

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION

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YEAR ENDED JUNE 30, 2002

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the accompanying statement of financial position of South Carolina Student Loan Corporation as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2001 financial statements and, in our report, dated August 24, 2001, we expressed an unqualified opinion on those financial statements..

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2002 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 2002 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audit was made for the purpose of forming an opinion on the financial statements of South Carolina Student Loan Corporation, taken as a whole. The accompanying supplementary information in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in Schedule 7 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrick, Stubbs & Stith, LLP

Columbia, South Carolina
September 4, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002
(With Comparative Amounts for 2001)

<u>ASSETS</u>	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 3,370,535	\$ 29,044,717	\$ 32,415,252	\$ 26,585,642
Investments	199,307	144,587	343,894	1,120,750
Current Portion of Student Loan Receivables	262,382	170,674,946	170,937,328	177,810,028
Interest Due from Borrowers	504,354	32,273,553	32,777,907	34,753,335
Due from United States Department of Education	7	5,817,616	5,817,623	7,440,428
Due from SC State Education Assistance Authority	36,474	18,878,444	18,914,918	12,907,052
Accrued Investment Income	14,555	298,468	313,023	395,995
Miscellaneous Operating Receivables	57,632	-	57,632	5,822
Prepaid Expenses	38,915	-	38,915	36,511
Due from (to) Other Funds	10,695,295	(10,695,295)		
Total Current Assets	\$ 15,179,456	\$ 246,437,036	\$ 261,616,492	\$ 261,055,563
<u>Investments and Long-Term Receivables:</u>				
Investments	\$ -	\$ 106,475,636	\$ 106,475,636	\$ 65,613,704
Other Student Loan Receivables Less, Current Portion	13,283,762	1,399,157,013	1,412,440,775	1,263,086,533
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$ 16,412,580 and Current Portion	-	-	2,998,261	3,618,343
Deferred Cost of Issuance of Bonds	-	4,702,537	4,702,537	4,183,067
Total Investments and Long-Term Receivables	\$ 13,283,762	\$ 1,513,333,447	\$ 1,526,617,209	\$ 1,336,501,647
<u>Property and Equipment:</u>				
Furniture and Equipment	\$ 1,673,741	\$ -	\$ 1,673,741	\$ 2,319,866
Automobiles	37,397	-	37,397	33,016
Less, Accumulated Depreciation	(1,491,881)	-	(1,491,881)	(1,922,445)
Net Property and Equipment	\$ 219,257	\$ -	\$ 219,257	\$ 430,437
Total Assets	\$ 28,682,475	\$ 1,759,770,483	\$ 1,788,452,958	\$ 1,597,987,647

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002
(With Comparative Amounts for 2001)

<u>LIABILITIES AND NET ASSETS</u>	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$ -	\$ 59,440,000	\$ 59,440,000	\$ 51,000,000
Current Maturities of Bonds Payable	-	113,334,354	113,334,354	119,202,499
Interest Payable	-	1,821,111	1,821,111	5,100,334
Accounts Payable	313,726	103,147	416,873	466,958
Accrued Pension Payable	619,008	20,858	639,866	615,177
Compensated Absences	227,762	19,872	247,634	192,959
Due to SC State Education Assistance Authority	-	2,543,167	2,543,167	5,348,711
Total Current Liabilities	\$ 1,160,496	\$ 177,282,509	\$ 178,443,005	\$ 181,926,638
<u>Long-Term Debt:</u>				
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 3,897,125	\$ -	\$ 1,193,480,238	\$ 1,193,480,238	\$ 1,096,482,039
Notes Payable - Finance Loans Less, Current Maturities	-	248,402,311	248,402,311	189,916,994
Note Payable to Banks	-	-	-	549,885
Total Long-Term Debt	\$ -	\$ 1,441,882,549	\$ 1,441,882,549	\$ 1,286,948,918
Total Liabilities	\$ 1,160,496	\$ 1,619,165,058	\$ 1,620,325,554	\$ 1,468,875,556
<u>Net Assets:</u>				
<u>Temporarily Restricted:</u>				
For Bond Indentures - Current Debt Service	\$ -	\$ 29,414,157	\$ 29,414,157	\$ 36,413,411
For Bond Indentures	-	86,180,751	86,180,751	41,768,854
For Teacher Loans	-	25,010,517	25,010,517	26,516,694
Total Temporarily Restricted	\$ -	\$ 140,605,425	\$ 140,605,425	\$ 104,698,959
Unrestricted	27,521,979	-	27,521,979	24,413,132
Total Net Assets	\$ 27,521,979	\$ 140,605,425	\$ 168,127,404	\$ 129,112,091
Total Liabilities and Net Assets	\$ 28,682,475	\$ 1,759,770,483	\$ 1,788,452,958	\$ 1,597,987,647

