

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

**COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2000**



**ROGERS & LABAN, PA**

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

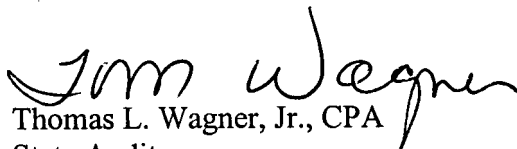
October 31, 2000

The Honorable James H. 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, 2000, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2000**

<b>INDEPENDENT AUDITOR'S REPORT</b>	Page 1
<b>FINANCIAL STATEMENTS:</b>	
Combined balance sheet – all fund types	2 and 3
Statement of revenues, expenditures, and changes in fund balance – governmental fund type	4
Combined statement of revenues, expenses, and changes in retained earnings – proprietary fund type	5
Combined statement of cash flows – proprietary fund type	6 – 7
Notes to financial statements	8 – 35
<b>SUPPLEMENTARY INFORMATION:</b>	
Enterprise Fund balance sheets – General Operating	36
Enterprise Fund balance sheets – Single Family Finance Programs	37
Enterprise Fund balance sheets – Multi-family Finance Programs	38
Enterprise Fund statements of revenues, expenses, and changes in retained earnings – General Operating	39
Enterprise Fund statements of revenues, expenses, and changes in retained earnings – Single Family Finance Programs	40
Enterprise Fund statements of revenues, expenses, and changes in retained earnings – Multi-family Finance Programs	41
Enterprise Fund statements of cash flows – General Operating	42
Enterprise Fund statements of cash flows – Single Family Finance Programs	43 and 44
Enterprise Fund statements of cash flows – Multi-family Finance Programs	45 and 46
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	47
<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u></b>	48
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	49 and 50
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	51 and 52
<b>MANAGEMENT'S RESPONSE</b>	APPENDIX A



# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the South Carolina State Housing Finance and Development Authority (the Authority) as of and for the year ended June 30, 2000, 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 1 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. They are not intended to present fairly the financial position and results of operations of the State of South Carolina and/or its other agencies, institutions, departments or funds in conformity with generally accepted accounting principles.

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, 2000, 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 29, 2000 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. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

Our audit was performed 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 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 supplementary information presented on pages 36 - 46 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.

September 29, 2000





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

**COMBINED BALANCE SHEET - ALL FUND TYPES**

**JUNE 30, 2000**

	<u>Governmental Fund Type Special Revenue</u>	<u>Proprietary Fund Type Enterprise</u>	<u>Total (Memorandum Only)</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 14,343,870	\$ 6,121,065	\$ 20,464,935
Accounts receivable:			
Due from grantor		4,084,625	4,084,625
Other		177,687	177,687
Loans receivable	137,508	94,881	232,389
Interest receivable:			
Loans	104,177	42,893	147,070
Deposits and investments		832	832
Due from South Carolina Department of Revenue	694,685		694,685
Long-term assets:			
Investments		675,219	675,219
Loans receivable	5,802,189	16,491,693	22,293,882
Restricted assets:			
Current assets			
Cash and cash equivalents		218,702,975	218,702,975
Accounts receivable		319,165	319,165
Loans receivable, net of unamortized discounts		10,732,479	10,732,479
Interest receivable:			
Loans		3,858,635	3,858,635
Deposits and investments		1,609,845	1,609,845
Long-term assets:			
Investments		3,935,709	3,935,709
Loans receivable, net of unamortized discounts		479,204,943	479,204,943
Other assets:			
Unamortized bond issuance costs		4,638,109	4,638,109
Property and equipment:			
Furniture and equipment		1,309,738	1,309,738
Less, accumulated depreciation		<u>(432,120)</u>	<u>(432,120)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 21,082,429</u></u>	<u><u>\$ 751,568,373</u></u>	<u><u>\$ 772,650,802</u></u>

**See accompanying Notes to Financial Statements.**

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

**COMBINED BALANCE SHEET - ALL FUND TYPES (CONTINUED)**  
**JUNE 30, 2000**

	<u>Governmental Fund Type Special Revenue</u>	<u>Proprietary Fund Type Enterprise</u>	<u>Total (Memorandum Only)</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$	\$ 1,252,330	\$ 1,252,330
Due to grantor		4,373,531	4,373,531
Mortgage escrows	2,703	1,822	4,525
Liabilities payable from restricted assets:			
Current liabilities:			
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings		7,004,820	7,004,820
Interest payable on bonds		13,614,790	13,614,790
Mortgage escrows		4,230,332	4,230,332
Other		129,821	129,821
Long-term debt:			
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings		535,434,466	535,434,466
<b>TOTAL LIABILITIES</b>	<u>2,703</u>	<u>566,041,912</u>	<u>566,044,615</u>
Fund equity:			
Retained earnings:			
Reserved for debt service		143,810,826	143,810,826
Reserved for bond reserves		14,138,696	14,138,696
Unreserved		27,576,939	27,576,939
Fund balance:			
Reserved for long-term loans receivable	5,802,189		5,802,189
Unreserved	15,277,537		15,277,537
<b>TOTAL FUND EQUITY</b>	<u>21,079,726</u>	<u>185,526,461</u>	<u>206,606,187</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 21,082,429</u></u>	<u><u>\$ 751,568,373</u></u>	<u><u>\$ 772,650,802</u></u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**GOVERNMENTAL FUND TYPE**  
**YEAR ENDED JUNE 30, 2000**

	<u>Special Revenue</u>
Revenues:	
Interest on loans	\$ 141,793
Investment income	798,577
Documentary stamp fees	<u>6,567,369</u>
<b>TOTAL REVENUES</b>	<b>7,507,739</b>
Expenditures:	
Grant disbursements for Housing Trust Program	<u>4,503,623</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,004,116</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>18,075,610</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 21,079,726</u></u>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-**  
**PROPRIETARY FUND TYPE**  
**YEAR ENDED JUNE 30, 2000**

	Enterprise Fund
Operating revenues:	
Interest on loans	\$ 33,488,138
Investment income	11,740,067
Bond premium amortization	38,511
Administrative fees and other	3,766,519
<b>TOTAL OPERATING REVENUES</b>	<b>49,033,235</b>
Operating expenses:	
Bond interest	31,147,235
Program	2,157,686
General and administrative	6,472,100
Bond issuance cost amortization	142,352
Depreciation of property and equipment	101,337
Write-off of property and equipment	55,501
Other	1,047,657
<b>TOTAL OPERATING EXPENSES</b>	<b>41,123,868</b>
<b>OPERATING INCOME</b>	<b>7,909,367</b>
Non-operating revenues (expenses):	
HUD housing assistance contributions earned	25,062,390
Housing assistance payments	(24,160,054)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES) - NET</b>	<b>902,336</b>
<b>INCOME BEFORE EXTRAORDINARY ITEM</b>	<b>8,811,703</b>
Extraordinary item:	
Loss on early extinguishment of debt	(470,116)
<b>NET INCOME</b>	<b>8,341,587</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>177,184,874</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 185,526,461</b>

See accompanying Notes to Financial Statements

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE**  
**YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Operating income	\$ 7,909,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Bond premium amortization	(38,511)
Depreciation and write-off of furniture and equipment	156,838
Bond issuance cost amortization	142,352
Loan discount amortization reported in interest on loans revenue	(63,210)
Write-off of loan receivable	3,293
Bond interest expense - reclassified to non-capital financing	31,147,235
Investment income - reclassified to investing activities	(11,740,067)
Changes in assets and liabilities:	
(Increase) decrease in interest receivable on loans	(121,820)
(Increase) decrease in accounts receivable	(80,688)
Increase (decrease) in mortgage escrows	703,862
Increase (decrease) in accounts payable and accrued expenses	235,227
Increase (decrease) in other liabilities	(26,268)
Receipt of loan principal payments	56,445,983
Purchase/origination of new loans	(127,432,416)
Total adjustments	(50,668,190)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(42,758,823)</u>
Cash flows from capital and related financing activities:	
Purchase of property and equipment	(342,742)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(342,742)</u>

See accompanying Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE - CONTINUED  
YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Fund</u>
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	\$ 261,304,206
Interest payments on bonds	(32,263,346)
Interim interest collected at bond closing	866,576
Principal payment on bonds	(184,885,000)
Payment of bond issuance costs	(2,629,609)
Premiums paid on bonds refunded with proceeds from issuance of bonds	(2,027,950)
Transfers from other programs	6,127,266
Transfers to other programs	(6,127,266)
Receipts from HUD	25,514,776
Housing assistance payments	(24,160,054)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING</b>	<u><b>41,719,599</b></u>
Cash flows from investing activities:	
Proceeds from sales of and maturities of investments	8,618,812
Interest received on deposits and investments	<u>11,541,037</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u><b>20,159,849</b></u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>18,777,883</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>206,046,157</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>\$ 224,824,040</b></u></u>

**SUPPLEMENTAL INFORMATION**

**OPERATING ACTIVITIES INFORMATION**

- a. Included in operating income is \$33,303,108 of interest collected on loans receivable.

