

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2003

SOUTH CAROLINA STUDENT LOAN CORPORATION

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YEAR ENDED JUNE 30, 2003

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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, 2003, 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 2002 financial statements and, in our report, dated September 4, 2002, 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, 2003 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 August 28, 2003 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
August 28, 2003

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2003

(With Comparative Amounts for 2002)

<u>ASSETS</u>	2003			2002 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 24,502,497	\$ 134,073,301	\$ 158,575,798	\$ 139,035,475
Investments	77,609		77,609	199,307
Current Portion of Student Loan Receivables	1,997,786	188,620,274	190,618,060	170,937,328
Interest Due from Borrowers	666,792	28,947,917	29,614,709	32,777,907
Due from United States Department of Education	15,500	5,754,007	5,769,507	5,817,623
Due from SC State Education Assistance Authority	30,282	52,893	83,175	18,914,918
Accrued Investment Income	3,636	165,368	169,004	313,023
Miscellaneous Operating Receivables	58,376		58,376	57,632
Prepaid Expenses	4,915		4,915	38,915
Due from (to) Other Funds	(13,655,866)	13,655,866		
Total Current Assets	\$ 13,701,527	\$ 371,269,626	\$ 384,971,153	\$ 368,092,128
<u>Investments and Long-Term Receivables:</u>				
Other Student Loan Receivables Less Current Portion	\$ 19,472,557	\$ 1,523,636,702	\$ 1,543,109,259	\$ 1,412,440,775
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$ 16,016,228 and Current Portion		6,051,941	6,051,941	2,998,261
Deferred Cost of Issuance of Bonds		3,727,275	3,727,275	4,702,537
Total Investments and Long-Term Receivables	\$ 19,472,557	\$ 1,533,415,918	\$ 1,552,888,475	\$ 1,420,141,573
<u>Property and Equipment:</u>				
Furniture and Equipment	\$ 1,910,451	\$ -	\$ 1,910,451	\$ 1,673,741
Automobiles	41,049		41,049	37,397
Less, Accumulated Depreciation	(1,612,700)		(1,612,700)	(1,491,881)
Net Property and Equipment	\$ 338,800	\$ -	\$ 338,800	\$ 219,257
 Total Assets	 \$ 33,512,884	 \$ 1,904,685,544	 \$ 1,938,198,428	 \$ 1,788,452,958

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003
(With Comparative Amounts for 2002)

<u>LIABILITIES AND NET ASSETS</u>	<u>2003</u>			<u>2002</u> <u>Totals</u> <u>Memorandum</u> <u>Only</u>
	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Total</u>	
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$	\$ 52,000,000	\$ 52,000,000	\$ 59,440,000
Current Maturities of Bonds Payable		130,363,888	130,363,888	113,334,354
Interest Payable		1,231,485	1,231,485	1,821,111
Accounts Payable	1,108,805	24,193	1,132,998	416,873
Accrued Pension Payable	765,407	23,672	789,079	639,866
Compensated Absences	180,232	23,842	204,074	247,634
Due to SC State Education Assistance Authority	1,429,855	4,853,005	6,282,860	2,543,167
Total Current Liabilities	<u>\$ 3,484,299</u>	<u>\$ 188,520,085</u>	<u>\$ 192,004,384</u>	<u>\$ 178,443,005</u>
<u>Long-Term Debt:</u>				
Bonds Payable Less Current Maturities and Bond Premiums and Discounts of \$ 4,494,071	\$	\$ 1,337,519,404	\$ 1,337,519,404	\$ 1,193,480,238
Notes Payable - Finance Loans Less Current Maturities		209,072,774	209,072,774	248,402,311
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 1,546,592,178</u>	<u>\$ 1,546,592,178</u>	<u>\$ 1,441,882,549</u>
Total Liabilities	<u>\$ 3,484,299</u>	<u>\$ 1,735,112,263</u>	<u>\$ 1,738,596,562</u>	<u>\$ 1,620,325,554</u>
<u>Net Assets:</u>				
<u>Temporarily Restricted:</u>				
For Bond Indentures - Current Debt Service	\$	\$ 18,251,147	\$ 18,251,147	\$ 29,414,157
For Bond Indentures		128,954,841	128,954,841	86,180,751
For Teacher Loans		22,367,293	22,367,293	25,010,517
Total Temporarily Restricted	<u>\$</u>	<u>\$ 169,573,281</u>	<u>\$ 169,573,281</u>	<u>\$ 140,605,425</u>
Unrestricted	<u>30,028,585</u>		<u>30,028,585</u>	<u>27,521,979</u>
Total Net Assets	<u>\$ 30,028,585</u>	<u>\$ 169,573,281</u>	<u>\$ 199,601,866</u>	<u>\$ 168,127,404</u>
Total Liabilities and Net Assets	<u>\$ 33,512,884</u>	<u>\$ 1,904,685,544</u>	<u>\$ 1,938,198,428</u>	<u>\$ 1,788,452,958</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2003

