

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2001, 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.

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, 2001 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 24, 2001 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

August 24, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2001

(With Comparative Amounts for 2000)

<u>ASSETS</u>	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 4,399,992	\$ 22,185,650	\$ 26,585,642	\$ 16,223,294
Investments	248,055	872,695	1,120,750	1,630,481
Current Portion of Student Loan Receivables		177,810,028	177,810,028	158,389,049
Interest Due from Borrowers	552,039	34,201,296	34,753,335	29,606,274
Due from United States Department of Education	43	7,440,385	7,440,428	10,929,227
Due from SC State Education Assistance Authority	9,288	12,897,764	12,907,052	10,270,671
Accrued Investment Income	18,398	377,597	395,995	294,271
Miscellaneous Operating Receivables	5,728	94	5,822	2,740
Prepaid Expenses	36,511		36,511	31,674
Due from (to) Other Funds	10,373,641	(10,373,641)		
Total Current Assets	\$ 15,643,695	\$ 245,411,868	\$ 261,055,563	\$ 227,377,681
<u>Investments and Long-Term Receivables:</u>				
Investments	\$ 9,189,936	\$ 65,613,704	\$ 65,613,704	\$ 31,866,303
Other Student Loan Receivables Less Current Portion	9,189,936	1,253,896,597	1,263,086,533	1,168,232,068
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$ 14,732,097 and Current Portion		3,618,343	3,618,343	11,391,849
Cash Surrender Value of Life Insurance				33,349
Deferred Cost of Issuance of Bonds		4,183,067	4,183,067	1,101,397
Total Investments and Long-Term Receivables	\$ 9,189,936	\$ 1,327,311,711	\$ 1,336,501,647	\$ 1,212,624,966
<u>Property and Equipment:</u>				
Furniture and Equipment	\$ 2,319,866	\$ -	\$ 2,319,866	\$ 2,274,534
Automobiles	33,016		33,016	33,016
Less, Accumulated Depreciation	(1,922,445)		(1,922,445)	(1,740,942)
Net Property and Equipment	\$ 430,437	\$ -	\$ 430,437	\$ 566,608
Total Assets	\$ 25,264,068	\$ 1,572,723,579	\$ 1,597,987,647	\$ 1,440,569,255

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2001
(With Comparative Amounts for 2000)

<u>LIABILITIES AND NET ASSETS</u>	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$	\$ 51,000,000	\$ 51,000,000	\$ 58,000,000
Current Maturities of Bonds Payable		119,202,499	119,202,499	98,731,193
Interest Payable		5,100,334	5,100,334	5,932,306
Accounts Payable	79,209	387,749	466,958	128,756
Accrued Pension Payable	595,059	20,118	615,177	419,402
Compensated Absences	176,668	16,291	192,959	195,004
Due to SC State Education Assistance Authority		5,348,711	5,348,711	8,892,356
Total Current Liabilities	\$ 850,936	\$ 181,075,702	\$ 181,926,638	\$ 172,299,017
<u>Long-Term Debt:</u>				
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 4,229,679	\$	\$ 1,096,482,039	\$ 1,096,482,039	\$ 665,351,983
Notes Payable - Finance Loans Less Current Maturities		189,916,994	189,916,994	314,201,163
Note Payable to Banks		549,885	549,885	182,008,132
Total Long-Term Debt	\$ -	\$ 1,286,948,918	\$ 1,286,948,918	\$ 1,161,561,278
Total Liabilities	\$ 850,936	\$ 1,468,024,620	\$ 1,468,875,556	\$ 1,333,860,295
<u>Net Assets:</u>				
<u>Temporarily Restricted:</u>				
For Teacher Loans	\$	\$ 36,413,411	\$ 36,413,411	\$ 29,791,514
For Bond Indentures		41,768,854	41,768,854	47,102,166
For Bond Indentures - Current Debt Service		26,516,694	26,516,694	8,529,864
Total Temporarily Restricted	\$	\$ 104,698,959	\$ 104,698,959	\$ 85,423,544
Unrestricted	24,413,132		24,413,132	21,285,416
Total Net Assets	\$ 24,413,132	\$ 104,698,959	\$ 129,112,091	\$ 106,708,960
Total Liabilities and Net Assets	\$ 25,264,068	\$ 1,572,723,579	\$ 1,597,987,647	\$ 1,440,569,255