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 7	\$ 22,898,985	\$ 22,898,992	\$ 30,076,341
Special Allowances	-	7,124,957	7,124,957	7,368,227
Student Loan Interest - Non Subsidized	638,007	73,991,454	74,629,461	86,212,845
Investment Income	197,386	3,780,982	3,978,368	4,188,702
Unrealized Gain (Loss) on Investments	(48,747)	177,812	129,065	311,237
Late Charges	571	605,160	605,731	736,219
Miscellaneous Payments of Student Loans	(6)	1,248	1,242	4,718
Premium on Sale of Loans	-	7,530	7,530	7,588
State Appropriations - Department of Education	-	4,821,058	4,821,058	3,916,250
Processing Fee Income	78,129	-	78,129	73,899
Remittance from SC State Education Assistance Authority for Operating Cost	6,835,523	-	6,835,523	6,767,917
Net Assets Released from Restrictions	77,502,720	(77,502,720)		
Total Revenue and Support	<u>\$ 85,203,590</u>	<u>\$ 35,906,466</u>	<u>\$ 121,110,056</u>	<u>\$ 139,663,943</u>
<u>Expenses:</u>				
Personnel	\$ 5,347,023	\$	\$ 5,347,023	\$ 4,799,022
Contractual Services	663,624		663,624	556,272
General Operating	1,822,747		1,822,747	1,731,324
Interest on Debt	33,154,374		33,154,374	62,328,963
TLP Cancellations	9,329,158		9,329,158	10,862,069
Amortization of Deferred Cost of Bond Issuance	771,253		771,253	349,305
Payments to SC State Education Assistance Authority for Student				
Loan Income	18,774,718		18,774,718	32,271,894
Lender Origination Fees	4,309,098		4,309,098	2,725,527
Reinsurance Expense	162,766		162,766	161,176
Borrower Incentives	6,515,415		6,515,415	242,178
Broker Dealer Fees	957,954		957,954	1,000,748
Other	286,613		286,613	232,334
Total Expenses	<u>\$ 82,094,743</u>	<u>\$ -</u>	<u>\$ 82,094,743</u>	<u>\$ 117,260,812</u>
<u>Change in Net Assets</u>	<u>\$ 3,108,847</u>	<u>\$ 35,906,466</u>	<u>\$ 39,015,313</u>	<u>\$ 22,403,131</u>
<u>Net Assets</u>				
Beginning	<u>24,413,132</u>	<u>104,698,959</u>	<u>129,112,091</u>	<u>106,708,960</u>
Ending	<u>\$ 27,521,979</u>	<u>\$ 140,605,425</u>	<u>\$ 168,127,404</u>	<u>\$ 129,112,091</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 3,108,847	\$ 35,906,466	\$ 39,015,313	\$ 22,403,131
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	267,475		267,475	226,030
Amortization of Premiums and Discounts on Bonds Payable		332,553	332,553	332,554
Amortization of Cost of Bond Issuance		771,253	771,253	349,305
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Due from Department of Education	36	1,622,769	1,622,805	3,488,800
(Increase) Decrease in Due from SCSEAA	(27,186)	(5,980,584)	(6,007,770)	(2,636,381)
(Increase) Decrease in Interest Due from Borrowers	47,686	1,927,743	1,975,429	(5,147,061)
(Increase) Decrease in Accrued Investment Income	3,843	79,129	82,972	(101,724)
(Increase) Decrease in Miscellaneous Receivable	(51,904)	-	(51,904)	(3,081)
(Increase) Decrease in Prepaid Expenses	(2,403)	-	(2,403)	(4,838)
Increase (Decrease) in Interest Payable	-	(3,279,223)	(3,279,223)	(831,972)
Increase (Decrease) in Accounts Payable	11,415	(289,776)	(278,361)	338,202
Increase (Decrease) in Accrued Pension Expenses	23,949	740	24,689	195,775
Increase (Decrease) in Compensated Absence	51,094	3,581	54,675	(2,045)
Increase (Decrease) in Group Insurance Payable	223,100	5,175	228,275	
Increase (Decrease) in Due to SCSEAA	-	(2,805,544)	(2,805,544)	(3,543,645)
Due to (from) Other funds	(321,654)	321,654		
Net Cash Provided by Operating Activities	<u>\$ 3,334,298</u>	<u>\$ 28,615,936</u>	<u>\$ 31,950,234</u>	<u>\$ 15,063,050</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (56,295)	\$ -	\$ (56,295)	\$ (89,861)
(Increase) Decrease in Cash Surrender Value of Life Insurance				33,350
Purchase and Issuance of Student Loans	(4,368,305)	(817,367,396)	(821,735,701)	(963,762,587)
Principal Payments on Student Loans	12,097	670,532,986	670,545,083	846,398,580
Teacher Loan Cancellations	-	9,329,158	9,329,158	10,862,069
(Increase) Decrease in Investment:	-	(40,133,824)	(40,133,824)	(33,215,561)
Unrealized Gain on Investment	48,748	-	48,748	(22,109)
Net Cash (Used in) Investing Activities	<u>\$ (4,363,755)</u>	<u>\$ (177,639,076)</u>	<u>\$ (182,002,831)</u>	<u>\$ (139,796,119)</u>

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans	\$	\$ 484,269,682	\$ 484,269,682	\$ 168,597,572
Payments on Financing Loans		(417,344,365)	(417,344,365)	(299,881,741)
Proceeds from Bank Line-of-Credit		1,390,496	1,390,496	229,036,774
Payments on Bank Line-of-Credit		(1,940,381)	(1,940,381)	(410,495,021)
Proceeds from Issuance of Bonds		210,000,000	210,000,000	550,000,000
Payments of Bonds		(119,202,499)	(119,202,499)	(98,731,193)
Payment of Costs of Bond Issuance		(1,290,726)	(1,290,726)	(3,430,974)
Net Cash Provided by Financing Activities	\$	\$ 155,882,207	\$ 155,882,207	\$ 135,095,417
<u>Net Increase (Decrease) in Cash and Cash Equivalents:</u>	\$	\$ 6,859,067	\$ 5,829,610	\$ 10,362,348
<u>Cash and Cash Equivalents:</u>				
Beginning		4,399,992	22,185,650	26,585,642
Ending	\$	\$ 3,370,535	\$ 32,415,252	\$ 26,585,642
<u>Supplemental Disclosures of Cash Flow Information</u>				
Cash Payments for Interest	\$	\$ 36,101,045	\$ 36,101,045	\$ 63,163,170
<u>Supplemental Disclosures of Non-Cash Transactions</u>				
Retirement of Fixed Assets - Investing Activities	\$	\$ 698,039	\$ 698,039	\$ -
Write-off of Accumulated Depreciation Related to Retirement of Fixed Assets - Investing Activities	\$	\$ 698,039	\$ 698,039	\$ -

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies:1.1 Reporting Entity:

The South Carolina Student Loan Corporation (Corporation) was incorporated November 15, 1973 under the Laws of the State of South Carolina. The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its corporate goal is to receive, disburse and administer funds exclusively for educational purposes without pecuniary gain or profit to its members and to aid in the fulfillment of the desire and direction of the People of South Carolina in making loans available to students and parents to attend eligible post secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

The Corporation administers the operations of the South Carolina State Education Assistance Authority (Authority). The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976 as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The basic, but not the only, criteria for including a component unit in the reporting entity is the governing body's oversight responsibility for such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor the Corporation is considered a component unit of the other because each is a legally separate organization and not financially accountable to/for the other.

The accompanying financial statements present the financial position, results of operations and cash flows solely of the South Carolina Student Loan Corporation.

1.2 Overall Operating Arrangement:

The Authority, as a guaranty agency, has approved the South Carolina Student Loan Corporation (Corporation) as an eligible lender to administer the Federal Family Education Loan Program. It is the duty of the Corporation to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace, and deferred periods by the U.S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower. Also, the U.S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

The Corporation finances these loans using several sources. One source is the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 7, makes loans. The Corporation remits income on these loans to the Authority as it is received as required by loan agreements.

The operations of the Authority are administered by employees of the Corporation. The Authority reimburses the Corporation upon request for the actual operating costs and expenses plus reasonable capital costs incurred in the administration of the loans financed by the Authority's bonds in accordance with a previously approved budget.

Beginning with the 1986-87 year, the Corporation also arranged to finance its student loan program through a group of banks. Loans made under this financing arrangement were the property of the banks and did not appear on the books of the Corporation. This arrangement was phased out completely in December 1995.