(With Comparative Amounts for 2002)

	2003			2002
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 78,130	\$ 16,181,195	\$ 16,259,325	\$ 22,898,992
Special Allowances	779	11,031,679	11,032,458	7,124,957
Student Loan Interest - Non Subsidized	824,332	61,330,138	62,154,470	74,629,461
Investment Income	134,168	2,213,432	2,347,600	3,978,368
Unrealized Gain (Loss) on Investments	(121,698)	68	(121,630)	129,065
Late Charges	3,655	708,908	712,563	605,731
Miscellaneous Payments of Student Loans		4,370	4,370	1,242
Premium on Sale of Loans	1,099		1,099	7,530
State Appropriations - Department of Education		4,584,264	4,584,264	4,821,058
Processing Fee Income				78,129
Remittance from SC State Education Assistance Authority for Operating Cost	5,615,073		5,615,073	6,835,523
Net Assets Released from Restrictions	67,086,198	(67,086,198)		
Total Revenue and Support	\$ 73,621,736	\$ 28,967,856	\$ 102,589,592	\$ 121,110,056
<u>Expenses:</u>				
Personnel	\$ 5,475,711	\$	\$ 5,475,711	\$ 5,347,023
Contractual Services	497,156		497,156	663,624
General Operating	1,764,810		1,764,810	1,822,747
Interest on Debt	21,560,363		21,560,363	33,154,374
TLP Cancellations	5,502,449		5,502,449	9,329,158
Amortization of Deferred Cost of Bond Issuance	1,310,920		1,310,920	771,253
Payments to SC State Education Assistance Authority for Student Loan Income	8,986,980		8,986,980	18,774,718
Lender Origination Fees	6,502,476		6,502,476	4,309,098
Reinsurance Expense	169,175		169,175	162,766
Borrower Incentives	14,786,516		14,786,516	6,515,415
State Recall of Funds	3,278,710		3,278,710	
Broker Dealer Fees	999,986		999,986	957,954
Other	279,878		279,878	286,613
Total Expenses	\$ 71,115,130	\$ -	\$ 71,115,130	\$ 82,094,743
<u>Change in Net Assets</u>	\$ 2,506,606	\$ 28,967,856	\$ 31,474,462	\$ 39,015,313
<u>Net Assets</u>				
Beginning	27,521,979	140,605,425	168,127,404	129,112,091
Ending	\$ 30,028,585	\$ 169,573,281	\$ 199,601,866	\$ 168,127,404

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(With Comparative Amounts for 2002)

	2003			2002 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 2,506,606	\$ 28,967,856	\$ 31,474,462	\$ 39,015,313
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	162,351		162,351	267,475
Amortization of Premiums and Discounts on Bonds Payable		332,554	332,554	332,553
Amortization of Cost of Bond Issuance		978,366	978,366	771,253
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Due from Department of Education	31,107	17,009	48,116	1,622,805
(Increase) Decrease in Due from SCSEAA	6,192	20,097,648	20,103,840	(6,007,770)
(Increase) Decrease in Interest Due from Borrowers	1,051	3,162,146	3,163,197	1,975,429
(Increase) Decrease in Accrued Investment Income	10,919	133,101	144,020	82,972
(Increase) Decrease in Miscellaneous Receivables	(744)		(744)	(51,904)
(Increase) Decrease in Prepaid Expenses	34,000		34,000	(2,403)
Increase (Decrease) in Interest Payable		(589,627)	(589,627)	(3,279,223)
Increase (Decrease) in Accounts Payable	788,965	(89,510)	699,455	(278,361)
Increase (Decrease) in Accrued Pension Expense	146,399	2,814	149,213	24,689
Increase (Decrease) in Compensated Absences	(47,530)	3,969	(43,561)	54,675
Increase (Decrease) in Group Insurance Payable				228,275
Increase (Decrease) in Due to SCSEAA	1,429,855	1,723,264	3,153,119	(2,805,544)
Due to (from) Other funds	13,640,087	(13,640,087)		
Net Cash Provided by Operating Activities	\$ <u>18,709,258</u>	\$ <u>41,099,503</u>	\$ <u>59,808,761</u>	\$ <u>31,950,234</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (281,894)		\$ (281,894)	\$ (56,295)
Purchase and Issuance of Student Loans	(3,562,579)	(829,496,448)	(833,059,027)	(821,735,701)
Principal Payments on Student Loans	2,134,134	672,019,548	674,153,682	670,545,083
Teacher Loan Cancellations		5,502,449	5,502,449	9,329,158
Unrealized (Gain) Loss on Investments	121,698		121,698	48,748
Net Cash (Used in) Investing Activities	\$ <u>(1,588,641)</u>	\$ <u>(151,974,451)</u>	\$ <u>(153,563,092)</u>	\$ <u>(141,869,007)</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(With Comparative Amounts for 2002)

