SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

COLUMBIA, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

November 18, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the fiscal year ended June 30, 2016, was issued by Elliott Davis Decosimo, 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,

George L. Kennedy, III

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

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SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

COLUMBIA, SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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elliott davis decosimo

Independent Auditor's Report

Mr. George L. Kennedy, III, CPA
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, 2016, 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, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the employer's proportionate share of the net pension liability, and the schedule of the employer's contributions, as listed in the table of contents, to 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 Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 November 18, 2016 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 Decosimo, LLC

Columbia, South Carolina
November 18, 2016

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, 2016.

Financial Highlights

- Net position of the Authority's proprietary funds increased $17,314,612 to $382,667,552. This increase is primarily attributable to the increase in the Authority's single family mortgage portfolio and non-operating revenues in the General Operating Fund.
- The governmental activities net position increased $2,207,385 to $22,607,497. This increase is primarily the result of an increase in documentary stamp fees in the Housing Trust Fund.
- Federal grant revenue increased $8,509,112 to $142,492,216. All federal assistance received by the Authority during the current fiscal year was from the U.S. Department of Housing and Urban Development (HUD). The increase in federal assistance is primarily due to an increase in funding in the HOME Investment Partnership Program and the Section 8 – Housing Assistance Payments Program.
- The Authority made principal payments on mortgage revenue bonds of $132,640,000 during the fiscal year. Of that total $125,865,000 of bonds were redeemed prior to their maturity.
- For the fiscal year ended June 30, 2016, the Authority purchased $77,752,956 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 Mortgage Revenue Bond indenture and is recorded as loans. The Authority securitized $1,176,846 in loans held as Federal National Mortgage Association (FNMA) investments.
- Bonds Outstanding, net of unamortized premiums and discounts and deferred losses on refundings, decreased $63,767,562 to $422,223,123.
- The SC Housing Corp. 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 $15,909,530 in Mortgage Payment Assistance, $11,042,324 in Direct Loan Assistance, $340,000 in Property Disposition Assistance, $3,885,757 in Long Term Assistance, and $798,581 in Blight Assistance for a total of $31,976,192 in program payments during the fiscal year ended June 30, 2016.

Overview of the Financial Statements

This annual report consists 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 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 accounted for 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 $19,521,997. The following table summarizes the financial position for the Authority as of and for the fiscal years ended June 30, 2016 and 2015.

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Total current assets	$ 21,869,642	$ 19,227,186	$ 179,977,811	$ 218,616,506	$ 201,847,453	$ 237,843,692
Total non-current assets	6,925,354	7,228,663	659,958,034	666,207,956	666,883,388	673,436,619
Total assets	28,794,996	26,455,849	839,935,845	884,824,462	868,730,841	911,280,311
Deferred Outflows of Resources						
Deferred loss on refunding	-	-	1,216,512	1,390,876	1,216,512	1,390,876
Pension plan between expected and actual experience	-	-	237,912	351,617	237,912	351,617
Pension plan contributions subsequent to the measurement date	-	-	694,073	694,228	694,073	694,228
Pension plan difference between projected and actual investment earnings	-	-	89,633	-	89,633	-
Total deferred outflows of resources	-	-	2,238,130	2,436,721	2,238,130	2,436,721
Total current liabilities	6,187,499	6,055,737	31,382,142	32,929,797	37,569,641	38,985,534
Total long-term liabilities	-	-	425,267,078	486,891,204	425,267,078	486,891,204
Total liabilities	6,187,499	6,055,737	456,649,220	519,821,001	462,836,719	525,876,738
Deferred Inflows of Resources						
Deferred gain on refunding	-	-	2,630,242	1,041,109	2,630,242	1,041,109
Pension plan difference between projected and actual earnings on investments	-	-	23,947	1,046,163	23,947	1,046,163
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total pension plan employer contributions	-	-	203,044	-	203,044	-
Total deferred inflows of resources	-	-	2,857,233	2,087,272	2,857,233	2,087,272
Net investment in capital assets	-	-	135,975	214,449	135,975	214,449
Net position-restricted	22,607,497	20,400,112	354,328,850	337,587,575	376,936,347	357,987,687
Net position-unrestricted	-	-	28,202,697	27,550,886	28,202,697	27,550,886
Total net position	$ 22,607,497	$ 20,400,112	$ 382,667,522	$ 365,352,910	$ 405,275,019	$ 385,753,022

Net position of the Authority's governmental funds increased $2,207,385 to $22,607,497. 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 $17,314,612 to $382,667,522.

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	
	2016	2015	2016	2015	2016	2015
Revenue:						
Charges for Services	$ 954,001	$ 767,579	$ 36,445,924	$ 37,989,214	$ 37,399,925	$ 38,756,793
Operating Grants and Contributions	37,589,349	39,264,282	150,670,280	143,857,194	188,259,629	183,121,476
Total Revenue	38,543,350	40,031,861	187,116,204	181,846,408	225,659,554	221,878,269
Expenses	48,837,946	48,811,288	169,801,592	168,237,296	218,639,538	217,048,584
Documentary Stamp Tax	12,501,981	10,603,157	-	-	12,501,981	10,603,157
Increase (decrease) in Net Position from current year activity	2,207,385	1,823,730	17,314,612	13,609,112	19,521,997	15,432,842
Net position, beginning of year (as originally reported)	20,400,112	18,576,382	365,352,910	352,305,031	385,753,022	370,881,413
Prior period adjustment	-	-	-	11,672,514	-	11,672,514
Implementation effect of GASB No. 68 for 2015	-	-	-	(12,233,747)	-	(12,233,747)
Net position, beginning of year (as restated)	20,400,112	18,576,382	365,352,910	351,743,798	385,753,022	370,320,180
Net Position, end of year	$ 22,607,497	$ 20,400,112	$ 382,667,522	$ 365,352,910	$ 405,275,019	$ 385,753,022

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 ($142,492,216), charges for services ($36,445,924), and program investment and other income ($8,178,064). 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 $17,314,612 for the business-type activities.

Net position of the Authority increased from the previous year by $19,521,997 to $405,275,019.

Debt Administration

The Authority's total liabilities decreased $63,040,019 to $462,836,719. Long-term liabilities decreased $61,624,126 to $425,267,078. 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 ($411,163,123), net pension liability (13,390,958), accrued compensated absences ($298,348), and other non-current liabilities ($414,649). See Notes 5 and 6 to the financial statements for more information on the Authority's long-term liabilities.

Economic Factors

The Authority's financial condition remained strong at June 30, 2016. The South Carolina economy continues to experience recovery. The most recent data from the Bureau of Labor Statistics indicates that South Carolina's employment growth has returned to pre-recession levels and shows continued improvement. The Bureau of Economic Analysis data reflects an increase of 5.1% in personal income growth in South Carolina that ranks it third in its twelve state region and eighth nationally. Data from the Authority's Mortgage Servicing and Investor Services divisions support the assertion that the South Carolina economy continues to improve. Foreclosures have declined and the number of properties held as Real Estate Owned has decreased significantly. The Authority will continue to focus our efforts on loan servicing and loss mitigation in order to prevent foreclosure and preserve assets.

Private mortgage insurers are experiencing recovery as well. The Authority will continue to monitor the conventional lending market. Currently our limited conventional lending is securitized by the Federal National Mortgage Association (FNMA). Virtually all Authority single family mortgage production continues to be insured by the Federal government.

Interest rates remained compressed due to the U.S. Department of Treasury's involvement in the housing market but the Authority was able to remain in the bond market based on strength of the Statement of Net Position.