Since June 15, 1994, the Corporation has entered into financing agreements with certain commercial banks. These financing arrangements are different from previous arrangements because the Corporation now owns the loans as described in Note 9. The Corporation expects to phase out this arrangement by November 2002.

Because of the scarcity of tax-exempt private activity bond allocation from the State and because of the yield limitation for loans financed with tax-exempt bonds, the Corporation issued taxable Education Loan Revenue Bonds for the first time in the year ended June 30, 1997.

During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP) and the Auxiliary Loan Program for Students (ALPS). Neither of these programs is funded by the bonds issued by the Authority or Corporation. ALPS loans have the same terms as other student loans.

The TLP is a part of the Education Improvement Act of 1984 passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program and the funds for operations and for making loans are provided by state appropriations. The intent of the program is to attract, through financial assistance, talented individuals and to encourage them to enter teaching in areas of critical need within the state. Loans are canceled at 20% to 33% per year for each year of teaching in a critical subject and/or location. These loans are repaid by the borrower if the borrower does not teach. TLP loans made for academic years before 1994-95 are guaranteed by the Authority. Loans made for academic years 1994-95 or after are non-guaranteed.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

The ALPS program is targeted primarily toward those borrowers ineligible to borrow under the Authority's guarantee. Funds are provided to finance these loans through a line-of-credit from a group of South Carolina banks. Through this arrangement, the Corporation is now able to process all loan requests and function directly as the lender. All loans under the ALPS program are guaranteed by United Student Aid Funds. The Corporation plans to sell these loans to a secondary market before the repayment period begins. This arrangement is being phased out with only renewal borrowers being placed in the ALPS program.

Beginning July 1, 1995, the Corporation started offering various loans for advanced education called the Palmetto Alternative Loan Program (PAL). MED-PAL offers supplemental loans for medical students enrolled at least half-time that have already received their yearly maximum amount of Federal Stafford Loans. R&R-PAL offers supplemental loans for fourth year medical students seeking their residency and relocation. INTER-PAL offers supplemental loans for international business students enrolled at least half-time that have already received their yearly maximum amount of Federal Stafford Loans. These loans are funded from Corporation accumulated unrestricted net assets.

1.3 Basis of Accounting:

These statements are prepared on the accrual method of accounting recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

1.4 Display of Net Assets by Class:

The Corporation adheres to the disclosures and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets, which are described as follows:

Unrestricted Net Assets - Net assets that are not subject to restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Corporation activity.

Temporarily Restricted Net Assets - Net assets subject to restrictions that will be met either by actions of the Corporation and/or the passage of time. These net assets are made up of guaranteed student loans from various funding sources.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies (Continued):1.4 Display of Net Assets by Class (Continued):

Permanently Restricted Net Assets - Net assets subject to stipulations that must be maintained permanently by the Corporation. The Corporation does not have any such net assets.

1.5 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 that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.6 Cash and Cash Equivalents:

For purposes of reporting cash flows, the Corporation considers all certificates of deposit, regardless of maturity, and Treasury Bills, commercial paper and money market funds, including those that are classified as restricted assets, with a maturity of three months or less, to be cash equivalents.

1.7 Investments:

Investments are valued at market value. Realized and unrealized gains and losses on sale of investments are determined based on the cost of investments.

1.8 Property and Equipment:

Furniture, equipment and automobiles are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment and three years for automobiles.

1.9 Deferred Compensation Agreement:

The Corporation offers its employees a voluntary deferred compensation plan structured and operated in accordance with provisions of Internal Revenue Code Section 403(b). The plan is administered by the Teachers Insurance and Annuity Association and the Corporation makes no contributions on behalf of the participants. The Corporation's liability is limited to remitting amounts deferred and withheld from the employees wages to the plan administrator.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

1. Summary of Significant Accounting Policies (Continued):

1.10 Compensated Absences:

Annual leave is earned at the rate of 10 to 25 days per year depending on length of employment. Employees are encouraged to use all annual leave earned in a given year and expected to use at least one week (5 consecutive days) each year. An employee may not carry forward more than 5 vacation days to the next year without his/her supervisor's permission. Earned, but unused, annual leave will be paid when an employee terminates his/her employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 7 to 10 days per year depending on length of employment. An employee may not carry forward more than 60 sick days to the next year without his/her supervisor's approval. Employees are not paid for earned, but unused, sick days upon termination of employment.

1.11 Comparative Amounts:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

2. Cash and Cash Equivalents:

Cash and Cash Equivalents include demand deposits and short-term investments of less than three months as follows:

<u>Unrestricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
Demand Deposits	\$ 56,517	\$ 56,517
Repurchase Agreements	106,669	106,669
South Carolina State Treasurer Pool	231,567	231,567
Commercial Paper	<u>2,975,782</u>	<u>2,975,782</u>
	\$ <u>3,370,535</u>	\$ <u>3,370,535</u>
<u>Temporarily Restricted</u>		
Demand Deposit	\$ 15,297	\$ 15,297
Repurchase Agreement	13,305,573	13,305,573
South Carolina State Treasurer Pool	11,727,799	11,727,799
Commercial Paper	<u>3,996,048</u>	<u>3,996,048</u>
	\$ <u>29,044,717</u>	\$ <u>29,044,717</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 11,727,799.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20023. Investments:

Investments consist of guaranteed investment contracts and U.S. Treasury Notes. Investments' cost and market value are the same. Investments' market value is determined by quoted market values and consist of the following:

	<u>Carrying Value</u>	<u>Appreciation</u>	<u>Market Value</u>
<u>Unrestricted:</u>			
Common Stock	\$ <u> -</u>	\$ <u> 199,307</u>	\$ <u> 199,307</u>
<u>Temporarily Restricted:</u>			
U.S. Treasury Notes - Short-Term	\$ 144,587	\$	\$ 144,587
Guaranteed Investment Contracts	<u>106,475,636</u>	<u> </u>	<u>106,475,636</u>
Total	\$ <u>106,620,223</u>	\$ <u> </u>	\$ <u>106,620,223</u>

4. Amounts Due from/to the Corporation:

The \$ 2,543,167 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education and borrowers at June 30. These funds will be remitted to the Authority when received. The Authority also owes the Corporation funds collected on their behalf of \$ 18,914,918. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans:

In 2002 and 2001, these loans bear interest at a fixed rate of 3.5% to 12% or an annual variable rate of 5.39% to 6.79%, which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

During the fall of 1982, the Parent Loan Program became operational. Loans are made to parents of dependent undergraduate students. The interest rate on these loans disbursed prior to July 1, 1987 was 12% to 14%. Loans disbursed after that date have a variable interest rate which is adjusted each July 1. The rate in effect through June 30, 2002 is 6.56-6.79%. Repayment begins within sixty (60) days after disbursement. These loans must be repaid over a period of five to ten years with a minimum payment of \$ 600 per year.