	2003			2002 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans	\$	\$ 526,016,988	\$ 526,016,988	\$ 484,269,682
Payments on Financing Loans		(573,542,727)	(573,542,727)	(417,344,365)
Proceeds from Bank Line-of-Credit				1,390,496
Payments on Bank Line-of-Credit				(1,940,381)
Proceeds from Issuance of Bonds		275,000,000	275,000,000	210,000,000
Payments of Bonds		(113,334,354)	(113,334,354)	(119,202,499)
Payment of Costs of Bond Issuance		(932,604)	(932,604)	(1,290,726)
Net Cash Provided by Financing Activities	\$ -	\$ 113,207,303	\$ 113,207,303	\$ 155,882,207
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 17,120,617	\$ 2,332,355	\$ 19,452,972	\$ 45,963,434
<u>Cash and Cash Equivalents:</u>				
Beginning	7,381,880	131,740,946	139,122,826	93,072,041
Ending	\$ 24,502,497	\$ 134,073,301	\$ 158,575,798	\$ 139,035,475
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Cash Payments for Interest	\$ -	\$ 22,149,991	\$ 22,149,991	\$ 36,101,045
<u>Supplemental Disclosures of Non-Cash Transactions:</u>				
Retirement of Fixed Assets - Investing Activities	\$ 41,532	\$ -	\$ 41,532	\$ 698,039
Write-off of Accumulated Depreciation Related to Retired Assets - Investing Activities	\$ 41,532	\$ -	\$ 41,532	\$ 698,039

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

1. 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.

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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

1. Summary of Significant Accounting Policies (Continued):

1.2 Overall Operating Arrangement (Continued):

On June 15, 1994, the Corporation 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 phased out this arrangement in June 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. 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.

During the 1995-96 year, the Corporation began making and servicing alternative loans through the Palmetto Assistance Loan (PAL) Program. ALT-PAL offers supplemental loans for students and parents of students enrolled at least half-time in an eligible school. R&R-PAL offers supplemental loans for fourth year medical students seeking their residency and relocating. These loans are funded from Corporation accumulated unrestricted net assets and tax-exempt bond funds.

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 CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

1. 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 costing over \$ 5,000 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 and computers.

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.

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 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

1. Summary of Significant Accounting Policies (Continued):

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, 2002, 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	\$ 5,721,835	\$ 5,721,835
Repurchase Agreements	953,003	953,003
South Carolina State Treasurer Pool	15,835,412	15,835,412
Commercial Paper	<u>1,992,247</u>	<u>1,992,247</u>
	\$ <u>24,502,497</u>	\$ <u>24,502,497</u>
<u>Temporarily Restricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
Demand Deposit	\$ 12,958	\$ 12,958
Repurchase Agreements	188,569	188,569
Collateralized Demand Deposit	36,766,078	36,766,078
South Carolina State Treasurer Pool	7,458,442	7,810,501
Guaranteed Investment Contracts	<u>89,295,195</u>	<u>89,295,195</u>
	\$ <u>133,721,242</u>	\$ <u>134,073,301</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 7,810,501.

3. Investments:

Investments consist of common stock. Investments' market value is determined by quoted market values and consist of the following:

<u>Unrestricted:</u>	<u>Carrying Value</u>	<u>Appreciation</u>	<u>Market Value</u>
Common Stock	\$ <u>-</u>	\$ <u>77,609</u>	\$ <u>77,609</u>

4. Amounts Due from/to the Corporation:

The \$ 6,282,860 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' payments at June 30. These funds will be remitted to the Authority when received or by the tenth of each month. The Authority also owes the Corporation funds collected on their behalf of \$ 83,175. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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

In 2003 and 2002, these loans bear interest at a fixed rate of 3.5% to 12% or an annual variable rate of 3.46% to 5.38%, 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, 2003 is 4.86-5.38%. 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 the loan as a guaranty premium. 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. As of July 1994, all loan recipients paid a reduced origination fee of 3%. As of May 1, 2001 the origination fee was reduced by the Corporation to 1% and subsequently on January 1, 2002 was suspended for all loan recipients. The origination fees of 3% reduce the amount of interest subsidy the federal government pays to lenders on behalf of student borrowers whether collected or waived.

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, 2003, the Corporation was required to have assets deposited in the current debt service account of \$ 18,251,147.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

6. Bonds Payable (Continued):

The Education Loan Revenue Bonds as of June 30, 2003 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/02</u>	<u>Issued (Retired) During FY 03</u>	<u>Balance Outstanding 6/30/03</u>
July 11, 1996	\$ 223,900,000	9/1/26	\$ 86,295,328	\$(1,295,328)	\$ 85,000,000
May 15, 1997	335,300,000	12/1/07-9/1/27	182,500,276	(51,210,109)	131,290,167
May 14, 1998	211,400,000	9/1/2033	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/2007	70,516,113	(60,828,917)	9,687,196
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 30, 2002	210,000,000	6/1/2013	210,000,000		210,000,000
June 25, 2003	275,000,000	6/1/33-6/1/43		<u>275,000,000</u>	<u>275,000,000</u>
			<u>\$ 1,310,711,717</u>	<u>\$ 161,665,646</u>	<u>\$ 1,472,377,363</u>

The Corporation's Treasury Indexed Bonds totaled \$ 51,290,167 as of June 30, 2003, and have variable interest rates equal to the Treasury Index plus 0.64%. The Corporation's Auction Rate Bonds totaled \$ 651,400,000 as of June 30, 2003, and have variable interest rates determined by auctions every 7 to 28 days, subject to a maximum of the lesser of 20% or certain variable caps that vary among the series. The Corporation's LIBOR Indexed Bonds totaled \$ 479,687,196 as of June 30, 2003 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, 2003, none of the rates exceeded 4.33%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2003, which was 4.04 %.