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 267	\$ 30,076,074	\$ 30,076,341	\$ 26,050,998
Special Allowances	118	7,368,109	7,368,227	13,929,937
Student Loan Interest - Non Subsidized	652,536	85,560,309	86,212,845	70,970,029
Investment Income	344,683	3,844,019	4,188,702	3,303,038
Unrealized Gain (Loss) on Investments	22,109	289,128	311,237	(36,399)
Late Charges	328	735,891	736,219	726,063
Miscellaneous Payments of Student Loans		4,718	4,718	2,371
Premium on Sale of Loans		7,588	7,588	9,656
State Appropriations - Department of Education		3,916,250	3,916,250	2,016,250
Processing Fee Income	73,899		73,899	74,661
Remittance from SC State Education Assistance Authority for Operating Cost	6,767,917		6,767,917	5,884,370
Net Assets Released from Restrictions	112,526,671	(112,526,671)		
Total Revenue and Support	<u>\$ 120,388,528</u>	<u>\$ 19,275,415</u>	<u>\$ 139,663,943</u>	<u>\$ 122,930,974</u>
<u>Expenses:</u>				
Personnel	\$ 4,799,022		\$ 4,799,022	\$ 4,622,940
Contractual Services	556,272		556,272	525,273
General Operating	1,731,324		1,731,324	1,619,713
Interest on Debt	62,328,963		62,328,963	55,265,208
TLP Cancellations	10,862,069		10,862,069	4,188,420
Amortization of Deferred Cost of Bond Issuance	349,305		349,305	88,713
Payments to SC State Education Assistance Authority for Student Loan Income	32,271,894		32,271,894	33,513,035
Loan Fees	2,725,527		2,725,527	2,359,524
Reinsurance Expense	161,176		161,176	71,397
Borrower Incentives	242,178		242,178	
Broker Dealer Fees	1,000,748		1,000,748	952,328
Other	232,334		232,334	214,691
Total Expenses	<u>\$ 117,260,812</u>	<u>\$ -</u>	<u>\$ 117,260,812</u>	<u>\$ 103,421,242</u>
<u>Change in Net Assets</u>	<u>\$ 3,127,716</u>	<u>\$ 19,275,415</u>	<u>\$ 22,403,131</u>	<u>\$ 19,509,732</u>
<u>Net Assets, Beginning</u>	<u>21,285,416</u>	<u>85,423,544</u>	<u>106,708,960</u>	<u>87,199,228</u>
<u>Net Assets, Ending</u>	<u>\$ 24,413,132</u>	<u>\$ 104,698,959</u>	<u>\$ 129,112,091</u>	<u>\$ 106,708,960</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 3,127,716	\$ 19,275,415	\$ 22,403,131	\$ 19,509,732
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	226,030		226,030	248,729
Amortization of Premiums and Discounts on Bonds Payable		332,554	332,554	332,554
Amortization of Cost of Bond Issuance		349,305	349,305	88,713
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Due from Department of Education	186	3,488,614	3,488,800	(3,717,680)
(Increase) Decrease in Due from SCSEAA	(8,391)	(2,627,990)	(2,636,381)	(1,564,283)
(Increase) Decrease in Interest Due from Borrowers	(98,526)	(5,048,535)	(5,147,061)	(3,267,001)
(Increase) Decrease in Accrued Investment Income	(17,224)	(84,500)	(101,724)	14,134
(Increase) Decrease in Miscellaneous Receivable	(2,987)	(94)	(3,081)	(921)
(Increase) Decrease in Prepaid Expenses	(4,838)		(4,838)	(15,706)
Increase (Decrease) in Interest Payable		(831,972)	(831,972)	2,062,509
Increase (Decrease) in Accounts Payable	18,842	319,360	338,202	(52,993)
Increase (Decrease) in Accrued Pension Expenses	188,239	7,536	195,775	54,716
Increase (Decrease) in Compensated Absence	(4,741)	2,696	(2,045)	24,677
Increase (Decrease) in Due to SCSEAA		(3,543,645)	(3,543,645)	2,422,539
Due to (from) Other Funds	(206,483)	206,483		
Net Cash Provided by Operating Activities	<u>\$ 3,217,823</u>	<u>\$ 11,845,227</u>	<u>\$ 15,063,050</u>	<u>\$ 16,139,719</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (89,861)		\$ (89,861)	\$ (227,476)
(Increase) Decrease in Cash Surrender Value of Life Insurance	33,350		33,350	(2,347)
Purchase and Issuance of Student Loans	(2,860,630)	(960,901,957)	(963,762,587)	(427,470,828)
Principal Payments on Student Loans	3,911	846,394,669	846,398,580	286,691,067
Teacher Loan Cancellations		10,862,069	10,862,069	4,188,421
(Increase) Decrease in Investment:		(33,215,561)	(33,215,561)	15,045,777
Unrealized Gain on Investment:	(22,109)		(22,109)	36,399
Net Cash (Used in) Investing Activities	<u>\$ (2,935,339)</u>	<u>\$ (136,860,780)</u>	<u>\$ (139,796,119)</u>	<u>\$ (121,738,987)</u>