Loans are insured against death, disability and default by the Authority and are reinsured by the U. S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but before October 1, 1998, and 95% for loans made on or after October 1, 1998. Prior to March 1, 1999, loan recipients paid an amount equal to 1/2 of 1% of the principal amount of

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20025. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans (Continued):

the loan as a guaranty premium. Two-thirds of this amount was forwarded to the Authority's Federal Student Loan Reserve Account for the purpose of guaranteeing the loans. Since March 1, 1999, guaranty premiums have not been charged, however, the Authority reserves the right to reinstate such charges at such times and in such lawful amounts as it deems appropriate.

Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the U. S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower.

From August 1981 to October 1992, all student loan recipients paid an origination fee equal to 5% of the loan amount. From October 1992 to July 1994, an additional origination fee of 1.5% was paid by recipients of unsubsidized loans. Since July 1994, all loan recipients pay a reduced origination fee of 3%. As of May 1, 2001 the origination fee was reduced to 1% and subsequently on January 1, 2002 was suspended for all loan recipients. The origination fees collected reduce the amount of interest subsidy the federal government pays to lenders on behalf of student borrowers.

6. Bonds Payable:

The Corporation issued Education Loan Revenue Bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds are secured only by loans funded by bond proceeds, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. Certain loans were previously financed by bank lines-of-credit as described in Note 9. The bond resolution permits the Corporation to accumulate collections from borrowers to pay principal and interest on bonds as due. The bonds do not constitute a debt, liability or obligation of the State of South Carolina or a pledge of the faith and credit of the State of South Carolina. The current debt service account contains assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2002, the Corporation was required to have assets deposited in the current debt service account of \$ 29,414,157.

The Education Loan Revenue Bonds as of June 30, 2002 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/01</u>	<u>Issued (Retired) During FY 02</u>	<u>Balance Outstanding 6/30/02</u>
July 11, 1996	\$ 223,900,000	3/1/06 -9/1/26	\$ 109,682,966	\$(23,387,638)	\$ 86,295,328
May 15, 1997	335,300,000	12/1/07-9/1/27	223,551,983	(41,051,707)	182,500,276
May 14, 1998	211,400,000	9/1/2033	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/2007	125,279,267	(54,763,154)	70,516,113
July 18, 2000	150,000,000	6/1/2010	150,000,000		150,000,000
May 23, 2001	400,000,000	6/1/2012	400,000,000		400,000,000
April 17, 2002	210,000,000	6/1/2013		<u>210,000,000</u>	<u>210,000,000</u>
			\$ <u>1,219,914,216</u>	\$ <u>90,797,501</u>	\$ <u>1,310,711,717</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20026. Bonds Payable (Continued):

The Corporation's Treasury Indexed Bonds totaled \$ 103,795,604 as of June 30, 2002, and have variable interest rates ranging from the Treasury Index plus 0.64% to the Treasury Index plus 0.65%. The Corporation's Auction Rate Bonds totaled \$ 376,400,000 as of June 30, 2002, and have variable interest rates determined by auctions every 7 to 28 days, subject to a maximum of the lesser of 20% or the Treasury Index plus 1.60%. The Corporation's LIBOR Indexed Bonds totaled \$ 540,516,113 as of June 30, 2002 and have variable interest rates equal to one-month LIBOR plus 0.27% as adjusted monthly and three-month LIBOR plus 0.13% to 0.17% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 290,000,000 and have variable interest rates ranging from the three-month Commercial Paper indexed rate plus 0.24% to 0.31% as adjusted weekly or monthly. Throughout the year ended June 30, 2002, none of the rates exceeded 4.33%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2002, which was 5.17%.

The Treasury Indexed Bonds, CP Indexed Bonds, and LIBOR Indexed Bonds are not subject to redemption prior to maturity but are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules. Failure by the Corporation to make any payment contemplated by an applicable Targeted Amortization Schedule does not constitute a payment default. The Corporation's intent is to follow these payment schedules.

The Auction rate bonds are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period, provided targeted amortization payments on other bonds have been made in accordance with the respective Targeted Amortization Schedules as of the date of such redemption.

As of June 30, 2002, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2003	\$ 113,334,354	\$ 65,057,305	\$ 178,391,659
2004	130,363,888	59,566,186	189,930,074
2005	206,241,475	50,267,065	256,508,540
2006	225,169,000	39,221,438	264,390,438
2007	219,449,000	27,526,519	246,975,519
2008	39,754,000	19,802,427	59,556,427
2009		19,459,880	19,459,880
2010		19,459,880	19,459,880
2011		19,459,880	19,459,880
2012		19,459,880	19,459,880
2013		19,459,880	19,459,880
2014		19,459,880	19,459,880
2015		19,459,880	19,459,880
2016		19,459,880	19,459,880
2017		19,459,880	19,459,880
2018		19,459,880	19,459,880
2019		19,459,880	19,459,880
2020		19,459,880	19,459,880
2021		19,459,880	19,459,880

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20026. Bonds Payable (Continued):

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$	\$ 19,459,880	\$ 19,459,880
2023		19,459,880	19,459,880
2024		19,459,880	19,459,880
2025		19,459,880	19,459,880
2026		19,459,880	19,459,880
2027	85,000,000	15,797,797	100,797,797
2028	80,000,000	11,618,713	91,618,713
2029		10,929,380	10,929,380
2030		10,929,380	10,929,380
2031		10,929,380	10,929,380
2032		10,929,380	10,929,380
2033		10,929,380	10,929,380
2034	<u>211,400,000</u>	<u>1,821,563</u>	<u>213,221,563</u>
Totals	\$ <u>1,310,711,717</u>	\$ <u>695,603,753</u>	\$ <u>2,006,315,470</u>

7. Notes Payable - Finance Loans:

The September 18, 1979 bond issue requires that all funds advanced to the Corporation by the Authority for the purpose of making student loans be evidenced by a note between the two parties. This note was set up on September 18, 1979 in the amount of the outstanding Guaranteed Student Loans (GSL) as of that date (\$ 3,970,167). The note is increased by all advances for the purpose of making loans and decreased by payments of principal which are returned to the Authority. At June 30, 2002, the notes totaled \$ 307,842,311.