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, 2003, the scheduled debt service to retire these bonds is as follows:

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

6. Bonds Payable (Continued):

	<u>Principal</u>		<u>Interest</u>		<u>Totals</u>
2004	\$ 130,363,888		\$ 57,656,885		\$ 188,020,773
2005	206,241,475		50,390,260		256,631,735
2006	225,169,000		41,758,861		266,927,861
2007	219,449,000		32,620,084		252,069,084
2008	39,754,000		26,584,237		66,338,237
2009			26,316,560		26,316,560
2010			26,316,560		26,316,560
2011			26,316,560		26,316,560
2012			26,316,560		26,316,560
2013			26,316,560		26,316,560
2014			26,316,560		26,316,560
2015			26,316,560		26,316,560
2016			26,316,560		26,316,560
2017			26,316,560		26,316,560
2018			26,316,560		26,316,560
2019			26,316,560		26,316,560
2020			26,316,560		26,316,560
2021			26,316,560		26,316,560
2022			26,316,560		26,316,560
2023			26,316,560		26,316,560
2024			26,316,560		26,316,560
2025			26,316,560		26,316,560
2026			26,316,560		26,316,560
2027	85,000,000		23,454,893		108,454,893
2028	80,000,000		20,189,227		100,189,227
2029			19,650,560		19,650,560
2030			19,650,560		19,650,560
2031			19,650,560		19,650,560
2032			19,650,560		19,650,560
2033	209,000,000		18,946,927		227,946,927
2034	211,400,000		4,089,827		215,489,827
2035			2,666,400		2,666,400
2036			2,666,400		2,666,400
2037			2,666,400		2,666,400
2038			2,666,400		2,666,400
2039			2,666,400		2,666,400
2040			2,666,400		2,666,400
2041			2,666,400		2,666,400
2042			2,666,400		2,666,400
2043	66,000,000				66,000,000
	<u>1,472,377,363</u>		<u>849,322,721</u>		<u>2,321,700,084</u>
Totals	\$ <u>1,472,377,363</u>		\$ <u>849,322,721</u>		\$ <u>2,321,700,084</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

7. Notes Payable - Finance Loans:

The September 18, 1979 bond issue requires that all funds advanced to SCSLC 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 as of that date (\$ 3,970,167). The Authority added the 1993 bond resolution effective in 1993 and all loans issued under the 1993 resolution are subject to the same requirements as loans issued under the 1979 resolution. The Authority added the 2002 resolution in 2002. The note is increased by advances for the purpose of making loans and decreased by student loan principal payments which are returned to the Authority. The finance loans as of June 30, 2003 and 2002 are as follows:

Authority Bond Resolution	2002			2003			Balance 6/30/03
	Balance 6/30/01	Loans Accrued/ Disclosed or Sold	Payments Received	Balance 6/30/02	Loans Accrued/ Disclosed or Sold	Payments Received	
1979	\$ 14,230,304	\$	\$ 14,230,304	\$	\$	\$	
1993	226,686,690	376,019,378	402,336,844	200,369,224	505,000,000	553,621,325	151,747,899
2002		108,250,144	777,217	107,472,927	21,016,988	19,165,039	109,324,876
Total	<u>\$ 240,916,994</u>	<u>\$ 484,269,522</u>	<u>\$ 417,344,365</u>	<u>\$ 307,842,151</u>	<u>\$ 526,016,988</u>	<u>\$ 572,786,364</u>	<u>\$261,072,775</u>

8. Special Allowance Income:

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. and Wachovia Bank, N.A. to finance its student loan programs. These lines of credit were used to finance student loans until permanent financing was obtained (see Note 1.2). 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, 2003, the Corporation had no available line of credit because the line of credit expired November 2, 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 County Bank Money Purchase Pension Plan. The County Bank of Greenwood 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 the social security wage base. 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 retirement expense for 2003 is \$ 210,686 and is fully funded.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

10. Employee Benefit Plans (Continued):

- 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 the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this 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 \$ 739,213, plus \$ 37,722 of administrative expenses, totaling \$ 776,935 for the year ended June 30, 2003. The Authority contributed \$ 256,389 to the expense for this Plan for its employees for the years ended, June 30, 2003. The components of the pension cost charged to expense consisted of the following:

Service Cost (Benefits Earned)	\$ 200,127
Interest Cost on Projected Benefit Obligation	233,812
Actual Return on Assets	(146,679)
Net Amortization and Deferral	153,734
Minimum Liability	<u>298,219</u>
Net Pension Cost	\$ <u>739,213</u>

The following sets forth the Plan's funded status as of June 30, 2003. The measurement date of the projected benefits obligation and Plan assets was June 30, 2003.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 3,057,166
Nonvested Benefit Obligation	<u>122,099</u>
Accumulated Benefit Obligation	\$ <u>3,179,265</u>
Projected Benefits	\$(3,826,194)
Plan Assets at Fair Value	<u>2,390,186</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,436,808)
Unrecognized Prior Service Cost	850,663
Unrecognized Net Loss	917,813
Required Additional Minimum Liability	(<u>1,120,747</u>)
Accrued Pension Cost	\$(<u>789,079</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 \$ 590,000. No participant contributions are permitted by the Plan. Benefit payments made during the years ended June 30, 2003 totaled \$ 14,006.

- 10.3 The South Carolina Student Loan Corporation established the 403 (b) Defined Contribution Plan on November 5, 2002. The plan provides for a 5% contribution by the Corporation based on the participant's total annual compensation. The total amount contributed under the plan in 2003 was \$ 212,145. All employees are eligible who have completed one year of service and attainment of age 21. Contributions are 100% vested when made.
- 10.4 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 \$ 665,537 in 2003.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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>
2004	\$ 304,140
2005	304,140
2006	304,140
2007	101,380

Total rental expenses including rental agreements under one year in duration were \$ 203,774 for June 30, 2003. 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, 2003 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 277,508
Contractual Services	20,301
General Operating	51,080
Interest on Debt	21,560,363
TLP Cancellations	5,502,449
Amortization of Deferred Cost of Bond Issuance	1,310,920
Payment to SC State Education Assistance Authority for Student Loan Income	8,986,980
Lender Origination Fees	6,502,491
Reinsurance Expense	168,695
Borrowers Incentives	14,786,608
State Recall of Funds	3,278,710
Broker Dealer Fees	999,986
Other	202,059
Total Expenses	\$ 63,648,150
Transfers for Loan Servicing on Taxable Bonds	3,426,026
Transfer from TLP Fund for Operations	12,022
Total	\$ <u>67,086,198</u>

14. Reclassifications:

Certain reclassifications were made on 2002 amounts on the statement of financial position and the statement of activities for comparability to 2003 with no effect on the change in net assets.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2003

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
<u>Current Assets:</u>							
Cash and Cash Equivalents	\$ 23,549,494	\$ 953,003	\$ 7,810,501	\$ 89,496,722	\$ 20,467,715	\$ 16,298,363	\$ 158,575,798
Investments	77,609						77,609
Current Portion of Student Loan Receivables		1,997,786	6,820,280	129,799,993	30,404,719	21,595,282	190,618,060
Interest Due from Borrowers		666,792	1,526,199	24,445,297	1,138,416	1,838,005	29,614,709
Due from United States Department of Education		15,500		3,013,724	2,374,909	365,374	5,769,507
Due from SC State Education Assistance Authority	30,282			52,893			83,175
Accrued Investment Income	3,636		93,151	72,217			169,004
Miscellaneous Operating Receivables	58,376						58,376
Prepaid Expenses	4,915						4,915
Due from (to) Other Funds	(8,564,809)	(5,091,057)	129,569	12,712,060		814,237	
Total Current Assets	\$ 15,159,503	\$ (1,457,976)	\$ 16,379,700	\$ 259,592,906	\$ 54,385,759	\$ 40,911,261	\$ 384,971,153
<u>Investments and Long-Term Receivables</u>							
Other Student Loan Receivables Less, Current Portion	\$	\$ 19,472,557	\$	\$ 1,351,113,315	\$ 100,875,481	\$ 71,647,906	\$ 1,543,109,259
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion			6,051,941				6,051,941
Deferred Cost of Issuance of Bonds				3,727,275			3,727,275
Total Investments and Long-Term Receivables	\$ -	\$ 19,472,557	\$ 6,051,941	\$ 1,354,840,590	\$ 100,875,481	\$ 71,647,906	\$ 1,552,888,475
<u>Property and Equipment</u>							
Furniture and Equipment	\$ 1,910,451	\$	\$	\$	\$	\$	\$ 1,910,451
Automobiles	41,049						41,049
Less, Accumulated Depreciation	(1,612,700)						(1,612,700)
Net Property and Equipment	\$ 338,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,800
Total Assets	\$ 15,498,303	\$ 18,014,581	\$ 22,431,641	\$ 1,614,433,496	\$ 155,261,240	\$ 112,559,167	\$ 1,938,198,428

