accounting Standards Board on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

Fund Accounting

To ensure observance of limitations and restrictions placed on the resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund. In the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Transfers between enterprise funds have been eliminated on the combined financial statements of revenues, expenses, and changes in retained earnings. All financial transactions have been reported by fund type. The Authority's funds are classified into two categories - governmental and proprietary. Each category is divided into fund types.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Governmental Funds

Governmental funds finance most of the Authority's governmental functions including the disbursement of restricted monies. The Authority's governmental fund is a special revenue fund. Expendable assets are assigned to the applicable governmental fund 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; and the difference between assets and liabilities is fund balance.

The Special Revenue fund accounts for the Housing Trust fund, which was established in May, 1992. The Authority receives funding from a percentage of the documentary stamp tax on instruments conveying real property. The Fund is to be used to finance, in whole or in part, affordable housing projects and developments by loans and/or grants or providing matching funds to secure federal funding or other funding.

In accordance with governmental accounting standards, the portions of fund balances that are not available for appropriation and expenditure and/or are legally segregated for a specified use are presented as reserved.

Proprietary Fund

The proprietary fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from activities of the Authority are provided to outside parties and such activities are accounted for in an enterprise fund of the State of South Carolina. An enterprise fund accounts for activities that are self-sustaining, primarily through user charges or are used when management wants to control or measure costs of services. The Authority's proprietary fund includes the following enterprise funds:

- The General Operating Fund records administrative fees from the U.S. Department of Housing and Urban Development (HUD) programs and the Multi-family Finance Program and other fee type income. These sources of funds as well as operating transfers from other programs are used to defray the general and administrative expenses of the Authority. The general operating fund also accounts for housing assistance contributions earned from HUD and payments made by the Authority to qualified recipients under the HUD programs.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Proprietary Fund –Continued

- The Single Family Finance Programs Fund accounts for the financing activities of the Authority's 1979 Single Family Mortgage Purchase Bond Indenture, 1982 Homeownership Mortgage Purchase Bond Resolution and 1994 Mortgage Revenue Bonds Indenture. The proceeds of each series of bonds issued under the three programs are used to purchase mortgage loans made to the State's moderate-to-low income citizens who meet Federal and State eligibility requirements. The programs generate income to cover the costs of administration and debt service on the bonds. Excess funds may be transferred to the other programs at the discretion of the Authority.
- The Multifamily Finance Programs Fund accounts for the financing activities of the Authority's multi-family residential revenue bond indentures. Fourteen mortgages have been purchased covering projects that house low income citizens meeting Federal eligibility requirements. All mortgages under these indentures are insured by the Federal Housing Administration. The programs generate income to cover costs of administration and debt service on the bonds. Excess funds may be transferred to other programs at the discretion of the Authority.
- The Program Fund accounts for administrative and other miscellaneous type fees not accounted for elsewhere. This fund is used by the Authority to finance special projects or other expenses authorized by the Authority's Board of Commissioners. The Authority's Board of Commissioners designated by Resolution \$5,900,000 for special programs effective June 30, 1992. The program fund generates income to cover costs of administration and makes loans to organizations for low income housing. The portion of the unreserved retained earnings balance allocable to the Program Fund at June 30,1999 was \$10,434,653.
- Retained earnings reserved for new programs is reserved in accordance with HUD regulations.

Restricted Assets and Liabilities Payable from Restricted Assets Under Revenue Bond Resolutions

Generally, under the applicable bond indentures, the earnings and receipt of loan receivable payments related to investment and mortgage loan assets in the single family and multi-family finance program funds are required to be used for the related bonds payable debt service payments. Because these assets are generally restricted for this purpose, they have been reflected in the restricted assets portion of the accompanying balance sheets. The liabilities that are to be paid from these restricted assets are also noted as liabilities payable from restricted assets.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Net restricted assets reserved for bond reserves are computed July 1 of each year by a percentage of the then outstanding bond principal in accordance with the bond indenture.

Net restricted assets not reserved for the respective bond reserves of the single family and multi-family finance programs are reflected as reserved retained earnings for debt service in the retained earnings section of the accompanying balance sheets.

Memorandum Only - Total Columns

Total columns on the reporting entity financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Neither are such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

Amortization of Bond Discounts, Premiums and Bond Issuance Costs

Bond discounts are amortized over the terms of the bonds using the bonds-outstanding method and is recorded as an addition to interest expense. Bond premiums are amortized over the terms of the bonds using the bonds-outstanding method and are recorded as a component of operating revenue. Costs incurred in connection with the bond issues have been deferred and are amortized on the straight-line basis over the lives of the related issues and are included in operating expenses.

Property and Equipment

It is the Authority's policy to capitalize all furniture and equipment at cost for those items that cost more than \$1,000. Depreciation is calculated using the straight-line method over a useful life of ten years under the old capitalization policy and the new one.

Federally Assisted Program Advances and Fees

In accordance with the terms of contracts between the Authority and the U.S. Department of Housing and Urban Development (HUD), the Authority administers Section 8 Housing Assistance Payments Programs for Existing Housing, New Construction, Moderate Rehabilitation and the Housing Voucher Program in certain areas of South Carolina. Under these programs, housing assistance payments are made to eligible individuals or to owners of rental housing on behalf of persons of limited income who meet the eligibility requirements.

HUD advances to the Authority sufficient funds to cover the current month's housing assistance payments and the Authority's costs of administration of the subsidy contracts. These administrative fees are recognized as operating revenue when earned in the general operating enterprise fund.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

The Rental Rehabilitation Program provides grants to local governments to assist private property owners in rehabilitating rental housing for low income tenants. An administrative fee is drawn from HUD to reimburse the Authority, as well as the local government for administrative costs. These administrative fees are recognized as operating revenue when earned. The funds granted and passed through by the Authority are included in the accompanying financial statements in the general operating enterprise fund.

Loans Receivable

Loans receivable consist of mortgage loans which are carried at par. Discounts on loans are deferred and amortized using the sum-of-the-years digit method over the estimated life of ten years for single family loans and the actual life of the loan for multi-family loans and are included in interest income. All mortgage loans are insured with various mortgage insurance carriers at specified percentages of the loan amount varying from 25% to 100%.

In addition, a special insurance reserve fund of 4% of the outstanding loan balance of all single family loans with less than 100% mortgage insurance has been provided in accordance with the related bond indenture.

Management is of the opinion that the mortgage insurance coverage and the 4% insurance reserve fund are adequate to cover any potential loan losses should they occur. Loans determined to be uncollectible and unrecoverable from mortgage insurance carriers are charged off against the special insurance reserve fund.

Cash and Cash Equivalents

The amounts shown on the balance sheets as Cash and Cash equivalents represent cash on deposit in banks, cash on hand with the State Treasurer and cash invested in various instruments with banks or as part of the State's internal cash management pool. See Note B, Deposits and Investments for credit risk category definitions.

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Because the State's internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the pool. 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. Most State Agencies participate in the internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents included investments in short-term, highly liquid securities having a maturity date of three months or less.

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 agency records and reports its deposits in the general deposit account at cost but reports its deposits in the special deposit accounts at fair value. Investments in the pool are recorded at fair value. Interest earned by the Authority's special deposit accounts is posted to the Authority's account at the end of each month and is retained by the Authority. Interest earnings are allocated based on the percentage of the Authority's accumulated daily interest receivable to the total undistributed interest received by the pool. Reported interest income includes interest earnings, and realized gains/losses on investments in the pool arising from changes in fair value. 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 Authority's percentage ownership in the pool.

Investments

Investments are carried at fair value. Fair value is determined by quoted market prices. Purchases and sales are accounted for on the trade date. Investment income includes interest and dividend income, realized gains and losses on the sale of investments, and changes in fair value of the investments.

Advance Claims/Mortgage Escrows

Under provision of certain mortgage loan agreements, the Authority is responsible for collecting deposits from homeowners for payment of property taxes, insurance and repairs and replacements.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
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June 30,1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 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 a cash payment at termination. The Authority 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 at current salary costs and the cost of the salary-related benefit payments is reported in accounts payable and accrued expenses in the general operating fund. The net change in the liability is reported in general and administrative expenses in the general operating enterprise fund.

The unpaid liability for compensated absences for accrued annual leave was \$405,054 at June 30,1999, and is presented in the general operating enterprise fund under accounts payable and accrued expenses.

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. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Rebatable Arbitrage—continued

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. The federal government only requires arbitrage be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The expense and liability, if any, are recorded in the Proprietary Fund and a reserve fund is established to liquidate the liability. The Authority incurred and paid \$25,600 in arbitrage expense (included in the Proprietary Fund under general and administrative expenses) for the year ended June 30, 1999.