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

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, 2016

	Governmental Activities	Business Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ -	$ 18,449,662	$ 18,449,662
Investments	-	4,910,000	4,910,000
Restricted assets:			
Cash and cash equivalents	6,497,788	41,783,151	48,280,939
Investments	14,111,798	90,397,029	104,508,827
Loans receivable	-	16,687,841	16,687,841
Accounts receivable - other	-	901,156	901,156
Accrued interest receivable:			
Loans	-	2,254,044	2,254,044
Deposits and investments	-	670,809	670,809
Accounts receivable:			
Due from grantor	-	680,878	680,878
Due from primary government	1,397,583	-	1,397,583
Internal balances	(458,325)	458,325	-
Other	-	395,387	395,387
Loans receivable	316,705	1,378,745	1,695,450
Accrued interest receivable:			
Loans	3,949	48,397	52,346
Deposits and investments	144	46	190
Other current assets	-	962,341	962,341
Total current assets	21,869,642	179,977,811	201,847,453
Noncurrent assets:			
Loans receivable, net of current portion	6,925,354	18,393,345	25,318,699
Allowance for doubtful loans	-	(196,672)	(196,672)
Restricted assets:			
Investments	-	144,798,446	144,798,446
Loans receivable, net of current portion	-	497,403,907	497,403,907
Allowance for doubtful loans	-	(576,967)	(576,967)
Capital assets, net of accumulated depreciation	-	135,975	135,975
Total noncurrent assets	6,925,354	659,958,034	666,883,388
Total assets	28,794,996	839,935,845	868,730,841
Deferred Outflows of Resources			
Deferred loss on refunding	-	1,216,512	1,216,512
Pension plan difference between expected and actual experience	-	237,912	237,912
Pension contributions subsequent to the meansurement date	-	694,073	694,073
Pension plan difference between projected and actual investment earnings	-	89,633	89,633
Total deferred outflows of resources	-	2,238,130	2,238,130

(Continued)

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business Type Activities	Totals
Liabilities			
Current liabilities:			
Liabilities payable from restricted assets			
Bonds payable, net of unamortized premiums and discounts	-	11,060,000	11,060,000
Accrued interest payable on bonds	-	7,633,567	7,633,567
Other liabilities	-	24,288	24,288
Mortgage escrows	-	5,162,798	5,162,798
Total liabilities payable from restricted current assets	-	23,880,653	23,880,653
Accrued compensated absences	-	523,013	523,013
Accrued salaries and related payroll expenses	-	865,772	865,772
Advances from U.S. Department of Treasury	5,307,537	-	5,307,537
Unearned revenue	-	5,051,371	5,051,371
Accounts payable and accrued expenses	879,962	1,061,333	1,941,295
Total current liabilities	6,187,499	31,382,142	37,569,641
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	-	298,348	298,348
Bonds payable, net of current portion, unamortized premiums and discounts	-	411,163,123	411,163,123
Other noncurrent liabilities	-	414,649	414,649
Net pension liability	-	13,390,958	13,390,958
Total noncurrent liabilities	-	425,267,078	425,267,078
Total liabilities	6,187,499	456,649,220	462,836,719
Commitments and contingencies *(Note 15)*			
Deferred Inflows of Resources			
Deferred gain on refunding	-	2,630,242	2,630,242
Net difference between projected and actual earnings on pension plan investments	-	23,947	23,947
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total pension plan employer contributions	-	203,044	203,044
Total deferred inflows of resources	-	2,857,233	2,857,233
Net Position			
Net investment in capital assets	-	135,975	135,975
Restricted for:			
Debt service	-	12,077,023	12,077,023
Bond reserves	-	8,755,423	8,755,423
Housing projects and development	22,607,497	333,496,404	356,103,901
Unrestricted	-	28,202,697	28,202,697
Total net position	$ 22,607,497	$ 382,667,522	$ 405,275,019

See accompanying notes to financial statements.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

		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	$ 6,916,142	$ 1,539	$ 6,414,603	$ (500,000)	$ -	$ (500,000)
Housing assistance	32,005,219	830,473	31,174,746		-	
Housing development	9,916,585	121,989	-	(9,794,596)	-	(9,794,596)
Total governmental activities	48,837,946	954,001	37,589,349	(10,294,596)	-	(10,294,596)
Business-type activities:						
Administrative	12,970,655	13,929,686		-	959,031	959,031
Single-Family mortgage loan programs	17,871,608	22,752,819	7,748,191	- -	12,629,402	- 12,629,402
Federal programs	138,588,379		142,492,216	-	3,903,837	3,903,837
Program fund programs	370,950	175,261	18,031	-	(177,658)	(177,658)
Total business-type activities	169,801,592	36,857,766	150,258,438	-	17,314,612	17,314,612
Total functions/programs	$ 218,639,538	$ 37,811,767	$ 187,847,787	(10,294,596)	17,314,612	7,020,016
General revenue: -						
Documentary stamp taxes				12,501,981	-	12,501,981
Total general revenue and transfers				12,501,981	-	12,501,981
Change in net position				2,207,385	17,314,612	19,521,997
Net position, beginning of year				20,400,112	365,352,910	385,753,022
Net position, end of year				$ 22,607,497	$ 382,667,522	$ 405,275,019

See accompanying notes to financial statements.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	Housing Trust Fund	SC Help Fund	Total
Assets			
Current assets:			
Restricted assets:			
Cash and cash equivalents	$ -	$ 6,497,788	$ 6,497,788
Investments	14,111,798	-	14,111,798
Accounts receivable:			
Due from other funds	38,845	-	38,845
Due from primary government	1,397,583	-	1,397,583
Loans receivable	316,705	-	316,705
Accrued interest receivable:			
Loans	3,949	-	3,949
Deposits and investments	-	144	144
Total current assets	15,868,880	6,497,932	22,366,812
Noncurrent assets:			
Loans receivable, net of current portion	6,925,354	-	6,925,354
Total noncurrent assets	6,925,354	-	6,925,354
Total assets	$ 22,794,234	$ 6,497,932	$ 29,292,166
Liabilities and Fund Balance			
Current liabilities:			
Due to other funds	$ 118	$ 497,052	$ 497,170
Advances from U.S. Department of Treasury	-	5,307,537	5,307,537
Accounts payable and accrued expenses	186,619	693,343	879,962
Total current liabilities	186,737	6,497,932	6,684,669
Commitments and contingencies *(Note 15)*			
Fund Balance:			
Restricted for:			
Housing projects and development	22,607,497	-	22,607,497
Total fund balance	22,607,497	-	22,607,497
Total liabilities and fund balance	$ 22,794,234	$ 6,497,932	$ 29,292,166

See accompanying notes to financial statements.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

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

YEAR ENDED JUNE 30, 2016

	Housing Trust Fund	SC Help Fund	Totals
Revenues			
Documentary stamp taxes	$ 12,501,981	-	$ 12,501,981
Operating program revenue	-	37,589,349	37,589,349
Repayment of assistance funds disbursed	-	830,473	830,473
Interest on loans	98,042	-	98,042
Interest on deposits and investments	23,947	1,539	25,486
Total revenues	12,623,970	38,421,361	51,045,331
Expenditures			
General government	500,000	6,416,142	6,916,142
Housing assistance	-	32,005,219	32,005,219
Housing development	9,916,585	-	9,916,585
Total expenditures	10,416,585	38,421,361	48,837,946
Excess of revenue over expenditures	2,207,385	-	2,207,385
Net change in fund balance	2,207,385	-	2,207,385
Fund balance, beginning of year	20,400,112	-	20,400,112
Fund balance, end of year	$ 22,607,497	$ -	$ 22,607,497

See accompanying notes to financial statements.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2016