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2003

LIABILITIES AND NET ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
Current Liabilities							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	30,404,718	\$ 21,595,282	\$ 52,000,000
Current Maturities of Bonds Payable				130,363,888			130,363,888
Interest Payable				1,231,485			1,231,485
Accounts Payable	1,088,119	20,686	16,834		16	7,343	1,132,998
Accrued Pension Payable	765,407		23,672				789,079
Compensated Absences	180,232		23,842				204,074
Due to SC State Education Assistance Authority	1,429,855			192,949	3,513,326	1,146,730	6,282,860
Total Current Liabilities	\$ 3,463,613	\$ 20,686	\$ 64,348	\$ 131,788,322	\$ 33,918,060	\$ 22,749,355	\$ 192,004,384
Long-Term Debt							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$	1,337,519,404	\$	\$	\$ 1,337,519,404
Notes Payable - Finance Loans Less, Current Maturities					121,343,180	87,729,594	209,072,774
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ 1,337,519,404	\$ 121,343,180	\$ 87,729,594	\$ 1,546,592,178
Total Liabilities	\$ 3,463,613	\$ 20,686	\$ 64,348	\$ 1,469,307,726	\$ 155,261,240	\$ 110,478,949	\$ 1,738,596,562
Net Assets:							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$	18,251,147	\$	\$	\$ 18,251,147
Temporarily Restricted for Bond Indentures				126,874,623		2,080,218	128,954,841
Temporarily Restricted for Teacher Loans			22,367,293				22,367,293
Unrestricted	12,034,690	17,993,895					30,028,585
Total Net Assets	\$ 12,034,690	\$ 17,993,895	\$ 22,367,293	\$ 145,125,770	\$ -	\$ 2,080,218	\$ 199,601,866
Total Liabilities and Net Assets	\$ 15,498,303	\$ 18,014,581	\$ 22,431,641	\$ 1,614,433,496	\$ 155,261,240	\$ 112,559,167	\$ 1,938,198,428

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2003

	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
<u>Revenue:</u>							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$	\$ 78,130	\$ (1,501)	\$ 11,745,978	\$ 3,577,345	\$ 859,373	\$ 16,259,325
Special Allowances		779	(15)	416,201	10,032,457	583,036	11,032,458
Student Loan Interest - Non Subsidized		824,332	1,534,769	45,115,118	10,218,334	4,461,917	62,154,470
Investment Income	129,218	4,950	376,577	1,836,855			2,347,600
Unrealized Gain (Loss) on Investments	(121,698)		68				(121,630)
Late Charges		3,655	7,624	616,643	29,808	54,833	712,563
Miscellaneous Payments of Student Loans			116	(5,265)	10,257	(738)	4,370
Premium on Sale of Loans		1,099					1,099
State Appropriations - Department of Education			4,584,264				4,584,264
Remittance from SC State Education Assistance Authority for Operating Cost	5,615,073						5,615,073
Total Revenue	\$ 5,622,593	\$ 912,945	\$ 6,501,902	\$ 59,725,530	\$ 23,868,201	\$ 5,958,421	\$ 102,589,592
<u>Expenses:</u>							
Personnel	\$ 5,198,203	\$	\$ 277,508	\$	\$	\$	\$ 5,475,711
Contractual Services	476,855		20,301				497,156
General Operating	1,713,730		51,080				1,764,810
Interest on Debt				21,560,363			21,560,363
TLP Cancellations			5,502,449				5,502,449
Amortization of Deferred Cost of Bond Issuance				1,310,920			1,310,920
Payments to SC State Education Assistance Authority for Student Loan Income					5,519,460	3,467,520	8,986,980
Lender Origination Fees		(15)		2,574,107	3,559,425	368,959	6,502,476
Reinsurance Expense		480		164,507	4,188		169,175
Borrower Incentives		(92)		9,533	14,785,128	(8,053)	14,786,516
State Recall of Funds			3,278,710				3,278,710
Broker Dealer Fees				999,986			999,986
Other		77,819	3,056	145,368		53,635	279,878
Total Expenses	\$ 7,388,788	\$ 78,192	\$ 9,133,104	\$ 26,764,784	\$ 23,868,201	\$ 3,882,061	\$ 71,115,130
<u>Transfers Between Accounts:</u>							
Transfers In	\$ 5,756,972	\$ 3,300,000	\$ 334,578	\$	\$	\$	\$ 9,391,550
Transfers Out	(3,634,578)	(1,984,346)	(346,600)	(3,426,026)			(9,391,550)
Total Transfers Between Accounts	\$ 2,122,394	\$ 1,315,654	\$ (12,022)	\$ (3,426,026)	\$ -	\$ -	\$ -
<u>Change in Net Assets</u>	\$ 356,199	\$ 2,150,407	\$ (2,643,224)	\$ 29,534,720	\$	\$ 2,076,360	\$ 31,474,462
<u>Net Assets:</u>							
Beginning	11,678,491	15,843,488	25,010,517	115,591,050		3,858	168,127,404
Ending	\$ 12,034,690	\$ 17,993,895	\$ 22,367,293	\$ 145,125,770	\$ -	\$ 2,080,218	\$ 199,601,866