Budget Policy

The appropriation as enacted by the General Assembly becomes the legal operating budget for the Authority. 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.

All of the Authority's administrative costs and rental assistance program expenditures are in the other budgeted funds category. Generally accepted accounting principles do not require budgetary comparisons to be presented for proprietary funds; therefore, none is presented. A budget was not adopted by the General Assembly for the special revenue fund; and, therefore, is not presented.

Use of Estimates

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

NOTE B - DEPOSITS AND INVESTMENTS

All deposits and investments of the Authority are under the control of the State Treasurer who, by law, has sole authority for investing state funds. Certain of the agency's deposits and investments are deposited with or managed by financial institutions with the approval of the State Treasurer's Office.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30, 1999

NOTE B - DEPOSITS AND INVESTMENTS--Continued

The Authority classifies deposits and investments as either deposits held by State Treasurer, investments held by State Treasurer, other deposits and other investments. Following is a description of each type:

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. All State Treasurer bank balances were fully collateralized at year end. With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

The Authority's deposits held by State Treasurer are categorized to give an indication of the level of risk assumed by the Authority at year end.

Investments Held by State Treasurer

Investments with the State Treasurer comprise monies held for the Authority in the form of specific identifiable investments except for certain investments on which the State has guaranteed a specific rate of return. These investments held are legally restricted and interest earned becomes revenue of the specific fund and indenture if applicable from which the investment was made. Investments held by State Treasurer which are not included in a pool are stated at fair value. Purchases and sales are accounted for on the trade date. Unrealized gains and losses, resulting from changes in the fair value of the Authority's investments, is included in investment income. Realized gains and losses and changes in fair value on securities transactions are reported as an element of investment income.

State law requires all investments managed by the State Treasurer to be fully insured and/or collateralized. All investments are in Category 1 which include investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. See Other Investments section of this note for investment credit risk category definitions.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE B - DEPOSITS AND INVESTMENTS—Continued

The reported amounts and fair values of the securities held by the State Treasurer for the various funds of the Authority by type of investment were as follows at June 30, 1999.

	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. Treasury Bonds	\$ 710,133	\$ 710,133

The investment type listed above includes all investment types in which monies were held throughout the fiscal year.

Other Deposits

The Authority's other deposits are categorized to give an indication of the level of risk assumed by the Authority at year end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits. The Authority's other deposits are categorized as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Category 1	<u>\$ 2,366,394</u>	<u>\$ 2,366,394</u>
Category 3	<u>\$ 7,336,718</u>	<u>\$ 7,951,936</u>

Other Investments

“Other Investments” are stated at fair value. Purchases and sales are accounted for on the trade date. Unrealized gains and losses on investments are recorded as investment income. Realized gains and losses on securities transactions are recorded as investment income. Earnings are recorded as earned by the Authority.

Investments with banks include legally authorized investments that vary by fund, but generally include 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 deposits, collateralized repurchase agreements and certain obligations of United States corporations

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE B - DEPOSITS AND INVESTMENTS—Continued

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the Authority's name. All investments are in Category 1.

A summary of deposits and investments at fair value follows:

Deposits held by State Treasurer	\$ 19,133,522
Other deposits	
FDIC insured	2,366,394
Uninsured/collateralized	<u>7,951,936</u>
Total other deposits	<u>10,318,330</u>
Total Deposits	<u>29,451,852</u>
Investments held by State Treasurer	
U.S. Treasury obligations	710,133
Other investments	
Repurchase agreements, collateralized by U.S. Government securities	190,458,240
U.S. Treasury obligations	<u>12,287,989</u>
Total Investments	<u>203,456,362</u>
	<u><u>\$232,908,214</u></u>
Classification on balance sheet	
Current assets cash and cash equivalents	
Special revenue fund	\$ 13,632,317
Enterprise fund	5,076,667
Restricted assets cash and cash equivalents-- enterprise fund	200,969,490
Restricted assets investments--enterprise fund	12,519,608
Unrestricted assets—enterprise fund	<u>710,132</u>
	<u><u>\$232,908,214</u></u>
Bank balances of other deposits follows:	
Other deposits	<u>\$ 10,318,330</u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE B - DEPOSITS AND INVESTMENTS--Continued

Reported amount and bank balance of deposits held by State Treasurer are the same.

Under provisions of applicable debt indentures, the Authority is required to restrict sufficient assets in the single family and multi-family program funds to meet reserve requirements in order to pay the debt service on bonds. The required and actual reserve amounts for each program at June 30, 1999 are as follows:

	<u>Reserve Requirements</u>	<u>Actual Funding</u>	<u>Over (Short)</u>
Single family reserve funds			
Mortgage revenue bonds 1998 reserve	\$ 3,209,250	\$ 3,209,250	\$ --
Home Ownership Reserve Funds			
Bond Reserve	6,088,200	7,678,493	1,590,293
Special Insurance Reserve H01987A, H01988A, H01988C, H01988C2 and H01989A, H01990AB, H01990C, H01991A, H01991B, H01994A	<u>879,135</u>	<u>1,796,229</u>	<u>917,094</u>
Total Home Ownership Funds	6,967,335	9,474,722	2,507,387
Mortgage Revenue Bond Reserve Funds	3,975,000	4,161,060	186,060
Multi-family 1992A & B Mortgage Reserve Funds	<u>231,619</u>	<u>231,619</u>	<u>--</u>
Total Reserve Funds	<u>\$ 14,383,204</u>	<u>\$ 17,076,651</u>	<u>\$ 2,693,447</u>

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE C - LOANS RECEIVABLE

Loans receivable, net of unamortized discounts, consist of:

Special Revenue Fund	
Housing Trust Fund notes maturing on various dates from 2009-2028 plus interest ranging from 3%-5.5%, due in monthly payments of principal and interest	<u>\$ 3,815,461</u>
Enterprise Fund	
Single Family notes maturing on various dates from 2003-2029 plus interest ranging from 4% -12.25%, due in monthly payments of principle and interest	\$399,789,735
Less unamortized discounts	<u>(96,530)</u>
	399,693,205
Multi-family notes maturing on various dates from 2022-2024 plus interest ranging from 9.65% - 12.00%, due in monthly payments of principal and interest	21,882,194
Program fund notes maturing on various dates from 2000-2029 plus interest ranging from 0.00% - 8.00%, due in monthly payments of principal and interest, where applicable	<u>13,902,248</u>
Total Enterprise Fund	<u>\$435,477,647</u>

Discounts earned and included in interest on loans revenue amounted to \$139,136 for the Single Family Finance Programs.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE D - BONDS PAYABLE

Bonds payable, including unamortized premiums and net of unamortized discounts are:

	<u>Date Issued</u>	<u>Issue Amount</u>	<u>Outstanding Balance</u>
Single Family Mortgage Revenue Bonds 1998 (4.95% to 5.275%) due 2018-2035	09/11/98	\$ 106,975,000	\$106,975,000
Plus, unamortized premium			<u>1,386,090</u>
			108,361,090
Home-ownership Mortgage Revenue Bonds			
1985B (8% to 9.375%) due 1995-2016	04/24/85	155,000,000	830,000
1987A (8.60% to 9.00%) due 2003-2018	12/08/87	25,000,000	4,930,000
1988A (8.25% to 8.60%) due 2003-2019	06/29/88	38,000,000	12,450,000
1988BC1 (7.85% to 8.125%) due 2009-2021	12/01/88	30,000,000	26,545,000
1988C2 (7.60% to 7.80%) due 2005-2022	11/01/89	30,000,000	30,000,000
1989A (7.10% to 7.55%) due 1990-2011	11/01/89	20,000,000	16,455,000
1990AB (7.35% to 7.90%) due 2005-2032	04/01/90	47,385,000	31,005,000
1990C (7.50% to 7.75%) due 2005-2022	08/21/90	48,255,000	43,940,000
1991A (7.15% to 7.4%) due 2007-2023	08/01/91	40,000,000	17,270,000
1994A (4.40% to 6.375%) due 1996-2016	05/01/94	25,000,000	<u>19,515,000</u>
			202,940,000
Less, unamortized discounts			<u>(1,690,857)</u>
			201,249,143
Mortgage Revenue Bonds			
1994A (4.65% to 6.75%) due 1997-2026	10/20/94	30,000,000	25,920,000
1995A (5% to 6.70%) due 1997-2027	03/01/95	25,000,000	22,830,000
1996A (4.40% to 6.35%) due 1998-2028	05/01/96	25,000,000	24,690,000
1997A (4.25% to 5.40%) due 1999-2029	06/01/97	30,000,000	30,000,000
1999A (3.90% to 5.40%) due 2002-2030	12/23/98	37,700,000	<u>37,700,000</u>
			141,140,000
Less, unamortized discounts			<u>(996,754)</u>
			140,143,246
Multi-family Residential Revenue Bonds			
1992A (3.50% to 6.875%) due 1993-2023	05/21/92	19,625,000	18,010,000
Less, unamortized discounts			<u>(232,112)</u>
			17,777,888
Total bonds payable, including unamortized premiums and net of unamortized discounts			<u><u>\$467,531,367</u></u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE D - BONDS PAYABLE--Continued