**NONCASH CAPITAL AND RELATED FINANCING INFORMATION**

- a. Furniture and equipment with a cost of \$102,952 and accumulated depreciation of \$47,451 were written off as deletions during the year.
- b. Bond discount of \$40,794 was deducted from the \$261,345,000 face amounts of bonds issued.

**NONCASH INVESTING INFORMATION**

- a. Increase (decrease) in fair value of investments for the year ended June 30, 2000 and included in these financial statements in "investment income" follows:

Single family programs	\$ 1,675,080
Program funds	\$ (34,914)

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

- a. Interest payments on bonds do not include \$161,064 amortization of bond discounts and \$72,513 of amortization of deferred losses on refundings of debt that was reported as operating expense-bond interest.
- b. Unamortized bond discounts of \$465,519 and unamortized bond issuance costs of \$4,597 were written off as an extraordinary loss. See Note 4.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**NOTE 1. 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:

**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.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Authority (a primary entity). The Authority has determined it has not component units.

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

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

**Primary Entity**

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.

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 policies 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).

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

**Primary Entity (Continued)**

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 the Authority. The Board Administrators, has jurisdiction over, and is responsible for the management of the Authority.

The accompanying financial statements present the financial position, results of operations, and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Authority.

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.

**Fund Accounting**

Fund Accounting 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 in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been recorded and reported by fund type.

Transfers between enterprise funds have been eliminated on the combined financial statements of revenues, expenses, and changes in retained earnings.

The Authority's funds are classified into two categories - governmental and proprietary. Each category is divided into fund types.



NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

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

**Governmental Funds**

Governmental funds finance the Authority's governmental functions including the disbursement of restricted monies. The Authority's governmental fund type 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 Funds**

The proprietary funds are 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 type 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 category 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

**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, 2000 was \$20,334,766.

**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.

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.

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

**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.

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.

**Totals (Memorandum Only) Columns**

Amounts in the totals (memorandum only) columns of the reporting entity financial statements present an aggregation of financial statements line-items to facilitate financial analysis. Such amounts are not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Bond Discounts, Premiums, Deferred Losses on Refundings of Debt, Issuance Costs, and Amortization**

Bond discounts and premiums are amortized over the terms of the bonds using the bonds outstanding method. Costs incurred in connection with the bond issues are deferred and amortized on the straight-line method over the lives of the related issues. The deferred losses on refundings of debt include the call premiums and the unamortized premiums or discounts and issuance costs attributable to the bonds refunded and are amortized over the lives of the refunded issues or the new issues whichever is shorter, using the bonds outstanding method. Amortization of bond discounts and the deferred losses on refundings of debt is included in operating expenses as an addition to interest expense. Amortization of bond premium is included in operating revenues as a separate line item amount. Amortization of bond issuance costs is included in operating expenses as a separate line item amount.

**Property and Equipment**

Under the Authority's policy, all furniture and equipment with a cost of more than \$1,000 and a useful life of more than one year is capitalized. Depreciation is calculated using the straight-line method over a useful life of ten years.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

**Federally Assisted Program Advances and Fees (Continued)**

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.

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 under the Single Family Finance Programs and the Multi-family Finance Programs should they occur. Loans determined to be uncollectible and unrecoverable from mortgage insurance carriers are charged off against the special insurance reserve fund. Loans made under the Program Fund and from the Housing Trust Fund are not insured. No losses have occurred to date and the Authority consider the mortgage property provides adequate collateral against any potential losses.

**Cash and Cash Equivalents**

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

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 at the time of acquisition to be cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

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

**Cash and Cash Equivalents (Continued)**

Most State agencies including the Authority participate in the State's internal cash management pool. Because the 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 cash management 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.

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 Authority 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 held 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. Interest earnings are allocated based on the percentage of the Authority's accumulated daily interest income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, unrealized gains/losses arising from changes in fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the Authority's percentage ownership in the pool.

For credit risk information pertaining to the State's internal cash management pool, see the deposits disclosures in Note 2.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less at the time of acquisition.

For the Authority's funds not held by the State Treasurer, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

**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/losses on investments, and unrealized changes in fair value of the investments.

**Mortgage Escrows**

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

# **SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2000**

### **NOTE 1. 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 payment at termination. The Authority calculates the compensated absences liability based on recorded balances of unused leave, for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments and is reported in accounts payable and accrued expenses in the general operating fund. The net change in the liability is reported in the current year in the general and administrative expenses in the general operating enterprise fund.

#### **Rebatable Arbitrage**

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than \$5 million in total of all such debt in a calendar year and if they meet specified targets for expenses of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage 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. A reserve fund is established to liquidate the liability when determined. The Authority incurred and paid \$819,674 in arbitrage expense for the year ended June 30, 2000. The \$819,674 paid for the year ended June 30, 2000 is recorded in operating expenses in the Enterprise Fund under other expenses.

#### **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.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2000**

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

**Budget Policy (Continued)**

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 of assets, liabilities, revenues and expenses and affect disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2. 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 and/or invested with or managed by financial institutions with the approval of the State Treasurer's Office.

The Authority classifies deposits and investments as either deposits held by State Treasurer, investments held by State Treasurer, other deposits and other investments. The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

<u>Balance Sheet</u>		<u>Footnotes</u>	
Unrestricted current assets –		<b><u>Deposits:</u></b>	
cash and cash equivalents:		Deposits held by State	
Special revenue fund	\$ 14,343,870	Treasurer	\$ 20,959,198
Enterprise fund	6,121,065	Other deposits	<u>11,921,426</u>
Unrestricted assets - investments:			
Enterprise fund	675,219		
Restricted assets - cash and		Total deposits	<u>32,880,624</u>
cash equivalents:			
Enterprise fund	218,702,975	<b><u>Investments:</u></b>	
Restricted assets - investments:		Investments held by State	
Enterprise fund	<u>3,935,709</u>	Treasurer	675,219
		Other investments	<u>210,222,995</u>
		Total investments	<u>210,898,214</u>
Totals	<u>\$243,778,838</u>	Totals	<u>\$243,778,838</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 2. DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Deposits Held by State Treasurer**

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

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are 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.

**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 an entity 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 by 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>Bank Balance</u>	<u>Reported Amount</u>
Category 1	\$ 3,974,523	\$ 3,974,523
Category 3	<u>7,946,903</u>	<u>7,946,903</u>
Total other deposits	<u>\$11,921,426</u>	<u>\$11,921,426</u>

The highest balance during the year ended June 30, 2000 in Category 3 was approximately \$7,947,000.

**Investments Held by State Treasurer**

The amounts classified as "Investments Held by State Treasurer" in the financial statements totaled \$675,219 and are comprised of investments held for the Authority and the State of South Carolina which are legally restricted and earnings thereon become revenue of the specific fund from which the investment was made.

Legally authorized investments vary by fund, but generally they include obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, certain rated obligations of corporations within the United States, and collateralized repurchase agreements.



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 2. DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Investments Held by State Treasurer (Continued)**

"Investments Held by State Treasurer" are stated at fair value. Purchases and sales are accounted for on the trade date. Interest earnings are allocated based on the percentage of the Department's accumulated daily income receivable to the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-ended based on the Department's percentage ownership in the pool.

All of the State Treasurer's investments are fully insured or registered or are investments for which the securities are held by the State or its agent in the State's name (Risk Category 1 as defined below). Information pertaining to the reported amounts, fair values, and credit risk of State Treasurer investments as of the balance sheet date is disclosed for each type investment in the Comprehensive Annual Financial Report of the State of South Carolina for the year ended June 30, 2000. However, information pertaining to the credit risk for investments of an individual agency, department, or institution is not available.

The securities held by the State Treasurer for the Authority at June 30, 2000 follows:

	Fair Value
U.S. Treasury Bond	<u>\$ 675,219</u>

This is the only type of security held by the State Treasurer during the year.

**Other Investments**

The Authority has investments in repurchase agreements collateralized by U.S. Government securities and in U.S. Treasury obligations. These investments are generally of the same type as authorized for the State of South Carolina.