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2003

	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	93 Resolution	02 Resolution	
<u>Cash Flows from Operating Activities:</u>							
Change in Net Assets	\$ 356,199	\$ 2,150,407	\$ (2,643,224)	\$ 29,534,720	\$	\$ 2,076,360	\$ 31,474,462
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	162,351						162,351
Amortization of Premiums and Discounts on Bonds Payable				332,554			332,554
Amortization of Cost of Bond Issuance				978,366			978,366
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from US Department of Education		31,107		1,970,449	(1,882,711)	(70,729)	48,116
(Increase) Decrease in Due from SC State Education Assistance Authority	6,192		46,642	18,778,909		1,272,097	20,103,840
(Increase) Decrease in Interest Due from Borrowers		1,051	198,980	2,934,806	281,718	(253,358)	3,163,197
(Increase) Decrease in Accrued Investment Income	10,919		45,463	87,638			144,020
(Increase) Decrease in Miscellaneous Receivables	(744)						(744)
(Increase) Decrease in Prepaid Expenses	34,000						34,000
Increase (Decrease) in Interest Payable				(589,627)			(589,627)
Increase (Decrease) in Accounts Payable	791,001	(2,036)	718	(6,571)	(3,443)	(80,214)	699,455
Increase (Decrease) in Accrued Pension Expense	146,399		2,814				149,213
Increase (Decrease) in Compensated Absences	(47,530)		3,969				(43,561)
Increase (Decrease) in Group Insurance Payable							
Increase (Decrease) in Due to SC State Education Assistance Authority	1,429,855			122,270	1,600,994		3,153,119
Due to (from) Other Funds	17,557,182	(3,917,095)	(129,569)	(12,602,080)	(128,830)	(779,608)	
Net Cash Provided by (Used in) Operating Activities	\$ 20,445,824	\$ (1,736,566)	\$ (2,474,207)	\$ 41,541,434	\$ (132,272)	\$ 2,164,548	\$ 59,808,761
<u>Cash Flows from Investing Activities:</u>							
Purchase of Property and Equipment	\$ (281,894)	\$	\$	\$	\$	\$	\$ (281,894)
Purchase and Issuance of Student Loans		(3,562,579)	(7,742,481)	(318,361,154)	(496,884,493)	(6,508,320)	(833,059,027)
Principal Payments on Student Loans		2,134,134	796,941	98,963,177	551,468,281	20,791,149	674,153,682
Teacher Loan Cancellations			5,502,449				5,502,449
Unrealized (Gain) Loss on Investments	121,698						121,698
Net Cash Provided by (Used in) Investing Activities	\$ (160,196)	\$ (1,428,445)	\$ (1,443,091)	\$ (219,397,977)	\$ 54,583,788	\$ 14,282,829	\$ (153,563,092)

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF PROPERTY AND EQUIPMENT

YEAR ENDED JUNE 30, 2003

Description and Rate	Cost	Accumulated Depreciation 6/30/02	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/03
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,494,479	\$ 1,210,407	\$ 99,788	\$ 22,635	\$ 1,287,560
Other Office Machines	274,410	205,277	26,330		231,607
Telephone Equipment	55,262	27,631	5,526		33,157
Miscellaneous	86,300	23,502	17,651		41,153
Total Furniture and Fixtures	\$ <u>1,910,451</u>	\$ <u>1,466,817</u>	\$ <u>149,295</u>	\$ <u>22,635</u>	\$ <u>1,593,477</u>
<u>Automobiles:</u>					
1999 Buick Park Avenue	\$	\$ 18,897	\$	\$ 18,897	\$
2001 Buick LeSabre	18,500	6,167	6,167		12,334
2002 Buick Park Avenue	22,549		6,889		6,889
Total Automobiles	\$ <u>41,049</u>	\$ <u>25,064</u>	\$ <u>13,056</u>	\$ <u>18,897</u>	\$ <u>19,223</u>
Grand Totals	\$ <u>1,951,500</u>	\$ <u>1,491,881</u>	\$ <u>162,351</u>	\$ <u>41,532</u>	\$ <u>1,612,700</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2003

