SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

COLUMBIA, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

State of South Carolina

Office of the State Auditor

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October 15, 2014

The Honorable Nikki R. Haley, 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 basic financial statements of the South Carolina State Housing Finance and Development Authority and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* for the fiscal year ended June 30, 2014, was issued by Elliott Davis, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

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

RHGjr/cwc

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

COLUMBIA, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor's Report 1
Management's Discussion and Analysis (Required Supplementary Information)....................................4

Financial Statements

Entity-Wide Financial Statements:
Statement of Net Position 9
Statement of Activities..11
Fund Financial Statements:
Balance Sheet-Governmental Funds..12
Statement of Revenue, Expenditures and Changes in Fund Balance -
Governmental Funds..13
Statement of Net Position - Proprietary Funds 14
Statement of Revenue, Expenses and Changes in Net Position -
Proprietary Funds..16
Statement of Cash Flows - Proprietary Funds 17
Notes to Financial Statements..20

Other Financial Information

Schedule of Expenditures of Federal Awards..60
Note to Schedule of Expenditures of Federal Awards..61
Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards..62
Report on Compliance for Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133 64
Schedule of Findings and Questioned Costs..66
Summary Schedule of Prior Audit Findings..67

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the South Carolina State Housing Finance and Development Authority (the "Authority"), a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the South Carolina State Housing Finance and Development Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1.R and 18 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2013, were audited by other auditors whose report dated November 5, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Elliott Davis, LLC

Columbia, South Carolina
October 15, 2014

South Carolina State Housing Finance and Development Authority

Management's Discussion and Analysis

As management of the South Carolina State Housing Finance and Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014.

Financial Highlights

- Net position of the Authority's proprietary funds increased $12,496,533 to $352,305,031. This increase is before the cumulative effect of a change in accounting principle of $6,632,743, which restated the proprietary funds' net position as of the beginning of the fiscal year. (See Note 1.R, *Recent Accounting Developments*, in the Notes to Financial Statements for further discussion.)
- The governmental activities net position increased $883,525 to $18,576,382. This increase is primarily the result of an increase in documentary stamp fees in the Housing Trust Fund.
- Federal grant revenue decreased $7,839,176 to $132,017,918. All federal assistance received by the Authority during the current fiscal year was from the Department of Housing and Urban Development (HUD). The decrease in federal assistance is primarily due to a reduction of funding in the HOME Investment Partnership Program and the phase out of the Neighborhood Stabilization Program.
- The Authority made principal payments on mortgage revenue bonds of $112,330,000 during the fiscal year, of that total $105,345,000 of bonds were redeemed prior to their maturity.
- For the fiscal year ended June 30, 2014, the Authority purchased $4,327,984 of single family first mortgages, down payment assistance loans, and multifamily mortgages in its proprietary funds. The majority of single family production was funded through the Home Ownership Revenue Bond indenture and is recorded as investments and not loans. The Authority securitized $47,042,889 in loans that are held as Government National Mortgage Association (GNMA) investments. The downturn in the economy continues to adversely affect single family production.
- Bonds Outstanding, net of unamortized premiums and discounts and deferred losses on refundings, decreased $113,657,573 to $539,248,699.
- The South Carolina Housing Corporation was established to administer the South Carolina Homeownership Employment Lending Program (SC HELP). SC HELP was funded by the U.S. Department of Treasury's Hardest Hit Fund. The program is designed to help homeowners avoid foreclosure. The program provided $21,773,314 in Mortgage Payment Assistance, $18,080,989 in Direct Loan Assistance, $425,000 in Property Disposition Assistance, and $28,916 in Long Term Assistance for a total of $40,308,219 in program payments during fiscal year ended June 30, 2014.

Overview of the Financial Statements

The financial statements consist of three parts - management’s discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two types of statements presenting different views of the Authority’s finances.

- The first two statements are Entity-wide financial statements that provide information about the Authority’s overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the Authority’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Authority’s activities are business-type activities and are reported in proprietary funds.
- The remaining statements are fund financial statements of the Authority’s proprietary funds which operate similar to business activities and for which the Authority follows an accrual basis of accounting and the governmental funds, which are special revenue funds.
- The basic financial statements also include a “Notes to Financial Statements” section that explains the information in the Entity-wide and fund financial statements. The notes also provide a more detailed explanation of data and significant accounting procedures and policies.

The remainder of this overview section explains the structure and contents of each of these statements. Prior year results referred to throughout this section are for comparison purposes only.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority’s most significant funds and not the Authority as a whole. The Authority has two kinds of funds:

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 Funds account for the Housing Trust Fund and the South Carolina Homeownership Employment Lending Program (SC HELP). The Housing Trust Fund was established in May 1992 pursuant to South Carolina Code of Laws, Chapter 31, Article 4. The Authority receives funding from a percentage of the documentary stamp tax on instruments conveying real property. Under this enabling legislation, the Housing Trust Fund is to be used to “increase the supply of safe, decent, and affordable housing for members of the very low and lower income individuals and households.” SC HELP was established in January 2011 and was funded by the U.S. Department of Treasury’s Hardest Hit Fund. The program is designed to help homeowners avoid foreclosure.

As such, in accordance with governmental accounting standards, the portions of net position/ fund balances that are not available for appropriation and expenditure and/or are legally segregated for a specified use are presented as restricted in the fund statement and restricted in the entity-wide statement.

Proprietary Funds - The Authority's primary activities are in its proprietary funds. These activities are accounted for in a manner similar to businesses operating in the private sector. Funding is primarily provided through the issuance of bonds, the proceeds of which are used to make various types of loans to finance low and moderate-income housing. HUD contracts are accounted for in the proprietary funds since the Authority receives fees to administer various HUD programs. The net position of these programs represent accumulated earnings since their inception and are generally restricted for program purposes.

Financial Analysis of the Authority as a Whole

Net Position: The combined net position of the Authority increased by $13,380,058. The following table summarizes the financial position for the Authority as of and for the fiscal years ended June 30, 2014 and 2013.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Total current assets	$ 18,452,021	$ 15,578,664	$ 199,653,446	$ 231,709,292	$ 218,105,467	$ 247,287,956
Capital assets	-	-	265,235	434,120	265,235	434,120
Non-current assets	7,891,955	8,925,621	711,483,433	787,780,099	719,375,388	796,705,720
Total assets	$ 26,343,976	$ 24,504,285	$ 911,402,114	$ 1,019,923,511	$ 937,746,090	$ 1,044,427,796
Deferred Outflows of Resources						
Deferred loss on refunding	$ -	$ -	$ 1,599,196	$ -	$ 1,599,196	$ -
Total deferred outflows of resources	$ -	$ -	$ 1,599,196	$ -	$ 1,599,196	$ -
Total current liabilities	$ 7,767,594	$ 6,811,428	$ 33,565,314	$ 34,379,908	$ 41,332,908	$ 41,191,336
Total long-term liabilities	-	-	526,718,980	639,102,362	526,718,980	639,102,362
Total liabilities	$ 7,767,594	$ 6,811,428	$ 560,284,294	$ 673,482,270	$ 568,051,888	$ 680,293,698
Deferred Inflows of Resources						
Deferred gain on refunding	$ -	$ -	$ 411,985	$ -	$ 411,985	$ -
Total deferred inflows of resources	$ -	$ -	$ 411,985	$ -	$ 411,985	$ -
Net investment in capital assets	$ -	$ -	$ 265,235	$ 434,120	$ 265,235	$ 434,120
Net position - restricted	18,576,382	17,692,857	310,246,449	305,590,009	328,822,831	323,282,866
Net position - unrestricted	-	-	41,793,347	40,417,112	41,793,347	40,417,112
Total net position	$ 18,576,382	$ 17,692,857	$ 352,305,031	$ 346,441,241	$ 370,881,413	$ 364,134,098

Net position of the Authority's governmental funds increased $883,525 to $18,576,382. The Housing Trust Fund Act enacted by the General Assembly in 1992 restricts net position of the fund. The Authority receives funding from a percentage of the documentary stamp tax on the instruments conveying real property to finance in whole or in part, affordable housing projects, and/or developments eligible under the Housing Trust Fund Act. SC HELP was established in January 2011 and was funded by the U.S. Department of Treasury's Hardest Hit Fund. The program is designed to help homeowners avoid foreclosure.

Net position of the Authority's proprietary fund increased $12,496,533 to $352,305,031.

Statement of Activities: The Statement of Activities shows the sources of the Authority's changes in net position as they progress through the various programs and functions. The Housing Trust Fund and SC HELP Fund are shown as governmental activities, and all other programs are shown as business-type activities. The business-type activities include the Single-Family Loan Programs, and federal housing assistance, tax credits allocations, compliance monitoring, and other activities that are part of the Authority's administrative functions.

A condensed Statement of Activities for the last two fiscal years is shown below.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenue:						
Charges for Services	$ 476,081	$ 241,043	$ 41,160,752	$ 44,725,350	$ 41,636,833	$ 44,966,393
Tax/Grant/Federal Revenues	46,207,524	47,132,406	144,149,076	150,635,798	190,356,600	197,768,204
Total Revenue	46,683,605	47,373,449	185,309,828	195,361,148	231,993,433	242,734,597
Expenses	55,009,857	53,700,916	172,813,295	188,577,916	227,823,152	242,278,832
Document Stamp Tax	9,209,777	7,731,459	-	-	9,209,777	7,731,459
Transfers between Funds	-	(400,000)	-	400,000	-	-
Increase (decrease) in Net Position from current year activity	883,525	1,003,992	12,496,533	7,183,232	13,380,058	8,187,224
Net position, beginning of year (as originally reported)	17,692,857	16,688,865	346,441,241	339,258,009	364,134,098	355,946,874
Cumulative effect of change in accounting principle	-	-	(6,632,743)	-	(6,632,743)	-
Net position, beginning of year (as restated)	17,692,857	16,688,865	339,808,498	339,258,009	357,501,355	355,946,874
Net Position, end of year	$ 18,576,382	$ 17,692,857	$ 352,305,031	$ 346,441,241	$ 370,881,413	$ 364,134,098

As the basic financial statements reflected in this report only present the financial information as of and for the year ended June 30, 2014, the cumulative effect of the change in accounting principle is reported during the same period as a restatement to beginning net position as of July 1, 2013. Per GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the cumulative effect of the change in accounting principle should be applied retroactively as a restatement to beginning net position of the earliest year presented. Although the condensed Statement of Activities shown above presents financial activity for the years ended June 30, 2014 and 2013, the cumulative effect of the change in accounting principle is reported as a restatement to net position as of July 1, 2013 so that the presentation of the condensed Statement of Activities is consistent with that of the basic financial statements.