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans:	\$	\$ 168,597,572	\$ 168,597,572	\$ 31,640,686
Payments on Financing Loans:		(299,881,741)	(299,881,741)	(20,978,718)
Proceeds from Bank Line-of-Credi		229,036,774	229,036,774	220,108,410
Payments on Bank Line-of-Credi		(410,495,021)	(410,495,021)	(211,555,848)
Proceeds from Bonds:		550,000,000	550,000,000	150,000,000
Payments on Bonds:		(98,731,193)	(98,731,193)	(62,890,636)
Payment of Bond Premiums:				(885,000)
Payment of Costs of Bond Issuance		(3,430,974)	(3,430,974)	(282,083)
Net Cash Provided by Financing Activities:	\$	\$ 135,095,417	\$ 135,095,417	\$ 105,156,811
<u>Net Increase (Decrease) in Cash and Cash Equivalent:</u>	\$	\$ 10,079,864	\$ 10,362,348	\$ (442,457)
<u>Cash and Cash Equivalents:</u>				
Beginning		4,117,508	12,105,786	16,665,751
Ending	\$	\$ 4,399,992	\$ 26,585,642	\$ 16,223,294
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Cash Payments for Interest	\$	\$ 63,163,170	\$ 63,163,170	\$ 53,202,699

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

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.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 all income on these loans to the Authority as it is received.

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 obtain a new commitment for each subsequent year.

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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

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 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, 2001

1. Summary of Significant Accounting Policies (Continued):

1.10 Compensated Absences:

Annual leave is earned at the rate of 10 to 20 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, 2000, 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>
U. S. Agency Bonds	\$ 3,847,289	\$ 3,847,289
Demand Deposits	12,899	12,899
South Carolina State Treasurer Pool	465,015	465,015
Repurchase Agreements	<u>74,789</u>	<u>74,789</u>
	\$ <u>4,399,992</u>	\$ <u>4,399,992</u>
<u>Temporarily Restricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase Agreement	\$ 5,413,461	\$ 5,413,461
South Carolina State Treasurer Pool	12,171,246	12,171,246
Commercial Paper	<u>4,600,943</u>	<u>4,600,943</u>
	\$ <u>22,185,650</u>	\$ <u>22,185,650</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 12,171,246.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

3. 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> 248,055</u>	\$ <u> 248,055</u>
 <u>Temporarily Restricted:</u>			
U.S. Treasury Notes - Short-Term	\$ 872,695	\$	\$ 872,695
Guaranteed Investment Contracts	<u>65,613,704</u>	<u> </u>	<u>65,613,704</u>
Total	\$ <u>66,486,399</u>	\$ <u> -</u>	\$ <u>66,486,399</u>

4. Amounts Due from/to the Corporation:

The \$ 5,348,711 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 \$ 12,907,052. 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 2001 and 2000, these loans bear interest at a fixed rate of 6.5% to 12% or an annual variable rate of 7.59% to 9.63%, 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, 2001 is 8.99-9.63%. 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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

5. 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% 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, 2001, the Corporation was required to have assets deposited in the current debt service account of \$ 36,413,411.

The Education Loan Revenue Bonds as of June 30, 2001 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/00</u>	<u>Issued (Retired) During FY 01</u>	<u>Balance Outstanding 6/30/01</u>
July 11, 1996	\$ 223,900,000	12/1/02-9/1/26	\$ 139,556,260	\$(29,873,294)	\$ 109,682,966
May 15, 1997	335,300,000	12/1/04-9/1/27	267,689,149	(44,137,166)	223,551,983
May 14, 1998	211,400,000	9/1/33	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/07	150,000,000	(24,720,733)	125,279,267
July 18, 2000	150,000,000	6/1/10		150,000,000	150,000,000
May 23, 2001	400,000,000	6/1/12		<u>400,000,000</u>	<u>400,000,000</u>
			<u>\$ 768,645,409</u>	<u>\$ 451,268,807</u>	<u>\$ 1,219,914,216</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

6. Bonds Payable (Continued):

The Corporation's Treasury Indexed Bonds totaled \$ 168,234,949 as of June 30, 2001, 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, 2001, 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 \$ 435,279,267 as of June 30, 2001 and have variable interest rates equal to one-month LIBOR plus 0.27%, three-month LIBOR plus 0.13% and three-month LIBOR plus 0.17%. The Corporation's CP Indexed Bonds totaled \$ 240,000,000 and have variable interest rates ranging from the three-month Commercial Paper indexed rate, as adjusted weekly, plus 0.25% to 0.31%. Throughout the year ended June 30, 2001, none of the rates exceeded 7.09%. Future interest payment projections are based upon the weighted average rate at June 30, 2001, which was 4.07%.

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 anticipated respective Targeted Amortization Schedules as of the date of such redemption.