8. Income from Department of Education:

As an inducement to the lender to make guaranteed student loans, the U. S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate. It was instituted to assure that the interest rate and other limitations of the Higher Education Act, in the context of the current money market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

9. Bank Lines of Credit:

The Corporation entered into financing arrangements with Bank of America, N.A., First Union National Bank and Wachovia Bank, N.A. to finance its student loan programs. These lines of credit are used to finance student loans until permanent financing is obtained (see Note 1.2). A portion of this commitment is restricted for funding of the ALPS program. Although the banks have no further obligation to extend credit, the Corporation anticipates lines of credit can be obtained, if necessary. As of June 30, 2002, the Corporation had available a line of credit in the amount of \$ 238,000,000 with no amount outstanding.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20029. Bank Lines of Credit (Continued):

The due date of the line-of-credit is November 2, 2002. Principal advances will accrue interest from the date of the first advance at one of the following rates: 30 -Day Adjusted LIBOR plus .40%, Overnight Federal Funds plus .58% or 91-Day Treasury Bill plus .88%. The Corporation has the ability to alternate rates on a calendar quarter basis by notifying Bank of America of the selected rate fifteen (15) days prior to the beginning of the effective quarter. On the 2002 line of credit, the Corporation will pay an additional fee of .05% of the unused portion of credit line available. All student loans issued under this loan commitment will serve as collateral to the banks. The Corporation has agreed, among other things, to certain loan covenants which include maintaining a default rate no greater than four (4%) percent and that the South Carolina Education Assistance Authority will maintain at least an "A" bond rating on its Insured Student Loan Revenue Bond Issues as published by Standard and Poor's Corporation. The Corporation has complied with the covenants at June 30, 2002. The Corporation intends to phase this arrangement out by November 2002.

10. Employee Benefit Plans:

10.1 The Corporation provides retirement benefits through the South Carolina Student Loan Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. The Corporation has adopted the Wachovia Bank Money Purchase Pension Plan. Wachovia Bank, N.A. is the Trustee of the Plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding \$ 84,900. Contributions are paid monthly. A participant is 20% vested after three years service and 100% vested after seven years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total pension expense for 2002 totaled \$ 211,098 and is fully funded.

10.2 The South Carolina Student Loan Corporation finalized a supplemental retirement plan for its employees on July 1, 1998. The Plan is a defined benefit pension plan covering substantially all employees with one year of service and over 21 years of age. The Plan provides benefits based on participant earnings. The benefit formula uses one percent of average pay times years of service not to exceed 30 years. The Corporation funding policy is to make the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan.

The net pension expense for this Plan totaled \$ 432,860, plus \$ 33,830 of administrative expenses, totaling \$ 466,690 for the year ended June 30, 2002. The Authority contributed \$ 112,006 to the expense for this Plan for its employees. The components of the pension cost charged to expense consisted of the following:

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 200210. Employee Benefit Plans (Continued):

10.2 (Continued):

Service Cost (Benefits Earned)	\$	185,526
Interest Cost on Projected Benefit Obligation		198,988
Actual Return on Assets	(113,450)
Net Amortization and Deferral		137,106
Minimum Liability		<u>24,690</u>
Net Pension Cost	\$	<u>432,860</u>

The following sets forth the Plan's funded status as of June 30, 2002. The measurement date of the projected benefits obligation and Plan assets was June 30, 2002.

Actuarial Present Value of Benefit Obligations:		
Vested Benefit Obligation	\$	2,203,765
Nonvested Benefit Obligation		<u>101,568</u>
Accumulated Benefit Obligation	\$	<u>2,305,333</u>
Projected Benefits	\$(3,029,475)
Plan Assets at Fair Value		<u>1,665,467</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,364,008)
Unrecognized Prior Service Cost		956,996
Unrecognized Net Loss		589,677
Required Additional Minimum Liability	(<u>822,531)</u>
Accrued Pension Cost	\$(<u>639,866)</u>

Assumptions used in accounting for net periodic pension cost were for discount rates of 7.5%, weighted average rates of increase in compensation levels of 4%, and expected long-term rate of return on assets of 8%. Plan assets include life insurance policies and a mutual fund. Employer contributions were \$ 408,170. No participant contributions are permitted by the Plan. Benefit payments made during the year ended June 30, 2002 totaled \$ 22,951.

10.3 Certain health care, dental, long-term disability and life insurance benefits are provided to active employees. All full-time and part-time employees who worked at least 32 hours per week are eligible to receive these benefits. Employer contributions applicable to those benefits were \$ 661,822 in 2002.

11. Operating Leases:

The Corporation leases office space under a lease that expires October 31, 2006. The future obligations under this lease follow:

<u>Year Ended June 30</u>	<u>Office Space</u>
2003	\$ 304,140
2004	304,140
2005	304,140
2006	304,140
2007	101,380

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

11. Operating Leases (Continued):

Total rental expenses including rental agreements under one year in duration were \$ 223,776 for June 30, 2002. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

12. Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of the Corporation's financial instruments. Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. Student loan receivables' carrying value approximates fair value based on similar investments' quoted market prices. The carrying value of finance loans also approximates fair value based on the prices for the same or similar debt issues and on the current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

The Corporation intends to carry its investments and receivables to maturity. The Corporation also intends to carry to maturity the finance loans with the South Carolina State Education Assistance Authority.

13. Assets Released from Restrictions:

Net assets during the year ended June 30, 2002 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 251,988
Contractual Services	22,063
General Operating	43,967
Interest on Debt	33,154,374
TLP Cancellations	9,329,158
Amortization of Deferred Cost of Bond Issuance	771,253
Payment to SC State Education Assistance Authority for Student Loan Income	18,774,718
Lender Origination Fees	4,309,098
Reinsurance Expense	162,766
Borrowers Incentives	6,515,415
Broker Dealer Fees	957,954
Other	214,544
Total Expenses	\$ 74,507,298
Other Transfers for Loan Servicing on Bank Loans	306,783
Transfers for Loan Servicing on Taxable Bonds	2,676,625
Transfer from TLP Fund for Operations	12,014
Total	\$ <u>77,502,720</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2002