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Assets					
Current assets:					
Cash and cash equivalents	$ 12,680,062	$ -	$ 5,769,600	$ -	$ 18,449,662
Investments	-	-	4,910,000		4,910,000
Restricted assets:					
Cash and cash equivalents	5,994,653	35,788,498	-	-	41,783,151
Investments	3,707,607	86,689,422	-	-	90,397,029
Loans receivable	1,570,950	15,116,891	-	-	16,687,841
Accounts receivable - other	-	901,156	-	-	901,156
Accrued interest receivable:					
Loans	24,570	2,229,474	-	-	2,254,044
Deposits and investments	10	670,799	-	-	670,809
Accounts receivable:					
Due from grantor	680,878	-	-	-	680,878
Due from other funds	521,649	-	-	(24,479)	497,170
Other	395,387	-	-	-	395,387
Loans receivable	265,270	-	1,113,475	-	1,378,745
Accrued interest receivable:					
Loans	43,775	-	4,622	-	48,397
Deposits and investments	-	-	46	-	46
Other current assets	962,341	-	-	-	962,341
Total current assets	26,847,152	141,396,240	11,797,743	(24,479)	180,016,656
Noncurrent assets:					
Loans receivable, net of current portion	10,552,588	-	7,840,757	-	18,393,345
Allowance for doubtful loans	-	-	(196,672)	-	(196,672)
Restricted assets:					
Investments	-	144,798,446	-	-	144,798,446
Loans receivable, net of current portion	77,002,542	420,401,365	-	-	497,403,907
Allowance for doubtful loans	(419,912)	(157,055)	-	-	(576,967)
Capital assets, net of accumulated depreciation	135,975	-	-	-	135,975
Total noncurrent assets	87,271,193	565,042,756	7,644,085	-	659,958,034
Total assets	114,118,345	706,438,996	19,441,828	(24,479)	839,974,690
Deferred Outflows of Resources					
Deferred loss on refunding	-	1,216,512	-	-	1,216,512
Pension plan difference between expected and actual experience	237,912	-	-	-	237,912
Pension plan contributions subsequent to the measurement date	694,073	-	-	-	694,073
Pension plan difference between projected and actual investment earnings	89,633	-	-	-	89,633
Total deferred outflows of resources	1,021,618	1,216,512	-	-	2,238,130

(Continued)

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2016

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Liabilities					
Current liabilities:					
Liabilities payable from restricted assets:					
Bonds payable, net	-	11,060,000	-	-	11,060,000
Accrued interest payable on bonds	-	7,633,567	-	-	7,633,567
Other liabilities	24,288	-	-	-	24,288
Mortgage escrows	5,162,798	-	-	-	5,162,798
Total liabilities payable from restricted assets	5,187,086	18,693,567	-	-	23,880,653
Accrued compensated absences	523,013	-	-	-	523,013
Accrued salaries and related payroll expenses	865,772	-	-	-	865,772
Due to other funds	38,845	24,479	-	(24,479)	38,845
Unearned revenue	5,051,371	-	-	-	5,051,371
Accounts payable and accrued expenses	331,333	730,000	-	-	1,061,333
Total current liabilities	11,997,420	19,448,046	-	(24,479)	31,420,987
Noncurrent liabilities:					
Accrued compensated absences, net of current portion	298,348	-	-	-	298,348
Bonds payable, net of current portion and unamortized premiums and discounts	-	411,163,123	-	-	411,163,123
Other noncurrent liabilities	373,042	41,607	-	-	414,649
Net pension liability	13,390,958	-	-	-	13,390,958
Total noncurrent liabilities	14,062,348	411,204,730	-	-	425,267,078
Total liabilities	26,059,768	430,652,776	-	(24,479)	456,688,065
Commitments and contingencies *(Note 15)*					
Deferred Inflows of Resources					
Deferred gain on refunding	-	2,630,242	-	-	2,630,242
Net difference between projected and actual earnings on pension plan investments	23,947	-	-	-	23,947
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total pension plan employer contributions	203,044	-	-	-	203,044
Total deferred inflows of resources	226,991	2,630,242	-	-	2,857,233
Net Position					
Net investment in capital assets	135,975	-	-	-	135,975
Restricted for:					
Debt service	-	12,077,023	-	-	12,077,023
Bond reserves	-	8,755,423	-	-	8,755,423
Housing projects and development	79,956,360	253,540,044	-	-	333,496,404
Unrestricted	8,760,869	-	19,441,828	-	28,202,697
Total net position	$ 88,853,204	$ 274,372,490	$ 19,441,828	$ -	$ 382,667,522

See accompanying notes to financial statements

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

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

YEAR ENDED JUNE 30, 2016

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Operating Revenues					
Interest and other charges on loans	$ 1,546,998	$ 22,752,819	$ 136,193	$ -	$ 24,436,010
Interest on deposits and investments	49,739	7,650,015	18,031	-	7,717,785
Administrative fees and other	14,444,481	98,176	39,068	(2,111,532)	12,470,193
Total operating revenues	16,041,218	30,501,010	193,292	(2,111,532)	44,623,988
Operating Expenses					
Bond interest	-	15,973,451	-	-	15,973,451
Program services	-	1,501,354	-	(1,125,164)	376,190
General and administrative	13,868,063	-	-	(986,368)	12,881,695
Bond issuance expense	-	1,090,247	-	-	1,090,247
Depreciation of capital assets	88,960	-	-	-	88,960
Other expenses	185,713	242,379	3,628	-	431,720
Total operating expenses	14,142,736	18,807,431	3,628	(2,111,532)	30,842,263
Operating Income	1,898,482	11,693,579	189,664	-	13,781,725
Non-operating Revenue (Expenses)					
Federal grant and contract revenue	142,492,216	-	-	-	142,492,216
Housing assistance payments and grant awards disbursed	(138,588,379)	-	(370,950)	-	(138,959,329)
Total non-operating revenue (expenses)	3,903,837	-	(370,950)	-	3,532,887
Income Before Operating Transfers	5,802,319	11,693,579	(181,286)	-	17,314,612
Transfers					
Transfers in	666,204	862,950	-	(1,529,154)	-
Transfers out	(862,950)	(666,204)	-	1,529,154	-
Total transfers	(196,746)	196,746	-	-	-
Increase (decrease) in net position	5,605,573	11,890,325	(181,286)	-	17,314,612
Net position, at beginning of year	83,247,631	262,482,165	19,623,114	-	365,352,910
Net position, end of year	$ 88,853,204	$ 274,372,490	$ 19,441,828	$ -	$ 382,667,522

See accompanying notes to financial statements.

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	General Operating	Single-Family Finance Programs	Program	Eliminations	Totals
Cash Flows From Operating Activities					
Receipt of loan principal payments	$ 2,855,274	$ 58,417,726	$ 1,605,259	$ -	$ 62,878,259
Receipt of loan interest payments	1,556,700	23,501,003	144,448	-	25,202,151
Purchases/origination of new loans	(9,150,215)	(66,492,017)	(2,110,724)	-	(77,752,956)
Administrative fees and other	17,430,182	98,176	4,927	(2,111,532)	15,421,753
Payments to employees	(9,514,991)	-	-	-	(9,514,991)
Payments to vendors	(7,127,917)	(3,142,612)	(3,628)	2,111,532	(8,162,625)
Net cash flows provided by (used for) operating activities	(3,950,967)	12,382,276	(359,718)	-	8,071,591
Cash Flows from Capital and Related Financing Activities					
Purchases of equipment	(10,486)	-	-	-	(10,486)
Net cash flows used for capital and related financing activities	(10,486)	-	-	-	(10,486)
Cash Flows from Noncapital Financing Activities					
Transfers from other programs	666,204	862,950	-	(1,529,154)	-
Transfers to other programs	(862,950)	(666,204)	-	1,529,154	-
Proceeds from sale of bonds	-	69,595,000	-	-	69,595,000
Premium received from sale of bonds	-	2,183,249	-	-	2,183,249
Receipts from HUD	142,372,276	-	-	-	142,372,276
Payments of housing assistance and grants	(138,513,440)	-	(370,950)	-	(138,884,390)
Principal payments on bonds payable	-	(132,640,000)	-	-	(132,640,000)
Interest payments on bonds payable	-	(19,005,726)	-	-	(19,005,726)
Net cash flows provided by (used for) noncapital financing activities	3,662,090	(79,670,731)	(370,950)	-	(76,379,591)
Cash Flows from Investing Activities					
Purchases of investments	(1,559,103)	(14,105,767)	(4,910,000)	-	(20,574,870)
Proceeds from sales of investments	-	68,239,912	-	-	68,239,912
Income on deposits and investments	35,645	7,452,713	18,031	-	7,506,389
Net cash flows provided by (used for) investing activities	(1,523,458)	61,586,858	(4,891,969)	-	55,171,431
Net decrease in cash and cash equivalents	(1,822,821)	(5,701,597)	(5,622,637)	-	(13,147,055)
Cash and cash equivalents, beginning of year	20,497,536	41,490,095	11,392,237	-	73,379,868
Cash and cash equivalents, end of year	$ 18,674,715	$ 35,788,498	$ 5,769,600	$ -	$ 60,232,813