Revenues of the Authority's governmental activities were derived from a documentary stamp tax, a federal grant, interest payments on loans, and investment income. All expenses were disbursements of grant awards. Revenues of the Authority's business-type activities were primarily from federal program revenue ($132,017,918), charges for services ($41,160,752), and program investment and other income ($12,131,158) Charges for services consist primarily of interest income on loans, HUD administrative fees, tax credit application fees, and various other small fees, such as monitoring and servicing. Program investment income came primarily from the bond programs, and the income is restricted to those programs.

Direct expenses of the Authority's business-type activities consist of two major types-housing assistance payments and bond interest. All administrative expenses were incurred in the Authority's General Operating Fund. Program revenue adequately covers all expenses of the Authority. The total of revenues and transfers exceeded expenses by $12,496,533 for the business-type activities.

Debt Administration

The Authority's total liabilities decreased $112,241,810 to $568,051,888. Long-term liabilities decreased $112,383,382 to $526,718,980. Refunding debt and optional bond redemptions are based on mortgage pre-payments received and an economic analysis of calling debt vs. making loans vs. investing funds. In recent years, calling debt has been the best financial alternative. The long-term debt consists of bonds payable ($526,423,699), other non-current liabilities ($39,466), and accrued compensated absences ($255,815).

Economic Factors

The Authority's financial condition remained strong at June 30, 2014. The national economy is experiencing recovery. Unemployment rates have continued to improve resulting in a stabilization of delinquencies and foreclosures. The performance of the Authority's loan portfolio continues to exceed state and national averages. Our efforts focus on loan servicing and loss mitigation in order to prevent foreclosure. Staff members begin the counseling process early in delinquency. We maintain constant communication with borrowers in an effort to both protect Authority assets and allow borrowers to remain in their homes.

Unfortunately, higher foreclosure rates attributed to the economic downturn resulted in the downgrading of most private mortgage insurers. These ratings are improving and the Authority originated a nominal amount of conventional loans with private mortgage insurance. Virtually all Authority single family mortgage production continues to be insured by the Federal government.

The U.S. Department of Treasury established the New Issue Bond Program (NIBP) in 2009 in an effort to bolster the Mortgage Revenue Bond Market. NIBP provided the Authority's Homeownership Revenue Bond Program a lower than market rate for up to 60% of the bonds issued. All NIBP bonds were issued prior to fiscal year 2013. Mortgage purchases and securitizations were completed as of June 30, 2014.

The Authority will continue to monitor all economic factors impacting its financial stability and will work diligently to minimize any negative effect.

Requests for Information

This financial report provides a general overview of the South Carolina State Housing Finance and Development Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

South Carolina State Housing Finance and Development Authority
Finance Division
300-C Outlet Pointe Boulevard
Columbia, South Carolina 29210

FINANCIAL STATEMENTS

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ 16,660,293	$ 27,805,477	$ 44,465,770
Restricted assets:			
Cash and cash equivalents	-	88,730,066	88,730,066
Investments	-	59,496,590	59,496,590
Loans receivable	-	17,122,423	17,122,423
Accrued interest receivable:			
Loans	-	3,538,990	3,538,990
Deposits and investments	-	732,504	732,504
Accounts receivable:			
Due from grantor	-	502,243	502,243
Due from primary government	1,761,595	-	1,761,595
Internal balances	(309,482)	309,482	-
Other	-	645,649	645,649
Loans receivable	333,882	259,866	593,748
Accrued interest receivable:			
Loans	5,725	157,433	163,158
Deposits and investments	8	-	8
Other current assets	-	352,723	352,723
Total current assets	18,452,021	199,653,446	218,105,467
Noncurrent assets:			
Loans receivable, net of current portion	7,980,791	15,731,802	23,712,593
Allowance for doubtful loans	(88,836)	(699,722)	(788,558)
Restricted assets:			
Investments	-	166,027,965	166,027,965
Loans receivable, net of current portion	-	532,476,425	532,476,425
Allowance for doubtful loans	-	(2,053,037)	(2,053,037)
Capital assets, net of accumulated depreciation	-	265,235	265,235
Total noncurrent assets	7,891,955	711,748,668	719,640,623
Total assets	26,343,976	911,402,114	937,746,090
Deferred Outflows of Resources			
Deferred loss on refunding	-	1,599,196	1,599,196
Total deferred outflows of resources	-	1,599,196	1,599,196

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2014 (CONTINUED)

	Governmental Activities	Business Type Activities	Totals
Liabilities			
Current liabilities:			
Liabilities payable from restricted assets:			
Bonds payable, net of unamortized premiums and discounts	-	12,825,000	12,825,000
Accrued interest payable on bonds	-	11,053,577	11,053,577
Other liabilities	-	22,686	22,686
Mortgage escrows	-	4,935,223	4,935,223
Total liabilities payable from restricted current assets	-	28,836,486	28,836,486
Accrued compensated absences	-	516,650	516,650
Accrued salaries and related payroll expenses	-	835,987	835,987
Advances from grantors	7,161,168	-	7,161,168
Unearned revenue	-	3,332,432	3,332,432
Accounts payable and accrued expenses	606,426	43,759	650,185
Total current liabilities	7,767,594	33,565,314	41,332,908
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	-	255,815	255,815
Bonds payable, net of current portion, unamortized premiums and discounts	-	526,423,699	526,423,699
Other noncurrent liabilities	-	39,466	39,466
Total noncurrent liabilities	-	526,718,980	526,718,980
Total liabilities	7,767,594	560,284,294	568,051,888
Commitments and contingencies *(Note 15)*			
Deferred Inflows of Resources			
Deferred gain on refunding	-	411,985	411,985
Total deferred inflows of resources	-	411,985	411,985
Net Position			
Net investment in capital assets	-	265,235	265,235
Restricted for:			
Debt service	-	57,533,016	57,533,016
Bond reserves	-	6,341,953	6,341,953
Housing projects and development	18,576,382	246,371,480	264,947,862
Unrestricted	-	41,793,347	41,793,347
Total net position	$ 18,576,382	$ 352,305,031	$ 370,881,413

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		Program Revenue		Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
General government	$ 6,939,459	$ 823	$ 6,374,268	$ (564,368)	$ -	$ (564,368)
Housing assistance	40,188,066	354,810	39,833,256	-	-	-
Housing development	7,882,332	120,448	-	(7,761,884)	-	(7,761,884)
Total governmental activities	55,009,857	476,081	46,207,524	(8,326,252)	-	(8,326,252)
Business-type activities:						
Administrative	13,179,567	12,517,691	-	-	(661,876)	(661,876)
Single-Family mortgage loan programs	27,157,790	28,250,359	12,127,904	-	13,220,473	13,220,473
Federal programs	132,212,482	-	132,017,918	-	(194,564)	(194,564)
Program fund programs	263,456	392,702	3,254	-	132,500	132,500
Total business-type activities	172,813,295	41,160,752	144,149,076	-	12,496,533	12,496,533
Total functions/programs	$ 227,823,152	$ 41,636,833	$ 190,356,600	(8,326,252)	12,496,533	4,170,281
General revenue:						
Documentary stamp taxes				9,209,777	-	9,209,777
Total general revenue and transfers				9,209,777	-	9,209,777
Change in net position				883,525	12,496,533	13,380,058
Net position, beginning of year, as originally reported				17,692,857	346,441,241	364,134,098
Cumulative effect of change in accounting principle				-	(6,632,743)	(6,632,743)
Net position, beginning of year, as restated				17,692,857	339,808,498	357,501,355
Net position, end of year				$ 18,576,382	$ 352,305,031	$ 370,881,413

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	Housing Trust Fund	SC Help Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 8,583,225	$ 8,077,068	$ 16,660,293
Accounts receivable:			
Due from primary government	1,761,595	-	1,761,595
Loans receivable	333,882	-	333,882
Accrued interest receivable:			
Loans	5,725	-	5,725
Deposits and investments	-	8	8
Total current assets	10,684,427	8,077,076	18,761,503
Noncurrent assets:			
Loans receivable, net of current portion	7,980,791	-	7,980,791
Allowance for doubtful loans	(88,836)	-	(88,836)
Total noncurrent assets	7,891,955	-	7,891,955
Total assets	$ 18,576,382	$ 8,077,076	$ 26,653,458
Liabilities and Fund Balance			
Current liabilities:			
Due to other funds	$ -	$ 309,482	$ 309,482
Advances from grantors	-	7,161,168	7,161,168
Accounts payable and accrued expenses	-	606,426	606,426
Total current liabilities	-	8,077,076	8,077,076
Commitments and contingencies *(Note 15)*			
Fund Balance:			
Restricted for:			
Housing projects and development	18,576,382	-	18,576,382
Total fund balance	18,576,382	-	18,576,382
Total liabilities and fund balance	$ 18,576,382	$ 8,077,076	$ 26,653,458

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Housing Trust Fund	SC Help Fund	Totals
Revenue			
Documentary stamp taxes	$ 9,209,777	-	$ 9,209,777
Federal grants	-	46,207,524	46,207,524
Repayment of assistance funds disbursed	-	354,810	354,810
Interest on loans	117,666	-	117,666
Interest on deposits and investments	2,782	823	3,605
Total revenue	9,330,225	46,563,157	55,893,382
Expenditures			
General government	564,368	6,375,091	6,939,459
Housing assistance	-	40,188,066	40,188,066
Housing development	7,882,332	-	7,882,332
Total expenditures	8,446,700	46,563,157	55,009,857
Excess of revenue over expenditures	883,525	-	883,525
Net change in fund balance	883,525	-	883,525
Fund balance, beginning of year	17,692,857	-	17,692,857
Fund balance, end of year	$ 18,576,382	$ -	$ 18,576,382