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
Current Assets:							
Cash and Cash Equivalents	\$ 3,263,866	\$ 106,669	\$	\$ 11,727,799	\$ 4,011,345	\$ 13,305,573	\$ 32,415,252
Investments	199,307		144,587				343,894
Current Portion of Student Loan Receivables		262,382	101,305,005	8,430,869	1,499,072	59,440,000	170,937,328
Interest Due from Borrowers	7,503	496,851	27,380,103	1,725,179	163,490	3,004,781	32,777,907
Due from United States Department of Education	7		4,984,173		46,600	786,843	5,817,623
Due from SC State Education Assistance Authority	36,474		18,831,802	46,642			18,914,918
Accrued Investment Income	14,555		159,855	138,613			313,023
Miscellaneous Operating Receivables	57,632		-				57,632
Prepaid Expenses	38,915						38,915
Due from (to) Other Funds	10,695,295		109,980		(10,711,073)	(94,202)	
Total Current Assets	\$ 14,313,554	\$ 865,902	\$ 152,915,505	\$ 22,069,102	\$ (4,990,566)	\$ 76,442,995	\$ 261,616,492
Investments and Long-Term Receivables:							
Investments	\$	\$	\$ 106,475,636	\$	\$	\$	\$ 106,475,636
Other Student Loan Receivables Less, Current Portion	41,948	13,241,814	1,160,210,326		4,996,681	233,950,006	1,412,440,775
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion				2,998,261			2,998,261
Deferred Cost of Issuance of Bonds			4,702,537				4,702,537
Total Investments and Long-Term Receivables	\$ 41,948	\$ 13,241,814	\$ 1,271,388,499	\$ 2,998,261	\$ 4,996,681	\$ 233,950,006	\$ 1,526,617,209
Property and Equipment:							
Furniture and Equipment	\$ 1,673,741	\$	\$	\$	\$	\$	\$ 1,673,741
Automobiles	37,397						37,397
Less, Accumulated Depreciation	(1,491,881)						(1,491,881)
Net Property and Equipment	\$ 219,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,257
Total Assets	\$ 14,574,759	\$ 14,107,716	\$ 1,424,304,004	\$ 25,067,363	\$ 6,115	\$ 310,393,001	\$ 1,788,452,958

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2002

<u>LIABILITIES AND NET ASSETS</u>	Unrestricted		Temporarily Restricted				<u>Total</u>
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 59,440,000	\$ 59,440,000
Current Maturities of Bonds Payable			113,334,354				113,334,354
Interest Payable			1,821,111				1,821,111
Accounts Payable	297,118	16,608	77,251	16,116	6,115	3,665	416,873
Accrued Pension Payable	619,008			20,858			639,866
Compensated Absences	227,762			19,872			247,634
Due to SC State Education Assistance Authority						2,543,167	2,543,167
Total Current Liabilities	<u>\$ 1,143,888</u>	<u>\$ 16,608</u>	<u>\$ 115,232,716</u>	<u>\$ 56,846</u>	<u>\$ 6,115</u>	<u>\$ 61,986,832</u>	<u>\$ 178,443,005</u>
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$ 1,193,480,238	\$	\$	\$	\$ 1,193,480,238
Notes Payable - Finance Loans Less, Current Maturities						248,402,311	248,402,311
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,480,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,402,311</u>	<u>\$ 1,441,882,549</u>
Total Liabilities	<u>\$ 1,143,888</u>	<u>\$ 16,608</u>	<u>\$ 1,308,712,954</u>	<u>\$ 56,846</u>	<u>\$ 6,115</u>	<u>\$ 310,389,143</u>	<u>\$ 1,620,325,554</u>
<u>Net Assets:</u>							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$ 29,414,157	\$	\$	\$	\$ 29,414,157
Temporarily Restricted for Bond Indentures			86,176,893			3,858	86,180,751
Temporarily Restricted for Teacher Loans				25,010,517			25,010,517
Unrestricted	13,430,871	14,091,108					27,521,979
Total Net Assets	<u>\$ 13,430,871</u>	<u>\$ 14,091,108</u>	<u>\$ 115,591,050</u>	<u>\$ 25,010,517</u>	<u>\$ -</u>	<u>\$ 3,858</u>	<u>\$ 168,127,404</u>
Total Liabilities and Net Assets	<u>\$ 14,574,759</u>	<u>\$ 14,107,716</u>	<u>\$ 1,424,304,004</u>	<u>\$ 25,067,363</u>	<u>\$ 6,115</u>	<u>\$ 310,393,001</u>	<u>\$ 1,788,452,958</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2002

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Revenue:</u>							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$ 7	\$	\$ 18,209,011	\$ (2,577)	\$ 207,260	\$ 4,485,291	\$ 22,898,992
Special Allowances	-		118,742	92	38	7,006,085	7,124,957
Student Loan Interest - Non Subsidized	3,122	634,885	54,018,655	2,601,966	169,052	17,201,781	74,629,461
Investment Income	192,732	4,654	3,224,112	556,492	378		3,978,368
Unrealized Gain (Loss) on Investments	(48,747)			177,812			129,065
Late Charges	92	479	497,080	6,878	445	100,757	605,731
Miscellaneous Payments of Student Loans		(6)	(1,805)	283	(16)	2,786	1,242
Premium on Sale of Loans					7,530		7,530
State Appropriations - Department of Education				4,821,058			4,821,058
Processing Fee Income		78,129					78,129
Remittance from SC State Education Assistance Authority for Operating Cost	6,835,523						6,835,523
Total Revenue	<u>\$ 6,982,729</u>	<u>\$ 718,141</u>	<u>\$ 76,065,795</u>	<u>\$ 8,162,004</u>	<u>\$ 384,687</u>	<u>\$ 28,796,700</u>	<u>\$ 121,110,056</u>
<u>Expenses:</u>							
Personnel	\$ 5,095,035	\$	\$	\$ 251,988	\$	\$	\$ 5,347,023
Contractual Services	641,561			22,063			663,624
General Operating	1,778,780			43,967			1,822,747
Interest on Debt			33,099,699		54,675		33,154,374
TLP Cancellations				9,329,158			9,329,158
Amortization of Deferred Cost of Bond Issuance			771,253				771,253
Payments to SC State Education Assistance Authority for Student Loan Income						18,774,718	18,774,718
Lender Origination Fees			817,169		4,715	3,487,214	4,309,098
Reinsurance Expense			147,271			15,495	162,766
Borrower Incentives						6,515,415	6,515,415
Broker Dealer Fees			957,954				957,954
Other		72,069	187,039	8,991	18,514		286,613
Total Expenses	<u>\$ 7,515,376</u>	<u>\$ 72,069</u>	<u>\$ 35,980,385</u>	<u>\$ 9,656,167</u>	<u>\$ 77,904</u>	<u>\$ 28,792,842</u>	<u>\$ 82,094,743</u>
<u>Transfers Between Accounts:</u>							
Transfers In	\$ 2,997,683	\$ 3,700,000	\$	\$ 309,044	\$	\$	\$ 7,006,727
Transfers Out	(3,702,261)		(2,676,625)	(321,058)	(306,783)		(7,006,727)
Total Transfers Between Accounts	<u>\$ (704,578)</u>	<u>\$ 3,700,000</u>	<u>\$ (2,676,625)</u>	<u>\$ (12,014)</u>	<u>\$ (306,783)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Change in Net Assets</u>	<u>\$ (1,237,225)</u>	<u>\$ 4,346,072</u>	<u>\$ 37,408,785</u>	<u>\$ (1,506,177)</u>	<u>\$</u>	<u>\$ 3,858</u>	<u>\$ 39,015,313</u>
<u>Net Assets:</u>							
Beginning	14,668,096	9,745,036	78,182,265	26,516,694			129,112,091
Ending	<u>\$ 13,430,871</u>	<u>\$ 14,091,108</u>	<u>\$ 115,591,050</u>	<u>\$ 25,010,517</u>	<u>\$ -</u>	<u>\$ 3,858</u>	<u>\$ 168,127,404</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2002