(Continued)

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	General Operating	Single-Family Finance Programs	Program	Totals
Reconciliation of Operating Income to Net Cash Flows Provided by (used for) Operating Activities:				
Operating income	$ 1,898,482	$ 11,693,579	$ 189,664	$ 13,781,725
Adjustments to reconcile operating income to net cash flows provided by (used for) operating activities:				
Depreciation	88,960	-	-	88,960
Provision for loan losses	(8,969)	(151,534)	(113,834)	(274,337)
Bond premium amortization	-	(1,008,253)	-	(1,008,253)
Deferred gain on refunding amortization	-	(327,319)	-	(327,319)
Deferral of pension contributions subsequent to measurement date	155	-	-	155
Pension expense related to recognition of net pension liability	186,933	-	-	186,933
Deferred loss on refunding amortization	-	174,364	-	174,364
Bonds interest expense reclassified to noncapital financing activities	-	17,118,568	-	17,118,568
Income on deposits and investments reclassified to investing activities	(44,533)	(7,650,015)	(18,031)	(7,712,579)
Change in assets and liabilities:				
(Increase) decrease in loans receivable	(6,677,555)	(7,604,038)	(427,358)	(14,708,951)
(Increase) decrease in accounts receivable	(104,011)	(901,156)	-	(1,005,167)
(Increase) decrease in prepaid expenses	(507,044)	-	-	(507,044)
Increase (decrease) in accounts payable, accrued expenses and due to grantor	1,284,010	285,702	-	1,569,712
Increase (decrease) in mortgage escrows	176,350	-	-	176,350
Increase (decrease) in other liabilities	(297,218)	-	-	(297,218)
(Increase) decrease in accrued interest receivable-loans	53,473	752,378	9,841	815,692
Total adjustments	(5,849,449)	688,697	(549,382)	(5,710,134)
Net cash flows provided by (used for) operating activities	$ (3,950,967)	$ 12,382,276	$ (359,718)	$ 8,071,591

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

Noncash Noncapital Financing Activities

a. Interest payments on bonds do not include $2,803 amortization of bond discounts, $992,254 amortization of bond premiums, $174,364 of amortization of deferred losses on refundings of debt, and $327,319 of amortization of deferred gains on refundings of debt that that were included in operating revenues and expenses in the Single Family Finance Program Funds.

b. The Authority recorded an increase in the fair value of investments in the amount of $117,349 for the fiscal year ended June 30, 2016.

c. The Authority recorded $158,455 of amortization of servicing release premiums and $437,667 of amortization of deferred fee revenue in the General Operating Fund.

	General Operating	Single Family Finance Program	Program	Total
Cash is Reported on the Statement of Net Position as:				
Cash and cash equivalents	$ 12,680,062	$ -	$ 5,769,600	$ 18,449,662
Restricted cash and cash equivalents	5,994,653	35,788,498	-	41,783,151
Total cash and cash equivalents	$ 18,674,715	$ 35,788,498	$ 5,769,600	$ 60,232,813

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

The financial statements of South Carolina State Housing Finance and Development Authority (the "Authority") were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The most 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 GAAP, 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 this criteria, the Authority has been determined to be classified as a discretely presented component unit of the State of South Carolina and that SC Housing Corp. is a blended component unit of the Authority. These financial statements report the activity of the Authority and 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 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 Authority for administration and distribution of $138 million to help the State of South Carolina's "hardest hit" homeowners. The program is administered by 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. On February 19, 2016, Treasury announced that it would extend the program through 2020, and make $22.1 million of additional assistance available to the Authority under the program. The total program award is currently $317.5 million. SC Housing Corp. is presented as a special revenue fund in the SC Help Fund in the accompanying financial statements.

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

1. Summary of Significant Accounting Policies (Continued)

1.B Fund Accounting (Continued)

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

1. Summary of Significant Accounting Policies (Continued)

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 Statement of Net Position. The deferred losses on refundings of debt represent a deferred outflow of resources, which is reported separately on the Statement of Net Position. Amortization of bond discounts and the deferred losses on refunding of debt and amortization of bond premiums and the deferred gains on refunding of debt are included in interest expense.

1.F Federally Assisted Program Advances and Fees

In accordance with the terms of contracts between the Authority and 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.

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 non-operating revenue and expense.

1. Summary of Significant Accounting Policies (Continued)

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

The State of South Carolina's internal cash management pool consists of a general deposit account and several special deposit accounts. The State of South Carolina 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 of South Carolina.

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*.

1. Summary of Significant Accounting Policies (Continued)

1.G Cash and Cash Equivalents (Continued)

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, Government National Mortgage Association (GNMA) and Federal National Mortgage Association, (FNMA) Mortgage Backed Securities (MBS), and the State of South Carolina's internal cash management pool are recorded at fair value and unrealized gains or losses are reported in the Statement of Revenues, Expenses and Changes in Net Position.

1.I Loans Receivable

Loans receivable consist of mortgage loans, which are carried at par. Most mortgage loans in the Single Family Finance Programs Fund as well as the single family mortgage loans of approximately $16 million in the General Operating and Program Fund are insured with various governmental agencies and private mortgage insurance carriers at specified percentages of the original loan amount varying from 25% to 100%. Loans closed after July 29, 1999 are covered by the Homeowners Protection Act. Private mortgage insurance is cancelled after the loan-to-value ratio reaches 79% as provided by federal law. The Authority considers the mortgaged property as adequate collateral against significant potential loan losses for such uninsured properties. 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. Summary of Significant Accounting Policies (Continued)

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 and equipment. 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.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 month) are entitled to accrue and carry forward calendar year-end maximums of 180 days sick and 45 days of 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. Summary of Significant Accounting Policies (Continued)

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 to be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. At June 30, 2016, reported as other noncurrent liabilities for business-type activities is an arbitrage rebate liability of $41,607 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 of South Carolina and authorizes expenditures of Total Funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State of South Carolina's budgetary accounting system only if enough appropriation authorization exists and generally if sufficient cash is on hand.

1.O Operating and Non-operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

1. Summary of Significant Accounting Policies (Continued)

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.

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 established 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, 2016.

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. Summary of Significant Accounting Policies (Continued)

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 Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS fiduciary net position have been determined on the same basis as they are reported by the South Carolina Public Employee Benefit Authority (PEBA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1.S Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in the net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions made subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Deferred outflows of resources and deferred inflows of resources are also determined by the difference in actual and expected liability experience and projected and actual return on investments, respectively. Deferred outflows of resources and deferred inflows of resources also include deferred losses and deferred gains on bond refundings, respectively.

1.T Recent Accounting Developments

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement and disclosures related to all fair value measurements. The Statement establishes three hierarchies of input for valuation techniques used to measure fair value. Level 1 inputs are prices quoted in active markets for those securities. Level 2 inputs are other than quoted prices, either directly or indirectly. Level 3 inputs are based on the best information available, such as discounted cash flow techniques, consensus pricing, or other methods. This Statement is effective for financial statements for periods beginning after June 15, 2015. The Authority implemented this Statement in the fiscal year ended June 30, 2016.

1. Summary of Significant Accounting Policies (Continued)

1.T Recent Accounting Developments (Continued)

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units (an amendment of GASB Statement No. 14)*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The Authority has determined that GASB Statement No. 80 has no effect on the Authority's current financial statement presentation.

1.U Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 18, 2016, the date these financial statements were available to be issued.

