

**SOUTH CAROLINA STUDENT LOAN CORPORATION**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2008**

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
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**YEAR ENDED JUNE 30, 2008**

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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, 2008, 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 2007 financial statements and, in our report dated September 24, 2007, 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, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 on pages 20 - 27 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 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 audit 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, L.L.P.*

Columbia, South Carolina  
September 24, 2008

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**  
**(WITH COMPARATIVE AMOUNTS FOR 2007)**

	2008		2007 Totals
	Unrestricted	Temporarily Restricted	
<b>ASSETS</b>		<b>Total</b>	<b>Memorandum Only</b>
Current Assets			
Cash and cash equivalents	\$ 77,235,941	\$ 362,703,789	\$ 203,183,959
Investments	183,345	-	210,480
Current portion of student loan receivables	1,228,000	342,401,736	324,279,767
Interest due from borrowers	834,406	74,590,462	56,181,301
Due from United States Department of Education	81	6,459,894	19,496,296
Due from SC State Education Assistance Authority	107,268	18,675,515	37,248,704
Accrued investment income	24,602	448,725	608,923
Miscellaneous operating receivables	11,771	-	664
Prepaid expenses	34,112	-	8,686
Due from (to) other funds	(5,409,961)	5,409,961	-
<b>Total current assets</b>	<b>74,249,565</b>	<b>810,690,082</b>	<b>641,218,780</b>
Investments and Long-Term Receivables			
Other student loan receivables less current portion and net of allowance for loan loss of \$6,101,330	20,383,533	2,778,406,381	2,392,000,812
Teacher loans receivable - less allowance for teacher loan cancellations of \$ 19,440,174 and current portion	-	13,197,576	12,885,026
Deferred cost of issuance of bonds	-	5,767,204	4,240,535
<b>Total investments and long-term receivables</b>	<b>20,383,533</b>	<b>2,817,754,694</b>	<b>2,409,126,373</b>
Property and Equipment			
Land	565,000	-	565,000
Building	2,431,329	-	2,431,329
Furniture and equipment	1,919,658	-	2,161,408
Automobiles	73,563	-	40,548
Less, accumulated depreciation	(1,749,498)	-	(1,927,986)
<b>Net property and equipment</b>	<b>3,240,052</b>	<b>3,240,052</b>	<b>3,270,299</b>
<b>Total assets</b>	<b>\$ 97,873,150</b>	<b>\$ 3,608,061,243</b>	<b>\$ 3,053,615,452</b>

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**  
**(WITH COMPARATIVE AMOUNTS FOR 2007)**

	2008		2007
	Unrestricted	Temporarily Restricted	
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Current portion of notes payable - finance loans	-	75,000,000	\$ 92,000,000
Current maturities of bonds payable	-	-	39,754,000
Warehouse financing	-	169,522,888	-
Interest payable	-	3,615,666	6,900,192
Accounts payable	268,416	345,634	411,608
Compensated absences	328,363	35,655	391,739
Due to SC State Education Assistance Authority	-	1,579,200	11,056,993
<b>Total current liabilities</b>	<b>596,779</b>	<b>250,099,043</b>	<b>150,514,532</b>
Noncurrent Liabilities			
Accrued pension payable	236,762	-	442,333
Retiree medical insurance payable	3,291,834	-	5,700,596
Bonds payable less current maturities and bond premiums and discounts of \$ 6,375,590	-	2,155,624,410	1,830,108,391
Notes payable - finance loans less current maturities	-	935,897,828	721,683,428
<b>Total noncurrent liabilities</b>	<b>3,528,596</b>	<b>3,091,522,238</b>	<b>2,557,934,748</b>
<b>Total liabilities</b>	<b>4,125,375</b>	<b>3,341,621,281</b>	<b>2,708,449,280</b>
Net Assets			
Temporarily restricted			
For bond indentures - current debt service	-	11,181,853	27,988,841
For bond indentures	-	224,427,895	243,839,244
For teacher loans	-	29,079,248	28,602,096
For warehouse financing	-	1,750,966	846,015
<b>Total temporarily restricted</b>	<b>-</b>	<b>266,439,962</b>	<b>301,276,196</b>
Unrestricted			
Board designated	2,100,000	-	2,100,000
Undesignated	91,647,775	-	41,789,976
<b>Total unrestricted</b>	<b>93,747,775</b>	<b>-</b>	<b>43,889,976</b>
<b>Total net assets</b>	<b>93,747,775</b>	<b>266,439,962</b>	<b>345,166,172</b>
<b>Total liabilities and net assets</b>	<b>\$ 97,873,150</b>	<b>\$ 3,608,061,243</b>	<b>\$ 3,053,615,452</b>