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Assets					
Current assets:					
Cash and cash equivalents	$ 16,639,454	$ -	$ 11,166,023	$ -	$ 27,805,477
Restricted assets:					
Cash and cash equivalents	9,973,714	78,756,352	-	-	88,730,066
Investments	-	59,496,590	-	-	59,496,590
Loans receivable	1,632,656	15,489,767	-	-	17,122,423
Accrued interest receivable:					
Loans	103,133	3,435,857	-	-	3,538,990
Deposits and investments	-	732,504	-	-	732,504
Accounts receivable:					
Due from grantor	502,243	-	-	-	502,243
Due from other funds	392,532	658,933	-	(741,983)	309,482
Other	645,649	-	-	-	645,649
Loans receivable	172,657	-	87,209	-	259,866
Accrued interest receivable:					
Loans	35,228	-	122,205	-	157,433
Other current assets	352,723	-	-	-	352,723
Total current assets	30,449,989	158,570,003	11,375,437	(741,983)	199,653,446
Noncurrent assets:					
Loans receivable, net of current portion	6,728,136	-	9,003,666	-	15,731,802
Allowance for doubtful loans	-	-	(699,722)	-	(699,722)
Restricted assets:					
Investments	-	166,027,965	-	-	166,027,965
Loans receivable, net of current portion	69,607,579	462,868,846	-	-	532,476,425
Allowance for doubtful loans	(414,019)	(1,639,018)	-	-	(2,053,037)
Capital assets, net of accumulated depreciation	265,235	-	-	-	265,235
Total noncurrent assets	76,186,931	627,257,793	8,303,944	-	711,748,668
Total assets	$ 106,636,920	$ 785,827,796	$ 19,679,381	$ (741,983)	$ 911,402,114
Deferred Outflows of Resources					
Deferred loss on refunding	-	1,599,196	-	-	1,599,196
Total deferred outflows of resources	-	1,599,196	-	-	1,599,196

(Continued)

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014 (CONTINUED)

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Liabilities					
Current liabilities:					
Liabilities payable from restricted assets:					
Bonds payable	$ -	$ 12,825,000	$ -	$ -	$ 12,825,000
Accrued interest payable on bonds	-	11,053,577	-	-	11,053,577
Other liabilities	22,686	-	-	-	22,686
Mortgage escrows	4,935,223	-	-	-	4,935,223
Total liabilities payable from restricted assets	4,957,909	23,878,577	-	-	28,836,486
Accrued compensated absences	516,650	-	-	-	516,650
Accrued salaries and related payroll expenses	835,987	-	-	-	835,987
Due to other funds	81,142	660,841	-	(741,983)	-
Unearned revenue	3,332,432	-	-	-	3,332,432
Accounts payable and accrued expenses	42,159	1,600	-	-	43,759
Total current liabilities	9,766,279	24,541,018	-	(741,983)	33,565,314
Noncurrent liabilities:					
Accrued compensated absences, net of current portion	255,815	-	-	-	255,815
Bonds payable, net of current portion unamortized premiums and discounts	-	526,423,699	-	-	526,423,699
Other noncurrent liabilities	-	39,466	-	-	39,466
Total noncurrent liabilities	255,815	526,463,165	-	-	526,718,980
Total liabilities	10,022,094	551,004,183	-	(741,983)	560,284,294
Commitments and contingencies *(Note 15)*					
Deferred Inflows of Resources					
Deferred gain on refunding	-	411,985	-	-	411,985
Total deferred inflows of resources	-	411,985	-	-	411,985
Net Position					
Net investment in capital assets	265,235	-	-	-	265,235
Restricted for:					
Debt service	-	57,533,016	-	-	57,533,016
Bond reserves	-	6,341,953	-	-	6,341,953
Housing projects and development	74,235,625	172,135,855	-	-	246,371,480
Unrestricted	22,113,966	-	19,679,381	-	41,793,347
Total net position	$ 96,614,826	$ 236,010,824	$ 19,679,381	$ -	$ 352,305,031

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Operating Revenue					
Interest and other charges on loans	$ 1,217,550	$ 28,250,359	$ 117,492	$ -	$ 29,585,401
Interest on deposits and investments	4,079	9,888,324	3,254	-	9,895,657
Administrative fees and other	13,757,741	2,239,580	275,210	(2,461,679)	13,810,852
Total operating revenue	14,979,370	40,378,263	395,956	(2,461,679)	53,291,910
Operating Expenses					
Bond interest	-	24,663,620	-	-	24,663,620
Program services	-	2,592,489	-	(1,292,726)	1,299,763
General and administrative	14,108,816	-	-	(1,168,953)	12,939,863
Bond issuance expense	-	3,715	-	-	3,715
Depreciation of capital assets	239,704	-	-	-	239,704
Other expenses	711,376	475,488	3,828	-	1,190,692
Total operating expenses	15,059,896	27,735,312	3,828	(2,461,679)	40,337,357
Operating Income (Loss)	(80,526)	12,642,951	392,128	-	12,954,553
Nonoperating Revenue (Expenses)					
Federal grant and contract revenue	132,017,918	-	-	-	132,017,918
Housing assistance payments and grant awards disbursed	(132,212,482)	-	(263,456)	-	(132,475,938)
Total nonoperating revenue (expenses)	(194,564)	-	(263,456)	-	(458,020)
Increase (decrease) in net position	(275,090)	12,642,951	128,672	-	12,496,533
Net position, beginning of year, as originally reported	96,889,916	230,000,616	19,550,709	-	346,441,241
Cumulative effect of change in accounting principle	-	(6,632,743)	-	-	(6,632,743)
Net position, beginning of year, as restated	96,889,916	223,367,873	19,550,709	-	339,808,498
Net position, end of year	$ 96,614,826	$ 236,010,824	$ 19,679,381	$ -	$ 352,305,031

See accompanying notes.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Cash Flows From Operating Activities					
Receipt of loan principal payments	$ 3,733,269	$ 67,342,286	$ 1,725,073	$ -	$ 72,800,628
Receipt of loan interest payments	1,260,415	29,019,121	158,012	-	30,437,548
Purchase/origination of new loans	(3,269,984)	-	(1,058,000)	-	(4,327,984)
Administrative fees and other	20,345,076	2,287,266	42,000	(2,461,679)	20,212,663
Payments to employees	(9,219,781)	-	-	-	(9,219,781)
Payments to vendors	(8,505,160)	(1,645,661)	(3,828)	2,461,679	(7,692,970)
Net cash flows provided by (used for) operating activities	4,343,835	97,003,012	863,257	-	102,210,104
Cash Flows from Capital and Related Financing Activities					
Purchases of equipment	(70,819)	-	-	-	(70,819)
Net cash flows provided by (used for) capital and related financing activities	(70,819)	-	-	-	(70,819)
Cash Flows from Noncapital Financing Activities					
Receipts from HUD	132,073,881	-	-	-	132,073,881
Payments of housing assistance and grants	(132,214,574)	-	(263,456)	-	(132,478,030)
Principal payments on bonds payable	-	(112,330,000)	-	-	(112,330,000)
Interest payments on bonds payable	-	(27,174,161)	-	-	(27,174,161)
Net cash flows provided by (used for) noncapital financing activities	(140,693)	(139,504,161)	(263,456)	-	(139,908,310)
Cash Flows from Investing Activities					
Purchases of investments	-	(66,488,997)	-	-	(66,488,997)
Sales of investments	-	55,521,261	-	-	55,521,261
Income on deposits and investments	4,422	9,500,810	3,254	-	9,508,486
Net cash flows provided by (used for) investing activities	4,422	(1,466,926)	3,254	-	(1,459,250)
Net increase (decrease) in cash and cash equivalents	4,136,745	(43,968,075)	603,055	-	(39,228,275)
Cash and cash equivalents, beginning of year	22,476,423	122,724,427	10,562,968	-	155,763,818
Cash and cash equivalents, end of year	$ 26,613,168	$ 78,756,352	$ 11,166,023	$ -	$ 116,535,543

(Continued)

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014 (CONTINUED)

	General Operating	Single-Family Finance Programs	Program	Totals
Reconciliation of Operating Income to Net Cash Flows Provided by (used for) Operating Activities:				
Operating income (loss)	$ (80,526)	$ 12,642,951	$ 392,128	$ 12,954,553
Adjustments to reconcile operating income (loss) to net cash flows provided by (used for) operating activities:				
Depreciation	239,704	-	-	239,704
Provision for loan losses	(2,719,632)	(887,868)	(333,635)	(3,941,135)
Bond premium amortization	-	(889,992)	-	(889,992)
Deferred gain on refunding	-	(41,405)	-	(41,405)
Deferred loss on refunding	-	209,116	-	209,116
Bonds interest expense reclassified to noncapital financing activities	-	24,663,620	-	24,663,620
Income on deposits and investments reclassified to investing activities	(4,079)	(9,888,323)	(3,254)	(9,895,656)
Change in assets and liabilities:				
(Increase) decrease in loans receivable	5,085,665	70,215,532	714,368	76,015,565
(Increase) decrease in accounts receivable	294,937	816,323	42,623	1,153,883
(Increase) decrease in prepaid expenses	150,941	-	-	150,941
Increase (decrease) in accounts payable, accrued expenses and due to grantor	1,745,555	(627,888)	-	1,117,667
Increase (decrease) in mortgage escrows	(315,860)	-	-	(315,860)
Increase (decrease) in other liabilities	(246,438)	-	-	(246,438)
(Increase) decrease in accrued interest receivable-loans	193,568	790,946	51,027	1,035,541
Total adjustments	4,424,361	84,360,061	471,129	89,255,551
Net cash flows provided by (used for) operating activities	$ 4,343,835	$ 97,003,012	$ 863,257	$ 102,210,104

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

(CONTINUED)

Noncash Noncapital Financing Activities

a. Interest payments on bonds do not include $15,784 amortization of bond discounts, $209,116 of amortization of deferred losses on refundings of debt, and $41,405 of amortization of deferred gains on refundings of debt that that were included in operating revenues and expenses in the Single Family Finance Program Fund.

b. The Authority recorded an increase in the fair value of investments in the amount of $1,412,926 for the fiscal year ended June 30, 2014.

	General Operating	Single Family Finance Program	Program	Total
Cash is Reported on the Statement of Net Position as:				
Cash and cash equivalents	$ 16,639,454	$ -	$ 11,166,023	$ 27,805,477
Restricted cash and cash equivalents	9,973,714	78,756,352	-	88,730,066
Total Cash and Cash Equivalents	$ 26,613,168	$ 78,756,352	$ 11,166,023	$ 116,535,543

See accompanying notes.