2. Deposits and Investments

Financial Statements		Footnotes	
Current assets:		Deposits:	
Cash and cash equivalents:		Deposits held by State Treasurer	$ 11,482,674
Unrestricted	$ 18,449,662	Deposits with banks	55,247,927
Restricted	48,280,939	Total deposits	66,730,601
Investments:			
Unrestricted	4,910,000		
Restricted	104,508,827	Investments:	
		Treasurer	108,823,806
Non-current assets:		Other investments	145,393,467
Investments:		Total investments	254,217,273
Restricted	144,798,446		
Total	$ 320,947,874	Total	$ 320,947,874

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, 2016, the Authority's cash had a carrying amount of $55,247,927 and a bank balance of $56,582,035. $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

2. Deposits and Investments (Continued)

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.C Investments

At June 30, 2016, the Authority's investment balances were as follows:

	Fair Value	Less Than 1 Year	Greater Than 1 Year
SC State Treasurer Pool	$ 88,817,008	$ 88,817,008	$ -
Government National Mortgage Association Insured Mortgage Backed Securities (GNMAs)	142,869,904	-	142,869,904
Federal National Mortgage Association Mortgage Backed Securities (FNMAs)	1,928,542	-	1,928,542
Guaranteed Investment Contracts	595,021	595,021	-
Cash Repurchase Agreements	20,006,798	20,006,798	-
Totals	$ 254,217,273	$ 109,418,827	$ 144,798,446

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2016: The South Carolina Treasurer's Pool of $88,817,008 is valued using quoted market prices (Level 1 inputs). GNMAs of $142,869,904 and FNMAs of $1,928,542 are valued using a matrix pricing model (Level 2 inputs). The Guaranteed Investment Contracts are valued at $595,021 using quoted prices for similar assets in active markets (Level 2 inputs). The Cash Repurchase Agreements are valued at $20,006,798 using quoted prices for similar assets in active markets (Level 2 inputs).

2. Deposits and Investments (Continued)

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.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's internal cash management pool. Although the State's internal cash management 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 GICs 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. The Authority's investments are as follows: *GNMAs 56.1%, State Treasurer Investment Pools 35.0%, Cash Repurchase Agreements 7.9%, FNMAs .8%, and Guaranteed Investment Contracts .2%.*

2. Deposits and Investments (Continued)

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 Funds 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, 2016 are as follows:

	Reserve Requirements	Actual Funding	Over
Single Family Mortgage Reserve Funds-1998	$ 2,476,800	$ 2,640,450	$ 163,650
Mortgage Revenue Indenture Reserve Funds	6,090,300	6,114,973	24,673
Totals	$ 8,567,100	$ 8,755,423	$ 188,323

3. Loans Receivable

Loans receivable consist of the following:

Governmental Funds	
Housing Trust Fund notes maturing on various dates from 2018-2045 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 accounts of $0.	$ 7,242,059
Total governmental funds	$ 7,242,059
Proprietary Funds	
General Operating Fund notes maturing on various dates from 2016-2054 plus interest ranging from 0.000%-6.250% per annum, payable in installments of principal and interest as provided in the notes, reported net of allowance for doubtful accounts of $419,912.	$ 88,971,438
Program Fund notes maturing on various dates from 2016-2030 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 accounts of $196,672.	8,757,560
Single Family Finance Programs notes maturing on various dates from 2016-2046 plus interest ranging from 3.000%-11.100% per annum, payable in monthly installments of principal and interest, reported net of allowance for doubtful accounts of $157,055.	435,361,201
Total proprietary funds	$533,090,199

4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Increases	Decreases	June 30, 2016
Equipment and furniture	$ 1,788,306	$ 10,486	$ -	$ 1,798,792
Accumulated depreciation	(1,573,857)	(88,960)	-	(1,662,817)
Capital assets, net of accumulated depreciation	$ 214,449	$ (78,474)	$ -	$ 135,975

5. Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Increases	Decreases	June 30, 2016	Due within One Year
Bonds payable	$ 474,620,000	$ 69,595,000	$ 132,640,000	$ 411,575,000	$ 11,060,000
Unamortized premiums and discounts	11,370,685	2,183,249	2,905,811	10,648,123	-
Total bonds payable	485,990,685	71,778,249	135,545,811	422,223,123	11,060,000
Net pension liability	12,408,926	2,282,253	1,300,221	13,390,958	-
Accrued compensated absences	760,979	583,395	523,013	821,361	523,013
Other noncurrent liabilities	787,697	369	66,958	721,108	306,459
Total other long-term liabilities	13,957,602	2,866,017	1,890,192	14,933,427	829,472
Total long-term liabilities	$ 499,948,287	$ 74,644,266	$ 137,436,003	$ 437,156,550	$ 11,889,472

6. Bonds Payable

At June 30, 2016, bonds payable, including unamortized premiums and unamortized discounts, consisted of the following:

	Date Issued	Issue Amount	Outstanding Balance
Single Family Mortgage Purchase Bonds			
(5.00% to 5.50%) due 2018-2035	09/11/98	$ 106,975,000	$ 82,560,000
Plus: Unamortized premium			604,028
			83,164,028
Mortgage Revenue Bonds			
2006C (4.50% to 5.50%) due 2022-2037	12/19/06	83,540,000	29,630,000
2007A (5.30% to 5.50%) due 2023-2037	09/11/07	83,000,000	18,505,000
2008A (4.00% to 6.00%) due 2017-2039	06/04/08	20,000,000	5,705,000
2008B (4.75% to 5.30%) due 2017-2028	08/28/08	45,215,000	965,000
2012A (1.50% to 4.00%) due 2016-2034	09/26/12	65,710,000	29,420,000
2014A (1.10% to 4.00%) due 2017-2041	12/16/14	87,115,000	81,555,000
2015A (1.00% to 4.02%) due 2017-2037	07/07/15	39,595,000	36,860,000
2016A (0.50% to 4.00%) due 2017-2046	02/23/16	30,000,000	30,000,000
			232,640,000
Plus: Unamortized premium			9,181,596
Less: Unamortized discounts			25,247
			241,796,349
Homeownership Revenue Bonds			
2010-1 (3.15% to 5.00%) due 2017-2041	07/01/10	100,000,000	12,335,000
2010-2 (3.00% to 5.00%) due 2017-2041	12/09/10	40,000,000	6,135,000
2011-1 (2.32% to 4.50%) due 2017-2041	10/20/11	70,000,000	45,220,000
2013-1 (2.95%) due 2041	04/17/13	50,110,000	32,685,000
			96,375,000
Plus: Unamortized premium			887,746
			97,262,746
Total bonds payable, including unamortized premiums and discounts			$ 422,223,123

6. Bonds Payable (Continued)

Amounts, including interest, required to complete payment of the bond obligations as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2017	$ 11,060,000	$ 16,080,201	$ 27,140,201
2018	16,745,000	15,774,697	32,519,697
2019	16,970,000	15,232,829	32,202,829
2020	15,765,000	14,645,802	30,410,802
2021	16,490,000	14,028,367	30,518,367
2022-2026	89,530,000	59,353,129	148,883,129
2027-2031	90,115,000	39,597,042	129,712,042
2032-2036	88,505,000	19,933,108	108,438,108
2037-2041	64,550,000	6,918,402	71,468,402
2042-2046	1,845,000	25,266	1,870,266
Total	$ 411,575,000	$ 201,588,843	$ 613,163,843

The Authority has the option to redeem most of its bonds prior to maturity as specified under each bond issue. These early redemptions are funded by mortgage pre-payments and other income. The mortgage pre-payment 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, 2016:

Single Family Finance Programs:	
Mortgage Revenue Bonds	
Series 2006 A and B	$ 41,420,000
Series 2006 C	5,490,000
Series 2007 A	10,805,000
Series 2008 A	2,755,000
Series 2008 B	12,495,000
Series 2012 A	8,015,000
Series 2014 A	4,330,000
Series 2015 A	2,735,000
Homeownership Revenue Bonds	
Series 2010-1	5,005,000
Series 2010-2	19,195,000
Series 2011-1	7,800,000
Series 2013-1	5,820,000
Total	$ 125,865,000

6. Bonds Payable (Continued)

In July 2015, the Authority issued $39,595,000 in Mortgage Revenue Bonds Series 2015A Bonds with fixed interest rates ranging from 1.00% to 4.02%. The proceeds were used to refund all outstanding principal of the Series 2006A Bonds.