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE AMOUNTS FOR 2007)**

	2008		2007 Totals	Memorandum Only
	Unrestricted	Temporarily Restricted		
Revenue				
Income from United States Department of Education				
Student loan interest - subsidized	\$ 359	\$ 38,111,006	\$ 38,111,365	\$ 33,140,930
Special allowances	(21)	19,280,873	19,280,852	49,766,282
Student loan interest - non-subsidized	1,300,802	142,665,695	143,966,497	123,612,429
Investment income	1,704,925	6,836,920	8,541,845	14,661,764
Unrealized gain (loss) on investments	(430,280)	59,060	(371,220)	32,353
Late charges	2,364	1,606,959	1,609,323	1,651,076
Miscellaneous payments of student loans	22	21,555	21,577	14,120
Miscellaneous Income	450	-	450	-
State appropriations - Department of Education	-	6,908,381	6,908,381	6,989,706
Building rental income	215,450	-	215,450	211,351
Remittance from SC State Education Assistance Authority for operating cost	7,999,493	-	7,999,493	5,279,945
Net assets released from restrictions	250,326,683	(250,326,683)	-	-
<b>Total revenue</b>	<b>261,120,247</b>	<b>(34,836,234)</b>	<b>226,284,013</b>	<b>235,359,956</b>
Expenses				
Personnel	7,023,892	-	7,023,892	6,958,233
Contractual services	1,047,332	-	1,047,332	902,969
General operating	1,878,517	-	1,878,517	1,895,717
Interest on debt	93,070,593	-	93,070,593	106,153,093
TLP cancellations	9,283,090	-	9,283,090	7,520,328
State recall of funds	500,000	-	500,000	500,000
Amortization of deferred cost of bond issuance	789,351	-	789,351	1,190,846
Payments to SC State Education Assistance Authority for student loan income	52,282,816	-	52,282,816	29,447,389
Loan fees	19,193,667	-	19,193,667	17,511,633
Reinsurance expense	355,388	-	355,388	249,808
Borrower incentives	14,136,268	-	14,136,268	20,010,302
Broker dealer fees	1,135,315	-	1,135,315	1,101,501
Building rental expenses	493,375	-	493,375	655,625
Scholarship donation	-	-	-	2,000,000
Contribution	3,077,000	-	3,077,000	-
Loan loss expense	6,101,330	-	6,101,330	-
Other	2,280,664	-	2,280,664	(485,091)
<b>Total expenses</b>	<b>212,648,598</b>	<b>-</b>	<b>212,648,598</b>	<b>195,612,353</b>
Employee benefits - related changes other than net periodic pension cost	1,386,150	-	1,386,150	-
Change in net assets before adoption of FASB Statement No. 158	49,857,799	(34,836,234)	15,021,565	39,747,603
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	-	-	-	(3,175,690)
<b>Change in net assets</b>	<b>49,857,799</b>	<b>(34,836,234)</b>	<b>15,021,565</b>	<b>36,571,913</b>
Net Assets				
Beginning	43,889,976	301,276,196	345,166,172	308,594,259
<b>Ending</b>	<b>\$ 93,747,775</b>	<b>\$ 266,439,962</b>	<b>\$ 360,187,737</b>	<b>\$ 345,166,172</b>