As of June 30, 2001, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2002	\$ 119,202,499	\$ 47,471,572	\$ 166,674,071
2003	113,334,354	42,668,325	156,002,679
2004	130,363,888	38,345,530	168,709,418
2005	206,241,475	31,024,945	237,266,420
2006	199,639,000	22,717,190	222,356,190
2007	74,733,000	16,096,494	90,829,494
2008		15,319,480	15,319,480
2009		15,319,480	15,319,480
2010		15,319,480	15,319,480
2011		15,319,480	15,319,480
2012		15,319,480	15,319,480
2013		15,319,480	15,319,480
2014		15,319,480	15,319,480
2015		15,319,480	15,319,480
2016		15,319,480	15,319,480
2017		15,319,480	15,319,480
2018		15,319,480	15,319,480
2019		15,319,480	15,319,480
2020		15,319,480	15,319,480
2021		15,319,480	15,319,480

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

6. Bonds Payable (Continued):

	<u>Principal</u>		<u>Interest</u>		<u>Totals</u>
2022	\$		\$	15,319,480	\$ 15,319,480
2023				15,319,480	15,319,480
2024				15,319,480	15,319,480
2025				15,319,480	15,319,480
2026				15,319,480	15,319,480
2027		85,000,000		12,436,563	97,436,563
2028		80,000,000		9,146,647	89,146,647
2029				8,603,980	8,603,980
2030				8,603,980	8,603,980
2031				8,603,980	8,603,980
2032				8,603,980	8,603,980
2033				8,603,980	8,603,980
2034		<u>211,400,000</u>		<u>1,433,997</u>	<u>212,833,997</u>
Totals	\$	<u>1,219,914,216</u>	\$	<u>555,431,283</u>	\$ <u>1,775,345,499</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 all payments of principal which are returned to the Authority. At June 30, 2001, the note totaled \$ 240,916,994.

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, 2001, the Corporation had available the following lines of credit and the following amounts were outstanding:

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

9. Bank Lines of Credit (Continued):

<u>Year</u>	<u>Line of Credit Available</u>	<u>Balance at June 30, 2001</u>	<u>Due Date</u>
2000	\$ 234,000,000	\$	November 2, 2001
2001	238,000,000	<u>549,885</u>	November 2, 2002
		\$ <u>549,885</u>	

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 2000 and 2001 lines 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, 2001.

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 \$ 80,400. 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 2001 totaled \$ 164,521 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 \$ 429,623, plus \$ 29,405 of administrative expenses, totalling \$ 459,028 for the year ended June 30, 2001. The Authority contributed \$ 118,961 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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

10. Employee Benefit Plans (Continued):

10.2 (Continued):

Service Cost (Benefits Earned)	\$ 167,973
Interest Cost on Projected Benefit Obligation	166,904
Actual Return on Assets	(80,281)
Net Amortization and Deferral	117,302
Minimum Liability	235,543
Other	(177,818)
Net Pension Cost	<u>\$ 429,623</u>

The following sets forth the Plan's funded status as of June 30, 2001. The measurement date of the projected benefits obligation and Plan assets was June 30, 2001.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 1,796,887
Nonvested Benefit Obligation	<u>92,561</u>
Accumulated Benefit Obligation	<u>\$ 1,889,448</u>
Projected Benefits	\$(2,560,565)
Plan Assets at Fair Value	<u>1,274,272</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,286,293)
Unrecognized Prior Service Cost	1,063,329
Unrecognized Net Loss	405,629
Required Additional Minimum Liability	(<u>797,842</u>)
Accrued Pension Cost	\$(<u>615,177</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 \$ 411,667. No participant contributions are permitted by the Plan. Benefit payments made during the year ended June 30, 2001 totaled \$ 14,427.

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 \$ 434,720 in 2001.

11. Operating Leases:

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

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

11. Operating Leases (Continued):

<u>Year Ended June 30</u>	<u>Office Space</u>
2002	\$ 294,443
2003	304,140
2004	304,140
2005	304,140
2006	304,140

Total rental expenses including rental agreements under one year in duration were \$ 209,037 for June 30, 2001. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

12. Concentration Risk:

The Corporation maintains cash accounts in commercial banks where the amounts on deposit at June 30, 2001 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$ 15,000.

13. 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.

14. Assets Released from Restrictions:

Net assets during the year ended June 30, 2001 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 218,156
Contractual Services	16,766
General Operating	44,878
Interest on Debt	62,328,963
TLP Cancellations	10,862,069
Amortization of Deferred Cost of Bond Issuance	349,305
Payment to SC State Education Assistance Authority for Student Loan Income	32,271,894

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

14. Assets Released from Restrictions (Continued):

Lender Origination Fees	\$	2,725,527
Reinsurance Expense		161,176
Borrower Incentives		242,178
Broker Dealer Fees		1,000,748
Other		<u>168,304</u>
Total Expenses	\$	110,389,964
Other Transfers for Loan Servicing on		
Bank Loans		200,560
Transfers for Loan Servicing on Taxable Bonds		1,926,525
Transfer from TLP Fund for Operations		<u>9,622</u>
Total	\$	<u>112,526,671</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2001