1. Summary of Significant Accounting Policies

The financial statements of the South Carolina State Housing Finance and Development Authority (the “Authority") were prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described hereafter.

1.A Reporting Entity

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 Authority, a primary entity, is a public body, corporate and politic, and is a discretely presented component unit of the State of South Carolina. As such, its funds are included in the Comprehensive Annual Financial Report of the State of South Carolina as a discretely presented component unit.

The Authority was established in 1971 pursuant to Section 31-13-20 of the South Carolina Code of Laws. The laws of the State of South Carolina and policies and procedures specified by the State of South Carolina for State agencies are applicable to the Authority. The powers of the Authority were expanded through the passage of the South Carolina State Housing Act of 1977 (31-13-10 through 330 and 31-3-1510), and as amended in 1982 (31-13-70), 1983 (31-13-80), 1986 (31-1-340), 1988 (31-13-50) and 1990 (31-13-200).

The Act empowers the Authority to enter into grants and contracts with the federal government and to issue bonds and notes. In 1992, the General Assembly amended Chapter 13, Title 13 by adding Article 4 which enacts the Housing Trust Fund Act of 1992.

The Authority's Board of Commissioners (the “Board”), whose members are appointed by the Governor, is the governing body of the Authority. The Board administers, has jurisdiction over, and is responsible for the management of the Authority.

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

1. Summary of Significant Accounting Policies (Continued)

1.A Reporting Entity (Continued)

Using the criteria of GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," and GASB Statement No. 61 "The Financial Reporting Entity Omnibus" discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. SC Housing Corp is a blended component unit of the Authority.

GASB Statement No. 61 clarified previous statements by requiring a financial benefit or burden criteria to be present in order for a separate entity to be dependent on a primary government and included as a component unit of the primary entity, regardless of whether the primary government appoints a voting majority of the organization's governing body. The financial benefit or burden exists if the primary government is (a) legally entitled or can access the organization's resources, or (b) legally obligated or has assumed the obligation to finance deficits or provide financial support to the organization or (c) obligated in some manner for the debt of the organization. In addition, the relationship to the primary government can also be determined by the services provided by the component unit to the citizens, such that separate reporting as a major component unit is considered essential to the financial statement users.

Based on the new criteria, the Authority has been determined to be classified as a discretely presented component unit of the State of South Carolina and that the SC Housing Corp is a blended component unit of the Authority. The financial statements report the activity of the Authority and the SC Housing Corp.

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 and the SC Housing Corp. 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 of South Carolina, and neither the State of South Carolina nor any political subdivision thereof is liable. 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.

1. Summary of Significant Accounting Policies (Continued)

1.B 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.

The Authority's funds are classified into two categories - governmental and proprietary.

1.B.1 Governmental Funds

Governmental funds finance the Authority's governmental functions including the disbursement of restricted monies. Within the Authority's governmental funds, 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.

As such, in accordance with governmental accounting standards, the portions of net position/fund balances that are not available for appropriation and are legally segregated for a specified use are presented as restricted in the entity-wide statement.

1.B.1.a The **Housing Trust Fund,** a Special Revenue Fund, was established in May 1992 pursuant to South Carolina Code of Laws, Chapter 31, Article 4. The Authority receives funding from a percentage of the documentary stamp tax on instruments conveying real property. Under this legislation, the Housing Trust Fund is to be used to "increase the supply of safe, decent and affordable housing for members of the very low and lower income individuals and households."

1.B.1.b The **SC HELP Fund**, SC Housing Corp, a blended component unit, is presented as a Special Revenue Fund of the Authority under the title "SC HELP Fund." On August 3, 2010, the Authority was notified by officials at the U.S. Department of Treasury (Treasury) that Treasury had approved the proposal of the South Carolina State Housing Finance and Development Authority for administration and distribution of $138 million to help the State of South Carolina's "hardest hit" homeowners. The program is administered by the SC Housing Corp., a not for profit entity qualifying as a blended component unit of the Authority. On August 11, 2010, Treasury announced an additional $58.8 million in funding for this program. On September 29, 2010, Treasury announced an additional incremental award to the Authority of approximately $98.6 million in funding for this program. The total program award is currently $295.4 million. SC Housing Corp is presented as a special revenue fund in the SC Help Fund in the accompanying financial statements.

1. Summary of Significant Accounting Policies (Continued)

1.B.1.b The **SC HELP Fund (Continued)**

Separate financial statements for SC Housing Corp may be obtained from its executive director upon request.

1.B.2 Proprietary Funds

The proprietary funds are used to account for activities similar to those found in the private sector, where the determination of operating income is necessary or useful for 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. 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:

1.B.2.a The **General Operating Fund** records administrative fees from the U.S. Department of Housing and Urban Development (HUD), loan servicing fees, other fee type income, and interest earned on loans and investments. 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 HUD funds that are used to provide rental assistance to qualified recipients as well as fund loans and grants for various other rental, homeownership, rehabilitation and development activities.

1.B.2.b The **Single Family Finance Programs Fund** accounts for the financing activities of the Authority's Single Family Mortgage Purchase Bond Indenture, the Mortgage Revenue Bonds Indenture and the Homeownership Revenue Bond Indenture. The proceeds of each series of bonds issued under these three programs are used to purchase mortgage loans made to the State's moderate-to-low income citizens who meet federal and Authority eligibility requirements. The three Indentures generate income to cover the costs of administration and debt service on the bonds. Excess funds as determined by cash flow analysis and certification may be transferred to the other programs at the discretion of the Authority.

1.B.2.c The **Program Fund** was established in accordance with Section 31-13-340 of the South Carolina Code of Laws. Monies not required to be accounted for elsewhere can be deposited into the Program Fund. This fund is used by the Authority to finance special initiatives and down payment assistance loans (both forgivable and repayable) as authorized by the Authority's Board.

1. Summary of Significant Accounting Policies (Continued)

1.C Basis of Accounting and Reporting

All governmental funds are accounted for using the 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 and decreases in fund balance.

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. For this purpose, the Authority considers funds to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary funds are accounted for via the 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 total net position.

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.

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

The Authority has elected to treat all funds as major and present them in separate columns.

1.D Restricted Assets and Liabilities Payable from Restricted Assets under Revenue Bond Resolutions

Generally, under the applicable bond indentures, the earnings and receipts of loan payments related to investment and mortgage loan assets in the Single Family Finance Program Fund are required to be used to purchase mortgages or for the related debt service payments. Because these assets are generally restricted for this purpose, they have been reflected as current and noncurrent restricted assets in the accompanying statements of net position. Net restricted position 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 (see *Note 2E*).

1. Summary of Significant Accounting Policies (Continued)

1.D Restricted Assets and Liabilities Payable from Restricted Assets under Revenue Bond Resolutions (Continued)

Under provisions of applicable debt indentures, net restricted position not restricted for the respective bond reserves of the Single Family Finance Fund are reflected as either restricted for debt service or for special programs in the accompanying statements.

1.E Discounts, Premiums, and Deferred Gains and Losses on Refundings of Debt

Bond discounts and premiums are amortized over the terms of the bonds. The deferred gains and losses on refundings of debt include the call premiums and the unamortized premiums or discounts attributable to the bonds refunded and are amortized over the term of the refunded issues or the new issues whichever is shorter, using the bonds outstanding method. The deferred gains on refundings of debt represent a deferred inflow of resources, which is reported separately on the statements of net positon. The deferred losses on refundings of debt represent a deferred outflow of resources, which is reported separately on the statements of net position. Amortization of bond discounts and the deferred losses on refunding of debt are included in operating expenses. Amortization of bond premiums and the deferred gains on refunding of debt are included in operating revenue.

1.F 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, Contract Administration, and the Housing Choice 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.

Generally, HUD advances the Authority sufficient funds to cover the current month's housing assistance payments before such disbursements are made by the Authority. Additionally, HUD advances funds on a monthly basis for the Authority's costs of administering the subsidy contracts. These administrative fees are recognized as operating revenue when earned in the General Operating Fund. Because such funds are generally restricted as to purpose, they have been reflected in the restricted portion of the accompanying statements where appropriate.

1. Summary of Significant Accounting Policies (Continued)

1.F Federally Assisted Program Advances and Fees (Continued)

The Authority also administers the Home Investments Partnership Program and Neighborhood Stabilization Program. The Home Investments Partnership Program provides loans and grants to local governments and nonprofit entities to assist private property owners in building new and rehabilitating existing rental housing for low-income tenants. The Home Investments Partnership Program also provides forgivable and repayable down payment assistance loans to qualified first time homebuyers. The Neighborhood Stabilization Program provides grants to other entities, primarily local governments and nonprofit entities, to purchase foreclosed or abandoned properties and to rehabilitate, resell, or redevelop these properties in order to stabilize neighborhoods and stem the decline of value for other homes in the neighborhood. Under both of these programs, an administrative fee is drawn from HUD to reimburse the Authority, as well as the entity that has been awarded funds under the program, for administrative costs. These administrative fees are recognized as operating revenue when earned.

Funds granted and passed through by the Authority are included in the accompanying financial statements in the General Operating Fund as nonoperating revenue and expense.

1.G Cash and Cash Equivalents

Amounts denoted in the financial statements as "cash and cash equivalents" represent cash on deposit in banks, cash on deposit with the State Treasurer’s Office, cash invested in various instruments with banks and short term investments, such as guaranteed investment contracts, not held by the State Treasurer's Office and having a maturity at purchase of three months or less.

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.

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.

1. Summary of Significant Accounting Policies (Continued)

1.G Cash and Cash Equivalents (Continued)

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.

Interest earned by the Authority on amounts held in special deposit accounts is posted to the Authority's accounts at the end of each month and is retained by the Authority. Interest earnings are allocated based on the percentage of the Authority's accumulated daily interest income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and 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 receivable. Unrealized gains and losses are allocated at year-end based on the Authority's percentage ownership in the pool.

Although the cash management pool may include some long-term investments, it operates as a demand deposit account. Credit risk information pertaining to the cash management pool is contained in *Note 2D.*

The Authority has funds in State Treasurer accounts not included in the State’s internal cash management pool and at other institutions. For these 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.

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.

1.H Investments

Investments in the State’s internal cash management pool 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. GNMAs pledged to bonds are carried at cost. GNMAs are pledged to support the Single Family Mortgage Purchase and Homeownership Revenue Bonds and are not held for resale.