All of the "Other Investments" are stated at fair value. Purchases and sales are accounted for on the trade date. Unrealized gains/losses on investments have been recorded as investment income. Realized gains/losses on securities transactions are recorded on the accrual basis 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

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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 2. DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Other Investments (Continued)**

A summary of these investments at June 30, 2000 follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements, collateralized by by U.S. Government securities	\$206,518,905	\$206,518,905
U.S. Treasury obligations	<u>3,704,090</u>	<u>3,704,090</u>
Totals	<u>\$210,222,995</u>	<u>\$210,222,995</u>

**Restricted Deposits and Investments**

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, 2000 are as follows:

	<u>Reserve Requirements</u>	<u>Actual Funding</u>	<u>Over (Short)</u>
Single Family Mortgage Revenue Reserve Funds – 1998	\$ 3,209,250	\$ 3,209,250	\$ 0
Home Ownership Reserve Funds			
Bond Reserve	874,350	1,166,800	292,450
Special Insurance Reserve			
H01987A, H01988A, H01988C, H01988C2 and H01989A, H01990AB, H01990C, H01991A, H01991B, H01994A	<u>283,326</u>	<u>1,199,241</u>	<u>915,915</u>
Total Home Ownership	1,157,676	2,366,041	1,208,365
Mortgage Revenue Bond Reserve Funds	8,090,950	8,331,786	240,836
Multi-family 1992A & B Mortgage Reserve Funds	<u>231,619</u>	<u>231,619</u>	<u>0</u>
Totals	<u>\$ 12,689,495</u>	<u>\$ 14,138,696</u>	<u>\$ 1,449,201</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 3. LOANS RECEIVABLE:**

Loans receivable, net of unamortized discounts, consist of the following:

**Special Revenue Fund:**

Housing Trust Fund notes maturing on various dates from 2009 – 2031 plus interest ranging from 1% - 5.5% per annum payable in monthly installments of principal and interest	<u>\$ 5,939,697</u>
--	---------------------

**Enterprise Fund:**

Single Family notes maturing on various dates from 2003 2031 plus interest ranging from 4% - 12.25% per annum; payable in monthly installments of principal and interest	\$468,247,348
--	---------------

Less, unamortized discounts	<u>(33,319)</u>
	468,214,029

Multi-family notes maturing on various dates from 2022 - 2025 plus interest at 12.00% per annum; payable in monthly installments of principal and interest	21,723,393
--	------------

Program fund notes maturing on various dates from 2001 - 2031 plus interest ranging from 0.00% - 8.00% per annum; payable in monthly installments of principal and interest, where applicable	<u>16,586,574</u>
---	-------------------

Total enterprise fund	<u>\$506,523,996</u>
-----------------------	----------------------

Discounts earned and included in interest on loans amounted to \$63,210 for the Single Family Finance Programs.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2000**

**NOTE 4. BONDS PAYABLE:**

At June 30, 2000, bonds payable, including unamortized premiums and net of unamortized discounts, consisted of the following:

	<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 - 2036	9/11/98	\$ 106,975,000	\$ 106,975,000
Plus, unamortized premium			<u>1,347,579</u>
			<u>8,322,579</u>
Home-ownership Mortgage Revenue Bonds			
1991A (7.15% to 7.4%) due 2007 - 2023	8/1/91	40,000,000	11,490,000
1994A (4.40% to 6.375%) due 1996 - 2016	5/1/94	25,000,000	<u>17,655,000</u>
			29,145,000
Less, unamortized discounts			<u>(243,948)</u>
			<u>28,901,052</u>
Mortgage Revenue Bonds			
1994A (4.65% to 6.75%) due 1997 - 2026	10/20/94	30,000,000	21,600,000
1995A (5% to 6.70%) due 1997 - 2027	3/1/95	25,000,000	19,755,000
1996A (4.40% to 6.35%) due 1998 - 2028	5/1/96	25,000,000	21,620,000
1997A (4.25% to 5.40%) due 1999 - 2029	6/1/97	30,000,000	29,680,000
1999A (3.90% to 5.40%) due 2002 - 2030	12/23/98	37,700,000	37,700,000
1999B (6.4%) due 2001 - 2023	11/1/99	139,910,000	139,910,000
2000A (7.25%) due 2003 - 2033	6/1/00	121,435,000	<u>121,435,000</u>
			391,700,000
Less: Unamortized discounts			(839,266)
Unamortized deferred losses on refundings of debt			<u>(3,132,803)</u>
			<u>387,727,931</u>
Multi-family Residential Revenue Bonds			
1992A (3.50% to 6.875%) due 1993 - 2024	5/21/92	19,625,000	17,705,000
Less, unamortized discounts			<u>(217,276)</u>
			<u>17,487,724</u>
Total bonds payable, including unamortized premiums and net of unamortized discounts and deferred losses on refundings of debt			<u>\$ 542,439,286</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 4. BONDS PAYABLE: (CONTINUED)**

Amounts including interest required to complete payment of the bond obligation as of June 30, 2000 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2001	\$ 7,545,000	\$ 30,296,729	\$ 37,841,729
2002	3,630,000	31,912,135	35,542,135
2003	6,790,000	31,656,329	38,446,329
2004	9,705,000	31,248,456	40,953,456
2005	10,220,000	30,713,474	40,933,474
Thereafter	<u>507,635,000</u>	<u>475,031,667</u>	<u>982,666,667</u>
 Total	 <u>\$545,525,000</u>	 <u>\$630,858,790</u>	 <u>\$1,176,383,790</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. The Authority redeemed \$43,500,000 during the fiscal year ended June 30, 2000. Also, the Authority elected to currently refund \$135,735,000 of bonds during the current fiscal year from the proceeds from the issuance of new bonds and additional funds of the Authority (see next page). Below is a listing of the Single Family Mortgage Revenue Bonds the Authority redeemed and/or refunded prior to their maturity during the fiscal year ended June 30, 2000:

	<u>Amounts Refunded</u>	<u>Total Redeemed/ Refunded</u>
Home-ownership Mortgage Revenue		
Series 1985B	\$ 510,000	\$ 510,000
Series 1987 A	4,320,000	4,320,000
Series 1988 A	11,715,000	11,715,000
Series 1988 B	26,050,000	26,050,000
Series 1988 C	30,000,000	30,000,000
Series 1989 A	15,615,000	15,615,000
Series 1990 A/B	17,575,000	31,005,000
Series 1990 C	29,950,000	43,940,000
Series 1991 A		5,780,000
Series 1994 A		<u>1,215,000</u>
	<u>135,735,000</u>	<u>170,150,000</u>
 Mortgage Revenue Bonds		
Series 1994 A1 and A2		3,890,000
Series 1995 A		2,360,000
Series 1996 A		2,745,000
Series 1997 A		<u>120,000</u>
		<u>9,115,000</u>
 Totals	 <u>\$ 135,735,000</u>	 <u>\$ 179,265,000</u>

Single Family Mortgage Revenue Bonds, redeemed at par, resulted in unamortized bond discounts of \$321,599 and bond issuance costs of \$148,517 being written off and reflected as a loss on early extinguishment of debt for the year ended June 30, 2000.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2000**

**NOTE 4. BONDS PAYABLE: (CONTINUED)**

The Authority issued the following Mortgage Revenue Bonds during the year ended June 30, 2000:

	<u>Series 1999B</u>	<u>Series 2000A</u>	<u>Total</u>
Face amount	\$139,910,000	\$121,435,000	\$261,345,000
Less, bond discount	<u>(40,794)</u>	<u>0</u>	<u>(40,794)</u>
Net bond proceeds	<u>\$139,869,206</u>	<u>\$121,435,000</u>	<u>\$261,304,206</u>

The uses of the bond proceeds are as follows

Refunding of bonds outstanding	\$ 66,528,325 <sup>(1)</sup>	\$ 38,586,000 <sup>(2)</sup>	\$105,114,325
Program purposes	<u>73,340,881</u>	<u>82,849,000</u>	<u>156,189,881</u>
Total	<u>\$139,869,206</u>	<u>\$121,435,000</u>	<u>\$261,304,206</u>

<sup>(1)</sup> These bond proceeds along with \$23,020,127 of additional funds of the Authority for a total of \$89,548,452 were used to refund \$87,700,000 of principal and pay \$577,102 of interest and \$1,271,350 of premiums on February 1, 2000.

<sup>(2)</sup> These bond proceeds along with \$12,063,126 additional funds of the Authority for a total of \$50,649,126 were used to refund \$48,035,000 of principal and pay \$1,857,526 of interest and \$756,000 of premium on July 1, 2000.