The Series 2015A Bonds were issued at a premium of $781,200 with issuance costs and underwriters fees of $451,670.

Housing bonds, as opposed to most bonds, are designed to be called prior to maturity based on mortgage pre-payments. As such, the economic benefit should be calculated with estimated pre-payments (and resulting bond calls prior to maturity) taken into account. This results in a lower, but more accurate, estimate of economic gain. The Series 2015A refunding of Series 2006A Bonds resulted in an economic gain, using a 3.0% discount, of over $6 million.

In February 2016, the Authority issued $30,000,000 in Mortgage Revenue Bonds Series 2016A Bonds with fixed interest rates ranging from 0.50% to 4.00%. The proceeds will purchase first-time homeowner mortgages.

The Series 2016A Bonds were issued at a premium of $1,402,050 with issuance costs and underwriters fees of $358,972.

Amortization of bond discounts for the year ended June 30, 2016 that was included in bond interest expense in the Single Family Finance Programs Fund was $2,803. Bond premium amortized for the year ended June 30, 2016 and attributable to the Single Family Finance Programs Fund bonds totaled $992,254 and was reported as interest expense in the fund.

Amortization of deferred gains and losses on refundings of debt of $852,399 for the year ended June 30, 2016 was attributable to the Single Family Finance Programs Fund bonds and was included in interest expense in the proprietary fund.

7. Leases

At June 30, 2016, 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%.

The lease for office space was renewed for seven years from November 1, 2016 to October 31, 2023. The first year of the renewal reflects an initial decrease of 6.7% in lease payments; however, the lease escalates 2.5% annually for each subsequent year.

7. Leases (Continued)

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

Year Ending June 30,		
2017		$ 341,395
2018		334,483
2019		342,845
2020		351,417
2021		360,202
Thereafter		874,824
	Total leases with external entities	$ 2,605,166

The Authority incurred rental expense of approximately $359,247 under the aforementioned leases for the fiscal year ended June 30, 2016.

The Authority also leases motor vehicles from the Department of Administration which can be cancelled with 30 day-notice. Under this agreement, the Authority incurred expenses of $127,411 during fiscal year 2016.

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 $0.20 of every $1.30 collected to the Authority for the Housing Trust Fund.
- The employee insurance plans and retirement plan are administered by PEBA. PEBA was created July 1, 2012, by 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.

8. Transactions with State Entities (Continued)

- Services provided at no cost from various divisions of the Department of Administration include grant services, personnel management, review, and approval of certain budget amendments, procurement services, and other centralized functions. The Authority paid $608,857 through the Statewide Cost Allocation Plan during the fiscal year.
- Financial transactions include payments to divisions of the Department of Administration 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 2016 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 year ended June 30, 2016 are as follows:

- $15,290,000 from the Revenue Reserve Fund to the Homeownership Revenue Bond indenture to fund the Series 2010-2 Bond call on January 1, 2016.
- $862,950 from the General Operating Fund to the Mortgage Revenue Bond indenture to fund the Series 2015A, 2016A and 2016B cost of issuance and capitalized interest.
- $666,204 from the Mortgage Revenue Bond Indenture, Single Family Bond Indenture, and the Revenue Reserve Fund to the General Operating Fund to fund the purchase of service release premiums.
- $85,318 from the Mortgage Revenue Bond Indenture to the Revenue Reserve Fund for miscellaneous operating needs.
- $3,980 from the Mortgage Revenue Bond Indenture to the Single Family Bond Indenture for miscellaneous operating needs.

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 (South Carolina 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 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

The Authority has issued bonds to provide financing 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 2004 (03/04)		
04/04	Multifamily Rental Housing Revenue Bonds (Hillandale Apartments Project)	$ 6,660,000	$ 5,185,000
06/04	Multifamily Rental Housing Revenue Bonds (Canebreak Apartments Project)	4,500,000	3,816,948
	Fiscal Year 2005 (04/05)		
07/04	Multifamily Rental Housing Revenue Bonds (Bayside Apartments Project)	17,250,000	17,030,000
12/04	Multifamily Rental Housing Revenue Bonds (Wyndham Pointe Apartments Project)	9,400,000	6,707,863
12/04	Multifamily Rental Housing Revenue Bonds (Planters Retreat Apartments Project)	11,850,000	10,274,761
05/05	Multifamily Rental Housing Revenue Bonds (Wenmont Apartments Project)	6,210,000	5,652,963
	Fiscal Year 2006 (05/06)		
09/05	Multifamily Rental Housing Revenue Bonds (Hallmark Homes Apartments Project)	12,840,000	9,565,072
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	8,301,615
01/06	Multifamily Rental Housing Revenue Bonds (Rocky Creek Apartments Project)	12,745,000	6,060,000
06/06	Multifamily Rental Housing Revenue Bonds (Spanish Trace Apartments Project)	3,685,000	3,375,000
	Fiscal Year 2008 (07/08)		
01/08	Multifamily Rental Housing Revenue Bonds (Bridle Ridge Apartments)	7,885,000	7,565,000

11. Conduit Debt (Continued)

Issue Date	Bond/Note Title	Issue Amount	Amount Outstanding
	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	1,055,000
	Fiscal Year 2015 (14/15)		
11/14	Multifamily Rental Housing Revenue Bonds (Ashley Arms Apartments)	6,600,000	6,600,000
11/14	Multifamily Rental Housing Revenue Bonds (Palmilla Apartments)	14,385,000	14,385,000
5/15	Multifamily Rental Housing Revenue Bonds (Village at River's Edge)	11,000,000	8,584,835
	Fiscal Year 2016 (15/16)		
12/15	Multifamily Rental Housing Revenue Bonds (Columbia Gardens)	15,000,000	15,000,000
12/15	Multifamily Rental Housing Revenue Bonds (Willow Run)	15,000,000	15,000,000
12/15	Multifamily Rental Housing Revenue Bonds (Waters at Magnolia Bay)	18,000,000	18,000,000
01/16	Multifamily Rental Housing Revenue Bonds (Spartanburg 7)	16,000,000	16,000,000
04/16	Multifamily Rental Housing Revenue Bonds (West Greenville)	10,600,000	10,600,000
Total		$245,910,000	$222,914,057

12. Pension Plan

12.A Description

The majority of employees of the Authority are covered by a retirement plan through the South Carolina Retirement Systems (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

The Retirement Benefits 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, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Retirement Benefits Division and the five pension plans are included in the State of South Carolina's CAFR.

Under SCRS, a Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

12. Pension Plan (Continued)

12.A Description (Continued)

Class II Members (members hired prior to July 1, 2012)
Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave. Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)
The AFC is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave. Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

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 Teacher and Employee Retention Incentive (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.

12. Pension Plan (Continued)

12.B Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The PEBA Board may increase the SCRS and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

By law, employees participating in the SCRS for the fiscal year ended June 30, 2016, were required to contribute 8.16% of all earnable compensation. The actuarially-determined employer contribution rate for SCRS was 10.91%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.91%, 0.15% for the incidental death benefit program and a 5.33% 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 year ended June 30, 2016 were $1,019,144 and $9,414 respectively.

12.C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Authority reported $13,390,958 for its proportionate share of the net pension liability of SCRS. The net pension liability of the SCRS was determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Authority's SCRS proportion was 0.070607 percent.

For the year ended June 30, 2016, the Authority recognized pension expense of $908,545 for SCRS.

12. Pension Plan (Continued)

12.C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SCRS**
Differences between expected and actual experience	$ 237,912
Pension contributions subsequent to the measurement date	$ 694,073
Net difference between projected and actual earnings on pension plan investments	$ 89,633
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 23,947
Deferred amounts from changes in proportionate share and differences between employer contributions and proportionate share of total pension plan employer contributions	$ 203,044

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	SCRS
2017	$ 6,844
2018	6,844
2019	88,563
2020	(202,805)
2021	—
Thereafter	—

During fiscal year 2016, the Authority recognized net pension expense from the deferred outflows of resources and deferred inflows of resources related to pensions of $186,933.