1. Summary of Significant Accounting Policies (Continued)

1.I Loans Receivable

Loans receivable consist of mortgage loans, which are carried at par. Most mortgage loans in the Single Family Finance Program Fund as well as the single family mortgage loans of approximately $13.4 million in the General Operating Fund and Program Fund are insured with various mortgage insurance carriers at specified percentages of the original loan amount varying from 25% to 100%. However, once the loan to property value ratio falls below 80%, borrowers have the right to cancel the mortgage insurance if certain conditions have been met as provided by federal law and/or the insurance carrier. As required by the Homeowners Protection Act, mortgage insurance is automatically cancelled when the original loan to value ratio reaches 79%. In the past the Authority considered the mortgaged property as adequate collateral against significant potential loan losses for such uninsured properties. However, declines in property values have occurred in some areas of South Carolina that may result in losses higher than experienced in the past. The Authority does not anticipate that the increase in losses will place undue stress on the Authority's financial position. Most loans made from the Housing Trust Fund and a portion of the loans in the General Operating Fund are not single family mortgage loans and are not insured.

Management is of the opinion that the mortgage insurance coverage, in addition to over-collateralization, is adequate to cover any significant potential loan losses under the Single Family Finance Programs should they occur. Loans determined to be uncollectible and unrecoverable from mortgage insurance carriers are charged off against program income. The Authority has recorded allowances for doubtful loans which are considered adequate.

1.J Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Authority follows capitalization guidelines established by the State of South Carolina. The Authority capitalizes furniture and equipment with a unit value exceeding $5,000 and an estimated useful life of more than two years. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over estimated useful lives of three to ten years for furniture, equipment and leasehold improvements and five years for software. Currently, the Authority owns personal property only and owns no real property (land, buildings, attachments, etc.).

1.K Mortgage Escrows

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

1. Summary of Significant Accounting Policies (Continued)

1.L Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees (those scheduled to work at least one-half of the established work week) are entitled to accrue and carry forward calendar year-end maximums of 180 days sick and of 45 days vacation leave. Upon termination of State employment, qualified employees are entitled to payment for accumulated unused vacation leave not exceeding the maximum carry forward balance at calendar year end. Employees are not entitled to payment for unused sick leave balances at termination. Annually, at fiscal year-end, the Authority calculates and records a liability for compensated absences based on the total eligible balance of unused employee vacation leave. The liability is calculated using the current employee salary and related benefits data and is reported in the Statement of Net Position of the General Operating Fund under current and noncurrent liabilities as appropriate.

1.M Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the obligation. This results 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, notes, 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. At June 30, 2014, reported as other noncurrent liabilities for business-type activities is an arbitrage rebate liability of $39,466 associated with the Authority’s Mortgage Revenue Bonds Outstanding.

1.N Budget Policy

The Appropriation Act 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.

1. Summary of Significant Accounting Policies (Continued)

1.N Budget Policy (Continued)

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 appropriation authorization exists and generally if sufficient cash is on hand.

1.O Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations including granting and collecting loans. The Authority's primary operating revenues are from administrative fees for the administration of HUD programs and interest and other charges on loans. Operating expenses include the Authority's administrative expenses and depreciation on capital assets. All revenues and expenses (excluding bond interest expense) not meeting this definition are reported as nonoperating revenues and expenses.

1.P Net Position and Fund Balance

Net position or fund balances are presented in the following components or classifications:

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted assets - Net position or fund balance, for enterprise or governmental fund types, respectively, are reported as restricted when constraints placed on resource use are restricted by legal and/or contractual requirements. Generally, such assets have use restrictions placed on them by (1) external parties such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) laws of the enabling government. The Authority’s restrictions are primarily due to requirements of bond indentures, South Carolina law and Federal program requirements.

Unrestricted assets - For business type activities, all assets not meeting the definition of “restricted” or “net investment in capital assets” are classified as unrestricted.

1. Summary of Significant Accounting Policies (Continued)

1.P Net Position and Fund Balance (Continued)

Other governmental fund balance classifications - The Authority adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. GASB Statement No. 54 establishes a uniform hierarchy based largely on the extent to which a government is required to observe spending constraints governing how it may use amounts reported in the fund balance section of the balance sheet of governmental funds. Under GASB Statement No. 54, all governmental fund assets of the Authority not meeting the definition of "restricted" are classified as “nonspendable,” “committed”, “assigned”, or “unassigned” as appropriate. The Authority had no such governmental fund balance classifications for the fiscal year ended June 30, 2014.

For governmental funds, it is the policy of the Authority to spend unassigned fund balances first followed thereafter by restricted, committed, and assigned resources as needed.

For business-type activities, when both restricted and unrestricted resources are available, it is the policy of the Authority to spend restricted resources first followed thereafter by unrestricted resources as needed.

1.Q Use of Estimates

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

1.R Recent Accounting Developments

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. For the fiscal year ended June 30, 2014, the Authority had deferred outflows of resources and deferred inflows of resources. The deferred outflows of resources related to deferred losses on bond refundings of $1,599,196. The deferred inflows of resources related to deferred gains on bond refundings of $414,985. This Statement also has a standard that applies specifically to debt issuance costs. Debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs, financing costs (such as rating agency fees), and other related costs (such as legal and trustee expenses).

1. Summary of Significant Accounting Policies (Continued)

1.R Recent Accounting Developments (Continued)

The Authority implemented this Statement in the fiscal year ended June 30, 2014. Under the provisions of this Statement, the accounting changes were retroactive to prior periods. For purposes of the current financial statements, the cumulative effect of applying the Statement resulted in the restatement of beginning net position. The effect of the write-off of the unamortized bond issuance costs was a reduction of $6,632,743 to beginning net position.

Also in March 2012, the GASB issued Statement No. 66, *Technical Corrections - 2012 (an amendment of GASB Statements No. 10 and No. 62).* This Statement is intended to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in previous pronouncements. The Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting, and instead following guidance for fund classifications in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In addition, this Statement amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying accounting guidance for (1) operating lease payments that vary from straight-line basis, (2) the difference between initial investment (purchase price) and the principal amount of purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The provisions of this Statement were implemented in the fiscal year ended June 30, 2014, but did not have significant effect on the Authority's financial position or results from operations.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27).* The objective of this Statement is to improve the accounting and financial reporting by state and local governmental employers about financial support for pensions that is provided by other entities, with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This pronouncement addresses financial statement preparation requirements for the recognition of the net pension liability and pension expenditures, specific disclosures for the Notes to Financial Statements, and certain required supplementary information. This Statement is effective for fiscal years beginning after June 15, 2014 with earlier application encouraged.

1. Summary of Significant Accounting Policies (Continued)

1.R Recent Accounting Developments (Continued)

The Authority will implement this Statement in conjunction with the South Carolina Public Employee Benefit Authority (PEBA) in the fiscal year ending June 30, 2015. Preliminary calculations provided from PEBA estimate that the pension liability to be recognized by the Authority may be between $11,000,000 and $17,000,000.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This pronouncement relates to agreements where a government entity extends financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The objective of this pronouncement is to improve accounting and financial reporting by governmental entities that extend and receive nonexchange financial guarantees. The provisions of this Statement were effective in the fiscal year ended June 30, 2014, however, the Authority did not have any nonexchange financial guarantees.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This Statement is to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. In addition to addressing presentation requirements as they relate to the pension liability and the recognition of deferred outflows of resources and deferred inflows of resources, the Statement also provides guidance on the timing of pension contributions, which could result in significant understatement of beginning net position and expense in the initial period of implementation. The Authority will implement this Statement in the fiscal year ending June 30, 2015.

2. Deposits and Investments

Financial Statements		Footnotes	
Current assets:		Deposits:	
Cash and cash equivalents:		Deposits held by State	
Unrestricted	$ 44,465,770	Treasurer	$ 31,569,568
Restricted	88,730,066	Deposits with banks	100,653,609
Investments:		Other deposits	972,659
Restricted	59,496,590	Total deposits	133,195,836
Non-current assets:		Investments:	
Cash and cash equivalents:		Treasurer	59,496,590
Restricted	-	Other investments	166,027,965
Investments:			
Restricted	166,027,965	Total investments	225,524,555
Total	$ 358,720,391	Total	$ 358,720,391

2.A Deposits

All deposits of the Authority are insured or collateralized by using the dedicated method. Under the dedicated method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by each of the depository banks. At June 30, 2014, the Authority's bank and other deposits had a carrying amount of $101,626,268 and a bank balance of $101,416,802. $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. Other deposits are Guaranteed Investment Contracts issued by institutions rated by a national rating organization.

2.B Deposits Held by State Treasurer

State law requires full collateralization of all deposits and investments of the State funds. The depository institution 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.

2. Deposits and Investments (Continued)

2.C Investments

At June 30, 2014, the Authority's investment balances were as follows:

	Carrying Value	Less Than 1 Year	Greater Than 1 Year
Government National Mortgage Association Insured Mortgage Backed Securities (GNMAs)	$ 166,027,965	-	$ 166,027,965
SC State Treasurer Pool	59,496,590	59,496,590	-
Totals	$ 225,524,555	$ 59,496,590	$ 166,027,965

2.D Investment Risk Factors

There are a number of variables that affect the value of investments. These risks are discussed below.

2.D.1 Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changes in interest rates. As a means of limiting its exposure to interest rate risk, the revenue funds for some bond issues are tied to a guaranteed investment contract (GIC). The interest rate of each GIC is guaranteed for the term of the bonds in order to limit interest rate risk exposure for each issue. As an additional measure to limit interest rate risk, the Authority does not invest in certificates of deposit with a maturity exceeding one year.

2.D.2 Custodial Credit Risk

For a deposit, the custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits, investments, or collateral securities held by an outside party. The Authority has no policy on custodial credit risk.

2. Deposits and Investments (Continued)

2.D.3 Credit Risk

The Authority follows Section 11-9-660 of the South Carolina Code of Laws regarding credit risk. The Authority places a portion of its funds on deposit in the State Treasurer's Investment Pool. Although the Pool itself is unrated, it is invested according to the requirements of State law, which allows only limited investments in instruments subject to credit risk. State law further requires that investments in obligations of corporations and in state or political subdivisions of the United States have an investment grade rating from at least two nationally recognized rating agencies. State Law also requires that guaranteed investment contracts (GIC's) bear the two highest ratings from at least two nationally recognized rating agencies at the time of purchase.

