

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1994-08-02** | Period of Report: **1994-05-31**  
SEC Accession No. **0000867502-94-000008**

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### FILER

#### **BILTMORE MUNICIPAL FUNDS**

CIK: **867502** | State of Incorporation: **MA** | Fiscal Year End: **1130**  
Type: **N-30D** | Act: **40** | File No.: **811-06201** | Film No.: **94541171**

#### Mailing Address

*FEDERATED INVESTORS  
TOWER  
FEDERATED INVESTORS  
TOWERS  
PITTSBURGH PA 15222-3779*

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*FEDERATED INVESTORS  
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SOUTH CAROLINA  
MUNICIPAL  
BOND FUND

Semi-Annual Report  
dated  
May 31, 1994

July 31, 1994

BILTMORE  
FUNDS

Federated Securities Corp.,  
is the distributor of the fund.

2042410 (7/94)

President's Message

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Dear Shareholder:

I'm pleased to present the Semi-Annual Report to Shareholders of the South Carolina Municipal Bond Fund (the "Fund") for the six-month period ended May 31, 1994. The Report begins with a brief commentary on the municipal bond market from the Fund's portfolio manager. Following the commentary are a complete listing of the Fund's portfolio of investments and its financial statements.

On your behalf, the Fund pursues monthly, double-tax-free income through a portfolio of South Carolina municipal bonds. Income earned by the Fund is exempt from federal regular income tax and South Carolina state income tax.\*

Dividends paid to Fund's shareholders totaled \$0.28 per share for the six-month reporting period. Capital gains totaled \$0.03 per share.

While the Fund's net asset value began the period at \$11.12, it ended the period at \$10.64, due to increased volatility in the financial markets early in the year brought on by rising interest rates. Total Fund assets stood at \$82.5 million on the last day of the period.

We're pleased to help you keep more of what you earn, and we look forward to keeping you informed about your investment in the Fund. As always, we welcome your comments and suggestions.

Sincerely,

\* Income may be subject to the federal alternative minimum tax, and state and local taxes.

Investment Review

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The municipal bond market has been hampered by rising interest rates, a strengthening economy and fears of higher inflation. As rates have moved higher, municipal bond refundings and the steady inflow of new cash into mutual funds also abruptly declined, further weakening the bond market. From November 30, 1993 to May 31, 1994, the Lehman Brothers State General Obligations Bonds Index\* had a total return that fell 1.53%.

The rising interest rates and expanding economy helped push the yield on 10-year AAA general obligation municipal bonds up, from 4.70% on November 30, 1993, to 5.30% on May 31, 1994. Ten-year Treasury notes followed the same trend, increasing from 5.81% to 7.14% during the same period. In anticipation of higher interest rates, the Fund's portfolio manager adopted a defensive investment strategy by shortening maturities, boosting the Fund's portfolio quality, moving into high coupon bonds and increasing the cash position of the Fund.

On May 31, 1994, net assets of the Fund totalled \$82.5 million, down slightly from \$83.4 million on November 30, 1993. Reflecting market activity, the net asset value of the Fund decreased during the six-month period, from \$11.12 to \$10.64. The 30-day SEC yield increased during the six-month period, from 4.33% to 4.99%.\*\* The Fund had an average duration of 6.88 years on May 31, 1994.

\*This index is unmanaged.

\*\*Performance quoted represents past performance. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost.

South Carolina Municipal Bond Fund  
Portfolio of Investments  
May 31, 1994 (unaudited)

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<TABLE>  
<CAPTION>

Principal Amount or Shares	Issue	Credit Rating: Moody's or S&P*	Value
----------------------------------	-------	---	-------