The annual redemption of bonds payable follows:

	<u>Bonds Payable</u>	<u>Interest Payable</u>	<u>Totals</u>
2000	\$ 9,905,000	\$ 29,461,913	\$ 39,366,913
2001	7,900,000	29,626,674	37,526,674
2002	8,625,000	29,050,577	37,675,577
2003	9,675,000	28,419,707	38,094,707
2004	10,565,000	27,727,288	38,292,288
Thereafter	<u>422,395,000</u>	<u>406,380,987</u>	<u>828,775,987</u>
Total	<u>\$469,065,000</u>	<u>\$550,667,146</u>	<u>\$1,019,732,146</u>

The Authority has the option to redeem most of its bonds prior to maturity on any interest payment date, or on the first of any month, as specified under each bond issue, plus accrued interest to the date of redemption. During the year ended June 30, 1999, the Authority called the following Single Family Program bonds prior to their maturity.

Home-ownership Mortgage Revenue	
Series 1990 A/B	\$ 1,965,000
Series 1990 A/B	1,810,000
Series 1994 A	705,000
Series 1994 A	<u>745,000</u>
	5,225,000
Mortgage Revenue Bonds	
Series 1994 A1 and A2	1,985,000
Series 1997 B and 1998 A	28,970,000
Series 1995 A	<u>1,495,000</u>
	32,450,000
Single Family Mortgage Revenue Bonds	
Series 1979 A	34,930,000
Series 1979 B	<u>73,435,000</u>
	<u>108,365,000</u>
	<u>\$ 146,040,000</u>

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE D - BONDS PAYABLE--Continued

Single family bonds, redeemed at par, resulted in unamortized bond discounts of \$596,607 and bond issuance costs of \$124,172 being written off and reflected as a loss on early extinguishment of debt for the year ended June 30,1999.

Multi-family Residential Revenue

Series 1984A	<u>\$ 1,180,000</u>
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Multi-family bonds, redeemed at par, resulted in unamortized bond discounts of \$20,298 and bond issuance costs of \$6,466 being written off and reflected as a loss on early extinguishment of debt for the year ended June 30,1999.

Bond discounts amortized for each fiscal year and included in bond interest expense in the enterprise fund follow:

Single Family Mortgage Revenue Bonds	\$ --
Homeownership Mortgage Revenue Bonds	139,661
Mortgage Revenue Bonds	127,891
Multi-family Residential Revenue Bonds	15,079
Multi-family Rental Housing Revenue Bonds	--
Totals	<u>\$ 282,631</u>

NOTE E - LEASES

At June 30,1999, the Authority was obligated under operating leases for office space and copier equipment having noncancelable lease terms in excess of one year.

The lease of office space, which is subject to annual Budget and Control Board approval, commenced June 1994 and expired June 1999. This lease contains two (2) five-year renewal options at \$12.50 per square foot for option years 1 - 5 and \$13.00 per square foot for option years 6 - 10. On June 30, 1999 the Authority exercised the renewal option for years 1 - 5. The Authority is responsible for its pro rata share of increases in the building's operating costs over the preceding rental year limited to no more than 5% increase per year.

Copier equipment leases expire in variable amounts through 2003.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE E – LEASES—Continued

Future minimum annual lease payments under the aforementioned leases for succeeding years follow:

2000	\$ 373,361
2001	364,952
2002	363,433
2003	363,433
2004	<u>361,600</u>
	<u>\$ 1,826,779</u>

The Authority also leases motor vehicles from the State Budget and Control board, which can be cancelled within 30 days notice.

The Authority incurred \$362,536 rental expense under the aforementioned leases for the year ended June 30,1999.

Information given is for existing leases only and is not a forecast of future rental expense. In the normal course of business, operating leases are generally renewed or replaced with other leases.

NOTE F - TRANSACTIONS WITH STATE ENTITIES

These financial statements include the following related party transactions between the Authority and the State of South Carolina and various State agencies:

- a. The South Carolina Department of Revenue collects documentary stamp taxes and remits \$.50 of every \$1.30 collected to the Authority for the Housing Trust Fund.
- b. Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; check preparation, banking, investment, and bond trustee functions from the State Treasurer; and legal services from the Attorney General.
- c. Services provided at no cost from various divisions of the State Budget and Control Board include retirement plan administration, grant services, insurance plan administration, personnel management, review, and approval of certain budget amendments, procurement services, and other centralized functions.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE F - TRANSACTIONS WITH STATE ENTITIES--Continued

- d. Financial transactions include payments to divisions of the State Budget and Control Board for vehicle rental, insurance coverage, office supplies, printing, telephone, and interagency mail. Payments were also made for the workers' compensation insurance coverage and unemployment compensation. The amounts applicable to 1999 expenditures were not readily available.

NOTE G - FUND TRANSFERS

Fund transfers, which are allowable in accordance with the terms of the respective bond indentures made during the year ended June 30,1999 follow:

Enterprise Fund Transfers

- a. \$2,795,000 from the Single Family Finance Program to the General Operating fund to pay for operating expenses.
- b. \$155,406 from the Program Fund to the General Operating Fund to pay for operating expenses.
- c. \$2,378,824 from the General Operating Fund to the Program Fund to purchase new loans.
- d. \$64,908 from the General Operating Fund to the Program Fund to pay for administrative fees.
- e. \$4,125,913 from the Program Fund to the Single Family Finance Program to purchase additional loans.
- f. \$6,165,777 from the Multi-family Finance Program to the Program Fund for the purchase of new loans. Includes \$747,022 noncash transfer of investments.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30, 1999

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of loss and maintains State or commercial insurance coverage for all of these risks except business interruption insurance. The Authority has arranged for backup facilities for its data processing needs. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settled claims have not exceeded this coverage in any of the past three years. The Authority pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits except for deductibles.

Several State funds accumulate assets and the State assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE H – RISK MANAGEMENT—Continued

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

1. Theft of, damage to, or destruction of assets;
2. Motor vehicles; and,
3. Torts.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property and equipment. The ISF's rates are determined actuarially.

The Authority obtains coverage through a commercial insurer for employee fidelity bond insurance for certain of its supervisory/management employees for losses arising from theft or misappropriation.

The Authority has recorded insurance premium expenditures in the general and administrative expense category of the general operating fund.

NOTE I - SEGMENT INFORMATION

Segment information of the Authority's various enterprise funds which comprise the proprietary fund as of and for the year ended June 30,1999 is presented on the following pages.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE I - SEGMENT INFORMATION—Continued

BALANCE SHEETS - ALL ENTERPRISE FUNDS

	General Operating	Single Family Finance Programs	Multi-Family Finance Programs	Program	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,291,515	\$ --	\$ --	\$ 2,785,152	\$ 5,076,667
Accounts receivable					
Due from grantor	498,572	--	--	--	498,572
Other	--	--	--	101,849	101,849
Loans receivable	--	--	--	37,690	37,690
Interest receivable					
Loans	--	--	--	41,064	41,064
Deposits and investments	--	--	--	1,180	1,180
Long-term assets					
Investments	--	--	--	710,132	710,132
Loans receivable	--	--	--	13,864,558	13,864,558
Restricted assets					
Current assets					
Cash and cash equivalents	--	197,908,582	3,060,908	--	200,969,490
Accounts receivable	--	--	314,315	--	314,315
Loans receivable, net of unamortized discounts	--	11,059,809	158,801	--	11,218,610
Interest receivable					
Loans	--	3,519,814	218,830	--	3,738,644
Deposits and investments	--	1,398,558	11,909	--	1,410,467
Long-term assets and other					
Investments	--	12,287,989	231,619	--	12,519,608
Loans receivable, net of unamortized discounts	--	388,633,396	21,723,393	--	410,356,789
Unamortized bond issuance cost	--	2,046,681	252,688	--	2,299,369
Property and equipment					
Furniture and equipment	1,069,948	--	--	--	1,069,948
Less accumulated depreciation	(378,234)	--	--	--	(378,234)
TOTAL ASSETS	<u>\$ 3,481,801</u>	<u>\$ 616,854,829</u>	<u>\$ 25,972,463</u>	<u>\$ 17,541,625</u>	<u>\$ 663,850,718</u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE I - SEGMENT INFORMATION--Continued