2.D.4 Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5% of the Authority's investments are in the following investments: *GNMAs 55%, State Treasurer Investment Pools 19%, Cash 14%, and Tri-Party Repos 12%.*

2.E Restricted Deposits and Investments

Under provisions of applicable debt indentures, the Authority is required to restrict sufficient assets with an independent trustee (The Bank of New York/Mellon) in the Single Family Finance Program Fund in order to meet reserve requirements for payment of debt service on bonds. The required and actual reserve amounts for each program at June 30, 2014 are as follows:

	Reserve Requirements	Actual Funding	Over (Short)
Single Family Mortgage Reserve Funds-1998	$ 2,640,450	$ 2,640,450	$ -
Mortgage Revenue Indenture Reserve Funds	3,682,200	3,701,503	19,303
Totals	$ 6,322,650	$ 6,341,953	$ 19,303

3. Loans Receivable

Loans receivable consist of the following:

Housing Trust Fund notes maturing on various dates 2014-2048 plus interest ranging from 0.000%-4.000% per annum payable in monthly installments of principal and interest, as provided in the notes. Reported net of allowance for doubtful loans of $88,836.	$ 8,225,837
Total governmental funds	$ 8,225,837
Proprietary Funds	
General Operating Fund notes maturing on various dates from 2015-2048 plus interest ranging from 0.000%-10.750% per annum, payable in installments of principal and interest as provided in the notes. Reported net of allowance for doubtful loans of $414,019.	$ 77,727,009
Program Fund notes maturing on various dates from 2023-2044 plus interest ranging from 0.000% - 5.000% per annum; payable in monthly installments of principal and interest as provided in the notes. Reported net of allowance for doubtful loans of $699,722.	8,391,153
Single Family Finance Programs notes maturing on various dates from 2019-2041 plus interest ranging from 4.000%-8.500% per annum, payable in monthly installments of principal and interest. Reported net of allowance for doubtful loans of $1,639,018.	476,719,595
Total proprietary funds	$562,837,757

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances July 1, 2013	Increases	Decreases	Ending Balances June 30, 2014
Equipment and furniture	$ 1,801,511	$ 70,819	$ -	$ 1,872,330
Accumulated depreciation	(1,367,391)	(239,704)	-	(1,607,095)
Capital assets, net of accumulated depreciation	$ 434,120	$ (168,885)	$ -	$ 265,235

5. Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

	Beginning Balances July 1, 2013	Additions	Reductions	Ending Balances June 30, 2014	Due within One Year
Bonds payable	$ 641,475,000	$ -	$ 112,330,000	$ 529,145,000	$ 12,825,000
Unamortized premiums and discounts	11,431,272	-	1,327,573	10,103,699	-
Total bonds payable	652,906,272	-	113,657,573	539,248,699	12,825,000
Accrued arbitrage	37,771	1,695	-	39,466	-
Accrued compensated absences	773,771	515,344	516,650	772,465	516,650
Totals	$ 653,717,814	$ 517,039	$ 114,174,223	$ 540,060,630	$ 13,341,650

6. Bonds Payable

At June 30, 2014, bonds payable, including unamortized premiums and discounts, consisted of the following:

	Date Issued	Issue Amount	Outstanding Balance
Single Family Mortgage Purchase Bonds			
1998A (5.00% to 5.5%) due 2014-2035	09/11/98	$ 106,975,000	$ 88,015,000
Plus: Unamortized premium			741,060
			88,756,060
Mortgage Revenue Bonds			
2004A (3.80% to 5.50%) due 2013-2035	07/01/04	100,000,000	36,885,000
2005A (3.25% to 5.00%) due 2013-2036	06/15/05	81,720,000	31,350,000
2006A/B (3.75% to 5.75%) due 2013-2037	06/30/06	98,000,000	48,050,000
2006C (3.55% to 5.50%) due 2013-2037	12/19/06	83,540,000	42,420,000
2007A (3.95% to 5.55%) due 2013-2038	09/11/07	83,000,000	44,700,000
2008A (2.85% to 6.00%) due 2013-2039	06/04/08	20,000,000	9,750,000
2008B (3.65% to 6.00%) due 2013-2039	08/28/08	45,215,000	18,260,000
2012A (0.35% to 4.00%) due 2013-2034	09/26/12	65,710,000	50,030,000
			281,445,000
Plus: Unamortized premium			8,332,070
Less: Unamortized discounts			(31,462)
			289,745,608
Homeownership Revenue Bonds			
2010-1 (0.70% to 5.00%) due 2013-2041	07/01/10	100,000,000	24,215,000
2010-2 (1.00% to 5.00%) due 2013-2041	12/09/10	40,000,000	31,470,000
2011-1 (0.60% to 4.50%) due 2013-2041	10/20/11	70,000,000	60,550,000
2013-1 (2.95%) due 2041	04/17/13	50,110,000	43,450,000
			159,685,000
Plus: Unamortized premium			1,062,031
			160,747,031
Total bonds payable, net of unamortized premiums and discounts			$ 539,248,699

6. Bonds Payable (Continued)

Amounts, including interest, required to complete payment of the bond obligations as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	$ 12,825,000	$ 23,045,858	$ 35,870,858
2016	15,440,000	22,571,069	38,011,069
2017	16,615,000	22,010,387	38,625,387
2018	17,600,000	21,350,868	38,950,868
2019	17,590,000	20,618,504	38,208,504
2020-2024	91,175,000	90,981,688	182,156,688
2025-2029	105,370,000	67,302,190	172,672,190
2030-2034	114,965,000	40,941,455	155,906,455
2035-2039	81,420,000	16,049,374	97,469,374
2040-2044	56,145,000	2,495,392	58,640,392
Total	$ 529,145,000	$ 327,366,785	$ 856,511,785

6. Bonds Payable (Continued)

The Authority has the option to redeem most of its bonds prior to maturity on the first of any month, as specified under each bond issue, plus accrued interest to the date of redemption. These early redemptions are funded by mortgage pre-payments and other income. The mortgage pre-payment/re-financing rate varies from year-to-year and determines the amount of funds available to call bonds prior to maturity. Below is a listing of the Single Family Finance Program bonds redeemed prior to their maturity during the year ended June 30, 2014:

Single Family Finance Programs:	
Mortgage Revenue Bonds	
Series 2003 A	$18,645,000
Series 2004 A	8,315,000
Series 2005 A	6,900,000
Series 2006 A and B	8,860,000
Series 2006 C	9,685,000
Series 2007 A	11,655,000
Series 2008 A	2,870,000
Series 2008 B	11,875,000
Series 2012 A	9,990,000
Homeownership Revenue Bonds	
Series 2010-1	3,865,000
Series 2010-2	2,835,000
Series 2011-1	4,490,000
Series 2013-1	5,360,000
Total	$ 105,345,000

Amortization of bond discounts for the year ended June 30, 2014 that was included in bond interest expense in the Single Family Finance Programs Fund was $15,784. Bond premium amortized for the year ended June 30, 2014 and attributable to the Single Family Finance Programs Fund bonds totaled $1,343,356 and was reported as other revenue in the fund. Amortization of deferred gains on refundings of debt of $41,405 was attributable to the Single Family Finance Programs Fund bonds and was included in operating revenue in the proprietary fund. Amortization of deferred losses on refundings of debt of $209,116 for the year ended June 30, 2014 was attributable to the Single Family Finance Programs Fund bonds and was included in operating expense in the proprietary fund.

7. Leases

At June 30, 2014, the Authority was obligated under various operating leases with external parties for office space and office equipment having noncancelable lease terms in excess of one year.

The lease for the Authority's office space expires in October 2016 and is payable monthly. The Authority is responsible for the pro rata share of increases in the building's real property taxes over the preceding rental year. However, the increase in a given year may not exceed 5%.

Office equipment leases expire in various fiscal years from 2015 through 2017.

Future minimum annual lease payments under noncancelable operating leases with remaining terms in excess of one year are as follows:

Year Ending June 30,		
2015		$ 353,409
2016		360,224
2017		123,750
	Total leases with external entities	$ 837,383

The Authority incurred rental expense of approximately $348,392 under the aforementioned leases for the fiscal year ended June 30, 2014.

The Authority also leases motor vehicles from the State Budget and Control Board which can be cancelled with 30 day-notice. Under this agreement, the Authority incurred expenses of $138,517 in fiscal year 2014.

The above information includes existing leases only and is not necessarily a forecast of total future rental expense. In the normal course of business, the Authority may renew or replace existing operating leases or enter into new operating leases.

8. 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:

- The South Carolina Department of Revenue collects documentary stamp taxes and remits $.20 of every $1.30 collected to the Authority for the Housing Trust Fund.
- The employee insurance plans and retirement plan are administered by the South Carolina Public Employee Benefit Authority (PEBA). PEBA was created July 1, 2012, buy the South Carolina General Assembly as a state agency responsible for the administration and management of the State's employee insurance programs and retirement systems.
- 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 and investment functions from the State Treasurer; and legal services from the Attorney General.
- Services provided at no cost from various divisions of the State Budget and Control Board include grant services, personnel management, review, and approval of certain budget amendments, procurement services, and other centralized functions. The Authority paid $295,721 through the Statewide Cost Allocation Plan during the fiscal year.
- 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 for such items applicable to fiscal year 2014 expenditures were not readily available.

9. Fund Transfers

Fund transfers to and from other funds, which are legally allowable and in accordance with the terms of the respective bond indentures, as applicable, during the fiscal year ended June 30, 2014 are as follows:

- $20,000,000 from the Single Family Bond indenture to the Revenue Reserve Fund to fund the Series 2004A Bond call on July 1, 2014.
- $512,870 from the Homeownership Revenue Bond indenture to the Revenue Reserve Fund of excess Cost of Issuance and Capitalized Interest funds.

10. Risk Management

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

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

1. Claims of State employees for unemployment compensation benefits (SC Department of Employment and Workforce)
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 (Public Employee Benefit Authority Insurance Benefits)
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefit Authority Insurance Benefits)

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All other coverage listed above is through the applicable State self-insured plan except that 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. 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. IRF rates are determined actuarially.

The Authority obtains coverage through a commercial insurer for employee fidelity bond insurance for potential losses arising from theft or misappropriation by employees.

The Authority records expenditures for insurance premiums in the general and administrative expense category of the General Operating Fund.