12. Pension Plan (Continued)

12.C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The total pension liabilities in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	3.5% to 12.5% (varies by service)
Inflation Rate	2.75%
Benefit Adjustments	Lesser of 1% or $500

South Carolina State statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2016 annual valuation is complete.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
General Employees	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

12. Pension Plan (Continued)

12.C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

12. Pension Plan (Continued)

12.C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Target Asset

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	2.70%	0.19%
High Yield	6.0%	3.80%	0.23%
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	**31.0%**	7.10%	2.20%
Global Tactical Asset Allocation	**10.0%**	4.90%	0.49%
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	4.30%	0.32%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	**100.0%**		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			**8.75%**

12. Pension Plan (Continued)

12.D Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Authority's proportionate share of the net SCRS pension liabilities calculated using the discount rate of 7.50 percent, as well as what the Authority's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 16,882,172	$ 13,390,958	$ 10,464,877

12.E SCRS Fiduciary Net Position

Detailed information about the SCRS's fiduciary net position is available in a separately issued PEBA financial report. This financial report may be obtained on the internet at www.peba.sc.gov. SCRS's fiduciary net position was determined on the same accounting basis used by the pension plan. SCRS accounts for all funds using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan.

12.F Optional Retirement Program

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (ORP). Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS. A direct remittance is required from the employers to the investment providers for the employee contribution (8.16%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (5.91%), a group life contribution (0.15%), and a retiree surcharge of (5.33%) which is retained by the SCRS. The activity for the Authority's ORP for the fiscal year ended June 30, 2016 is as follows:

Covered payroll	$ 487,581
Employee contributions to providers	39,787
Employer contributions to providers	79,183

12. Pension Plan (Continued)

12.G Deferred Retirement Option Plans

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution.

13. Post-Employment Benefits Other than Pensions

13.A 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 (OPEB plans) to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division, a part of 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.

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

13.B Funding Policies

Sections 1-11-705 through 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 Benefits 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 Benefits Division, for its active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the State Fiscal Accountability Authority, 5.33% of annual covered payroll for 2016.

The Insurance Benefits Division sets the employer contribution rate based on a pay-as-you-go basis. The Authority paid approximately $336,318 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2016. 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 Benefits Division was $3.22 for the fiscal year ended June 30, 2016. The Authority recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately $5,410 for the fiscal year ended June 30, 2016.

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 South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated Insurance Benefits Division reserves, and income generated from investments. The South Carolina Long-Term Disability Insurance Trust Fund 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.

14. Deferred Compensation Plans (Continued)

The State has authorized deferred compensation matching contributions, which are funded from various funding sources based on the same percentages used for employees' salaries. The Authority made no contributions for the fiscal year ended June 30, 2016.

15. Commitments and Contingencies

Financial Award Commitments
As of June 30, 2016, the Authority has financial award commitments outstanding totaling $9,892,053 under the Housing Trust Fund programs and $250,000 for special initiatives under the Program Fund.

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, 2016, or earlier years will not have a material impact on the Authority's financial statements.

16. Subsequent Events

On August 2, 2016, the Authority issued Mortgage Revenue Bond Series 2016B in the amount of $67,000,000. These proceeds, along with Series 2006C funds were used to call all outstanding Series 2006C bonds on August 3, 2016. The outstanding Series 2006C loans have been assigned to the Series 2016B bonds.

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, 2016, is presented on the following pages.

Statement of Net Position - June 30, 2016

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Eliminations	Totals
Assets						
Current assets:						
Restricted assets:						
Cash and cash equivalents	$ 5,586,982	$ 23,295,134	$ 5,196,359	$ 1,710,023	$ -	$ 35,788,498
Investments	52,454,864	18,705,440	-	15,529,118	-	86,689,422
Loans receivable	3,792,119	11,238,812	-	85,960	-	15,116,891
Accounts receivable - other	-	-	-	901,156	-	901,156
Accrued interest receivable:						
Loans	495,562	1,718,175	-	15,737	-	2,229,474
Deposits and investments	175,945	110,121	356,797	27,936	-	670,799
Total current assets	62,505,472	55,067,682	5,553,156	18,269,930	-	141,396,240
Non-current assets:						
Restricted assets:						
Investments	12,345,246	9,431,840	123,021,360	-	-	144,798,446
Loans receivable, net of current portion	89,198,662	328,732,880	-	2,469,823	-	420,401,365
Allowance for doubtful loans	(2,267)	(154,788)	-	-	-	(157,055)
Total noncurrent assets	101,541,641	338,009,932	123,021,360	2,469,823	-	565,042,756
Total assets	164,047,113	393,077,614	128,574,516	20,739,753	-	706,438,996
Deferred Outflow of Resources						
Deferred loss on refunding	-	1,216,512	-	-	-	1,216,512
Total deferred outflows of resources	-	1,216,512	-	-	-	1,216,512

17. Segment Financial Information (Continued)

Statement of Net Position - June 30, 2016

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Eliminations	Totals
Liabilities						
Current liabilities:						
Liabilities payable from restricted assets:						
Bonds payable	2,950,000	6,840,000	1,270,000	-	-	11,060,000
Accrued interest payable on bonds	2,159,012	4,303,855	1,170,700	-	-	7,633,567
Total liabilities payable from restricted assets	5,109,012	11,143,855	2,440,700	-	-	18,693,567
Due to other funds	-	-	-	24,479	-	24,479
Accounts payable and accrued expenses	-	730,000	-	-	-	730,000
Total current liabilities	5,109,012	11,873,855	2,440,700	24,479	-	19,448,046
Non-current liabilities:						
Bonds payable, net of current portion and unamortized premiums and discounts	80,214,028	234,956,349	95,992,746	-	-	411,163,123
Other noncurrent liabilities	-	41,607	-	-	-	41,607
Total noncurrent liabilities	80,214,028	234,997,956	95,992,746	-	-	411,204,730
Total liabilities	85,323,040	246,871,811	98,433,446	24,479	-	430,652,776
Deferred Inflows of Resources						
Deferred gain on refunding	-	2,287,800	342,442	-	-	2,630,242
Total deferred inflows of resources	-	2,287,800	342,442	-	-	2,630,242
Net Position						
Restricted for:						
Debt service	5,109,013	5,797,310	1,170,700	-	-	12,077,023
Bond reserves	2,640,450	6,114,973	-	-	-	8,755,423
Housing projects and development	70,974,610	133,222,232	28,627,928	20,715,274	-	253,540,044
Total net position	$ 78,724,073	$ 145,134,515	$ 29,798,628	$ 20,715,274	$ -	$ 274,372,490

17. Segment Financial Information (Continued)

Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2016

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Eliminations	Totals
Operating revenues						
Interest and other charges on loans	$ 5,151,726	$ 17,455,312	$ -	$ 145,781	$ -	$ 22,752,819
Income on deposits and investments	2,059,139	555,086	5,018,063	17,727	-	7,650,015
Administrative fees and other	4,456	47,945	-	45,775	-	98,176
Total operating revenues	7,215,321	18,058,343	5,018,063	209,283	-	30,501,010
Operating expenses						
Bond interest	4,251,853	8,151,925	3,569,673	-	-	15,973,451
Program services	317,262	1,132,584	44,994	6,514	-	1,501,354
Bond issuance expense	-	1,090,247	-	-	-	1,090,247
Other expenses	6,460	54,686	-	181,233	-	242,379
Total operating expenses	4,575,575	10,429,442	3,614,667	187,747	-	18,807,431
Operating income	2,639,746	7,628,901	1,403,396	21,536	-	11,693,579
Transfers						
Transfers in	3,980	862,950	15,290,000	85,318	(15,379,298)	862,950
Transfers out	(45,518)	(636,870)	-	(15,363,114)	15,379,298	(666,204)
Total transfers	(41,538)	226,080	15,290,000	(15,277,796)	-	196,746
Increase (decrease) in net position	2,598,208	7,854,981	16,693,396	(15,256,260)	-	11,890,325
Net position, at beginning of year	76,125,865	137,279,534	13,105,232	35,971,534	-	262,482,165
Net position, at end of year	$ 78,724,073	$ 145,134,515	$ 29,798,628	$ 20,715,274	$ -	$ 274,372,490