BALANCE SHEETS - ALL ENTERPRISE FUNDS--CONTINUED

	<u>General Operating</u>	<u>Single Family Finance Programs</u>	<u>Multi-Family Finance Programs</u>	<u>Program</u>	<u>Total</u>
LIABILITIES AND RETAINED EARNINGS					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,016,408	\$ --	\$ --	\$ 695	\$ 1,017,103
Due to grantor	335,092	--	--	--	335,092
Liabilities payable from restricted assets					
Current liabilities					
Bonds payable, net of unamortized premiums and discounts	--	28,236,108	305,000	--	28,541,108
Interest payable on bonds	--	13,940,705	157,196	--	14,097,901
Advance claims/ mortgage escrows	--	1,966,355	1,561,937	--	3,528,292
Other liabilities	--	156,089	--	--	156,089
Long-term debt					
Bonds payable, net of unamortized premiums and discounts	--	<u>421,517,371</u>	<u>17,472,888</u>	--	<u>438,990,259</u>
TOTAL LIABILITIES	1,351,500	465,816,628	19,497,021	695	486,665,844
Retained earnings					
Reserved for new programs	--	--	--	7,106,277	7,106,277
Reserved for debt service	--	137,761,451	6,243,823	--	144,005,274
Reserved - bond reserves	--	13,276,750	231,619	--	13,508,369
Unreserved	<u>2,130,301</u>	--	--	<u>10,434,653</u>	<u>12,564,954</u>
Total retained earnings	<u>2,130,301</u>	<u>151,038,201</u>	<u>6,475,442</u>	<u>17,540,930</u>	<u>177,184,874</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 3,481,801</u>	<u>\$ 616,854,829</u>	<u>\$ 25,972,463</u>	<u>\$17,541,625</u>	<u>\$ 663,850,718</u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

NOTE I - SEGMENT INFORMATION--Continued

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS

	<u>General Operating</u>	<u>Single Family Finance Programs</u>	<u>Multi-Family Finance Programs</u>	<u>Program</u>	<u>Total</u>
Operating revenues					
Interest on loans	\$ --	\$ 30,570,847	\$ 2,630,356	\$ 266,649	\$ 33,467,852
Investment income	--	10,269,682	153,625	289,480	10,712,787
Bond premium amortization	--	3,533	--	--	3,533
Administrative fees and other	<u>3,289,730</u>	<u>100,309</u>	<u>3,588</u>	<u>65,190</u>	<u>3,458,817</u>
Total operating revenue	3,289,730	40,944,371	2,787,569	621,319	47,642,989
Operating expenses					
Bond interest	--	30,002,376	1,255,741	--	31,258,117
Program services	--	693,115	478,438	150,294	1,321,847
General and administrative	5,486,278	--	--	--	5,486,278
Bond issuance cost amortization	--	175,583	16,417	--	192,000
Depreciation of furniture and equipment	100,651	--	--	--	100,651
Write-off of furniture and equipment	23,425	--	--	--	23,425
Other	<u>--</u>	<u>55,416</u>	<u>--</u>	<u>--</u>	<u>55,416</u>
Total operating expenses	<u>5,610,354</u>	<u>30,926,490</u>	<u>1,750,596</u>	<u>150,294</u>	<u>38,437,734</u>
Operating income (loss)	(2,320,624)	10,017,881	1,036,973	471,025	9,205,255
Nonoperating revenues (expenses)					
HUD housing assistance contributions earned	23,776,007	--	--	--	23,776,007
Housing assistance Payments	<u>(21,397,183)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(21,397,183)</u>
Total nonoperating revenues (expenses) – net	<u>2,378,824</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,378,824</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	58,200	10,017,881	1,036,973	471,025	11,584,079
Transfers from other programs	2,950,406	4,125,913	--	8,609,509	15,685,828
Transfers to other programs	<u>(2,443,732)</u>	<u>(2,795,000)</u>	<u>(6,165,777)</u>	<u>(4,281,319)</u>	<u>(15,685,828)</u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

NOTE I - SEGMENT INFORMATION--Continued

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - ALL
ENTERPRISE FUNDS--Continued

	<u>General Operating</u>	<u>Single Family Finance Programs</u>	<u>Multi-Family Finance Programs</u>	<u>Program</u>	<u>Total</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	\$ 564,874	\$ 11,348,794	\$ (5,128,804)	\$ 4,799,215	\$ 11,584,079
Extraordinary loss on early extinguishment of debt	--	(720,779)	(26,764)	--	(747,543)
NET INCOME (LOSS)	<u>564,874</u>	<u>10,628,015</u>	<u>(5,155,568)</u>	<u>4,799,215</u>	<u>10,836,536</u>
Retained earnings at beginning of year, as previously reported	1,565,427	140,410,186	11,631,010	8,142,848	161,749,471
Prior period adjustment	--	--	--	4,598,867	4,598,867
Retained earnings at beginning of year, as restated	<u>1,565,427</u>	<u>140,410,186</u>	<u>11,631,010</u>	<u>12,741,715</u>	<u>166,348,338</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 2,130,301</u>	<u>\$ 151,038,201</u>	<u>\$ 6,475,442</u>	<u>\$ 17,540,930</u>	<u>\$ 177,184,874</u>

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
Year Ended June 30,1999

NOTE I - SEGMENT INFORMATION—Continued

STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS

	General <u>Operating</u>	Single Family Finance <u>Programs</u>	Multi-Family Finance <u>Programs</u>	<u>Program</u>	<u>Total</u>
Cash flows from operating activities					
Operating income (loss)	\$(2,320,624)	\$10,017,881	\$1,036,973	\$ 471,025	\$ 9,205,255
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Bond premium amortization	--	(3,533)	--	--	(3,533)
Depreciation and write-off of furniture and equipment	124,076	--	--	--	124,076
Bond issuance cost amortization	--	175,583	16,417	--	192,000
Bond interest expense - reclassified to noncapital financing activities	--	30,002,376	1,255,741	--	31,258,117
Loan discount amortization	--	(139,135)	--	--	(139,135)
Investment income reclassified to investing activities	--	(10,269,682)	(153,625)	(289,480)	(10,712,787)
Receipt of loan principal payments	--	66,234,607	1,011,235	799,320	68,045,162
Purchase/origination of new loans	--	(31,587,785)	(228,939)	(4,559,585)	(36,376,309)
Change in assets and liabilities					
(Increase) decrease in interest receivable on loans	--	334,463	1,408	(28,519)	307,352
(Increase) decrease in accounts receivable	802,711	--	2,217	57,856	862,784
(Increase) decrease in investments	--	(669,559)	--	--	(669,559)
Increase (decrease) in advance claims and mortgage escrows	--	(539,404)	(79,404)	--	(618,808)
Increase (decrease) in accounts payable and accrued expenses	485,972	--	--	(269)	485,703
Increase (decrease) in other liabilities	--	(7,744)	(7,371)	--	(15,115)
Total adjustments	<u>1,412,759</u>	<u>53,530,187</u>	<u>1,817,679</u>	<u>(4,020,677)</u>	<u>52,739,948</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (907,865)	 63,548,068	 2,854,652	 (3,549,652)	 61,945,203

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30, 1999

NOTE I - SEGMENT INFORMATION—Continued

STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS--Continued

	General <u>Operating</u>	Single Family Finance <u>Programs</u>	Multi-Family Finance <u>Programs</u>	<u>Program</u>	<u>Total</u>
Cash flows from capital and related financing activities					
Purchase of property and equipment assets	\$ (64,102)	\$ --	\$ --	\$ --	\$ (64,102)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(64,102)	--	--	--	(64,102)

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
Year Ended June 30,1999

NOTE I - SEGMENT INFORMATION--Continued

STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS--Continued

	General <u>Operating</u>	Single Family Finance <u>Programs</u>	Multi-Family Finance <u>Programs</u>	<u>Program</u>	<u>Total</u>
Cash flows from noncapital financing activities					
Proceeds from issuance of bonds	\$ --	\$175,034,620	\$ --	\$ --	\$175,034,620
Interest payment on bonds	--	(31,533,450)	(1,290,051)	--	(32,823,501)
Principal payment on bonds	--	(178,075,000)	(1,505,000)	--	(179,580,000)
Payment of bond issuance costs	--	(1,701,361)	--	--	(1,701,361)
Transfers from other programs	2,950,406	4,125,913	--	7,862,487	14,938,806
Transfers to other programs	(2,443,732)	(2,795,000)	(5,418,755)	(4,281,319)	(14,938,806)
Receipts from HUD	23,776,007	--	--	--	23,776,007
Housing assistance payments	(21,397,183)	--	--	--	(21,397,183)
 NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	 2,885,498	 (34,944,278)	 (8,213,806)	 3,581,168	 (36,691,418)
 Cash flows from investing activities					
Proceeds from sale of investments	--	31,820,694	--	--	31,820,694
Interest received on deposits and investments	--	11,149,858	184,912	326,181	11,660,951
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 --	 42,970,552	 184,912	 326,181	 43,481,645
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 1,913,531	 71,574,342	 (5,174,242)	 357,697	 68,671,328
Cash and cash equivalents at beginning of year	377,984	126,334,240	8,235,150	2,427,455	137,374,829
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$2,291,515</u>	 <u>\$197,908,582</u>	 <u>\$3,060,908</u>	 <u>\$ 2,785,152</u>	 <u>\$206,046,157</u>