11. Conduit Debt

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

Issue Date	Bond/Note Title	Original Issue Amount	Amount Outstanding
	Fiscal Year 2001 (00/01)		
12/00	Multifamily Rental Housing Revenue Bonds (Bent Tree Apartments/Richland Oxford)	$ 11,130,000	$ 7,506,000
06/01	Multifamily Housing Revenue Bonds (Fairway Apartments Project)	7,735,000	7,735,000
	Fiscal Year 2003 (02/03)		
11/02	Multifamily Guaranteed Mortgage Revenue Bonds (CTS Parklane)	$ 12,050,000	$ 12,050,000
12/02	Multifamily Rental Housing Revenue Bonds (Spring Grove Apartments Project)	7,410,000	6,540,000
	Fiscal Year 2004 (03/04)		
04/04	Multifamily Rental Housing Revenue Bonds (Beverly Apartments Project)	$ 3,010,000	$ 2,735,000
04/04	Multifamily Rental Housing Revenue Bonds (Hillandale Apartments Project)	6,660,000	5,400,000
06/04	Multifamily Rental Housing Revenue Bonds (Greenville Arms Apartments Project)	4,265,000	3,830,000
06/04	Multifamily Rental Housing Revenue Bonds (Canebreak Apartments Project)	4,500,000	3,991,736
	Fiscal Year 2005 (04/05)		
07/04	Multifamily Rental Housing Revenue Bonds (Bayside Apartments Project)	$ 17,250,000	$ 17,250,000
12/04	Multifamily Rental Housing Revenue Bonds (Wyndham Pointe Apartments Project)	9,400,000	6,797,473
12/04	Multifamily Rental Housing Revenue Bonds (Planters Retreat Apartments Project)	11,850,000	10,469,371
05/05	Multifamily Rental Housing Revenue Bonds (Wenmont Apartments Project)	6,210,000	5,806,672

11. Conduit Debt (Continued)

Issue Date	Bond/Note Title	Original Issue Amount	Amount Outstanding
	Fiscal Year 2006 (05/06)		
09/05	Multifamily Rental Housing Revenue Bonds (Hallmark Homes Apartments Project)	$ 12,840,000	$ 9,692,357
09/05	Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project)	11,500,000	10,000,000
09/05	Multifamily Rental Housing Revenue Bonds (Cross Creek Apartments Project)	8,850,000	8,461,042
11/05	Multifamily Rental Housing Revenue Bonds (Runaway Bay Project)	8,365,000	8,365,000
01/06	Multifamily Rental Housing Revenue Bonds (Rocky Creek Apartments Project)	12,745,000	6,225,000
06/06	Multifamily Rental Housing Revenue Bonds (Spanish Trace Apartments Project)	3,685,000	3,455,000
	Fiscal Year 2008 (07/08)		
01/08	Multifamily Rental Housing Revenue Bonds (Bridle Ridge Apartments)	$ 7,885,000	$ 7,685,000
	Fiscal Year 2009 (08/09)		
11/08	Multifamily Rental Housing Revenue Bonds (Franklin Square Apartments)	$ 9,800,000	$ 9,800,000
12/08	Multifamily Rental Housing Revenue Bonds (Brookside Crossing)	9,900,000	9,380,000
	Fiscal Year 2011 (10/11)		
5/11	Multifamily Rental Housing Revenue Bonds (North Augusta Gardens Apartments)	$ 4,975,000	$ 4,975,000
	Multifamily Rental Housing Revenue Bonds (Pickens Gardens Apartments)	1,275,000	1,145,000

11. Conduit Debt (Continued)

Issue Date	Bond/Note Title	Original Issue Amount	Amount Outstanding
	Fiscal Year 2013 (12/13)		
12/12	2012 Multifamily Rental Housing Revenue Bonds (Columbiana Ridge Apartments Project)	$ 7,000,000	$ 7,000,000
5/13	The Parker at Cone (Phase II Apartments)	5,250,000	5,250,000
Total		$ 205,540,000	$ 181,544,651

12. Pension Plans

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 Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position 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, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

The Retirement Division maintains five 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 South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

12. Pension Plans (Continued)

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the SCRS after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death 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 or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. Participants in the Teacher and Employee Retention Incentive (TERI) program and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

12. Pension Plans (Continued)

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the TERI program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death benefit program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The Authority's actual retirement and incidental death benefit program contributions to the SCRS for the fiscal years ended June 30, 2014, 2013, and 2012 were:

Fiscal Year	Retirement		Incidental Death	
Ended	Rate	Contribution	Rate	Contribution
2014	10.450%	$677,683	.15%	$9,568
2013	10.450%	$657,840	.15%	$9,419
2012	9.385%	$554,059	.15%	$8,780

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS.

12. Pension Plans (Continued)

For fiscal year 2014, total contributions requirements to the ORP were approximately $18,420 (excluding the surcharge) from the Authority as employer and approximately $26,987 from its employees as plan members.

The amounts paid by the Authority for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

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 employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the Authority's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by PEBA and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Authority recognizes no contingent liability for unfunded costs associated with participation in the plans. The Authority plans to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27),* with the State of South Carolina for the fiscal year-ended June 30, 2015.

The estimated pension liability to be recognized in the following year by the Authority will be between $11,000,000 to $17,000,000.

13. Post-Employment Benefits Other than Pensions

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Authority contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division PEBA.

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active State, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the Insurance Benefit Division and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the Insurance Benefit Division, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013.

The Insurance Benefit Division sets the employer contribution rate based on a pay-as-you-go basis. The Authority paid approximately $322,920 and $300,310 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, respectively. BLTD benefits are funded through a person’s premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to the Insurance Benefit Division was $3.22 for the fiscal years ended June 30, 2014 and 2013. The Authority recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately $5,255 and $5,100 for the fiscal years ended June 30, 2014 and 2013, respectively.

13. Post-Employment Benefits Other than Pensions (Continued)

Funding Policies (continued)

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated Insurance Benefit Division reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority - Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

14. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the Authority have elected to participate in such plans. 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 employees. 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 has authorized deferred compensation matching contributions, which are funded from various funding sources based on the same percentages used for employees' salaries. he Authority made no contributions for the fiscal year ended June 30, 2014.

15. Commitments and Contingencies

Financial Award Commitments
As of June 30, 2014, the Authority has financial award commitments outstanding totaling $6,935,093 under the Housing Trust Fund programs and $250,000 for special initiatives under the Program Fund.

15. Commitments and Contingencies (Continued)

The Authority receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the Authority. The Authority records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the Authority and the federal government agree on reimbursement terms. Based on an analysis of historical data, the Authority believes that any such disallowances relating to the fiscal year ended June 30, 2014, or earlier years will not have a material impact on the Authority's financial statements.

16. Subsequent Events

On July 1, 2014, the Authority called all outstanding Series 2004A Bonds. The call was funded by Series 2004A funds, other available funds from the Mortgage Revenue Bond Indenture and funds transferred from the Authority's Revenue Reserve Fund.

On September 17, 2014, the Authority received preliminary approval to issue up to $70 million in Mortgage Revenue Bonds and $30 million in Refunding Bonds to refund Series 2005A. The Authority anticipates closing on the Bonds in November 2014.

17. Segment Financial Information

Segment financial information as required by the bond trustees for each indenture of the Authority's Single Family Finance Programs as of and for the fiscal year ended June 30, 2014, is presented on the following pages.

Statement of Net Position - June 30, 2014

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Assets					
Current assets:					
Restricted assets:					
Cash and cash equivalents	$ 6,710,453	$ 21,246,337	$ 11,934,377	$ 38,865,185	$ 78,756,352
Investments	25,140,636	8,211,706	-	26,144,248	59,496,590
Loans receivable	3,062,265	12,172,537	-	254,965	15,489,767
Accrued interest receivable:					
Loans	605,478	2,804,914	-	25,465	3,435,857
Deposits and investments	149,983	26,037	486,453	70,031	732,504
Due from other funds	612,703	46,230	-	-	658,933
Total current assets	36,281,518	44,507,761	12,420,830	65,359,894	158,570,003
Non-current assets:					
Restricted assets:					
Investments	14,425,639	-	151,602,326	-	166,027,965
Loans receivable	113,794,049	345,533,949	-	3,540,848	462,868,846
Allowance for doubtful loans	(131,557)	(1,507,461)	-	-	(1,639,018)
Total noncurrent assets	128,088,131	344,026,488	151,602,326	3,540,848	627,257,793
Total assets	164,369,649	388,534,249	164,023,156	68,900,742	785,827,796
Deferred Outflows of Resources					
Deferred Loss on Refunding	-	1,599,196	-	-	1,599,196
Total deferred outflows of resources	-	1,599,196	-	-	1,599,196

17. Segment Financial Information (Continued)

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Liabilities					
Current liabilities:					
Liabilities payable from restricted assets:					
Bonds payable	2,655,000	6,710,000	3,460,000	-	12,825,000
Accrued interest payable on bonds	2,309,025	6,698,991	2,045,561	-	11,053,577
Total liabilities payable from restricted assets	4,964,025	13,408,991	5,505,561	-	23,878,577
Due to other funds	46,231	612,703	-	1,907	660,841
Accounts payable and accrued expenses	-	1,600	-	-	1,600
Total current liabilities	5,010,256	14,023,294	5,505,561	1,907	24,541,018
Non-current liabilities:					
Bonds payable, net of current portion and unamortized premiums and discounts	86,101,060	283,035,608	157,287,031	-	526,423,699
Other noncurrent liabilities	-	39,466	-	-	39,466
Total noncurrent liabilities	86,101,060	283,075,074	157,287,031	-	526,463,165
Total Liabilities	91,111,316	297,098,368	162,792,592	1,907	551,004,183
Deferred Inflows of Resources					
Deferred gain on refunding	-	-	411,985	-	411,985
Total deferred inflows of resources	-	-	411,985	-	411,985
Net Position					
Restricted for:					
Debt service	4,964,025	52,568,991	-	-	57,533,016
Bond reserves	2,640,450	3,701,503	-	-	6,341,953
Special programs	65,653,858	36,764,583	818,579	68,898,835	172,135,855
Total net position	$ 73,258,333	$ 93,035,077	$ 818,579	$ 68,898,835	$ 236,010,824

17. Segment Financial Information (Continued)

Statement of Revenue, Expenses, and Changes in Net Position - Year Ended June 30, 2014