The Authority refunded the bonds to reduce its total debt service payments over the next 32 years by approximately \$7.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$15.8 million. The refundings were also made to extend the maturity dates of the bonds to allow the Authority to make additional loans.

The issuance cost incurred in connection with the Mortgage Revenue Bonds issued during the fiscal year ended June 30, 2000 are as follows:

Series 1999B	\$ 1,446,218
Series 2000A	<u>1,183,391</u>
Total	<u>\$ 2,629,609</u>

Amortization of bond discounts for the year ended June 30, 2000 that were included in bond interest expense in the enterprise fund follow:

Single Family Home-ownership Mortgage Revenue	\$ 93,423
Single Family Mortgage Revenue	52,805
Multi-family Residential Revenue	<u>14,836</u>
	<u>\$ 161,064</u>

Bond premiums amortized for the year ended June 30, 2000 and attributable to the Single Family Mortgage Revenue Bonds totaled \$38,511 and was reported as a single item revenue amount in the enterprise fund.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2000**

**NOTE 4. BONDS PAYABLE: (CONTINUED)**

Amortization of deferred losses on refundings of debt of \$72,513 for the year ended June 30, 2000 and attributable to the Mortgage Revenue Bonds (Single Family) was included in bond interest expense in the enterprise fund.

**NOTE 5. LEASES:**

At June 30, 2000, the Authority was obligated under various operating leases for office space and office equipment having noncancelable lease terms in excess of one year.

The lease of the Authority's office space commenced October, 1999 and expires in September, 2004 and is payable monthly. This lease contains one five-year renewal options at \$13.00 per square foot. The Authority is responsible for the 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.

Office equipment leases expire in various fiscal years from 2001 through 2003

Future minimum annual lease payments under non-cancelable operating leases with remaining terms in excess of one year follow:

2001	\$ 457,458
2002	498,485
2003	494,457
2004	484,675
2005	<u>131,427</u>
	<u>\$ 2,066,502</u>

The above schedule includes cumulative lease payments of \$492,300 that are to be paid on a lease for additional office space that was entered into August 1, 2000 and is to continue through July 31, 2004.

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

The Authority incurred \$370,513 rental expense under the aforementioned leases for the fiscal year ended June 30, 2000.

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 6. 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.

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 6. TRANSACTIONS WITH STATE ENTITIES: (CONTINUED)**

- 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.
- 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 2000 expenditures were not readily available.

**NOTE 7. FUND TRANSFERS:**

Fund transfers, which are allowable in accordance with the terms of the respective bond indentures made during the year ended June 30, 2000 follow:

- a. \$3,231,000 from the Single Family Finance Program to the General Operating fund to pay for operating expenses.
- b. \$245,757 from the Program Fund to the General Operating Fund for principal and interest on HOME loans.
- c. \$902,336 from the General Operating Fund to the Program Fund to purchase new loans.
- d. \$40,356 from the General Operating Fund to the Program Fund to pay for administrative fees.
- e. \$1,707,817 from the Multi-family Finance Program to the Program Fund for the purchase of new loans.

**NOTE 8. 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.



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 8. RISK MANAGEMENT: (CONTINUED)**

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 9. 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, 2000 is presented on the following pages.

**COMBINED BALANCE SHEETS -- ALL ENTERPRISE FUNDS**

	<u>General Operating</u>	<u>Single Family Finance Programs</u>	<u>Multi-family Finance Programs</u>	<u>Program</u>	<u>Totals</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,267,682	\$	\$	\$ 2,853,383	\$ 6,121,065
Accounts receivable:					
Due from grantor	4,084,625				4,084,625
Other				177,687	177,687
Loans receivable				94,881	94,881
Interest receivable:					
Loans				42,893	42,893
Deposits and investments				832	832
Long-term assets:					
Investments				675,219	675,219
Loans receivable				16,491,693	16,491,693
Restricted assets:					
Current assets:					
Cash and cash equivalents		216,552,487	2,150,488		218,702,975
Accounts receivable			319,165		319,165
Loans receivable, net of unamortized discounts		10,554,167	178,312		10,732,479
Interest receivable:					
Loans		3,641,392	217,243		3,858,635
Deposits and investments		1,586,681	23,164		1,609,845
Long-term assets:					
Investments		3,704,090	231,619		3,935,709
Loans receivable, net of unamortized discounts		457,659,862	21,545,081		479,204,943
Other assets:					
Unamortized bond issuance costs		4,401,573	236,536		4,638,109
Property and equipment:					
Furniture and equipment	1,309,738				1,309,738
Less, accumulated depreciation	(432,120)				(432,120)
<b>TOTAL ASSETS</b>	<u>\$ 8,229,925</u>	<u>\$ 698,100,252</u>	<u>\$ 24,901,608</u>	<u>\$ 20,336,588</u>	<u>\$ 751,568,373</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 9. SEGMENT INFORMATION: (CONTINUED)**

**COMBINED 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>Totals</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,252,330	\$	\$	\$	\$ 1,252,330
Due to grantor	4,373,531				4,373,531
Mortgage escrows				1,822	1,822
Liabilities payable from restricted assets:					
Current liabilities:					
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings		6,679,820	325,000		7,004,820
Interest payable on bonds		13,459,924	154,866		13,614,790
Mortgage escrows		2,744,089	1,486,243		4,230,332
Other liabilities		129,821			129,821
Long-term debt:					
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings		518,271,742	17,162,724		535,434,466
<b>TOTAL LIABILITIES</b>	<u>5,625,861</u>	<u>541,285,396</u>	<u>19,128,833</u>	<u>1,822</u>	<u>566,041,912</u>
Retained earnings:					
Reserved for debt service		138,506,206	5,304,620		143,810,826
Reserved for bond reserves		13,907,077	231,619		14,138,696
Unreserved	2,604,064	4,401,573	236,536	20,334,766	27,576,939
<b>TOTAL RETAINED EARNINGS</b>	<u>2,604,064</u>	<u>156,814,856</u>	<u>5,772,775</u>	<u>20,334,766</u>	<u>185,526,461</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u>\$ 8,229,925</u>	<u>\$ 698,100,252</u>	<u>\$ 24,901,608</u>	<u>\$ 20,336,588</u>	<u>\$ 751,568,373</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 9. SEGMENT INFORMATION: (CONTINUED)**

**STATEMENT 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>Totals</u>
<b>Operating revenues:</b>					
Interest on loans	\$	\$ 30,571,506	\$ 2,614,778	\$ 301,854	\$ 33,488,138
Investment income		11,421,436	112,191	206,440	11,740,067
Bond premium amortization		38,511			38,511
Administrative fees and other	3,666,300	23,789	3,587	72,843	3,766,519
<b>TOTAL OPERATING REVENUES</b>	<u>3,666,300</u>	<u>42,055,242</u>	<u>2,730,556</u>	<u>581,137</u>	<u>49,033,235</u>
<b>Operating expenses:</b>					
Bond interest		29,908,922	1,238,313		31,147,235
Program services		1,494,692	470,941	192,053	2,157,686
General and administrative	6,472,100				6,472,100
Bond issuance cost amortization		126,200	16,152		142,352
Depreciation of property and equipment	101,337				101,337
Write-off of property and equipment	55,501				55,501
Other expenses		1,047,657			1,047,657
<b>TOTAL OPERATING EXPENSES</b>	<u>6,628,938</u>	<u>32,577,471</u>	<u>1,725,406</u>	<u>192,053</u>	<u>41,123,868</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,962,638)</u>	<u>9,477,771</u>	<u>1,005,150</u>	<u>389,084</u>	<u>7,909,367</u>
<b>Nonoperating revenues (expenses):</b>					
HUD housing assistance contributions earned	25,062,390				25,062,390
Housing assistance payments	(24,160,054)				(24,160,054)
<b>TOTAL NONOPERATING REVENUES (EXPENSES) - NET</b>	<u>902,336</u>				<u>902,336</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM</b>	<u>(2,060,302)</u>	<u>9,477,771</u>	<u>1,005,150</u>	<u>389,084</u>	<u>8,811,703</u>
<b>Operating transfers:</b>					
From other programs	3,476,757			2,650,509	6,127,266
(To) other programs	(942,692)	(3,231,000)	(1,707,817)	(245,757)	(6,127,266)
<b>TOTAL TRANSFERS</b>	<u>2,534,065</u>	<u>(3,231,000)</u>	<u>(1,707,817)</u>	<u>2,404,752</u>	<u>0</u>
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND EXTRAORDINARY ITEM</b>	<u>473,763</u>	<u>6,246,771</u>	<u>(702,667)</u>	<u>2,793,836</u>	<u>8,811,703</u>
<b>Extraordinary item:</b>					
Loss on early extinguishment of debt		(470,116)			(470,116)
<b>NET INCOME (LOSS)</b>	<u>473,763</u>	<u>5,776,655</u>	<u>(702,667)</u>	<u>2,793,836</u>	<u>8,341,587</u>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<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>
<b>RETAINED EARNINGS, END OF PERIOD</b>	<u>\$ 2,604,064</u>	<u>\$ 156,814,856</u>	<u>\$ 5,772,775</u>	<u>\$ 20,334,766</u>	<u>\$ 185,526,461</u>