<C>	<S>	<C>	<C>
Regulated Investment Companies--0.7%			
550,686	Fidelity Tax-Exempt Money Market Fund (at net asset value) (Note 2A)	NR	\$ 550,686
Long-Term Municipal Securities--97.4%			
\$ 100,000	Aiken County, SC, 7.00% GO Bonds, 2/1/2002	A	105,564
150,000	Beaufort County, SC, School District, 7.80% GO Bonds, 12/1/96	A	162,393
50,000	Beaufort County, SC, 7.125% Lease Certificate of Participation (AMBAC Issuer Insured), 6/1/2006	AAA	54,345
675,000	Beaufort County, SC, 7.125% Lease Certificate of Participation (Beaufort Memorial Hospital Project)/(AMBAC Issuer Insured), 6/1/2012	AAA	727,218
1,000,000	Beaufort County, SC, Planning and Development Corp., 5.00% Lease Certificate of Participation (Hilton Head Island Airport Terminal) (Series 1993), 7/1/2001	A	990,560
750,000	Berkeley County, SC, 6.50% Pollution Control Revenue Bonds (SCE & G. Project), 10/1/2014	A-	758,280
1,000,000	Berkeley County, SC, Water & Sewer, 6.50% Revenue Bonds (MBIA Issuer Insured), 6/1/2006	AAA	1,059,320
950,000	Berkeley County, SC, Water & Sewer, 7.00% Revenue Bonds (MBIA Issuer Insured), 6/1/2016	AAA	1,064,912
1,500,000	Berkeley County, SC, Water & Sewer, 5.50% (MBIA Insured), 6/1/2013	AAA	1,399,560
935,000	Berkeley County, SC, Water & Sewer, 6.00% (MBIA Insured), 6/1/2010	AAA	940,292
1,000,000	Cayce, SC, Water & Sewer, 7.15% Revenue Bonds (AMBAC Issuer Insured), 7/1/2015	AAA	1,110,960
1,315,000	Charleston County, SC, 9.00% GO Bonds, 6/1/2001	AA	1,611,138

</TABLE>

South Carolina Municipal Bond Fund

<TABLE>  
<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>
Long-Term Municipal Securities--continued			
\$1,000,000	Charleston County, SC, 7.10% Lease Certificate of Participation, (MBIA Issuer Insured), 6/1/2011	AAA	\$ 1,126,140
310,000	Charleston County, SC, 9.00% Resource Recovery Bonds (Foster Wheeler Project)/(Subject to AMT), 1/1/2005	A	348,803
400,000	Charleston County, SC, Water Works & Sewer, 7.05% Revenue Bonds, 1/1/2006	AA	416,904
1,000,000	Charleston County, SC, Water Works & Sewer, 6.00% Revenue Bonds, 1/1/2012	AA-	975,570
1,500,000	Charleston County, SC, Water Works & Sewer, 7.00% Revenue Bonds, 1/1/2015	AA-	1,566,450
1,100,000	Charleston County, SC, Water Works & Sewer, 5.40% Revenue Bonds, 1/1/2001	AA-	1,113,904
1,125,000	Chester County, SC, School District, 6.85% GO Bonds, 2/1/2009	A	1,158,548
875,000	Chester County, SC, School District, 6.85% GO Bonds, 2/1/2012	A	898,170
250,000	City of Charleston, SC, 6.30% GO Bonds, 9/1/2005	AA	267,503
1,000,000	City of Charleston, SC, 6.50% GO Bonds, 6/1/2012	AA	1,036,490
250,000	Clemson University, SC, 7.00% Revenue Bonds, 5/1/2009	A1	263,675
355,000	Columbia, SC, Waterworks & Sewer System, 6.30% Revenue Bonds, 2/1/2000	AA	377,858
1,500,000	Columbia, SC, Waterworks & Sewer System, 5.70% Revenue Bonds, 2/1/2010	AA	1,470,960

1,000,000	Columbia, SC, Waterworks & Sewer System, 7.10% Revenue Bonds, 2/1/2012, Prerefunded 2/1/2001 @ 102	AAA	1,121,800
600,000	Dorchester County, SC, School District #2, 6.65% GO Bonds (MBIA Issuer Insured), 7/1/2012	AAA	626,586
870,000	Edgefield County, SC, School District, 6.40% GO Bonds (FSA Issuer Insured), 2/1/2009	AAA	910,298
2,000,000	Fairfield County, SC, 6.50% Pollution Control Revenue Bonds, 9/1/2014	A	2,044,560