<u>ASSETS</u>	<u>Unrestricted</u>		<u>Temporarily Restricted</u>				<u>Total</u>
	<u>Operating</u>	<u>PAL Loans</u>	<u>Taxable Bond Loans</u>	<u>Teacher Loans</u>	<u>Line-of- Credit Bank Loans</u>	<u>Tax- Exempt Bond Loans</u>	
<u>Current Assets:</u>							
Cash and Cash Equivalents	\$ 4,325,203	\$ 74,789	\$	\$ 12,171,246	\$ 4,600,943	\$ 5,413,461	\$ 26,585,642
Investments	248,055		872,695				1,120,750
Current Portion of Student Loan Receivables			117,600,003	8,879,913	330,112	51,000,000	177,810,028
Interest Due from Borrowers	7,008	545,031	27,747,170	1,758,425	79,018	4,616,683	34,753,335
Due from United States Department of Education	43		6,155,906		552,468	732,011	7,440,428
Due from SC State Education Assistance Authority	9,288		12,889,069	8,695			12,907,052
Accrued Investment Income	18,398		226,083	151,514			395,995
Miscellaneous Operating Receivables	5,728		94				5,822
Prepaid Expenses	36,511						36,511
Due from (to) Other Funds	10,373,641		66,443		(10,440,084)		
Total Current Assets	<u>\$ 15,023,875</u>	<u>\$ 619,820</u>	<u>\$ 165,557,463</u>	<u>\$ 22,969,793</u>	<u>\$ (4,877,543)</u>	<u>\$ 61,762,155</u>	<u>\$ 261,055,563</u>
<u>Investments and Long-Term Receivables:</u>							
Investments	\$	\$	\$ 65,613,704	\$	\$	\$	\$ 65,613,704
Other Student Loan Receivables Less Current Portion	54,045	9,135,891	1,062,800,440		6,586,527	184,509,630	1,263,086,533
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion				3,618,343			3,618,343
Deferred Cost of Issuance of Bonds			4,183,067				4,183,067
Total Investments and Long-Term Receivables	<u>\$ 54,045</u>	<u>\$ 9,135,891</u>	<u>\$ 1,132,597,211</u>	<u>\$ 3,618,343</u>	<u>\$ 6,586,527</u>	<u>\$ 184,509,630</u>	<u>\$ 1,336,501,647</u>
<u>Property and Equipment:</u>							
Furniture and Equipment	\$ 2,319,866	\$	\$	\$	\$	\$	\$ 2,319,866
Automobiles	33,016						33,016
Less, Accumulated Depreciation	(1,922,445)						(1,922,445)
Net Property and Equipment	<u>\$ 430,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,437</u>
Total Assets	<u>\$ 15,508,357</u>	<u>\$ 9,755,711</u>	<u>\$ 1,298,154,674</u>	<u>\$ 26,588,136</u>	<u>\$ 1,708,984</u>	<u>\$ 246,271,785</u>	<u>\$ 1,597,987,647</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2001

<u>LIABILITIES AND NET ASSETS</u>	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 51,000,000	\$ 51,000,000
Current Maturities of Bonds Payable			119,202,499				119,202,499
Interest Payable			3,944,330		1,156,004		5,100,334
Accounts Payable	68,534	10,675	343,541	35,033	3,095	6,080	466,958
Accrued Pension Payable	595,059			20,118			615,177
Compensated Absences	176,668			16,291			192,959
Due to SC State Education Assistance Authority						5,348,711	5,348,711
Total Current Liabilities	\$ 840,261	\$ 10,675	\$ 123,490,370	\$ 71,442	\$ 1,159,099	\$ 56,354,791	\$ 181,926,638
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$ 1,096,482,039	\$	\$	\$	\$ 1,096,482,039
Notes Payable - Finance Loans Less Current Maturities						189,916,994	189,916,994
Notes Payable to Banks					549,885		549,885
Total Long-Term Debt	\$ -	\$ -	\$ 1,096,482,039	\$ -	\$ 549,885	\$ 189,916,994	\$ 1,286,948,918
Total Liabilities	\$ 840,261	\$ 10,675	\$ 1,219,972,409	\$ 71,442	\$ 1,708,984	\$ 246,271,785	\$ 1,468,875,556
<u>Net Assets:</u>							
Temporarily Restricted for Bond Indentures Current Debt Service	\$	\$	\$ 36,413,411	\$	\$	\$	\$ 36,413,411
Temporarily Restricted for Bond Indentures			41,768,854				41,768,854
Temporarily Restricted for Teacher Loans				26,516,694			26,516,694
Unrestricted	14,668,096	9,745,036					24,413,132
Total Net Assets	\$ 14,668,096	\$ 9,745,036	\$ 78,182,265	\$ 26,516,694	\$ -	\$ -	\$ 129,112,091
Total Liabilities and Net Assets	\$ 15,508,357	\$ 9,755,711	\$ 1,298,154,674	\$ 26,588,136	\$ 1,708,984	\$ 246,271,785	\$ 1,597,987,647