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

## NOTE 9. SEGMENT INFORMATION: (CONTINUED)

## STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS

	General Operating	Single Family Finance Programs	Multi-family Finance Programs	Program	Totals
<b>Cash flows from operating activities:</b>					
Operating income (loss)	\$ (2,962,638)	\$ 9,477,771	\$ 1,005,150	\$ 389,084	\$ 7,909,367
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Bond premium amortization		(38,511)			(38,511)
Depreciation and write-off of property and equipment	156,838				156,838
Bond issuance cost amortization		126,200	16,152		142,352
Loan discount amortization reported in interest on loans revenue		(63,210)			(63,210)
Write-off of loan receivable		3,293			3,293
Bond interest expense -- reclassified to noncapital financing activities		29,908,922	1,238,313		31,147,235
Investment income -- reclassified to investing activities		(11,421,436)	(112,191)	(206,440)	(11,740,067)
Changes in assets and liabilities:					
(Increase) decrease in interest receivable on loans		(121,578)	1,587	(1,829)	(121,820)
(Increase) decrease in accounts receivable			(4,850)	(75,838)	(80,688)
Increase (decrease) in mortgage escrows		777,734	(75,694)	1,822	703,862
Increase (decrease) in accounts payable and accrued expenses	235,922			(695)	235,227
Increase (decrease) in other liabilities		(26,268)			(26,268)
Receipt of loan principal payments		46,066,585	1,841,127	8,538,271	56,445,983
Purchase/origination of new loans		(114,527,493)	(1,682,326)	(11,222,597)	(127,432,416)
<b>Total adjustments</b>	<b>392,760</b>	<b>(49,315,762)</b>	<b>1,222,118</b>	<b>(2,967,306)</b>	<b>(50,668,190)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(2,569,878)</b>	<b>(39,837,991)</b>	<b>2,227,268</b>	<b>(2,578,222)</b>	<b>(42,758,823)</b>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of property and equipment	(342,742)				(342,742)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(342,742)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(342,742)</b>
<b>Cash flows from noncapital financing activities:</b>					
Proceeds from issuance of bonds		261,304,206			261,304,206
Interest payments on bonds		(31,037,539)	(1,225,807)		(32,263,346)
Interim interest collected at bond closing		866,576			866,576
Principal payments on bonds		(184,580,000)	(305,000)		(184,885,000)
Payment of bond issuance costs		(2,629,609)			(2,629,609)
Premiums paid on bonds refunded with proceeds from issuance of bonds		(2,027,950)			(2,027,950)
Transfers from other programs	3,476,757			2,650,509	6,127,266
Transfers (to) other programs	(942,692)	(3,231,000)	(1,707,817)	(245,757)	(6,127,266)
Receipts from HUD	25,514,776				25,514,776
Housing assistance payments	(24,160,054)				(24,160,054)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>3,888,787</b>	<b>38,664,684</b>	<b>(3,238,624)</b>	<b>2,404,752</b>	<b>41,719,599</b>
<b>Cash flows from investing activities</b>					
Proceeds from sales of and maturities of investments		8,618,812			8,618,812
Interest received on deposits and investments		11,198,400	100,936	241,701	11,541,037
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<b>19,817,212</b>	<b>100,936</b>	<b>241,701</b>	<b>20,159,849</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>976,167</b>	<b>18,643,905</b>	<b>(910,420)</b>	<b>68,231</b>	<b>18,777,883</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,291,515</b>	<b>197,908,582</b>	<b>3,060,908</b>	<b>2,785,152</b>	<b>206,046,157</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,267,682</b>	<b>\$ 216,552,487</b>	<b>\$ 2,150,488</b>	<b>\$ 2,853,383</b>	<b>\$ 224,824,040</b>

# SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE 10. CONDUIT DEBT:

From time to time, the Authority has issued bonds to provide mortgages for the citizens of South Carolina, for multi-housing. As explained in Note 1, 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 mortgages. 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.

Issue Date	Bond/Note Title	Original Issue Amount	Amount Outstanding
<b>FISCAL YEAR 1985 (84/85)</b>			
10/84	Conduit Mortgage Loan Notes (Cypress General Partnership)	\$1,075,000	366,740
10/84	Conduit Mortgage Loan Notes (Ladner & Company, In.)	3,250,000	2,844,000
03/85	Conduit Mortgage Loan Notes (Canal Court Project)	550,000	343,165
06/85	Conduit Mortgage Loan Notes (Breckenridge Apt. Project)	3,000,000	1,503,636
<b>FISCAL YEAR 1986 (85/86)</b>			
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	1,571,391
12/85	Multi-family Housing Revenue Bonds (CTS Rock Hill) Series 1985	9,145,000	9,145,000
<b>FISCAL YEAR 1987 (86/87)</b>			
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
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 (Patriot Place)	9,150,000	7,450,000
<b>FISCAL YEAR 1989 (88/89)</b>			
12/88	Multi-family Housing Revenue Refunding Bonds (Waverly Place)	8,400,000	5,300,000
07/89	Variable Rate Housing Revenue Refunding Bonds (Patriot Place)	2,200,000	2,200,000
<b>FISCAL YEAR 1991 (90/91)</b>			
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	2,710,000
04/91	Multi-family Housing Revenue Bonds (Fairways Project)	8,320,000	7,870,000
<b>FISCAL YEAR 1992 (91/92)</b>			
10/91	Multi-family Mortgage Revenue Bonds (Plum Chase)	7,000,000	7,000,000
<b>FISCAL YEAR 1993 (92/93)</b>			
06/93	Multi-family Housing Revenue Refunding Bonds (Westbury Place)	5,510,000	5,090,000
06/93	Multi-family Housing Revenue Refunding Bonds (Windsor Shores)	5,085,000	4,130,000
06/94	Multi-family Housing Revenue Refunding Bonds (North Bluff)	3,940,000	3,240,000
<b>FISCAL YEAR 1994 (93/94)</b>			
06/94	Multi-family Housing Mortgage Revenue Bonds (United Dominion – Forestbrook Apts. Project)	5,000,000	5,000,000

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2000**

**NOTE 10. CONDUIT DEBT:**

Issue Date	Bond/Note Title	Original Issue Amount	Amount Outstanding
<b>FISCAL YEAR 1995 (94/95)</b>			
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	6,550,000
<b>FISCAL YEAR 1996 (95/96)</b>			
11/95	Multi-family Housing Revenue Refunding Bonds (Runaway Bay)	10,300,000	9,745,000
11/95	Mortgage Revenue Refunding Bonds (Heritage)	4,525,000	4,175,000
<b>FISCAL YEAR 1998 (97/98)</b>			
8/97	Multi-family Housing Revenue Refunding Bonds (Oakfield Apts.)	2,844,000	2,844,000
04/98	Multi-family Housing Revenue Bonds (Three Rivers and Edenwood Apts.)	9,535,000	9,095,000
<b>FISCAL YEAR 1999 (98/99)</b>			
05/99	Multi-family Rental Housing Revenue Bonds (Ashley Apts.)	4,300,000	4,300,000
<b>FISCAL YEAR 2000 (99-00)</b>			
12/99	Multi-family Housing Revenue Bonds (Osprey Pointe III Project)	<u>3,920,000</u>	<u>3,920,000</u>
<b>TOTAL</b>		<b><u>\$201,139,000</u></b>	<b><u>\$188,537,932</u></b>

**NOTE 11. PENSION PLAN:**

The Retirement Division of the State Budget and Control Board 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.