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

NOTE J - CONDUIT DEBT

<u>Issue Date</u>	<u>Bond/Note Title</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
	FISCAL YEAR 1985 (84/85)		
10/84	Conduit Mortgage Loan Notes (Cypress General Partnership)	\$ 1,075,000	\$ 441,662
03/85	Conduit Mortgage Loan Notes (Canal Court Project)	550,000	361,781
06/85	Conduit Mortgage Loan Notes (Breckenridge Apt. Project)	3,000,000	1,693,342
	FISCAL YEAR 1986 (85/86)		
11/85	Conduit Mortgage Loan Note (Christina Apartments)	150,000	2,465
11/85	Conduit Mortgage Loan Note (Canal Court Phase II)		
11/85	Conduit Mortgage Loan Note (Willow Wood Earle Homes)		
12/85	Multi-family Guaranteed Mortgage Revenue Bonds, 1985A (CTS Mt. Pleasant)		
12/85	Multi-family Guaranteed Mortgage Revenue Bonds, 1985B (CTS Parklane)	12,050,000	12,050,000
12/85	Conduit Mortgage Loan Note (Crossroad Apts. Project)	2,150,000	1,638,287
12/85	Multi-family Housing Revenue Bonds (CTS Rock Hill) Series 1985	9,145,000	9,145,000
	FISCAL YEAR 1987 (86/87)		
05/86	Multi-family Housing Mortgage Revenue Bonds (East Ridge-Knight)	8,700,000	8,700,000
07/86	Multi-family Housing Mortgage Revenue Bonds (Martins Creek-Knight)	7,300,000	7,300,000
09/86	Multi-family Housing Mortgage Revenue Bonds (Bay Club Apts. Project)	6,400,000	6,400,000
06/87	Rental Housing Refunding Revenue Bonds (Westburg Mews Apts.)	4,855,000	0
07/88	Multi-family Housing Revenue Bonds (Paces Landing Series 1988)	8,750,000	8,750,000
12/88	Multi-family Housing Revenue Refunding Bonds (Oak Ridge)	9,150,000	7,700,000
	FISCAL YEAR 1989 (88/89)		
12/88	Multi-family Housing Revenue Refunding Bonds (Waverly Place)	8,400,000	5,500,000
07/89	Variable Rate Housing Revenue Refunding Bonds (Patriot Place)	2,200,000	2,200,000
	FISCAL YEAR 1991 (90/91)		
07/90	Multi-family Housing Revenue Refunding Bonds (Greenville Oxford)	4,955,000	4,955,000
07/90	Multi-family Housing Revenue Refunding Bonds (Charleston Oxford)	10,180,000	10,180,000
07/90	Multi-family Housing Revenue Refunding Bonds (Richland Oxford)	11,130,000	11,130,000
07/90	Multi-family Housing Revenue Refunding Bonds (Spartanburg Oxford)	9,415,000	9,415,000
09/90	Multi-family Housing Revenue Bonds 1990 Series A (Westbridge)	2,850,000	2,750,000
04/91	Multi-family Housing Revenue Bonds (Fairways Project)	8,320,000	8,010,000
	FISCAL YEAR 1992 (91/92)		
10/91	Multi-family Mortgage Revenue Bonds (Plum Chase)	7,000,000	7,000,000
	FISCAL YEAR 1993 (92-93)		
06/93	Multi-family Housing Revenue Refunding Bonds (Westbury Place)	5,510,000	5,170,000
	Multi-family Housing Revenue Refunding Bonds (Windsor Shores)	5,085,000	4,320,000
06/94	Multi-family Housing Revenue Refunding Bonds (North Bluff)	3,940,000	3,375,000

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30, 1999

NOTE J - CONDUIT DEBT--Continued

<u>Issue Date</u>	<u>Bond/Note Title</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
	FISCAL YEAR 1994 (93-94)		
06/94	Multi-family Housing Mortgage Revenue Bonds (United Dominion-Forestbrook Apts. Project)	5,000,000	5,000,000
	FISCAL YEAR 1995 (94-95)		
06/95	Multi-family Housing Mortgage Revenue Bonds (United Dominion-Hunting Ridge Apts. Project)	3,265,000	3,265,000
06/95	Rental Housing Revenue Refunding Bonds (Bryton Point Apts. Project)	6,945,000	6,640,000
	FISCAL YEAR 1996 (95-96)		
11/95	Multi-family Housing Revenue Refunding Bonds (Runaway Bay)	10,300,000	9,975,000
11/95	Mortgage Revenue Refunding Bonds (Heritage)	4,525,000	4,175,000
	FISCAL YEAR 1998 (97-98)		
08/97	Multi-family Housing Revenue Refunding Bonds (Oakfield Apartments)	2,844,000	2,844,000
04/98	Multi-family Housing Revenue Bonds (Three Rivers and Edenwood Apartments)	9,535,000	9,445,000
	FISCAL YEAR 1999 (98-99)		
05/99	Multi-family Rental Housing Revenue Bonds (Ashley Apartments)	<u>4,300,000</u>	<u>4,300,000</u>
	TOTAL	<u>\$ 198,974,000</u>	<u>\$ 183,831,537</u>

From time to time, the Authority has issued bonds to provide mortgages for the citizens of South Carolina, for multi-family housing. As explained in Note A, these bonds are special limited obligations of the Authority, payable solely from and secured by mortgages to be received from mortgage loans between the Authority and various mortgagees. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State, and accordingly, have not been reported in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30, 1999

NOTE K - PENSION PLAN

The majority of employees of the Authority are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally, all state employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

The Retirement Division maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 30 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years of service and qualify for a survivor's benefit upon completion of 15 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Since July 1, 1988, employees participating in the SCRS have been required to contribute six percent of all compensation. Effective July 1, 1998 the employer contribution rate was 9.58%, which included a 2.03% surcharge to fund retiree health and dental insurance coverage. The Authority's contributions to the SCRS for the years ended June 30, 1999, 1998 and 1997 were approximately \$233,000, \$222,000 and \$208,500, respectively, and equaled the required contributions of 7.55% (excluding the surcharge) for each year. Also, the Authority paid employer group life insurance contributions of \$4,674 for the year ended June 30, 1999 at the rate of .15% of compensation.

The amounts paid by the Authority for pension and group-life benefits are reported as employer contribution expenses within the applicable functional operating expense category included in general and administrative expenses.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30, 1999

NOTE K - PENSION PLAN--Continued

At retirement, employees participating in the SCRS or PORS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employer/employee contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the Authority's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Authority's liability under the pension plans is limited to the amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Authority recognizes no contingent liability for unfunded costs associated with participation in the plans.

NOTE L - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the Department are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

NOTES TO FINANCIAL STATEMENTS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
June 30,1999

NOTE L - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS—Continued

These benefits are provided through annual appropriations by the General Assembly to the Authority for its active employees and to the State Budget and Control Board for all participating State retirees except the portion funded through the pension surcharge and provided from other applicable sources of the Authority for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, 19,170 State retirees meet these eligibility requirements.

The Authority recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees of \$199,344 for the year ended June 30,1999. As discussed in Note K, the Authority paid \$63,527 applicable to the 2.03% surcharge included with the employer contributions for retirement benefits for the year ended June 30,1999. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to Department retirees is not available. By State law, the Department has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement System to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

NOTE M - DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Authority have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

On August 20, 1996, the provisions of Internal Revenue Code Section 457 were amended by adding subsection (g). That subsection provides that new plans will not be considered eligible plans unless all assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. Existing plans also had to comply with this requirement by January 1, 1999. South Carolina's plan adopted this change effective July 24, 1998.

NOTES TO FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, STATE OF SOUTH CAROLINA

June 30, 1999

NOTE N – PRIOR PERIOD ADJUSTMENTS

Enterprise Fund

Beginning in February 1996 the Authority's HOME program adopted the policy that permitted the Authority to offer loans to qualified borrowers. Prior to that time these advances were authorized grants and, accordingly, were recorded as expenditures within the HOME program. The Authority continued to expense the loans made beginning in February 1996 until this error was discovered in 1999. The cumulative effect adjustment to restate all periods prior to July 1, 1998 is \$4,598,867 increase in loans receivable and retained earnings in the Program Fund. This is the net amount of loans receivable at July 1, 1998 as collection of principal and interest prior to that time was properly recorded.