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
Cash Flows from Operating Activities							
Change in Net Assets	\$ (1,237,225)	\$ 4,346,072	\$ 37,408,785	\$ (1,506,177)	\$	\$ 3,858	\$ 39,015,313
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	267,475						267,475
Amortization of Premiums and Discounts on Bonds Payable			332,553				332,553
Amortization of Cost of Bond Issuance			771,253				771,253
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from Department of Education	36		1,171,733		505,868	(54,832)	1,622,805
(Increase) Decrease in Due from SC State Education Assistance Authority	(27,186)		(5,942,637)	(37,947)			(6,007,770)
(Increase) Decrease in Interest Due from Borrowers	(495)	48,181	367,067	33,246	(84,472)	1,611,902	1,975,429
(Increase) Decrease in Accrued Investment Income	3,843		66,228	12,901			82,972
(Increase) Decrease in Miscellaneous Receivables	(51,904)						(51,904)
(Increase) Decrease in Prepaid Expenses	(2,403)						(2,403)
Increase (Decrease) in Interest Payable			(2,123,219)		(1,156,004)		(3,279,223)
Increase (Decrease) in Accounts Payable	5,483	5,932	(266,289)	(24,092)	3,020	(2,415)	(278,361)
Increase (Decrease) in Accrued Pension Expense	23,949			740			24,689
Increase (Decrease) in Compensated Absences	51,094			3,581			54,675
Increase (Decrease) in Group Insurance Payable	223,100			5,175			228,275
Increase (Decrease) in Due to SC State Education Assistance Authority						(2,805,544)	(2,805,544)
Due to (from) Other Funds	(321,654)		(43,537)		270,989	94,202	
Net Cash Provided by (Used in) Operating Activities	\$ (1,065,887)	\$ 4,400,185	\$ 31,741,937	\$ (1,512,573)	\$ (460,599)	\$ (1,152,829)	\$ 31,950,234
Cash Flows from Investing Activities							
Purchase of Property and Equipment	\$ (56,295)	\$	\$	\$	\$	\$	\$ (56,295)
Purchase and Issuance of Student Loans		(4,368,305)	(315,451,494)	(16,644,561)	(1,001,659)	(484,269,682)	(821,735,701)
Principal Payments on Student Loans	12,097		234,336,606	8,384,529	1,422,545	426,389,306	670,545,083
Teacher Loan Cancellations				9,329,158			9,329,158
Purchase of Investments			(40,133,824)				(40,133,824)
Unrealized (Gain) Loss on Investments	48,748						48,748
Net Cash Provided by (Used in) Investing Activities	\$ 4,550	\$ (4,368,305)	\$ (121,248,712)	\$ 1,069,126	\$ 420,886	\$ (57,880,376)	\$ (182,002,831)

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF PROPERTY AND EQUIPMENT

YEAR ENDED JUNE 30, 2002

Description and Rate	Cost	Accumulated Depreciation 6/30/01	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/02
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,290,578	\$ 1,321,591	\$ 209,970	\$ 321,154	\$ 1,210,407
Typewriters		10,005		10,005	
Filing Equipment		58,426		58,426	
Furniture		40,340		40,340	
Other Office Machines	274,410	216,075	23,701	34,499	205,277
Partitions and Worksurfaces		109,237		109,237	
Telephone Equipment	55,262	126,208	5,526	104,103	27,631
Miscellaneous	53,491	13,846	15,812	6,156	23,502
Total Furniture and Fixtures	\$ <u>1,673,741</u>	\$ <u>1,895,728</u>	\$ <u>255,009</u>	\$ <u>683,920</u>	\$ <u>1,466,817</u>
<u>Automobiles:</u>					
1998 Pontiac Bonneville	\$	\$ 14,119	\$	\$ 14,119	\$
1999 Buick Park Avenue	18,897	12,598	6,299		18,897
2001 Buick Park Avenue	18,500		6,167		6,167
Total Automobiles	\$ <u>37,397</u>	\$ <u>26,717</u>	\$ <u>12,466</u>	\$ <u>14,119</u>	\$ <u>25,064</u>
Grand Totals	\$ <u>1,711,138</u>	\$ <u>1,922,445</u>	\$ <u>267,475</u>	\$ <u>698,039</u>	\$ <u>1,491,881</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2002