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, 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.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

## NOTE 11. PENSION PLAN: (CONTINUED)

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 6.0 percent of all compensation. Effective July 1, 1999 the employer contribution rate became 9.50 percent which included a 1.95 percent surcharge to fund retiree health and dental insurance coverage. Effective January 1, 2000 the surcharge to fund retiree health and dental insurance coverage was increased to 2.16 percent and the employer contribution rate became 9.71% to cover the cost of providing such services. The Authority's actual contributions to the SCRS for the most recent fiscal years ended June 30, 2000, 1999 and 1998 were approximately \$263,000, \$233,000 and \$222,000, 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 approximately \$5,200 for the current fiscal year 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 operating expense category and are included in general and administrative expenses.

At retirement, employees participating in the SCRS 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.



**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000****NOTE 11. PENSION PLAN: (CONTINUED)**

An Act passed in the last General Assembly session, which had not been signed by the Governor as of June 30, 2000, will amend Chapter 1, Title 9, of the 1976 Code of Laws, relating to the South Carolina Retirement System effective July 1, 2000, with some provisions effective January 1, 2001. The amendment will enact the Teacher and Employee Retention Incentive Program, reduce from thirty to twenty-eight years the creditable service required to retire at any age without penalty and make other changes to the SCRS.

**NOTE 12. 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 Authority 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.

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. Approximately 20,000 State retirees met these eligibility requirements as of June 30, 1999.

The Authority recorded employer contributions expenditures within the applicable operating expense categories for these insurance benefits for active employees of approximately \$236,000 for the year ended June 30, 2000. As discussed in Note 11, the Authority paid approximately \$71,000 applicable to the 1.95 percent surcharge for July 1, 1999 to December 31, 1999 and the 2.16 percent surcharge for January 1, 2000 to June 30, 2000 included with the employer contributions for retirement benefits. 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 the Authority's retirees is not available. By State law, the Authority 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 Systems 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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 13. 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.

The State appropriated funds from unspent fiscal year 1998-1999 State General Fund appropriations above the ten percent set aside, for contributions to 401(k) accounts of eligible state employees whose salaries are funded from State General Fund appropriations. In addition, the 2000 Appropriations Act required State institutions and agencies to match certain 401(k) contributions by employees whose salaries are funded from its applicable revenue sources. The appropriated 401(k) match is limited to \$300. To be eligible an employee must have met the following eligibility requirements:

- (1) The employee was a permanent full-time State employee for 24 continuous months as of July 1, 1999 and was an employee on the date of distribution, and
- (2) The employee established a 401(k) account with annual contributions equal to the match (this requirement is not required for employees earning less the \$20,000).

In April, 2000 the agency made contributions from applicable funding sources of \$118 in total to the 401(k) account of each eligible State employee for a total of \$6,372 for all of the agency's employees. The expense is reported under general and administrative for the benefiting employer in the statement of revenues, expenses and changes in retained earnings.

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

**ENTERPRISE FUND BALANCE SHEETS – GENERAL OPERATING  
JUNE 30, 2000**

	<u>Other Program Funds</u>	<u>Federal Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,676,171	\$ 1,591,511	\$ 3,267,682
Due from grantor		4,084,625	4,084,625
Property and equipment:			
Furniture and equipment	1,267,657	42,081	1,309,738
Less accumulated depreciation	<u>(404,268)</u>	<u>(27,852)</u>	<u>(432,120)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,539,560</u></u>	<u><u>\$ 5,690,365</u></u>	<u><u>\$ 8,229,925</u></u>
<b>LIABILITIES AND RETAINED EARNINGS</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 693,275	\$ 559,055	\$ 1,252,330
Due to grantor		4,373,531	4,373,531
Retained earnings -- unreserved	<u>1,846,285</u>	<u>757,779</u>	<u>2,604,064</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,539,560</u></u>	<u><u>\$ 5,690,365</u></u>	<u><u>\$ 8,229,925</u></u>

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**ENTERPRISE FUND BALANCE SHEETS – SINGLE FAMILY FINANCE PROGRAMS**  
**JUNE 30, 2000**

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Totals</u>
<b>ASSETS</b>				
Restricted assets:				
Current assets:				
Cash and cash equivalents	\$ 54,686,256	\$ 9,350,481	\$ 152,515,750	\$ 216,552,487
Loans receivable	5,117,695	1,286,584	4,149,888	10,554,167
Interest receivable:				
Loans	1,229,938	413,128	1,998,326	3,641,392
Deposits and investments	256,851	170,313	1,159,517	1,586,681
Long-term assets:				
Investments		2,678,582	1,025,508	3,704,090
Loans receivable, net of unamortized discounts	157,547,012	44,704,654	255,408,196	457,659,862
Other assets:				
Unamortized bond issuance costs	1,086,915	105,711	3,208,947	4,401,573
<b>TOTAL ASSETS</b>	<u><u>\$ 219,924,667</u></u>	<u><u>\$ 58,709,453</u></u>	<u><u>\$ 419,466,132</u></u>	<u><u>\$ 698,100,252</u></u>
<b>LIABILITIES AND RETAINED EARNINGS</b>				
Liabilities payable from restricted assets:				
Current liabilities:				
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings	\$ 2,794,875	\$ 2,452,944	\$ 4,226,876	\$ 6,679,820
Interest payable on bonds	2,744,089	765,542	9,899,507	13,459,924
Mortgage escrows	2,744,089			2,744,089
Other liabilities	48,330	20,644	60,847	129,821
Long-term debt:				
Bonds payable, net of unamortized premiums and discounts and deferred losses on refundings	108,322,579	26,448,108	383,501,055	518,271,742
<b>TOTAL LIABILITIES</b>	<u><u>113,909,873</u></u>	<u><u>29,687,238</u></u>	<u><u>397,688,285</u></u>	<u><u>541,285,396</u></u>
Retained earnings:				
Reserved for debt service	101,718,629	26,550,463	10,237,114	138,506,206
Reserved - bond reserves	3,209,250	2,366,041	8,331,786	13,907,077
Unreserved	1,086,915	105,711	3,208,947	4,401,573
<b>TOTAL RETAINED EARNINGS</b>	<u><u>106,014,794</u></u>	<u><u>29,022,215</u></u>	<u><u>21,777,847</u></u>	<u><u>156,814,856</u></u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u><u>\$ 219,924,667</u></u>	<u><u>\$ 58,709,453</u></u>	<u><u>\$ 419,466,132</u></u>	<u><u>\$ 698,100,252</u></u>

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

**ENTERPRISE FUND BALANCE SHEETS – MULTI-FAMILY FINANCE PROGRAMS  
JUNE 30, 2000**

	<u>1992 Series A &amp; B</u>	<u>1983 Series A and 1985 Series B</u>	<u>1984 Series A</u>	<u>Totals</u>
<b>ASSETS</b>				
Restricted assets:				
Current assets:				
Cash and cash equivalents	\$ 1,514,444	\$ 435,389	\$ 200,655	\$ 2,150,488
Accounts receivable	3,058	316,107		319,165
Loans receivable	178,312			178,312
Interest receivable:				
Loans	217,243			217,243
Deposits and investments	16,796	6,368		23,164
Long-term assets:				
Investments	231,619			231,619
Loans receivable, net of unamortized discounts	21,545,081			21,545,081
Other assets:				
Unamortized bond issuance costs	<u>236,536</u>			<u>236,536</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 23,943,089</u></u>	<u><u>\$ 757,864</u></u>	<u><u>\$ 200,655</u></u>	<u><u>\$ 24,901,608</u></u>
<b>LIABILITIES AND RETAINED EARNINGS</b>				
Liabilities payable from restricted assets:				
Current liabilities:				
Bonds payable, net of unamortized premiums and discounts	\$ 325,000	\$	\$	\$ 325,000
Interest payable on bonds	154,866			154,866
Mortgage escrows	770,460	515,128	200,655	1,486,243
Long-term debt:				
Bonds payable, net of unamortized premiums and discounts	<u>17,162,724</u>			<u>17,162,724</u>
<b>TOTAL LIABILITIES</b>	<u><u>18,413,050</u></u>	<u><u>515,128</u></u>	<u><u>200,655</u></u>	<u><u>19,128,833</u></u>
Retained earnings:				
Reserved for debt service	5,061,884	242,736		5,304,620
Reserved for bond reserves	231,619			231,619
Unreserved	<u>236,536</u>			<u>236,536</u>
<b>TOTAL RETAINED EARNINGS</b>	<u><u>5,530,039</u></u>	<u><u>242,736</u></u>	<u><u>0</u></u>	<u><u>5,772,775</u></u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u><u>\$ 23,943,089</u></u>	<u><u>\$ 757,864</u></u>	<u><u>\$ 200,655</u></u>	<u><u>\$ 24,901,608</u></u>

**ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS – GENERAL OPERATING  
YEAR ENDED JUNE 30, 2000**

	Other Program Funds	Federal Funds	Totals
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating revenues:			
Administrative fees	\$ 1,740,413	\$ 1,925,887	\$ 3,666,300
	<u>1,740,413</u>	<u>1,925,887</u>	<u>3,666,300</u>
Total operating revenues	<u>1,740,413</u>	<u>1,925,887</u>	<u>3,666,300</u>
Operating expenses:			
General and administrative	4,077,951	2,394,149	6,472,100
Depreciation of furniture and equipment	99,504	1,833	101,337
Write-off of furniture and equipment	55,501		55,501
	<u>4,232,956</u>	<u>2,395,982</u>	<u>6,628,938</u>
Total operating expenses	<u>4,232,956</u>	<u>2,395,982</u>	<u>6,628,938</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,492,543)</b>	<b>(470,095)</b>	<b>(2,962,638)</b>
Nonoperating revenues (expenses):			
HUD housing assistance contributions earned		25,062,390	25,062,390
Housing assistance payments		<u>(24,160,054)</u>	<u>(24,160,054)</u>
Total nonoperating revenues (expenses) -net		<u>902,336</u>	<u>902,336</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b><u>(2,492,543)</u></b>	<b><u>432,241</u></b>	<b><u>(2,060,302)</u></b>
Operating transfers:			
Among programs	663,887	(663,887)	
From other programs	3,476,757		3,476,757
To other programs	<u>(942,692)</u>		<u>(942,692)</u>
Total operating transfers	<u>3,197,952</u>	<u>(663,887)</u>	<u>2,534,065</u>
<b>NET INCOME (LOSS)</b>	<b>705,409</b>	<b>(231,646)</b>	<b>473,763</b>
<b>RETAINED EARNINGS, beginning of year</b>	<b><u>1,140,876</u></b>	<b><u>989,425</u></b>	<b><u>2,130,301</u></b>
<b>RETAINED EARNINGS, end of year</b>	<b><u>\$ 1,846,285</u></b>	<b><u>\$ 757,779</u></b>	<b><u>\$ 2,604,064</u></b>

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

**ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS – SINGLE FAMILY FINANCE PROGRAMS  
YEAR ENDED JUNE 30, 2000**

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 10,710,692	\$ 8,798,625	\$ 11,062,189	\$ 30,571,506
Investment income	2,693,242	2,933,527	5,794,667	11,421,436
Bond premium amortization	38,511			38,511
Other		23,789		23,789
	<u>13,442,445</u>	<u>11,755,941</u>	<u>16,856,856</u>	<u>42,055,242</u>
Total operating revenues				
Operating expenses:				
Bond interest	5,589,750	10,998,503	13,320,669	29,908,922
Program	540,702	264,632	689,358	1,494,692
Bond issuance cost amortization	37,898	14,535	73,767	126,200
Other	48,900	113,890	884,867	1,047,657
	<u>6,217,250</u>	<u>11,391,560</u>	<u>14,968,661</u>	<u>32,577,471</u>
Total operating expenses				
OPERATING INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	7,225,195	364,381	1,888,195	9,477,771
Operating transfers:				
Transfers among programs		(5,787,676)	5,787,676	
Transfers to other programs	(640,000)	(2,591,000)		(3,231,000)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	6,585,195	(8,014,295)	7,675,871	6,246,771
Loss on early extinguishment of debt		(365,816)	(104,300)	(470,116)
NET INCOME (LOSS)	6,585,195	(8,380,111)	7,571,571	5,776,655
RETAINED EARNINGS, beginning of year	99,429,599	37,402,326	14,206,276	151,038,201
RETAINED EARNINGS, end of year	<u>\$ 106,014,794</u>	<u>\$ 29,022,215</u>	<u>\$ 21,777,847</u>	<u>\$ 156,814,856</u>

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

**ENTERPRISE FUND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS – MULTI-FAMILY FINANCE PROGRAMS  
YEAR ENDED JUNE 30, 2000**

	<u>1992 Series A and B</u>	<u>1983 Series A 1985 Series B</u>	<u>1994 Series A</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 2,614,778	\$	\$	\$ 2,614,778
Investment income	93,797	18,394		112,191
Other		3,587		3,587
	<u>2,708,575</u>	<u>21,981</u>		<u>2,730,556</u>
Total operating revenues				
Operating expenses:				
Bond interest	1,238,313			1,238,313
Program	470,941			470,941
Bond issuance cost amortization	16,152			16,152
	<u>1,725,406</u>			<u>1,725,406</u>
Total operating expenses				
<b>OPERATING INCOME BEFORE OPERATING TRANSFERS</b>	983,169	21,981		1,005,150
Operating transfers:				
To other programs	<u>(1,693,995)</u>	<u>(13,822)</u>		<u>(1,707,817)</u>
<b>NET INCOME (LOSS)</b>	(710,826)	8,159		(702,667)
<b>RETAINED EARNINGS, beginning of year</b>	<u>6,240,865</u>	<u>234,577</u>		<u>6,475,442</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 5,530,039</u>	<u>\$ 242,736</u>	<u>\$</u>	<u>\$ 5,772,775</u>



**ENTERPRISE FUND STATEMENTS OF CASH FLOWS – GENERAL OPERATING**  
**YEAR ENDED JUNE 30, 2000**

	Other Program Funds	Federal Funds	Totals
Cash flows from operating activities:			
Operating income (loss)	\$ (2,492,543)	\$ (470,095)	\$ (2,962,638)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and write-off of property and equipment	155,005	1,833	156,838
Changes in assets and liabilities:			
Increase (decrease) in accounts payable and accrued expenses	136,828	99,094	235,922
Total adjustments	291,833	100,927	392,760
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(2,200,710)</u>	<u>(369,168)</u>	<u>(2,569,878)</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment	(328,914)	(13,828)	(342,742)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(328,914)</u>	<u>(13,828)</u>	<u>(342,742)</u>
Cash flows from noncapital financing activities:			
Transfers among programs	663,887	(663,887)	
Transfers from other programs	3,476,757		3,476,757
Transfers (to) other programs	(942,692)		(942,692)
Receipts from HUD		25,514,776	25,514,776
Housing assistance payments		(24,160,054)	(24,160,054)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>3,197,952</u>	<u>690,835</u>	<u>3,888,787</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	668,328	307,839	976,167
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,007,843</u>	<u>1,283,672</u>	<u>2,291,515</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,676,171</u></u>	<u><u>\$ 1,591,511</u></u>	<u><u>\$ 3,267,682</u></u>

**ENTERPRISE FUND STATEMENTS OF CASH FLOWS – SINGLE FAMILY FINANCE PROGRAMS**  
**YEAR ENDED JUNE 30, 2000**

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Totals</u>
Cash flows from operating activities:				
Operating income	\$ 7,225,195	\$ 364,381	\$ 1,888,195	\$ 9,477,771
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Bond premium amortization	(38,511)			(38,511)
Bond issuance cost amortization	37,898	14,535	73,767	126,200
Loan discount amortization reported in interest on loans revenue	(253)	(61,821)	(1,136)	(63,210)
Write-off of loan receivable		3,293		3,293
Bond interest expense - reclassified to noncapital financing activities	5,589,750	10,998,503	13,320,669	29,908,922
Investment income - reclassified to investing activities	(2,693,242)	(2,933,527)	(5,794,667)	(11,421,436)
Internal transfer of assets:				
Investments		961,378	(961,378)	
Loans receivable		100,450,392	(100,450,392)	
Unamortized discounts attributable to bonds redeemed with Series 1999 bond proceeds		688,307	(688,307)	
Changes in assets and liabilities:				
(Increase) decrease in interest receivable-loans	(142,491)	1,094,185	(1,073,272)	(121,578)
Increase (decrease) in mortgage escrows	777,734			777,734
Increase (decrease) in other liabilities	(6,625)	(46,614)	26,971	(26,268)
Receipt of loan principal payments	17,213,724	17,179,616	11,673,245	46,066,585
Purchase/origination of new loans	(31,026,584)		(83,500,909)	(114,527,493)
Total adjustments	(10,288,600)	128,348,247	(167,375,409)	(49,315,762)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,063,405)</b>	<b>128,712,628</b>	<b>(165,487,214)</b>	<b>(39,837,991)</b>
Cash flows from noncapital financing activities:				
Proceeds from issuance of bonds			261,304,206	261,304,206
Interest payments on bonds	(5,589,750)	(17,867,373)	(7,580,416)	(31,037,539)
Interim interest collected at bond closing			866,576	866,576
Principal payments on bonds		(173,795,000)	(10,785,000)	(184,580,000)
Payment of bond issuance costs			(2,629,609)	(2,629,609)
Premiums paid on bonds refunded with proceeds from issuance of bonds			(2,027,950)	(2,027,950)
Transfers among programs		(5,357,810)	5,357,810	
Transfers to other programs	(640,000)	(2,591,000)		(3,231,000)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(6,229,750)</b>	<b>(199,611,183)</b>	<b>244,505,617</b>	<b>38,664,684</b>