</TABLE>

South Carolina Municipal Bond Fund

<TABLE>

<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>
Long-Term Municipal Securities--continued			
\$ 500,000	Florence County, SC, 6.75% Revenue Bonds (McLeod Hospital Project)/(FGIC Issuer Insured), 11/1/2010	AAA	\$ 526,485
1,465,000	Florence County, SC, Water Works & Sewer, 5.00% Revenue Bonds (AMBAC Insured), 3/1/2004	AAA	1,410,150
1,360,000	Georgetown County, SC, 6.25% Pollution Control Revenue Bonds (International Paper Co. Project), 6/15/2005	A-	1,378,156
2,500,000	Grand Strand Water & Sewer Authority, 6.375% Revenue Bonds (MBIA Issuer Insured), 6/1/2012	AAA	2,636,300
500,000	Greenville, SC, IDR, 7.10% Revenue Bonds (Lockheed Aeromod Facility Project)/(Subject to AMT), 11/1/2011	A	532,080
760,000	Greenville, SC, 7.00% Hospital Revenue Bonds, 5/1/2017	AA-	789,055
500,000	Greenville, SC, 5.50% Hospital Facilities, 5/1/2016	AA-	445,925

500,000	Greenville, SC, 7.60% Revenue Bonds (Airport Project)/ (AMBAC Issuer Insured)/(Subject to AMT), 7/1/2000	AAA	532,460
100,000	Horry County, SC, 7.45% GO Bonds, 12/1/2004	A+	112,183
980,000	Horry County, SC, 4.65% GO Bonds (MBIA Insured), 12/1/2005	AAA	896,386
1,110,000	Horry County, SC, School District, 4.70% GO Bonds 4/1/2002	AAA	1,067,676
450,000	Horry County, SC, School District, 7.00% GO Bonds, 12/1/2003	A	484,785
600,000	Horry County, SC, School District, 7.00% GO Bonds, 1/1/2005	A	659,238
1,960,000	Lancaster County, SC, School District, 6.50% GO Bonds (MBIA Issuer Insured), 7/1/2008	AAA	2,063,508
2,000,000	Lancaster County, SC, Water & Sewer Authority, 5.20% GO Bonds, 5/1/2015	AAA	1,780,120
175,000	Lexington County, SC, IDR, 8.00% (J.B. White Project)/ (Mercantile Stores Guaranteed)/(Subject to AMT), 1/1/2011	NR	185,008
200,000	Medical University, SC, Hospital Facilities, 7.125% Revenue Bonds, 7/1/2004	A+	215,698
805,000	Medical University, SC, Hospital Facilities, 5.25%, (MBIA Insured) 7/1/2004	AAA	790,760