17. Segment Financial Information (Continued)

Statement of Cash Flows - Year Ended June 30, 2016

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Eliminations	Totals
Cash Flows From Operating Activities						
Receipt of loan principal payments	$ 13,880,218	$ 44,175,675	$ -	$ 361,833	$ -	$ 58,417,726
Receipt of loan interest payments	5,234,847	18,122,468	-	143,688	-	23,501,003
Purchases/origination of new loans	(4,551,813)	(61,940,204)	-	-	-	(66,492,017)
Administrative fees and other	4,456	47,945	-	45,775	-	98,176
Payments to vendors	(259,106)	(1,749,518)	(45,085)	(1,088,903)	-	(3,142,612)
Net cash flows provided by (used for) operating activites	14,308,602	(1,343,634)	(45,085)	(537,607)	-	12,382,276
Cash Flows From Noncapital Financing Activities						
Transfers from other programs	3,980	862,950	15,290,000	85,318	(15,379,298)	862,950
Transfers to other programs	(45,518)	(636,870)	-	(15,363,114)	15,379,298	(666,204)
Proceeds from sale of bonds	-	69,595,000	-	-	-	69,595,000
Premium received from sale of bonds	-	2,183,249	-	-	-	2,183,249
Principal payments on bonds payable	(2,800,000)	(92,020,000)	(37,820,000)	-	-	(132,640,000)
Interest payments on bonds payable	(4,395,025)	(10,404,081)	(4,206,620)	-	-	(19,005,726)
Net cash flows used for noncapital financing activites	(7,236,563)	(30,419,752)	(26,736,620)	(15,277,796)	-	(79,670,731)
Cash Flows From Investing Activities						
Purchases of investments	(11,890,828)	(2,214,939)	-	-	-	(14,105,767)
Sale of investments	1,686,269	31,239,666	19,650,449	15,663,528	-	68,239,912
Income on deposits and investments	1,343,972	894,582	4,920,354	293,805	-	7,452,713
Net cash flows provided by (used for) investing activites	(8,860,587)	29,919,309	24,570,803	15,957,333	-	61,586,858
Net increase (decrease) in cash and cash equivalents	(1,788,548)	(1,844,077)	(2,210,902)	141,930		(5,701,597)
Cash and cash equivalents, beginning of year	7,375,530	25,139,211	7,407,261	1,568,093	-	41,490,095
Cash and cash equivalents, end of year	$ 5,586,982	$ 23,295,134	$ 5,196,359	$ 1,710,023	$ -	$ 35,788,498

17. Segment Financial Information (Continued)

Statement of Cash Flows - Year Ended June 30, 2016

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve	Totals
Reconciliation of Operating Income to Net Cash Flows Provided by (used for) Operating Activities:					
Operating income	$ 2,639,746	$ 7,628,901	$ 1,403,396	$ 21,536	$ 11,693,579
Adjustments to reconcile operating income to net cash flows provided by operating activities:					
Provision for loan losses	(10,900)	(140,634)	-	-	(151,534)
Bond premium amortization	(66,172)	(864,761)	(77,320)	-	(1,008,253)
Deferred gain on refunding amortization	-	(296,920)	(30,399)	-	(327,319)
Deferred loss on refunding amortization	-	174,364	-	-	174,364
Bonds interest expense reclassified to non-capital financing activities	4,318,025	9,123,242	3,677,301	-	17,118,568
Income on deposits and investments reclassified to investing activities	(2,059,139)	(555,086)	(5,018,063)	(17,727)	(7,650,015)
Change in assets and liabilities:					
Loans receivable	9,403,921	(17,365,598)	-	357,639	(7,604,038)
Accounts receivable	-	-	-	(901,156)	(901,156)
Accrued interest receivable-loans	83,121	667,156	-	2,101	752,378
Accounts payable, accrued expenses and unearned revenue	-	285,702	-	-	285,702
Total adjustments	11,668,856	(8,972,535)	(1,448,481)	(559,143)	688,697
Net cash flows provided by (used for) operating activities	$ 14,308,602	$ (1,343,634)	$ (45,085)	$ (537,607)	$ 12,382,276

18. Legal

During fiscal year 2016, the Authority self-reported to the Internal Revenue Service an inadvertent error related to the issuance of Mortgage Credit Certificates. As of fiscal year-end 2016, no estimate of monetary loss resulting from this error can be made.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

	SCRS		
	2016	2015	2014
Authority's proportion of the net pension liability	0.070607%	0.072075%	0.072075%
Authority's proportionate share of the net pension liability	$ 13,390,958	$ 12,408,926	$ 12,927,684
Authority's covered payroll during the measurement period	$ 5,144,169	$ 5,481,134	$ 5,390,921
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll during the measurement period	260.313337%	226.393407%	239.804738%
Plan fiduciary net position as a percentage of the total pension liability	56.991748%	59.919445%	56.388209%

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

SCHEDULE OF THE EMPLOYER'S CONTRIBUTIONS

YEAR ENDED JUNE 30, 2016

	SCRS									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 694,073	$ 694,228	$ 693,610	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	694,073	694,228	693,610	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	$ 5,169,442	$ 5,144,169	$ 5,481,134	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.42646%	13.49544%	12.65450%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However,information for fiscal years 2007 through 2013 is not readily available.

SINGLE AUDIT SECTION

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor / Program Title	CFDA Number	Total Awards/ Expenditures
Department of Housing and Urban Development		
Section 8 Project-Based Cluster:		
Section 8 - Housing Assistance Payments Program-Special Allocations	14.195	$ 125,487,576
Total Section 8 Project-Based Cluster		125,487,576
HOME Investment Partnership Program	14.239	12,342,016
CDBG - State-Administered CDBG Cluster:		
HERA Neighborhood Stabilization Program	14.228	200,749
Total CDBG - State-Administered CDBG Cluster		200,749
Housing Voucher Cluster:		
Section 8 - Housing Choice Vouchers Program	14.871	12,668,112
Total Housing Voucher Cluster		12,668,112
Total Direct - Department of Housing and Urban Development		$ 150,698,453

See accompanying notes to schedule of expenditures of federal awards.

Accounting Principles

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the 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 Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

HOME Investment Partnership Program

Total expenditures for the HOME Investment Partnership Program for the fiscal year ended June 30, 2016 include $8,879,359 of awards expended for loans that are recorded as *Loans Receivable* in the Statement of Net Position and not included in *Housing Assistance Payments and Grant Awards Disbursed* on the Statement of Revenues, Expenses and Changes in Net Position. The total balance of loans for which the federal government has continuing compliance requirements is $78,153,581.

elliott davis decosimo

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Mr. George L. Kennedy, III, CPA
State Auditor
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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 18, 2016.

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 Decosimo, LLC

Columbia, South Carolina
November 18, 2016

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Mr. George L. Kennedy, III, CPA
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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
November 18, 2016

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - 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 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.195	Section 8 Project Based Cluster
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as a low risk auditee?	No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Item 2015-1: Prior Period Adjustment

Condition: During the fiscal year ended June 30, 2015, it was discovered that the Authority's mortgage backed securities investments were valued at amortized cost instead of fair value in its financial statements as of and for the fiscal year ended June 30, 2014. Accordingly, the Authority's investments and its net position were understated by $11,672,514 in its financial statements as of and for the fiscal year ended June 30, 2014.

Recommendation: We recommended that the Authority's Finance Department periodically review all GASB standards to ensure that its financial statements are prepared in accordance with the standards prescribed by the GASB and that its financial statements include all required disclosures.

Current Status: For the fiscal year ended June 30, 2015, management recorded a prior period adjustment to correct the beginning balances for investments and net position as of July 1, 2014. Management then represented to us that it would review all GASB standards in future years to ensure that its financial statements are prepared in accordance with the standards prescribed by the GASB and that its financial statements include all required disclosures. No similar finding was noted during the fiscal year 2016 audit.