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$ 267	\$	\$ 20,763,133	\$ 19,616	\$ 3,884,324	\$ 5,409,001	\$ 30,076,341
Special Allowances	118		3,637,563	8,789	342,715	3,379,042	7,368,227
Student Loan Interest - Non Subsidized	4,401	648,135	53,633,957	2,927,330	4,399,607	24,599,415	86,212,845
Investment Income	332,030	12,653	3,093,409	731,290	19,320		4,188,702
Unrealized Gain on Investments	22,109			289,128			311,237
Late Charges	99	229	441,035	9,117	4,577	281,162	736,219
Miscellaneous Payments of Student Loans			4,339	99	45	235	4,718
Premium on Sale of Loans					7,588		7,588
State Appropriations - Department of Education				3,916,250			3,916,250
Processing Fee Income		73,899					73,899
Remittance from SC State Education Assistance Authority for Operating Cost	6,767,917						6,767,917
Total Revenue	\$ 7,126,941	\$ 734,916	\$ 81,573,436	\$ 7,901,619	\$ 8,658,176	\$ 33,668,855	\$ 139,663,943
Expenses:							
Personnel	\$ 4,580,866	\$	\$	\$ 218,156	\$	\$	\$ 4,799,022
Contractual Services	539,506			16,766			556,272
General Operating	1,686,446			44,878			1,731,324
Interest on Debt			55,164,402		7,164,561		62,328,963
TLP Cancellations				10,862,069			10,862,069
Amortization of Deferred Cost of Bond Issuance			349,305				349,305
Payments to SC State Education Assistance Authority for Student Loan Income						32,271,894	32,271,894
Loan Fees			347,651		1,249,604	1,128,272	2,725,527
Reinsurance Expense			132,430			28,746	161,176
Borrower Incentives					2,235	239,943	242,178
Broker Dealer Fees			1,000,748				1,000,748
Other	5,851	58,179	102,140	24,948	41,216		232,334
Total Expenses	\$ 6,812,669	\$ 58,179	\$ 57,096,676	\$ 11,166,817	\$ 8,457,616	\$ 33,668,855	\$ 117,260,812
Transfers Between Accounts:							
Transfers In	\$ 2,403,631	\$ 2,200,000	\$	\$ 266,924	\$	\$	\$ 4,870,555
Transfers Out	(2,466,924)		(1,926,525)	(276,546)	(200,560)		(4,870,555)
Total Transfers Between Accounts	\$ (63,293)	\$ 2,200,000	\$ (1,926,525)	\$ (9,622)	\$ (200,560)	\$ -	\$ -
Change in Net Assets	\$ 250,979	\$ 2,876,737	\$ 22,550,235	\$ (3,274,820)	\$	\$	\$ 22,403,131
Net Assets, Beginning	14,417,117	6,868,299	55,632,030	29,791,514			106,708,960
Net Assets, Ending	\$ 14,668,096	\$ 9,745,036	\$ 78,182,265	\$ 26,516,694	\$ -	\$ -	\$ 129,112,091