</TABLE>

South Carolina Municipal Bond Fund

<TABLE>  
<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>

Long-Term Municipal Securities--continued

\$ 500,000	North Charleston, SC, 5.875% GO Bonds, 8/1/2009	A	\$ 498,710
1,000,000	North Charleston, SC, Sewer District, 6.00% Revenue Bonds (MBIA Issuer Insured), 7/1/2018	AAA	981,210
500,000	North Charleston, SC, Sewer District, 6.00% Revenue Bonds (MBIA Issuer Insured), 7/1/2018	AAA	492,150
1,250,000	Pickens & Richland Counties, SC, 7.00% Revenue Bonds (Baptist Hospital)/(AMBAC Issuer Insured), 8/1/2017, Prerefunded 8/1/2001 @ 102	AAA	1,398,763
1,135,000	Piedmont Municipal Power Agency, SC, 6.375% Electric Revenue Bonds (FGIC Issuer Insured), 1/1/2006	AAA	1,205,177
590,000	Piedmont Municipal Power Agency, SC, 6.85% Electric Revenue Bonds (FGIC Issuer Insured), 1/1/2007	AAA	636,274
175,000	Piedmont Municipal Power Agency, SC, 7.00% Electric Revenue Bonds (FGIC Issuer Insured), 1/1/2013, Prerefunded 1/1/95 @ 100	AAA	178,477
100,000	Piedmont Municipal Power Agency, SC, 7.40% Electric Revenue Bonds (AMBAC Issuer Insured), 1/1/2018	AAA	109,075
1,000,000	Piedmont Municipal Power Agency, SC, 6.50% Electric Revenue Bonds (FGIC Issuer Insured), 1/1/2011	AAA	1,031,060
255,000	Richland County, SC, Hospital Facility, 8.125% Revenue Bonds (Sun Health Network Project)/(Sumitomo Bank, Ltd. LOC), 10/1/2011	AA3	282,104
600,000	Richland County, SC, 7.10% Hospital Revenue Bonds (Community Provider Pool)/(Capital Guaranty Insured), 7/1/2005	AAA	655,674
1,250,000	Richland County, SC, 6.25% GO Bonds, 3/1/2011	AA	1,347,813
1,390,000	Richland County, SC, 6.50% GO Bonds (Series B), 3/1/2001	AA	1,491,665
650,000	Richland County, SC, 7.45% Pollution Control Revenue Bonds (Subject to AMT), 4/1/2021	A1	700,921

</TABLE>



South Carolina Municipal Bond Fund

<TABLE>  
<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>
Long-Term Municipal Securities--continued			
\$1,000,000	Richland County, SC, 6.75% Pollution Control Revenue Bonds (Union Camp Project), 5/1/2022	A1	\$ 1,028,280
195,000	Rock Hill, SC, Housing Development Corp., 7.50% Revenue Bonds (FNMA Guaranteed), 7/1/2010	AAA	209,865
1,000,000	Rock Hill, SC, Combined Public Utility Authority, 6.75% Revenue Bonds (AMBAC Issuer Insured), 1/1/2010, Prerefunded 1/1/2000 @ 102	AAA	1,097,920
700,000	South Carolina State, 5.75% GO Bonds, 5/1/2007	AAA	742,511
1,000,000	South Carolina State, 5.00% GO Bonds, 2/1/2009	AAA	928,150
1,035,000	South Carolina State, 4.40% GO Bonds, 4/1/2001		995,877
405,000	South Carolina State Educational Assistance Authority, 6.50% Revenue Bonds (Subject to AMT), 9/1/2004	AA	414,356
270,000	South Carolina HFA, 8.00% Revenue Bonds, 7/1/95	AA	276,186
100,000	South Carolina HFA, 7.50% Revenue Bonds, 7/1/2011	AA	103,100
500,000	South Carolina HFA, 7.70% Revenue Bonds (Subject to AMT), 7/1/2010	AA	521,595
520,000	South Carolina HFA, 7.75% Revenue Bonds (Subject to AMT), 7/1/2022	AA	537,243
1,200,000	South Carolina HFA, 7.30% Revenue Bonds,		

	7/1/2011	AA	1,233,924
1,000,000	South Carolina Port Authority, 6.50% Revenue Bonds (AMBAC Issuer Insured)/(Subject to AMT), 7/1/2006	AAA	1,056,050
1,000,000	South Carolina Port Authority, 6.625% Revenue Bonds (AMBAC Issuer Insured)/(Subject to AMT), 7/1/2011	AAA	1,041,080
525,000	South Carolina Port Authority, 6.75% Revenue Bonds (AMBAC Issuer Insured)/(Subject to AMT), 7/1/2021	AAA	544,787
400,000	South Carolina Public Service Authority, 8.10% Revenue Bonds, 7/1/2007, Prerefunded 7/1/96 @ 103	A+	440,428
600,000	South Carolina Public Service Authority, 7.00% Revenue Bonds (Series C), 7/1/2012	A+	625,752