Special Revenue Fund

Reserved fund balance of the special revenue fund has been restated at July 1, 1998 to reflect a net retroactive increase in the amount of \$745,500 (corresponding increase in loans receivable).

This restatement is to restore loans receivable balances that were erroneously charged to grant disbursement expenditures prior to July 1, 1998. This is the net amount of loans receivable at July 1, 1998 as collections of principal and interest prior to that time were properly recorded.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA
June 30, 1999

YEAR 2000 ISSUE

The “year 2000 Compliance” (“Y2K”) issue arises because most computer software programs allocate two digits to the date field for “year” on the assumption that the first two digits will be “19”. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Also, some programs may be unable to recognize that the year 2000 is a leap year. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software and could impact both the ability to enter data into computer programs and the ability of such programs to process data correctly. Y2K affects not only the computer applications and equipment under the direct control of the Authority, but also the systems of other entities with which the Authority transacts business, such as vendors, servicers, mortgagors, issuers, investment providers and bond trustees.

The “year 2000 issue” may cause some computer programs and other electronic equipment necessary for the continued and uninterrupted operations of a government to fail and that failure could seriously affect an organization’s operations in fiscal year 2000 and beyond. Accordingly, GASB require state and local governments to disclose a general description of the 2000 issue as it relates to their organization and to disclose any significant amount of resources committed to address year 2000 issues.

In 1997-98 the South Carolina General Assembly mandated that the State Budget and Control Board’s Office of Information Resources assess the scope of the year 2000 problem and to develop a plan for addressing millennium date compliance for all state government agencies.

The Authority has fully participated in assessment and remediation efforts. As of June 30, 1999 the Authority had completed its internal Y2K awareness, assessment, renovation, remediation and validation/testing for payroll, human resources, management, accounting, mortgage purchasing, debt service loan administration, mortgage servicing and rental assistance payments. The Authority’s Y2K compliance status has been accomplished through routine hardware/software maintenance and upgrades with no significant cost to the Authority.

The Authority has solicited and continues to solicit information from other entities whose Y2K failure could affect their operations. Of those who have responded to date, all expect to have resolved their Y2K issues in a manner that will not have materially negative effects on the Authority’s operations or financial status. None of the outside entities who have failed to respond to the Authority’s inquiries provide information or services to the Authority that are considered mission-critical, as that term is defined in the Office of Information Y2K Impact Assessment Plan. At this time, however, the Authority cannot assess the impact of the Y2K problem on any or all of these outside entities.

Because of the unprecedented nature of the Y2K issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be Y2K ready, that remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be year 2000 ready.

SUPPLEMENTAL INFORMATION

ENTERPRISE FUND BALANCE SHEETS - GENERAL OPERATING

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

June 30,1999

	Other Program Funds	Federal Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash and cash equivalents	\$1,007,843	\$1,283,672	\$2,291,515
Due from grantor	--	498,572	498,572
Property and equipment			
Furniture and equipment	1,041,695	28,253	1,069,948
Less accumulated depreciation	<u>(352,215)</u>	<u>(26,019)</u>	<u>(378,234)</u>
TOTAL ASSETS	<u><u>\$1,697,323</u></u>	<u><u>\$1,784,478</u></u>	<u><u>\$3,481,801</u></u>
LIABILITIES AND RETAINED EARNINGS			
Current liabilities			
Accounts payable and accrued expenses	\$ 556,447	\$ 459,961	\$1,016,408
Due to grantor	--	335,092	335,092
Retained earnings-- unreserved	<u>1,140,876</u>	<u>989,425</u>	<u>2,130,301</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u><u>\$1,697,323</u></u>	<u><u>\$1,784,478</u></u>	<u><u>\$3,481,801</u></u>

ENTERPRISE FUND BALANCE SHEETS - SINGLE FAMILY FINANCE PROGRAMS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

June 30, 1999

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Total</u>
ASSETS				
Restricted assets				
Current assets				
Cash and cash equivalents	\$ 61,324,611	\$ 67,967,281	\$ 68,616,690	\$ 197,908,582
Loans receivable	5,386,986	4,116,033	1,556,790	11,059,809
Interest receivable				
Loans	1,087,447	1,507,313	925,054	3,519,814
Deposits and investments	218,409	934,642	245,507	1,398,558
Long-term assets and other				
Investments	--	12,223,859	64,130	12,287,989
Loans receivable, net of unamortized discounts	143,464,608	159,446,685	85,722,103	388,633,396
Unamortized bond issuance costs	<u>1,124,813</u>	<u>250,749</u>	<u>671,119</u>	<u>2,046,681</u>
TOTAL ASSETS	<u>\$ 212,606,874</u>	<u>\$ 246,446,562</u>	<u>\$ 157,801,393</u>	<u>\$ 616,854,829</u>
LIABILITIES AND RETAINED EARNINGS				
Liabilities payable from restricted assets				
Current liabilities				
Bonds payable, net of unamortized premiums and discounts	\$ 5,589,750	\$ 15,235,804	\$ 7,410,554	\$ 28,236,108
Interest payable on bonds	2,794,875	7,727,835	3,417,995	13,940,705
Advance claims/mortgage escrows	1,966,355	--	--	1,966,355
Other liabilities	54,955	67,258	33,876	156,089
Long-term debt				
Bonds payable, net of unamortized premiums and discounts	<u>102,771,340</u>	<u>186,013,339</u>	<u>132,732,692</u>	<u>421,517,371</u>
TOTAL LIABILITIES	113,177,275	209,044,236	143,595,117	465,816,628
Retained earnings				
Reserved for debt service	96,220,349	31,314,126	10,226,976	137,761,451
Reserved - bond reserves	<u>3,209,250</u>	<u>6,088,200</u>	<u>3,979,300</u>	<u>13,276,750</u>
TOTAL RETAINED EARNINGS	<u>99,429,599</u>	<u>37,402,326</u>	<u>14,206,276</u>	<u>151,038,201</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 212,606,874</u>	<u>\$ 246,446,562</u>	<u>\$ 157,801,393</u>	<u>\$ 616,854,829</u>

ENTERPRISE FUND BALANCE SHEETS - MULTI-FAMILY FINANCE PROGRAMS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

June 30, 1999

	<u>1992 Series A & B</u>	<u>1983 Series A and 1985 Series B</u>	<u>1984 Series A</u>	<u>Total</u>
ASSETS				
Restricted assets				
Current assets				
Cash and cash equivalents	\$ 2,398,965	\$ 439,444	\$ 222,499	\$ 3,060,908
Accounts receivable	--	314,315	--	314,315
Loans receivable	158,801	--	--	158,801
Interest receivable				
Loans	218,830	--	--	218,830
Deposits and investments	11,909	--	--	11,909
Long-term assets and other				
Investments	231,619	--	--	231,619
Loans receivable, net of unamortized discounts	21,723,393	--	--	21,723,393
Unamortized bond issuance costs	<u>252,688</u>	<u>--</u>	<u>--</u>	<u>252,688</u>
 TOTAL ASSETS	 <u>\$ 24,996,205</u>	 <u>\$ 753,759</u>	 <u>\$ 222,499</u>	 <u>\$25,972,463</u>
 LIABILITIES AND RETAINED EARNINGS				
Liabilities payable from restricted assets				
Current liabilities				
Bonds payable, net of unamortized premiums and discounts	\$ 305,000	\$ --	\$ --	\$ 305,000
Interest payable on bonds	157,196	--	--	157,196
Advance claims/mortgage escrows	820,256	519,182	222,499	1,561,937
Long-term debt				
Bonds payable, net of unamortized premiums and discounts	<u>17,472,888</u>	<u>--</u>	<u>--</u>	<u>17,472,888</u>
 TOTAL LIABILITIES	 18,755,340	 519,182	 222,499	 19,497,021
 Retained earnings				
Reserved for debt service	6,009,246	234,577	--	6,243,823
Reserved - bond reserves	<u>231,619</u>	<u>--</u>	<u>--</u>	<u>231,619</u>
 TOTAL RETAINED EARNINGS	 <u>6,240,865</u>	 <u>234,577</u>	 <u>--</u>	 <u>6,475,442</u>
 TOTAL LIABILITIES AND RETAINED EARNINGS	 <u>\$ 24,996,205</u>	 <u>\$ 753,759</u>	 <u>\$ 222,499</u>	 <u>\$25,972,463</u>

ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - GENERAL OPERATING

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	<u>Other Program Funds</u>	<u>Federal Funds</u>	<u>Total</u>
Operating revenues			
Administrative fees	\$ 1,367,793	\$ 1,921,937	\$ 3,289,730
Total operating revenues			
Operating expenses			
General and administrative	3,676,708	1,809,570	5,486,278
Depreciation of furniture and equipment	98,572	2,079	100,651
Write-off of furniture and equipment	<u>23,425</u>	<u>--</u>	<u>23,425</u>
Total operating expenses	<u>3,798,705</u>	<u>1,811,649</u>	<u>5,610,354</u>
OPERATING INCOME (LOSS)	(2,430,912)	110,288	(2,320,624)
Nonoperating revenues			
(expenses)			
HUD housing assistance contributions earned	--	23,776,007	23,776,007
Housing assistance payments	<u>--</u>	<u>(21,397,183)</u>	<u>(21,397,183)</u>
Total nonoperating revenues (expenses) - net	<u>--</u>	<u>2,378,824</u>	<u>2,378,824</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(2,430,912)	2,489,112	58,200
Operating transfers			
Transfers from other programs	2,795,000	155,406	2,950,406
Transfers to other programs	<u>(64,908)</u>	<u>(2,378,824)</u>	<u>(2,443,732)</u>
Total operating transfers	<u>2,730,092</u>	<u>(2,223,418)</u>	<u>506,674</u>
NET INCOME (LOSS)	299,180	265,694	564,874
Retained earnings at beginning of year	<u>841,696</u>	<u>723,731</u>	<u>1,565,427</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 1,140,876</u>	<u>\$ 989,425</u>	<u>\$ 2,130,301</u>

ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - SINGLE FAMILY FINANCE PROGRAMS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30, 1999

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Total</u>
Operating revenues				
Interest on loans	\$10,014,961	\$ 14,658,320	\$ 5,897,566	\$ 30,570,847
Investment income	3,466,728	3,424,100	3,378,854	10,269,682
Bond premium amortization	3,533	--	--	3,533
Other	<u> --</u>	<u> 100,309</u>	<u> --</u>	<u> 100,309</u>
 Total operating revenues	 13,485,222	 18,182,729	 9,276,420	 40,944,371
Operating expenses				
Bond interest	6,578,529	15,689,661	7,734,186	30,002,376
Program	368,114	219,297	105,704	693,115
Bond issuance cost amortization	26,450	21,464	127,669	175,583
Other	<u> 20,144</u>	<u> 17,631</u>	<u> 17,641</u>	<u> 55,416</u>
 Total operating expenses	 <u>6,993,237</u>	 <u>15,948,053</u>	 <u>7,985,200</u>	 <u>30,926,490</u>
 OPERATING INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	 6,491,985	 2,234,676	 1,291,220	 10,017,881
Transfers among programs	(131,357)	(836,250)	967,607	--
Transfers from other programs	--	--	4,125,913	4,125,913
Transfers to other programs	<u> --</u>	<u> (2,795,000)</u>	<u> --</u>	<u> (2,795,000)</u>
 INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	 6,360,628	 (1,396,574)	 6,384,740	 11,348,794
Extraordinary loss on early extinguishment of debt	<u> (557,126)</u>	<u> (63,083)</u>	<u> (100,570)</u>	<u> (720,779)</u>
 NET INCOME	 5,803,502	 (1,459,657)	 6,284,170	 10,628,015
Retained earnings at beginning of year	<u>93,626,097</u>	<u>38,861,983</u>	<u>7,922,106</u>	<u>140,410,186</u>
 RETAINED EARNINGS AT END OF YEAR	 <u>\$99,429,599</u>	 <u>\$37,402,326</u>	 <u>\$ 14,206,276</u>	 <u>\$151,038,201</u>

ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS – MULTI-FAMILY FINANCE PROGRAMS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30, 1999

	1992 Series A&B	1983 Series A and 1985 Series B	1984 Series A	Total
Operating revenues				
Interest on loans	\$ 2,630,356	\$ --	\$ --	\$2,630,356
Investment income	105,922	10,450	37,253	153,625
Other	--	3,588	--	3,588
Total operating revenues	2,736,278	14,038	37,253	2,787,569
Operating expenses				
Bond interest	1,255,741	--	--	1,255,741
Program	478,438	--	--	478,438
Bond issuance cost amortization	16,417	--	--	16,417
Total operating expenses	1,750,596	--	--	1,750,596
OPERATING INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	985,682	14,038	37,253	1,036,973
Transfers to other programs	(1,262,399)	(16,453)	(4,886,925)	(6,165,777)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(276,717)	(2,415)	(4,849,672)	(5,128,804)
Extraordinary loss on early extinguishment of debt	--	--	(26,764)	(26,764)
NET INCOME (LOSS)	(276,717)	(2,415)	(4,876,436)	(5,155,568)
Retained earnings at beginning of year	6,517,582	236,992	4,876,436	11,631,010
RETAINED EARNINGS AT END OF YEAR	\$ 6,240,865	\$ 234,577	\$ --	\$6,475,442

ENTERPRISE FUND STATEMENTS OF CASH FLOWS - GENERAL OPERATING

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	<u>Other Program Funds</u>	<u>Federal Funds</u>	<u>Total</u>
Cash flows from operating activities			
Operating income (loss)	\$ (2,430,912)	\$ 110,288	\$(2,320,624)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and write-off of furniture and equipment	121,997	2,079	124,076
Change in assets and liabilities			
(Increase) decrease in accounts receivable	--	802,711	802,711
Increase (decrease) in accounts payable and accrued expenses	<u>75,358</u>	<u>410,614</u>	<u>485,972</u>
Total adjustments	<u>197,355</u>	<u>1,215,404</u>	<u>1,412,759</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,233,557)</u>	<u>1,325,692</u>	<u>(907,865)</u>
Cash flows from capital and related financing activities			
Purchase of property and equipment assets	<u>(64,102)</u>	--	<u>(64,102)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(64,102)</u>	--	<u>(64,102)</u>
Cash flows from noncapital financing activities			
Transfers from other programs	2,795,000	155,406	2,950,406
Transfers to other programs	(64,908)	(2,378,824)	(2,443,732)
Receipts from HUD	--	23,776,007	23,776,007
Housing assistance payments	<u>--</u>	<u>(21,397,183)</u>	<u>(21,397,183)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,730,092</u>	<u>155,406</u>	<u>2,885,498</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	432,433	1,481,098	1,913,531
Cash and cash equivalents at beginning of year	<u>575,410</u>	<u>(197,426)</u>	<u>377,984</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,007,843</u>	<u>\$1,283,672</u>	<u>\$2,291,515</u>

ENTERPRISE FUND STATEMENTS OF CASH FLOWS - SINGLE FAMILY FINANCE PROGRAMS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	Single Family	Home- ownership	Mortgage Revenue	Total
Cash flows from operating activities				
Operating income	\$ 6,491,985	\$ 2,234,676	\$ 1,291,220	\$ 10,017,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Bond premium amortization	(3,533)	--	--	(3,533)
Bond issuance cost amortization	26,450	21,464	127,669	175,583
Bond interest expense - reclassified to noncapital financing activities	6,578,529	15,689,661	7,734,186	30,002,376
Loan discount amortization	(353)	(137,428)	(1,354)	(139,135)
Investment income reclassified to investing activities	(3,466,728)	(3,424,100)	(3,378,854)	(10,269,682)
Receipt of loan principal payments	21,346,982	36,626,211	8,261,414	66,234,607
Purchase/origination of new loans	(16,047,130)	--	(15,540,655)	(31,587,785)
Change in assets and liabilities				
(Increase) decrease in interest receivable-loans	57,259	336,837	(59,633)	334,463
(Increase) decrease in investments	(669,559)	--	--	(669,559)
Increase (decrease) in advance claims/mortgage escrows	(539,404)	--	--	(539,404)
Increase (decrease) in other liabilities	(4,276)	(8,592)	5,124	(7,744)
Total adjustments	<u>7,278,237</u>	<u>49,104,053</u>	<u>(2,852,103)</u>	<u>53,530,187</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,770,222	51,338,729	(1,560,883)	63,548,068
Cash flows from noncapital financing activities				
Proceeds from issuance of bonds	108,364,620	--	66,670,000	175,034,620
Interest payments on bonds	(7,811,697)	(15,801,089)	(7,920,664)	(31,533,450)
Principal payments on bonds	(117,335,000)	(7,225,000)	(53,515,000)	(178,075,000)
Payment of bond issuance costs	(1,151,262)	--	(550,099)	(1,701,361)
Transfers among programs	(131,357)	(836,250)	967,607	--
Transfers from other programs	--	--	4,125,913	4,125,913
Transfers to other programs	--	(2,795,000)	--	(2,795,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(18,064,696)	(26,657,339)	9,777,757	(34,944,278)
Cash flows from investing activities				
Proceeds from sale of investments	31,820,694	--	--	31,820,694
Investment income	<u>3,565,845</u>	<u>3,773,386</u>	<u>3,810,627</u>	<u>11,149,858</u>