	Operating Fund				Teacher Loan Program - EIA			
	2002		Variance	2001	2002		Variance	2001
	Total	Actual	Favorable	Actual	Total	Actual	Favorable	Actual
	Budget		(Unfavorable)		Budget		(Unfavorable)	
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,622,525	\$ 3,573,457	\$ 49,068	\$ 3,339,384	\$ 190,275	\$ 190,078	\$ 197	\$ 167,530
Part-time Salaries	65,250	51,633	13,617	62,492				
Contracted Services	20,400	18,945	1,455	24,489				
Social Security	276,250	263,449	12,801	246,962	14,550	13,065	1,485	12,139
Group Insurance	682,460	635,677	46,783	417,466	28,060	26,145	1,915	17,254
Retirement	414,770	543,449	(128,679)	483,660	18,800	22,334	(3,534)	20,928
Unemployment	7,050	8,425	(1,375)	6,413	325	366	(41)	305
Total Personnel	\$ 5,088,705	\$ 5,095,035	\$ (6,330)	\$ 4,580,866	\$ 252,010	\$ 251,988	\$ 22	\$ 218,156
Contractual:								
Loan Servicing	\$ 523,600	\$ 499,508	\$ 24,092	\$ 412,327	\$ 31,600	\$ 20,282	\$ 11,318	\$ 15,172
Legal	19,400	16,267	3,133	24,296				
Accounting	47,200	47,079	121	45,315	1,800	1,781	19	1,594
Credit Bureau Fees	61,000	78,707	(17,707)	57,568				
Total Contractual	\$ 651,200	\$ 641,561	\$ 9,639	\$ 539,506	\$ 33,400	\$ 22,063	\$ 11,337	\$ 16,766
General Operating:								
Rent	\$ 225,400	\$ 214,943	\$ 10,457	\$ 200,786	\$ 9,275	\$ 8,833	\$ 442	\$ 8,251
Telephone	190,200	185,162	5,038	179,869	7,800	7,609	191	7,392
Printing	246,350	234,810	11,540	252,659	10,125	6,628	3,497	7,031
Postage	580,150	587,724	(7,574)	543,034	15,900	13,441	2,459	15,094
Supplies	83,500	84,220	(720)	76,036	3,400	3,465	(65)	3,118
Travel	56,000	55,022	978	52,018	600	297	303	407
Equipment Maintenance	44,400	41,580	2,820	44,489	1,825	1,708	117	1,708
Subscriptions and Fees	35,950	30,164	5,786	32,557	125	20	105	47
Meeting and Conference Expenses	9,000	8,018	982	8,269	225	190	35	137
Insurance - General and Automotive	44,500	43,215	1,285	40,160	1,800	1,776	24	1,646
Contingencies	40,000	26,447	13,553	30,538	1,000	-	1,000	47
Depreciation	223,000	267,475	(44,475)	226,031				
Total General Operating	\$ 1,778,450	\$ 1,778,780	\$ (330)	\$ 1,686,446	\$ 52,075	\$ 43,967	\$ 8,108	\$ 44,878
Total Operating Expenses	\$ 7,518,355	\$ 7,515,376	\$ 2,979	\$ 6,806,818	\$ 337,485	\$ 318,018	\$ 19,467	\$ 279,800

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2002

	Operating Fund				Teacher Loan Program - EIA			
	2002		Variance	2001	2002		Variance	2001
	<u>Total</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>	<u>Total</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
	<u>Budget</u>		<u>(Unfavorable)</u>		<u>Budget</u>		<u>(Unfavorable)</u>	
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 115,250	\$ 35,795	\$ 79,455	\$ 87,761	\$ 3,000	\$ 2,000	\$ 1,000	\$ 2,100
Automobile	19,000	18,500	500					
Total Capital Additions	<u>134,250</u>	<u>54,295</u>	<u>79,955</u>	<u>87,761</u>	<u>3,000</u>	<u>2,000</u>	<u>1,000</u>	<u>2,100</u>
Total Operating Expenses and Capital Additions	<u>\$ 7,652,605</u>	<u>\$ 7,569,671</u>	<u>\$ 82,934</u>	<u>\$ 6,894,579</u>	<u>\$ 340,485</u>	<u>\$ 320,018</u>	<u>\$ 20,467</u>	<u>\$ 281,900</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF ORGANIZATIONAL DATAYEAR ENDED JUNE 30, 2002

Incorporated November 15, 1973 under the Laws of the State of South Carolina. Began operations October 14, 1974. Offices located at Suite 210, Interstate Center, Columbia, South Carolina in leased premises.

BOARD OF TRUSTEES OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Robert W. Derrick	Chairman	2005
Sharon W. Bryant	Vice-Chairman	2003
Dr. Dennis A. Pruitt, Sr.	Vice-Chairman	2003
H. Roderick Murchison	Treasurer	2003
William M. Mackie, Jr.	Secretary, President	2004
Melvin E. Barnette		2005
R. Thornwell Dunlap, Jr.		2003
J. Thornton Kirby		2005
Dr. Ronald L. Epps		2004
Thomas J. Little, Jr.		2005
James C. McColl		2004
Lisa Montgomery		2004

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Amount of Grant</u>	<u>Expenses</u>
U.S. Department of Education Programs: Higher Education Act Insured Loans Contract			
Federal Family Education Loan Programs:			
Special Allowances	84.032		\$ 7,124,957
Subsidized Interest	84.032		<u>22,898,992</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>30,023,949</u>



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2002, and have issued our report thereon dated September 4, 2002. 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.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derrick, Stubbs & Stith, LLP

September 4, 2002



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
South Carolina Student Loan Corporation
Columbia, South Carolina

Compliance

We have audited the compliance of the South Carolina Student Loan Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The South Carolina Student Loan Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Student Loan Corporation's management. Our responsibility is to express an opinion on the South Carolina Student Loan Corporation's compliance based on our audit.

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

In our opinion, the South Carolina Student Loan Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the South Carolina Student Loan Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts

To the Board of Directors
South Carolina Student Loan Corporation
Page 2

and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derick, Stulke + Stith, LLP

September 4, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2002

- | | | |
|--|--|---------------------------------|
| 1. Summary of Auditor's Results: | | |
| (i) | Type of report issued on financial statements | Unqualified |
| (ii) | Reportable material weaknesses in internal control over financial reporting | None Identified |
| (iii) | Reportable conditions not considered to be material weaknesses in internal control | None Identified |
| (iv) | Noncompliance material to the financial statements | None Noted |
| (v) | Material weaknesses in internal control over major programs | None Identified |
| (vi) | Reportable conditions not considered to be material weaknesses in internal control over major programs | None Identified |
| (vii) | Type of report issued on compliance for major programs | Unqualified |
| (viii) | Audit findings required to be reported under paragraph .510(a) OMB 133 | None Disclosed |
| (ix) | Identification of major programs: | |
| | <u>U.S. Department of Education:</u> | |
| | <u>Higher Education Act Insured Loan Programs:</u> | |
| | <u>Federal Family Education Loan Program:</u> | <u>CFDA#</u> <u>Expenditure</u> |
| | Special Allowances | 84.032 \$ 7,124,957 |
| | Subsidized Interest | 84.032 <u>22,898,992</u> |
| | Total Federal Family Education Loan Program (Major Program) | \$ <u>30,023,949</u> |
| (x) | Dollar threshold used to distinguish between Type A and Type B programs | \$ 900,718 |
| (xi) | South Carolina Student Loan Corporation qualifies as a low risk auditee under paragraph .530 OMB 133 | Yes |
| 2. Findings related to the financial statements which are required to be reported in accordance with GAGAS | | None Reported |
| 3. Findings and questioned costs for Federal awards including audit findings as defined in paragraph .510(a) OMB 133 | | |
| (i) | Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) | None Reported |
| (ii) | Audit findings which relate to both the financial statements and Federal awards | None Reported |

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2002

There are no prior audit findings and questioned costs relative to Federal Awards.

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2002

There is no corrective action plan required since there are no prior audit findings and questioned costs relative to Federal Awards.