</TABLE>

South Carolina Municipal Bond Fund

<TABLE>  
<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>
Long-Term Municipal Securities--continued			
\$1,125,000	South Carolina Public Service Authority, 7.30% Revenue Bonds, 7/1/2021	A+	\$ 1,188,473
1,000,000	South Carolina Public Service Authority, 6.75% Revenue Bonds, 7/1/2005	A+	1,029,840
125,000	South Carolina Public Service Authority, 6.90% Revenue Bonds (Series A), 7/1/2021	A+	127,846
250,000	South Carolina Public Service Authority, 7.00% Revenue Bonds (Series B), 7/1/2009, Prerefunded 7/1/2001 @ 102	A+	279,525
1,400,000	South Carolina Public Service Authority, 7.00% Revenue Bonds (Series B), 7/1/2012, Prerefunded 7/1/2001 @ 102	A+	1,565,340

600,000	South Carolina Public Service Authority, 7.10% Revenue Bonds (Series B), 7/1/2021, Prerefunded 7/1/2001 @ 102	A+	676,656
450,000	South Carolina Public Service Authority, 7.00% Revenue Bonds, 7/1/2022	A+	463,905
1,950,000	South Carolina Public Service Authority, 6.50% Revenue Bonds (Series B)/(AMBAC Issuer Insured), 7/1/2014	AAA	2,002,046
2,500,000	South Carolina Public Service Authority, 5.125% Revenue Bonds (Series C), 1/1/2032	AAA	2,088,176
500,000	South Carolina Resource Authority, 7.00%, 6/1/2003	AA	541,325
200,000	Spartanburg County, SC, 7.80% Revenue Bonds (Mary Black Hospital Project), 10/1/2000, Prerefunded 10/1/98 @ 102	A-	226,508
100,000	Spartanburg County, SC, 8.25% Revenue Bonds (Mary Black Hospital Project), 10/1/2008, Prerefunded 10/1/98 @ 102	A-	115,099
450,000	Spartanburg County, SC, Leased Housing Corp., 7.50% Revenue Bonds, 10/1/2011	A	454,199
400,000	Western Carolina Regional Sewer Authority, 6.05% Revenue Bonds (AMBAC Issuer Insured), 3/1/2006	AAA	411,160
1,000,000	York County, SC, 4.80% GO Bonds, 6/1/2008	AAA	882,210
1,000,000	York County, SC, 4.90% GO Bonds, 6/1/2010	AAA	874,780

</TABLE>

South Carolina Municipal Bond Fund

<TABLE>  
<CAPTION>

Principal Amount	Issue	Credit Rating: Moody's or S&P*	Value
<C>	<S>	<C>	<C>

Long-Term Municipal Securities--continued

\$ 400,000	York County, SC, Public Facilities Corp., 7.10% Lease Certificate of Participation, 6/1/2001	AAA	\$ 443,376
1,500,000	York County, SC, Public Facilities Corp., 7.50% Lease Certificate of Participation, 6/1/2011	BAA1	1,718,355
200,000	York County, SC, School District #3, 9.00% GO Bonds (MBIA Issuer Insured), 6/1/97	AAA	224,040
Total Long-Term Municipal Securities (identified cost, \$79,394,762)			80,333,770
Total Investments (identified cost, \$79,945,448)			\$80,884,456+

</TABLE>

\*Please refer to the Appendix of the Statement of Additional Information for an explanation of credit ratings.

+The cost of investments for federal tax purposes amounts to \$79,945,448. The net unrealized appreciation of investments on a federal tax basis amounts to \$939,008 which is comprised of \$2,477,329 appreciation and \$1,538,321 depreciation at May 31, 1994.

Note: The categories of investments are shown as a percentage of net assets (\$82,507,569) at May 31, 1994.