	Operating Fund				Teacher Loan Program - EIA			
	2003		Variance	2002	2003		Variance	2002
	Total Budget	Actual	Favorable (Unfavorable)	Actual	Total Budget	Actual	Favorable (Unfavorable)	Actual
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,478,600	\$ 3,354,690	\$ 123,910	\$ 3,573,457	\$ 196,500	\$ 199,943	\$ (3,443)	\$ 190,078
Part-time Salaries	40,200	36,586	3,614	51,633				
Contracted Services	6,300	6,410	(110)	18,945				
Social Security	259,100	242,549	16,551	263,449	15,000	14,467	533	13,065
Group Insurance	610,600	635,737	(25,137)	635,677	28,625	29,800	(1,175)	26,145
Retirement	862,500	815,161	47,339	543,449	37,500	28,244	9,256	22,334
Unemployment	9,000	11,574	(2,574)	8,425	450	577	(127)	366
Total Personnel	\$ 5,266,300	\$ 5,102,707	\$ 163,593	\$ 5,095,035	\$ 278,075	\$ 273,031	\$ 5,044	\$ 251,988
Contractual:								
Loan Servicing	\$ 401,700	\$ 417,998	\$ (16,298)	\$ 499,508	\$ 24,850	\$ 18,534	\$ 6,316	\$ 20,282
Legal	18,800	16,785	2,015	16,267				
Accounting	51,500	42,072	9,428	47,079	1,825	1,767	58	1,781
Credit Bureau Fees				78,707				
Total Contractual	\$ 472,000	\$ 476,855	\$ (4,855)	\$ 641,561	\$ 26,675	\$ 20,301	\$ 6,374	\$ 22,063
General Operating:								
Rent	\$ 202,250	\$ 194,650	\$ 7,600	\$ 214,943	\$ 9,500	\$ 9,124	\$ 376	\$ 8,833
Telephone	169,600	170,490	(890)	185,162	7,950	7,992	(42)	7,609
Printing	253,825	259,042	(5,217)	234,810	10,850	9,857	993	6,628
Postage	611,850	630,990	(19,140)	587,724	14,000	15,948	(1,948)	13,441
Supplies	73,750	75,447	(1,697)	84,220	3,450	3,535	(85)	3,465
Travel	56,000	58,602	(2,602)	55,022	650	365	285	297
Equipment Maintenance	39,500	38,970	530	41,580	1,850	1,827	23	1,708
Subscriptions and Fees	34,000	31,326	2,674	30,164	125	20	105	20
Meeting and Conference Expenses	10,300	9,141	1,159	8,018	225	5	220	190
Insurance - General and Automotive	41,550	44,745	(3,195)	43,215	1,925	2,097	(172)	1,776
Contingencies	40,000	37,976	2,024	26,447	1,000	310	690	
Depreciation	200,100	162,351	37,749	267,475				
Total General Operating	\$ 1,732,725	\$ 1,713,730	\$ 18,995	\$ 1,778,780	\$ 51,525	\$ 51,080	\$ 445	\$ 43,967
Total Operating Expenses	\$ 7,471,025	\$ 7,293,292	\$ 177,733	\$ 7,515,376	\$ 356,275	\$ 344,412	\$ 11,863	\$ 318,018

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2003

	Operating Fund				Teacher Loan Program - EIA			
	2003		2002 Actual	2003		2002 Actual		
	Total Budget	Actual		Variance Favorable (Unfavorable)	Total Budget		Actual	Variance Favorable (Unfavorable)
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 257,000	\$ 256,355	\$ 645	\$ 35,795	\$ 3,000	\$ 2,990	\$ 10	\$ 2,000
Automobile	23,000	22,549	451	18,500				
Total Capital Additions	<u>280,000</u>	<u>278,904</u>	<u>1,096</u>	<u>54,295</u>	<u>3,000</u>	<u>2,990</u>	<u>10</u>	<u>2,000</u>
Total Operating Expenses and Capital Additions	<u>\$ 7,751,025</u>	<u>\$ 7,572,196</u>	<u>\$ 178,829</u>	<u>\$ 7,569,671</u>	<u>\$ 359,275</u>	<u>\$ 347,402</u>	<u>\$ 11,873</u>	<u>\$ 320,018</u>
Combining Amounts:								
Personnel Expense Before Defined Benefit Pension Plan Actuarial Addition	\$	\$ 5,102,707	\$	\$	\$	\$ 273,031	\$	
Defined Benefit Plan Actuarial Addition		95,496				4,477		
Personnel Expense After Defined Benefit Pension Plan	<u>\$ -</u>	<u>\$ 5,198,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,508</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ORGANIZATIONAL DATA

YEAR ENDED JUNE 30, 2003

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 DIRECTORS 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	2006
Dr. Dennis A. Pruitt, Sr.	Vice-Chairman	2006
Thomas J. Little, Jr.	Treasurer	2005
William M. Mackie, Jr.	Secretary, President	2004
Melvin E. Barnette		2005
T. Graham Edwards		2006
Dr. Ronald L. Epps		2004
J. Thornton Kirby		2005
James C. McColl		2004
William G. McMaster		2006
Lisa Montgomery		2004

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2003

<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		\$ 11,032,458
Subsidized Interest	84.032		<u>16,259,325</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>27,291,783</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, 2003, and have issued our report thereon dated August 28, 2003. 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

August 28, 2003



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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, 2003. 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, 2003.

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 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.

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

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

August 28, 2003

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2003

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.S. Department of Education:
 - Higher Education Act Insured Loan Programs:
 - Federal Family Education Loan Program:
 - Special Allowances CFDA# Expenditure
84.032 \$ 11,032,458
 - Subsidized Interest 84.032 16,259,325
 - Total Federal Family Education Loan Program (Major Program) \$ 27,291,783
 - (x) Dollar threshold used to distinguish between Type A and Type B programs \$ 818,753
 - (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, 2003

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, 2003

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