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**ENTERPRISE FUND STATEMENTS OF CASH FLOWS -- SINGLE FAMILY FINANCE PROGRAMS**  
**CONTINUED**  
**YEAR ENDED JUNE 30, 2000**

	<u>Single Family</u>	<u>Home- ownership</u>	<u>Mortgage Revenue</u>	<u>Totals</u>
Cash flows from investing activities:				
Proceeds from sales of and maturities of investments	\$	\$ 8,618,812	\$	\$ 8,618,812
Investment income	<u>2,654,800</u>	<u>3,662,943</u>	<u>4,880,657</u>	<u>11,198,400</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,654,800</u>	<u>12,281,755</u>	<u>4,880,657</u>	<u>19,817,212</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,638,355)	(58,616,800)	83,899,060	18,643,905
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>61,324,611</u>	<u>67,967,281</u>	<u>68,616,690</u>	<u>197,908,582</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 54,686,256</u></u>	<u><u>\$ 9,350,481</u></u>	<u><u>\$ 152,515,750</u></u>	<u><u>\$ 216,552,487</u></u>

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**ENTERPRISE FUND STATEMENTS OF CASH FLOWS – MULTI-FAMILY FINANCE PROGRAMS**  
**YEAR ENDED JUNE 30, 2000**

	1992 Series A & B	1983 Series A and 1985 Series B	1984 Series A	Totals
Cash flows from operating activities:				
Operating income (loss)	\$ 983,169	\$ 21,981	\$	\$ 1,005,150
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Bond issuance cost amortization	16,152			16,152
Bond interest expense - reclassified to noncapital financing activities	1,238,313			1,238,313
Investment income - reclassified to investing activities	(93,797)	(18,394)		112,191)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(3,058)	(1,792)		(4,850)
(Increase) decrease in interest receivable - loans	1,587			1,587
Increase (decrease) in mortgage escrows	(49,796)	(4,054)	(21,844)	(75,694)
Receipt of loan principal payments	1,841,127			1,841,127
Purchase/origination of new loans	(1,682,326)			(1,682,326)
Total adjustments	1,268,202	(24,240)	(21,844)	1,222,118
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,251,371	(2,259)	(21,844)	2,227,268
Cash flows from noncapital financing activities:				
Interest payments on bonds	(1,225,807)			(1,225,807)
Principal payments on bonds	(305,000)			(305,000)
Transfers to other programs	(1,693,995)	(13,822)		(1,707,817)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(3,224,802)	(13,822)	0	(3,238,624)

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**  
**ENTERPRISE FUND STATEMENTS OF CASH FLOWS – MULTI-FAMILY FINANCE PROGRAMS**  
**CONTINUED**  
**YEAR ENDED JUNE 30, 2000**

	1992 Series A & B	1983 Series A and 1985 Series B	1984 Series A	Totals
Cash flows from investing activities:				
Investment income	<u>88,910</u>	<u>12,026</u>	<u>0</u>	<u>100,936</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>88,910</u>	<u>12,026</u>	<u>0</u>	<u>100,936</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(884,521)	(4,055)	(21,844)	(910,420)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,398,965</u>	<u>439,444</u>	<u>222,499</u>	<u>3,060,908</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,514,444</u>	<u>\$ 435,389</u>	<u>\$ 200,655</u>	<u>\$ 2,150,488</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2000**

<u>Major Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>	<u>Expenditures to Subrecipients</u>
HUD/Lower Income Housing Assistance Program - Section 8 New Construction/ Substantial Rehabilitation	14.182	\$ 7,685,079	\$
HUD/Section 8 Rental Certificate Program	14.857	8,106,368	
HUD/Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	1,056,056	
HUD/Section 8 Rental Voucher Program	14.855	4,193,593	
HUD/HOME Investment Partnerships Program	14.239	<u>6,164,243</u>	<u>5,801,880</u>
 TOTAL		 <u>\$ 27,205,339</u>	 <u>\$ 5,801,880</u>

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of South Carolina State Housing Finance and Development Authority and has been prepared on the cash basis method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**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  
State of South Carolina  
Columbia, South Carolina

We have audited the financial statements of the South Carolina State Housing Finance and Development Authority (the Authority) as of and for the year ended June 30, 2000, and have issued our report thereon dated September 29, 2000. 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. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertion of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1 and 00-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe the two reportable conditions described on the accompanying schedule of findings and questioned costs are material weaknesses.

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

September 29, 2000

48





ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

**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  
State of South Carolina  
Columbia, South Carolina

**Compliance**

We have audited the compliance of the South Carolina State Housing Finance and Development Authority (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, 2000. 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, 2000.

**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 Commissioners members and management of the Authority and federal awarding agencies and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Logan & Roban, P.A." in a cursive script.

September 29, 2000

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2000**

**SECTION I - SUMMARY OF THE AUDITOR'S RESULTS**

Financial Statements

1. Type of auditor's report issued: Unqualified Opinion
2. Internal control over financial reporting:
- Material weaknesses identified?   X   yes no
- Reportable condition identified  
not considered to be material weaknesses?        yes   X   no
3. Noncompliance material to the financial  
Statements noted?        yes   X   no

Federal Awards

4. Internal control over major programs:
- Material weakness identified?        yes   X   no
- Reportable condition identified  
not considered to be material weaknesses?        yes   X   no
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	Name of Federal Program
14.182	HUD/Lower Income Housing Assistance Program-Section 8 New Construction/Substantial Rehabilitation
14.857	HUD/Section 8 Rental Certificate Program
14.856	HUD/Lower Income Housing Assistance 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**  
**Year Ended June 30, 2000**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

The following reportable conditions are material weaknesses, are related to the Authority's financial statements and are required to be reported in accordance with generally accepted government auditing standards.

**00-1. ACCOUNTS PAYABLE DEFICIENCIES**

*Condition:* The Authority did not include several invoices totaling \$71,794 in its year end accounts payable which were for goods and/or services provided prior to June 30, 2000. Also, the recorded accounts payable listing included an amount \$121 but the actual invoices was for \$21,250.

*Criteria:* Generally accepted accounting principles require accounts payable to include those amounts due for goods or services received on or before June 30.

*Effect:* Failure to record all accounts payable results in an understatement of liabilities as of year end and expenses for the year then ended.

*Recommendation:* We recommend that additional care be exercised in preparing the year end accounts payable schedule and that reviews be made of the related documentation that supports the accounts payable amount.

**00-2. DIFFERENCES IN CALCULATIONS**

*Condition:* Our tests of the year-end balances for accrued interest payable on bonds disclosed that errors were made in the recorded year end accrual resulting in an understatement of \$145,553. Also, our tests disclosed that amortization of issuance costs on bonds was based on the estimated issuance costs included in the offering statements and not the actual costs.

*Criteria:* Good accounting practices require that calculations of accruals and amortization be accurate and be based on supporting documentation.

*Effect:* Failure to correctly calculate accruals as of year end and amortization for the year then ended results in misstatements of asset and liabilities as of year end and expenses amounts for the year then ended.

*Recommendation:* We recommend that the Authority exercise more care in the calculations of year end accruals of bond interest and that actual cost be used to calculate amortization of issuance costs instead of estimated costs.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**MANAGEMENT'S RESPONSE**  
**APPENDIX A**



South Carolina  
**STATE HOUSING**  
Finance and Development Authority

---

(803) 734-2000 • 919 Bluff Road • Columbia, South Carolina 29201

## **M e m o r a n d u m**

**Date:** November 30, 2000  
**To:** Rogers & Laban, P. A.  
**From:** Rosalia Moore  
**Subject:** Findings

### 00-1. ACCOUNTS PAYABLE DEFICIENCIES

We concur. We are currently writing procedures that would ensure the accurate recording of year-end accounts payable.

### 00-2 DIFFERENCES IN CALCULATIONS

We concur. We will exercise more care in calculating year-end accruals of bond interest and we will use actual cost to amortize issuance cost.