The following abbreviations are used in this portfolio:

AMT--Alternative Minimum Tax  
 AMBAC--American Municipal Bond Assurance Corporation  
 FGIC--Financial Guaranty Insurance Co.  
 FNMA--Federal National Mortgage Association  
 FSA--Financial Security Assurance  
 GO--General Obligation  
 HFA--Housing Finance and Development Authority  
 IDR--Industrial Development Revenue  
 LOC--Letter(s) of Credit  
 MBIA--Municipal Bond Investors Assurance  
 NR--Not Rated

(See Notes which are an integral part of the Financial Statements)

South Carolina Municipal Bond Fund  
 Statement of Assets and Liabilities  
 May 31, 1994  
 (unaudited)

<S>	<C>	<C>
Assets:		
Investments, at value (Note 2A) (identified and tax cost, \$79,945,448)		\$80,884,456
Cash		1,246
Interest receivable		1,860,294
Receivable for investments sold		1,611,345
Receivable for Fund shares sold		9,494
Deferred expenses (Note 2E)		4,122
Total assets		84,370,957
Liabilities:		
Payable for investments purchased	\$1,610,625	
Dividends payable	218,367	
Payable for Fund shares redeemed	31,230	
Accrued expenses	3,166	
Total liabilities		1,863,388
Net Assets for 7,757,386 shares of beneficial interest outstanding		\$82,507,569
Net Assets Consist of:		
Paid-in capital		\$80,715,232
Net unrealized appreciation (depreciation) of investments		939,008
Accumulated net realized gain (loss) on investments		853,329
Total Net Assets		\$82,507,569
Net Asset Value and Redemption Proceeds Per Share:		
(net assets of \$82,507,569 / 7,757,386 shares of beneficial interest outstanding)		\$10.64
Computation of Offering Price:		
Offering Price Per Share (100/95.5 of \$10.64*)		\$11.14

</TABLE>

\*See "What Shares Cost" in the prospectus.

(See Notes which are an integral part of the Financial Statements)

South Carolina Municipal Bond Fund  
Statement of Operations  
Six months ended May 31, 1994 (unaudited)

<TABLE>

<S>	<C>	<C>	<C>
Investment Income:			
Interest income (Note 2B)			\$ 2,416,296
Expenses:			
Investment advisory fee (Note 4)		\$316,890	
Trustees' fees		638	
Administrative personnel and services fees (Note 4)		63,378	
Custodian fees (Note 4)		8,455	
Transfer and dividend disbursing agent fees and expenses (Note 4)		30,677	
Fund share registration costs		7,385	
Auditing fees		8,016	
Legal fees		3,687	
Printing and postage		18,139	
Portfolio accounting fees (Note 4)		26,657	
Insurance premiums		3,055	
Miscellaneous		3,890	
Total expenses		490,867	
Deduct--			
Waiver of investment advisory fee (Note 4)	\$253,512		
Waiver of administrative personnel and services fees (Note 4)	3,488	257,000	

Net expenses	233,867
-----	-----
Net investment income	2,182,429
-----	-----
Realized and Unrealized Gain (Loss) on Investments:	
-----	-----
Net realized gain (loss) on investment transactions (identified cost basis)	852,827
-----	-----
Net change in unrealized appreciation (depreciation) of investments	(4,497,772)
-----	-----
Net realized and unrealized gain (loss) on investments	(3,644,945)
-----	-----
Change in net assets resulting from operations	\$(1,462,516)
-----	-----

</TABLE>

(See Notes which are an integral part of the Financial Statements)

South Carolina Municipal Bond Fund  
Statement of Changes in Net Assets

<TABLE>  
<CAPTION>

	Year Ended		
	11/30/94**	11/30/93*	9/30/93
	-----	-----	-----
<S>	<C>	<C>	<C>
Increase (Decrease) in Net Assets:			
-----			
Operations--			
-----			
Net investment income	\$ 2,182,429	\$ 707,729	\$ 3,872,810
-----			
Net realized gain (loss) on investment transactions (\$852,827 net gain, \$147,642 net gain, and \$79,226 net gain, respectively, as computed for federal income tax purposes)	852,827	147,642	83,172
-----			
Change in unrealized appreciation (depreciation) of investments	(4,497,772)	(1,272,466)	4,888,206
-----			
Change in net assets resulting from operations	(1,462,516)	(417,095)	8,844,188
-----			