ENTERPRISE FUND STATEMENTS OF CASH FLOWS - SINGLE FAMILY FINANCE PROGRAMS--
Continued

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	<u>Single Family</u>	<u>Home - ownership</u>	<u>Mortgage Revenue</u>	<u>Total</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 35,386,539	\$ 3,773,386	\$ 3,810,627	\$ 42,970,552
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,092,065	28,454,776	12,027,501	71,574,342
Cash and cash equivalents at beginning of year	<u>30,232,546</u>	<u>39,512,505</u>	<u>56,589,189</u>	<u>126,334,240</u>
CASH AT CASH EQUIVALENTS AT END OF YEAR	<u>\$ 61,324,611</u>	<u>\$ 67,967,281</u>	<u>\$ 68,616,690</u>	<u>\$ 197,908,582</u>

ENTERPRISE FUNDS STATEMENTS OF CASH FLOWS - MULTI-FAMILY FINANCE
PROGRAMS
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA
Year Ended June 30,1999

	1992 Series <u>A & B</u>	1983 Series A and <u>1985 Series B</u>	1984 <u>Series A</u>	<u>Total</u>
Cash flows from operating activities				
Operating income (loss)	\$ 985,682	\$ 14,038	\$ 37,253	\$1,036,973
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Bond issuance cost amortization	16,417	--	--	16,417
Bond interest expense reclassified to noncapital financing activities	1,255,741	--	--	1,255,741
Investment income reclassified to investing activities	(105,922)	(10,450)	(37,253)	(153,625)
Receipt of loan principal payments	1,011,235	--	--	1,011,235
Purchase/origination of new loan	(228,939)	--	--	(228,939)
Change in assets and liabilities				
(Increase) decrease in accounts receivable	--	2,217	--	2,217
(Increase) decrease in interest receivable - loans	1,408	--	--	1,408
Increase (decrease) in advance claims and mortgage escrows	(40,928)	31,768	(70,244)	(79,404)
Increase (decrease) in other liabilities	--	--	(7,371)	(7,371)
Total adjustments	<u>1,909,012</u>	<u>23,535</u>	<u>(114,868)</u>	<u>1,817,679</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,894,694	37,573	(77,615)	2,854,652
Cash flows from noncapital financing activities				
Interest payment on bonds	(1,242,776)	--	(47,275)	(1,290,051)
Principal payment on bonds	(285,000)	--	(1,220,000)	(1,505,000)
Transfers to other programs	<u>(1,262,399)</u>	<u>(16,453)</u>	<u>(4,139,903)</u>	<u>(5,418,755)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(2,790,175)	(16,453)	(5,407,178)	(8,213,806)
Cash flows from investing activities				
Investment income	<u>101,772</u>	<u>10,648</u>	<u>72,492</u>	<u>184,912</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>101,772</u>	<u>10,648</u>	<u>72,492</u>	<u>184,912</u>

ENTERPRISE FUNDS STATEMENTS OF CASH FLOWS - MULTI-FAMILY
FINANCE PROGRAMS--Continued

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

	<u>1992 Series A & B</u>	<u>1983 Series A and 1985 Series B</u>	<u>1984 Series A</u>	<u>Total</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 206,291	\$ 31,768	\$(5,412,301)	\$(5,174,242)
Cash and cash equivalents at beginning of year	<u>2,192,674</u>	<u>407,676</u>	<u>5,634,800</u>	<u>8,235,150</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$2,398,965</u>	<u>\$ 439,444</u>	<u>\$ 222,499</u>	<u>\$3,060,908</u>

SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER INFORMATION

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

<u>Major Federal Grantor/Program Title</u>	<u>CFDA Number</u>
HUD/Lower Income Housing Assistance Program - Section 8 New Construction/Substantial Rehabilitation	14.182
HUD/Section 8 Rental Certificate Program	14.857
HUD/Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856
HUD/Section 8 Rental Voucher Program	14.855
HUD/HOME Investment Partnerships Program	14.239
TOTAL	

(1) Receipts include amounts accrued at June 30,1999.

(2) Disbursements include amounts reported as due to grantor at June 30,1999.

(3) A reconciliation of total disbursements to the statement of revenues, expenses, and changes in retained earnings follows:

HUD housing assistance contributions disbursed	\$ 21,397,183
Loan disbursements	2,378,824
General and administrative expenses	1,809,569
Depreciation and loss on disposal of fixed assets	<u>2,079</u>
Total disbursements	<u>\$ 25,587,655</u>

Due from (to) Grantor at <u>June 30, 1998</u>	<u>Receipts (1)</u>	<u>Disbursements (2)</u>	(3) <u>Administrative Fee Earned (Owed) but not Disbursed</u>	Due From (to) Grantor at <u>June 30,1999</u>
\$ (122,353)	\$7,348,617	\$ 7,500,579	\$ 54,037	\$ (83,646)
1,275,774	10,233,458	9,298,198	(89,068)	(251,446)
(51,887)	1,029,167	1,020,291	15,012	45,751
(3,665)	888,188	855,909	27,092	8,852
<u>25,508</u>	<u>7,391,613</u>	<u>6,912,678</u>	<u>9,458</u>	<u>443,969</u>
<u>\$ 1,123,377</u>	<u>\$26,891,043</u>	<u>\$ 25,587,655</u>	<u>\$ 16,531</u>	<u>\$ 163,480</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER
INFORMATION

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

June 30,1999

1. Description

South Carolina State Housing Finance and Development Authority, State of South Carolina has adopted the U.S. Office Of Management and Budget Circular A133, Audits of States, Local Governments and Non-Profit Organizations to fulfill the financial and compliance audit requirements of federal grantor agencies. For purposes of implementing OMB Circular A133, federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Policies

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by South Carolina State Housing Finance and Development Authority, State of South Carolina during its fiscal year July 1, 1998 through June 30,1999. Revenue from these governmental sponsored programs are recognized as the respective program funds are expended.

AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the South Carolina State Housing Finance and Development Authority, State of South Carolina (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30,1999. The Authority's major federal programs are identified on the Schedule of Expenditures of Federal awards in the preceding section. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30,1999.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority and its federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 17, 1999

AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the South Carolina State Housing Finance and Development Authority, State of South Carolina (the Authority) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority and its federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 17, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA
Year Ended June 30,1999

SECTION 1 – SUMMARY OF THE AUDITOR’S RESULTS

Financial Statements

1. Type of auditor’s report issued: Unqualified Opinion
2. Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no
 Reportable condition(s) identified
 not considered to be material weaknesses? _____yes X none reported
3. Noncompliance material to the financial
 Statements noted? _____yes X no

Federal Awards

4. Internal control over major programs:
 Material weakness(es) identified? _____yes X no
 Reportable condition(s) identified
 not considered to be material weaknesses? _____yes X none reported
5. Type of auditor’s report issued on
 compliance for major programs: Unqualified opinion
6. Any audit findings disclosed that are
 required to be reported in accordance
 with Circular A-133, Section .510(a)? _____yes X no
7. Identification of major programs:

CFDA Number(s)	Name of Federal Program
14.182	HUD/Lower Income Housing Assistance Program- Section 8
14.857	New Construction/Substantial Rehabilitation HUD/Section 8 Rental Certificate Program
14.856	HUD/Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation
14.855	HUD/Section 8 Rental Voucher Program
14.239	HUD/Home Investments Partnerships Program

8. Dollar threshold used to distinguished
 between Type A and Type B programs: \$300,000
9. Auditee qualified as low-risk auditee? X yes _____no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--CONTINUED

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,
STATE OF SOUTH CAROLINA

Year Ended June 30,1999

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FINDINGS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATE OF SOUTH CAROLINA

Year Ended June 30,1999

1. HUD-Section 8 Programs—Application and Eligibility Compliance

For subsidized tenants, the Authority is responsible for accepting applications, determining initial tenant eligibility, and rectifying improper or inaccurate tenant information in accordance with the guidelines provided in HUD Handbook 4350.3 and the applicable Housing Assistance Payments Contract. HUD requires as part of these procedures that the Authority should document verification of the tenants' social security numbers.

We noted and reported in our report for the year ended June 30, 1998 that the Authority did not document verification of tenants' social security numbers.

Action Taken: The Authority has altered their application to include a place for the housing program coordinator to initial that they have verified the social security numbers of household members as reported on the application agreement with the social security cards.