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEUDLE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
<u>Cash Flows from Operating Activities</u>							
Change in Net Assets	\$ 250,979	\$ 2,876,737	\$ 22,550,235	\$ (3,274,820)	\$	\$	\$ 22,403,131
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	226,031						226,031
Amortization of Premiums and Discounts on Bonds Payable			332,554				332,554
Amortization of Cost of Bond Issuance			349,305				349,305
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from Department of Education	185		334,411		1,152,895	2,001,308	3,488,799
(Increase) Decrease in Due from SC State Education Assistance Authority	(8,391)		(2,649,472)	(8,695)	30,177		(2,636,381)
(Increase) Decrease in Interest Due from Borrowers	2,785	(101,311)	(8,890,860)	36,346	2,263,625	1,542,354	(5,147,061)
(Increase) Decrease in Accrued Investment Income	(17,224)		(78,557)	(5,943)			(101,724)
(Increase) Decrease in Miscellaneous Receivables	(2,987)		(94)				(3,081)
(Increase) Decrease in Prepaid Expenses	(4,838)						(4,838)
Increase (Decrease) in Interest Payable			887,566		(1,719,538)		(831,972)
Increase (Decrease) in Accounts Payable	14,886	3,956	313,644	23,464	(7,075)	(10,673)	338,202
Increase (Decrease) in Accrued Pension Expense	188,239			7,536			195,775
Increase (Decrease) in Compensated Absences	(4,741)			2,696			(2,045)
Increase (Decrease) in Due to SC State Education Assistance Authority						(3,543,645)	(3,543,645)
Due to (from) Other Funds	(206,483)		(64,664)		271,147		
Net Cash Provided by (Used in) Operating Activities	\$ 438,441	\$ 2,779,382	\$ 13,084,068	\$ (3,219,416)	\$ 1,991,231	\$ (10,656)	\$ 15,063,050
<u>Cash Flows from Investing Activities</u>							
Purchase of Property and Equipment	\$ (89,861)	\$	\$	\$	\$	\$	\$ (89,861)
(Increase) Decrease in Cash Surrender Value of Life Insurance	33,350						33,350
Purchase and Issuance of Student Loans		(2,860,630)	(545,878,514)	(17,389,098)	(229,036,773)	(168,597,572)	(963,762,587)
Principal Payments on Student Loans	3,911		118,172,174	10,010,179	413,104,732	305,107,584	846,398,580
Teacher Loan Cancellations				10,862,069			10,862,069
Purchase of Investments			(33,215,561)				(33,215,561)
Unrealized (Gain) Loss on Investments	(22,109)						(22,109)
Net Cash Provided by (Used in) Investing Activities	\$ (74,709)	\$ (2,860,630)	\$ (460,921,901)	\$ 3,483,150	\$ 184,067,959	\$ 136,510,012	\$ (139,796,119)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
<u>Cash Flows from Financing Activities</u>							
Proceeds from Financing Loans	\$	\$	\$	\$	\$	\$ 168,597,572	\$ 168,597,572
Payments on Financing Loans						(299,881,741)	(299,881,741)
Proceeds from Bank Line-of-Credit					229,036,774		229,036,774
Payments on Bank Line-of-Credit					(410,495,021)		(410,495,021)
Proceeds from Issuance of Bonds			550,000,000				550,000,000
Payments of Bonds			(98,731,193)				(98,731,193)
Payment of Costs of Bond Issuance			(3,430,974)				(3,430,974)
Net Cash Provided by (Used in) Financing Activities	\$ -	\$ -	\$ 447,837,833	\$ -	\$ (181,458,247)	\$ (131,284,169)	\$ 135,095,417
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 363,732	\$ (81,248)	\$	\$ 263,734	\$ 4,600,943	\$ 5,215,187	\$ 10,362,348
<u>Cash and Cash Equivalents</u>							
Beginning	3,961,471	156,037		11,907,512		198,274	16,223,294
Ending	\$ 4,325,203	\$ 74,789	\$ -	\$ 12,171,246	\$ 4,600,943	\$ 5,413,461	\$ 26,585,642
<u>Supplemental Disclosure of Cash Flow Information:</u>							
Cash Payments for Interest	\$ -	\$ -	\$ 54,276,836	\$ -	\$ 8,886,334	\$ -	\$ 63,163,170

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF PROPERTY AND EQUIPMENTYEAR ENDED JUNE 30, 2001

<u>Description and Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation 6/30/00</u>	<u>Depreciation Expense</u>	<u>Disposals and Transfers</u>	<u>Accumulated Depreciation 6/30/01</u>
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,504,902	\$ 1,172,842	\$ 150,604	1,855	\$ 1,321,591
Typewriters	10,005	10,005			10,005
Filing Equipment	70,518	55,235	3,191		58,426
Furniture	43,813	39,423	917		40,340
Other Office Machines	318,212	226,305	32,442	42,672	216,075
Partitions and Worksurfaces	111,934	106,398	2,839		109,237
Telephone Equipment	188,415	107,891	18,317		126,208
Miscellaneous	72,067	7,132	6,714		13,846
Total Furniture and Fixtures	\$ <u>2,319,866</u>	\$ <u>1,725,231</u>	\$ <u>215,024</u>	\$ <u>44,527</u>	\$ <u>1,895,728</u>
<u>Automobiles:</u>					
1998 Pontiac Bonneville	\$ 14,119	\$ 9,413	\$ 4,707	\$	\$ 14,120
1999 Buick Park Avenue	18,897	6,298	6,299		12,597
Total Automobiles	\$ <u>33,016</u>	\$ <u>15,711</u>	\$ <u>11,006</u>	\$ <u>-</u>	\$ <u>26,717</u>
Grand Totals	\$ <u>2,352,882</u>	\$ <u>1,740,942</u>	\$ <u>226,030</u>	\$ <u>44,527</u>	\$ <u>1,922,445</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2001