Distributions to Shareholders  
(Note 2B)--

Dividends to shareholders from net investment income	(2,182,429)	(707,729)	(3,872,810)
Distributions to shareholders from net realized gain on investment transactions	(226,365)	--	--
Change in net assets from distributions to shareholders	(2,408,794)	(707,729)	(3,872,810)
Fund Share (Principal) Transactions (Note 3)--			
Proceeds from sale of shares	15,232,805	4,720,992	28,079,747
Net asset value of shares issued to shareholders in payment of dividends declared	951,542	277,901	1,537,258
Cost of shares redeemed	(13,176,782)	(3,176,759)	(15,053,586)
Change in net assets from Fund share transactions	3,007,565	1,822,134	14,563,419
Change in net assets	(863,745)	697,310	19,534,797
Net Assets:			
Beginning of period	83,371,314	82,674,004	63,139,207
End of period	\$ 82,507,569	\$83,371,314	\$ 82,674,004

</TABLE>

\*For the two months ended November 30, 1993 (Note 6).

\*\*Six months ended May 31, 1994 (unaudited).

(See Notes which are an integral part of the Financial Statements)

South Carolina Municipal Bond Fund  
Financial Highlights

(For a share outstanding throughout each period)

<TABLE>  
<CAPTION>

Year Ended				
11/30/94***	11/30/93**	9/30/93	9/30/92	9/30/91*



<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, beginning of period	\$11.12	\$11.27	\$10.53	\$10.17	\$10.00
Income from investment operations					
Net investment income	0.28	0.10	0.59	0.60	0.43
Net realized and unrealized gain (loss) on investments	(0.45)	(0.15)	0.74	0.36	0.17
Total from investment operations	(0.17)	(0.05)	1.33	0.96	0.60
Less distributions					
Dividends to shareholders from net investment income	(0.28)	(0.10)	(0.59)	(0.60)	(0.43)
Distributions to shareholders from net realized gain on investment transactions	(0.03)	--	--	--	--
Total distributions	(0.31)	(0.10)	(0.59)	(0.60)	(0.43)
Net Asset Value, end of period	\$10.64	\$11.12	\$11.27	\$10.53	\$10.17
Total Return+	(1.56%)	(0.48%)	13.03%	9.73%	6.32%
Ratios to Average Net Assets					
Expenses	0.55% (a)	0.55% (a)	0.55%	0.61%	0.82% (a)
Net investment income	5.17% (a)	5.11% (a)	5.46%	5.83%	5.73% (a)
Expense waiver/reimbursement (b)	0.61% (a)	0.60% (a)	0.62%	0.73%	0.86% (a)
Supplemental Data					
<CAPTION> Net assets, end of period (000 omitted)	\$82,508	\$83,371	\$82,674	\$63,139	\$21,438

Portfolio turnover rate                    16%                    2%                    4%                    0%                    0%

</TABLE>

\* For the period from January 11, 1991 (date of initial public investment) to September 30, 1991.

\*\* For the two months ended November 30, 1993 (Note 6).

\*\*\* Six months ended May 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(See Notes which are an integral part of the Financial Statements)

South Carolina Municipal Bond Fund

Notes to Financial Statements

May 31, 1994 (unaudited)

(1) Organization

The Biltmore Municipal Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Trust consists of one, non-diversified portfolio. Effective June 3, 1993, the Trust changed its name from "The Passageway Funds" to "The Biltmore Municipal Funds."

(2) Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the South Carolina Municipal Bond Fund (the "Fund") in the preparation of its financial statements. These policies are in conformity with generally accepted accounting principles (GAAP).

A. Investment Valuations--Municipal bonds are valued by an independent pricing service, taking into consideration yield, liquidity, risk, credit, quality, coupon, maturity, type of issue, and any other factors or market data it deems relevant in determining valuations for normal institutional-size trading units of debt securities. The independent pricing service does not rely exclusively on quoted prices. Short-term securities with remaining maturities of sixty days or less at the time of purchase may be stated at amortized cost, which approximates value. Investments in other regulated investment companies are valued at net asset value.