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Operating revenue					
Interest and other charges on loans	$ 6,394,117	$ 21,611,696	$ -	$ 244,546	$ 28,250,359
Income on deposit and investments	1,657,910	364,292	6,520,961	1,345,161	9,888,324
Administrative fees and other	66,455	913,257	126,515	1,133,353	2,239,580
Total operating revenue	8,118,482	22,889,245	6,647,476	2,723,060	40,378,263
Operating expenses					
Bond interest	4,618,050	14,652,801	5,392,769	-	24,663,620
Program services	344,354	2,159,057	53,194	35,884	2,592,489
Bond issuance expense	-	-	3,715	-	3,715
Other expenses	16,580	312,965	-	145,943	475,488
Total operating expenses	4,978,984	17,124,823	5,449,678	181,827	27,735,312
Operating income (loss)	3,139,498	5,764,422	1,197,798	2,541,233	12,642,951
Transfers					
Transfers in	-	-	-	20,512,870	20,512,870
Transfers out	(20,000,000)	-	(512,870)	-	(20,512,870)
Total transfers	(20,000,000)	-	(512,870)	20,512,870	-
Increase (decrease) in net position	(16,860,502)	5,764,422	684,928	23,054,103	12,642,951
Net position, beginning of year, as originally reported	90,681,220	91,389,559	2,085,105	45,844,732	230,000,616
Cumulative effect of change in accounting principle	(562,385)	(4,118,904)	(1,951,454)	-	(6,632,743)
Net position, beginning of year, as restated	90,118,835	87,270,655	133,651	45,844,732	223,367,873
Net position, end of year	$ 73,258,333	$ 93,035,077	$ 818,579	$ 68,898,835	$ 236,010,824

17. Segment Financial Information (Continued)

Statement of Cash Flows - Year Ended June 30, 2014

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Cash Flows From Operating Activities					
Receipt of loan principal payments	$ 15,238,588	$ 51,799,743	$ -	$ 303,955	$ 67,342,286
Receipt of loan interest payments	7,095,467	21,705,091	-	218,563	29,019,121
Administrative fees and other	-	161,388	-	2,125,878	2,287,266
Payments to vendors	(213,007)	(1,195,801)	(56,933)	(179,920)	(1,645,661)
Net cash flows provided by (used for) operating activites	22,121,048	72,470,421	(56,933)	2,468,476	97,003,012
Cash Flows From Noncapital Financing Activities					
Transfers from other programs	-	-	-	20,512,870	20,512,870
Transfers to other programs	(20,000,000)	-	(512,870)	-	(20,512,870)
Principal payments on bonds payable	-	(92,340,000)	(19,990,000)	-	(112,330,000)
Interest payments on bonds payable	(4,618,050)	(16,923,261)	(5,632,850)	-	(27,174,161)
Net cash flows provided by (used for) noncapital financing activites	(24,618,050)	(109,263,261)	(26,135,720)	20,512,870	(139,504,161)
Cash Flows From Investing Activities					
Purchases of investments	(32,917,897)	-	(13,485,898)	(20,085,202)	(66,488,997)
Sales of investments	296,347	3,075,194	20,146,652	32,003,068	55,521,261
Income on deposits and investments	1,138,028	407,098	6,599,193	1,356,491	9,500,810
Net cash flows provided by (used for) investing activites	(31,483,522)	3,482,292	13,259,947	13,274,357	(1,466,926)
Net increase (decrease) in cash and cash equivalents	(33,980,524)	(33,310,548)	(12,932,706)	36,255,703	(43,968,075)
Cash and cash equivalents, beginning of year	40,690,977	54,556,885	24,867,083	2,609,482	122,724,427
Cash and cash equivalents, end of year	$ 6,710,453	$ 21,246,337	$ 11,934,377	$ 38,865,185	$ 78,756,352

17. Segment Financial Information (Continued)

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Reconciliation of Operating Income (Loss) to Cash Flows Provided by (Used for) Operating Activities:					
Operating income (loss)	$ 3,139,498	$ 5,764,422	$ 1,197,798	$ 2,541,233	$ 12,642,951
Adjustments to reconcile operating income (loss) to cash flows provided by (used for) operating activities:					
Provision for loan losses	(65,863)	(822,005)	-	-	(887,868)
Bond premium amortization	(57,630)	(747,227)	(85,135)	-	(889,992)
Deferred gain on refunding amortization	-	-	(41,405)	-	(41,405)
Deferred loss on refunding amortization	-	209,116	-	-	209,116
Bonds interest expense reclassified to non-capital financing activities	4,618,050	14,652,801	5,392,769	-	24,663,620
Income on deposits and investments reclassified to investing activities	(1,657,910)	(364,292)	(6,520,960)	(1,345,161)	(9,888,323)
Change in assets and liabilities:					
(Increase) decrease in loans receivable	15,404,749	53,659,917	-	1,150,866	70,215,532
(Increase) decrease in accounts receivable	603,308	(46,231)	-	259,246	816,323
(Increase) decrease in accrued interest receivable-loans	90,614	701,459	-	(1,127)	790,946
Increase (decrease) in accounts payable, accrued expenses and unearned revenue	46,232	(537,539)	-	(136,581)	(627,888)
Total adjustments	18,981,550	66,705,999	(1,254,731)	(72,757)	84,360,061
Net cash provided by (used for) operating activities	$ 22,121,048	$ 72,470,421	$ (56,933)	$ 2,468,476	$ 97,003,012

18. Change in Accounting Principle and Restatement of Beginning Net Position

During the fiscal year ended June 30, 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Due to the change in this accounting principle, beginning net position for the fiscal year ended June 30, 2014 for the business-type activities has been decreased by $6,632,743 from $346,441,241 to $339,808,498. These differences represent a restatement for bond issue costs that were amortized under prior standards, but expensed in the period incurred under the new standards.

OTHER FINANCIAL INFORMATION

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor / Program Title	CFDA Number	Total Awards/ Expenditures	Awards/ Expenditures to Subrecipients
Department of Housing and Urban Development			
Section 8 - Housing Assistance Payments Program-Special allocations	14.195	$ 119,502,966	$ -
*HOME Investment Partnership Program	14.239	5,668,295	-
HERA Neighborhood Stabilization Program	14.228	1,805,501	1,290,652
Section 8 - Housing Choice Vouchers	14.871	12,303,315	-
Total Direct - Department of Housing and Urban Development		**$ 139,280,077**	**$ 1,290,652**

* Total Expenditures for the HOME Investment Partnership Program in the current fiscal year include $3,269,984 of disbursements that have been recorded as Loans Receivable in the Statement of Net Position and not included in Nonoperating Expenses - Housing assistance payments and grant awards disbursed. The total balance of loans for which the federal government has continuing compliance requirements is $68,415,535.

See accompanying note to schedule of expenditures of federal awards.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Accounting Principles

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the South Carolina State Housing Finance and Development Authority and has been prepared on the accrual 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 Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the South Carolina State Housing Finance and Development Authority (the "Authority"), a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, LLC

Columbia, South Carolina
October 15, 2014

Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited South Carolina State Housing Finance and Development Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, LLC

Columbia, South Carolina
October 15, 2014

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.195	Section 8 Project-Based Cluster - Section 8 Housing Assistance Payments Program

Dollar threshold used to distinguish between Type A and Type B programs	$ 3,000,000
Auditee qualified as a low risk auditee?	No

2. Financial Statement Findings

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2013-001 Journal Entries

Condition: For the year ended June 30, 2013, the predecessor auditor identified a significant deficiency in internal control associated with the Authority's preparation and recording of journal entries. The predecessor auditor noted that some journal entries were recorded to the wrong account based on the supporting documentation that was provided. A revenue account balance was reduced instead of increasing an expense account balance.

Recommendation: It was recommended by the predecessor auditor that the Authority enhance its internal controls over recording journal entries in order to prevent journal entries from being posted to incorrect accounts. The predecessor auditor also recommended that a second member of management and internal audit review all significant and unusual journal entries prior to them being posted to the general ledger.

Current status: All non-automated journal entries review was moved to be reviewed by (or under the direct supervision of) the Authority's Controller prior to posting to the general ledger. The Internal Audit Department also incorporated the journal entry process into its fiscal year 2014 audit plan.

Finding 2013-002 Software Implementation

Condition: For the year ended June 30, 2013, the Authority implemented a new mortgage loan servicing system, Lender Processing Services ("LPS"). LPS is used by the Authority to process mortgage payments. Based on audit procedures performed by the predecessor auditor over the Authority's financial statements as of and for the year ended June 30, 2013, a significant deficiency in internal control was identified that was associated with processing mortgage payments within LPS. It was noted that mortgage transactions were not being recorded in the same accounts by LPS as they had been prior to the conversion to LPS.

Recommendation: The predecessor auditor recommended that any new software be implemented in a test environment prior to full implementation in order to determine whether transactions are mapped to the proper general ledger accounts.

Current status: The Finance Department reviewed the LPS interface processes and information flow and made the changes necessary to correct mapping to the appropriate general ledger accounts.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2013-003 Account Reconciliations

Condition: For the year ended June 30, 2013, the predecessor auditor identified a significant deficiency in internal control associated with the Authority's preparation of general ledger account reconciliations. It was noted that some general ledger account reconciliations were not prepared in a timely manner.

Recommendation: The predecessor auditor recommended that the Authority enhance its internal controls over the preparation of general ledger account reconciliations and requiring them to be performed more timely. Account reconciliations can be effective procedures for the detection and correction of errors. To be most effective, they should be performed on a timely basis.

Current status: For the year ended June 30, 2014, general ledger account reconciliations were completed and reviewed within forty-five days of month-end.

Finding 2013-004 Grants Receivable

Condition: For the year ended June 30, 2013, the predecessor auditor identified a significant deficiency in internal control associated with the Authority's grants receivable balance recorded as of June 30, 2013. The predecessor auditor noted that a grant receivable due from U.S. Department of Housing and Urban Development was not a valid receivable as of June 30, 2013 based on the documentation that supported the transaction.

Recommendation: The predecessor auditor recommended that the Authority design and implement internal controls to ensure that only valid grant receivables and related revenue are recognized during the correct accounting period.

Current status: All accruals impacting federal funds are currently being made through an auto-reversing process. Appropriate staff accountants are now assigned to review account balances prior to the month-end close. The Controller also reviews closing entries to ensure accruals are reversed appropriately.