	Operating Fund				Teacher Loan Program - EIA			
	2001		Variance	2000	2001		Variance	2000
	Total Budget	Actual	Favorable (Unfavorable)	Actual	Total Budget	Actual	Favorable (Unfavorable)	Actual
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,471,750	\$ 3,339,384	\$ 132,366	\$ 3,116,591	\$ 164,625	\$ 167,530	\$ (2,905)	\$ 160,900
Part-time Salaries	86,700	62,492	24,208	49,400				
Contracted Services	26,500	24,489	2,011	24,067				
Social Security	262,000	246,962	15,038	236,534	12,600	12,139	461	11,520
Group Insurance	438,400	417,466	20,934	586,835	18,000	17,254	746	24,299
Retirement	355,500	483,660	(128,160)	390,886	14,600	20,928	(6,328)	15,518
Unemployment	6,400	6,413	(13)	6,063	325	305	20	328
Total Personnel	\$ 4,647,250	\$ 4,580,866	\$ 66,384	\$ 4,410,376	\$ 210,150	\$ 218,156	\$ (8,006)	\$ 212,565
Contractual:								
Loan Servicing	\$ 413,200	\$ 412,327	\$ 873	\$ 396,875	\$ 17,000	\$ 15,172	\$ 1,828	\$ 14,090
Legal	28,500	24,296	4,204	11,335				
Accounting	43,300	45,315	(2,015)	42,565	1,600	1,594	6	1,654
Credit Bureau Fees	75,000	57,568	17,432	58,754				
Total Contractual	\$ 560,000	\$ 539,506	\$ 20,494	\$ 509,529	\$ 18,600	\$ 16,766	\$ 1,834	\$ 15,744
General Operating:								
Rent	\$ 201,650	\$ 200,786	\$ 864	\$ 199,241	\$ 8,275	\$ 8,251	\$ 24	\$ 8,188
Telephone	188,700	179,869	8,831	171,791	7,750	7,392	358	7,060
Printing	250,650	252,659	(2,009)	234,010	8,575	7,031	1,544	5,696
Postage	535,750	543,034	(7,284)	442,591	15,000	15,094	(94)	15,942
Supplies	82,000	76,036	5,964	87,150	3,300	3,118	182	3,085
Travel	54,000	52,018	1,982	50,644	600	407	193	445
Equipment Maintenance	44,125	44,489	(364)	42,093	1,800	1,708	92	1,730
Subscriptions and Fees	34,500	32,557	1,943	28,042	125	47	78	45
Meeting and Conference Expenses	8,600	8,269	331	7,939	200	137	63	168
Insurance - General and Automotive	43,500	40,160	3,340	35,404	1,700	1,646	54	1,434
Contingencies	40,000	30,538	9,462	28,273	1,000	47	953	13
Depreciation	375,500	226,031	149,469	248,729				
Total General Operating	\$ 1,858,975	\$ 1,686,446	\$ 172,529	\$ 1,575,907	\$ 48,325	\$ 44,878	\$ 3,447	\$ 43,806
Total Operating Expenses	\$ 7,066,225	\$ 6,806,818	\$ 259,407	\$ 6,495,812	\$ 277,075	\$ 279,800	\$ (2,725)	\$ 272,115

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2001

	Operating Fund				Teacher Loan Program - EIA			
	2001		Variance Favorable (Unfavorable)	2000 Actual	2001		Variance Favorable (Unfavorable)	2000 Actual
	Total Budget	Actual			Total Budget	Actual		
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 95,200	\$ 87,761	\$ 7,439	\$ 206,579	\$ 2,200	\$ 2,100	\$ 100	\$ 2,000
Automobile				18,897				
Total Capital Additions	<u>95,200</u>	<u>87,761</u>	<u>7,439</u>	<u>225,476</u>	<u>2,200</u>	<u>2,100</u>	<u>100</u>	<u>2,000</u>
Total Operating Expenses and Capital Additions	<u>\$ 7,161,425</u>	<u>\$ 6,894,579</u>	<u>\$ 266,846</u>	<u>\$ 6,721,288</u>	<u>\$ 279,275</u>	<u>\$ 281,900</u>	<u>\$ (2,625)</u>	<u>\$ 274,115</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF ORGANIZATIONAL DATAYEAR ENDED JUNE 30, 2001

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>
Fred L. Green, III	Chairman	2002
Robert W. Derrick	Vice-Chairman	2002
Sharon W. Bryant	Vice-Chairman	2003
H. Roderick Murchison	Treasurer	2003
William M. Mackie, Jr.	Secretary, President	2004
Melvin E. Barnette		2002
R. Thornwell Dunlap, Jr.		2003
J. Thornton Kirby		2002
Ronald L. Epps		2004
James C. McColl		2004
Lisa Montgomery		2004
Dr. Dennis A. Pruitt, Sr.		2003

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

<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		\$ 7,368,227
Subsidized Interest	84.032		<u>30,076,341</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>37,444,568</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, 2001, and have issued our report thereon dated August 24, 2001. 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 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 24, 2001



DERRICK, STUBBS & STITH, L.L.P.
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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, 2001. 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, 2001.

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 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, Stulke + Stith, LLP

August 24, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2001

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 \$ 7,368,227
 - Subsidized Interest 84.032 30,076,341
 - Total Federal Family Education Loan Program (Major Program) \$ 37,444,568
 - (x) Dollar threshold used to distinguish between Type A and Type B programs \$ 1,123,337
 - (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

JUNE 30, 2001

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

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

JUNE 30, 2001

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