B. Investment Income, Expenses and Distributions--Interest income and expenses are accrued daily. Bond premium and discounts, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date.

C. Federal Taxes--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to

shareholders each year all of its tax-exempt income. Accordingly, no provisions for federal tax are necessary.

D. When-Issued and Delayed Delivery Transactions--The Fund may engage in when-issued or delayed delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.

E. Deferred Expenses--The costs incurred by the Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering the shares, have been deferred and are being amortized using the straight-line method over a period of five years from the Fund's commencement date.

F. Other--Investment transactions are accounted for on the trade date.

South Carolina Municipal Bond Fund

(3) Shares of Beneficial Interest

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value). Transactions in Fund shares were as follows:

<TABLE>

<CAPTION>

	Year Ended November 30,		Year Ended September 30,
	1994**	1993*	1993
<S>	<C>	<C>	<C>
Shares sold	1,386,628	420,846	2,589,410
Shares issued to shareholders in payment of dividends declared	87,194	24,836	141,549
Shares redeemed	(1,212,773)	(282,074)	(1,395,818)
Net change resulting from fund share transactions	261,049	163,608	1,335,141

</TABLE>

\* For the two months ended November 30, 1993 (Note 6).

\*\* Six months ended May 31, 1994.

(4) Investment Advisory Fee and Other Transactions with Affiliates

Investment Advisory Fee--The South Carolina National Bank, the Fund's investment adviser (the "Adviser") receives for its services an annual investment advisory fee equal to .75 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee. The Adviser can modify or terminate this voluntary waiver at any time at its sole discretion.

Effective June 1, 1994, The South Carolina National Bank changed its name to Wachovia Bank of South Carolina, N.A.

Administrative Fee--Federated Administrative Services ("FAS") provides the Fund with certain administrative personnel and services. The FAS fee is based on the level of average aggregate net assets of the Fund for the period. FAS may voluntarily choose to waive a portion of its fee. FAS can modify or terminate this voluntary waiver at any time at its sole discretion.

Transfer and Dividend Disbursing Agent, Accounting and Custody Fees--Federated Services Company ("FServ") serves as transfer and dividend disbursing agent for the Fund. The FServ fee is based on the size, type and number of accounts and transactions made by shareholders.

FServ also maintains the Fund's accounting records. The fee is based on the level of the Fund's average net assets for the period plus out-of-pocket expenses.

Wachovia Bank of North Carolina, N.A. is the Fund's custodian. The fee is based on the level of the Fund's average net assets for the period plus out-of-pocket expenses.

South Carolina Municipal Bond Fund

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Organizational Expenses--Organizational expenses (\$30,060) were borne initially by FAS. The Fund has agreed to reimburse FAS for the organizational expenses during the five year period following November 30, 1990 (date the Fund first became effective). For the six months ended May 31, 1994, the Fund paid \$2,131 pursuant to this agreement.

Certain of the Officers of the Trust are Officers and Trustees of FAS and FServ.

(5) Investment Transactions

Purchases and sales of investments, excluding short-term investments, for the six months ended May 31, 1994, were as follows:

<TABLE>

<S>

<C>

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Purchases	\$17,463,903
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Sales	\$12,695,765
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</TABLE>

(6) Change in Fiscal Year

Effective October 1, 1993, the Fund changed its fiscal year from September 30 to November 30.

Trustees

Officers

James A. Hanley  
Malcolm T. Hopkins  
Samuel E. Hudgins  
J. Berkley Ingram, Jr.  
D. Dean Kaylor

John W. McGonigle  
President and Treasurer  
Ronald M. Petnuch  
Vice President and Assistant Treasurer  
Joseph M. Huber  
Secretary  
Mark A. Sheehan  
Assistant Secretary

Mutual funds are not obligations of or insured by any bank nor are they insured by the federal government or any of its agencies. Investments in these shares involves risk, including the possible loss of principal.

This report is authorized for distribution to prospective investors only when preceded or accompanied by the Fund's prospectus which contains facts concerning its objective and policies, management fees and other information.