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE AMOUNTS FOR 2007)**

	2008		2007
	Unrestricted	Temporarily Restricted	Totals
		Total	Memorandum Only
Cash Flows from Operating Activities			
Change in net assets	\$ 49,857,799	\$ (34,836,234)	\$ 36,571,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	299,178	-	249,197
Unrealized (gain) on investments	27,135	-	(5,738)
Amortization of premiums and discounts on bonds payable	-	516,019	533,679
Amortization of cost of bond issuance	-	273,332	657,167
Allowance for loan loss	439,538	5,661,792	-
Changes in operating assets and liabilities			
Decrease in due from Department of Education	36	13,036,285	1,209,400
(Increase) decrease in due from SCSEAA	(22,464)	18,488,385	74,004,789
(Increase) in interest due from borrowers	(524,317)	(18,719,250)	(20,187,175)
(Increase) decrease in accrued investment income	19,521	116,076	(204,356)
(Increase) decrease in miscellaneous receivables	(11,108)	-	3,303
(Increase) decrease in prepaid expenses	(25,426)	-	(401)
Increase (decrease) in interest payable	-	(3,284,526)	1,794,252
Increase (decrease) in accounts payable	(36,811)	239,252	(319,582)
Increase (decrease) in accrued pension expense	(205,571)	-	347,109
Increase (decrease) in compensated absences	(24,026)	(3,695)	37,841
Increase (decrease) in retiree medical insurance payable	(2,408,762)	-	3,473,067
Increase (decrease) in due to SCSEAA	-	(9,477,792)	167,284
Due to (from) other funds	5,518,839	(5,518,839)	-
<b>Net cash provided (used in) by operating activities</b>	<b>52,903,561</b>	<b>(33,509,195)</b>	<b>98,331,749</b>
Cash Flows from Investing Activities			
Purchase of property and equipment	(268,931)	-	(201,358)
Purchase and issuance of student loans	(15,788,469)	(1,577,304,188)	(1,092,438,303)
Principal payments on student loans	2,775,700	1,148,480,915	802,282,209
Teacher loan cancellations	-	9,283,090	7,520,328
<b>Net cash (used in) investing activities</b>	<b>(13,281,700)</b>	<b>(419,540,183)</b>	<b>(282,837,124)</b>

See notes to financial statements

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE AMOUNTS FOR 2007)**

	2008		2007 Totals
	Unrestricted	Temporarily Restricted	
Cash Flows from Financing Activities			
Proceeds from financing loans	\$ -	\$ 519,408,896	\$ 514,200,000
Payments on financing loans	-	(322,194,496)	(634,370,959)
Proceeds from warehouse financing	-	169,522,888	-
Payments on warehouse financing	-	-	(223,827,345)
Proceeds from bond issuance	-	600,000,000	682,000,000
Payments of bonds	-	(314,754,000)	(219,449,000)
Payment of costs of bond issuance	-	(1,800,000)	(3,305,161)
<b>Net cash provided by financing activities</b>		<b>650,183,288</b>	<b>115,247,535</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,621,861</b>	<b>197,133,910</b>	<b>(69,257,840)</b>
Cash and cash equivalents			
Beginning	37,614,080	165,569,879	272,441,799
Ending	77,235,941	362,703,789	203,183,959
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	-	96,355,116	104,358,841
Supplemental Disclosures of Non-Cash Transactions			
Retirement of fixed assets - investing activities	477,666	-	-
Write-off of accumulated depreciation related to retired assets - investing activities	\$ 477,666	\$ -	\$ -

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**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.

**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 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.

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.

**Overall operating arrangement (continued):** During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP). 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**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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

In March 2005, the Corporation entered into a financing agreement to provide additional funding for student loans. See Note 8.

**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.

**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 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.

**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.

**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.

**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.

**Concentration risk:** The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At June 30, 2008, all of the Corporation's cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

**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.

**Allowance for teacher loan cancellations:** The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina who can annually cancel up to 20% to 33% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$ 19,440,174 at June 30, 2008.

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Provision for losses on student loans:** The provision for losses on student loans represents the Corporation's estimate of the costs related to the 2% to 5% risk sharing on FFELP loans and losses related to servicing of guaranteed loans by the Corporation. The provision also includes an estimate for non-guaranteed loans. In making the estimate, the Corporation considers the trend in default rates in the loan guarantee portfolio, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future. The allowance for loan losses was \$ 6,101,330 at June 30, 2008. See Note 5 on Federal Reinsurance of FFEL loans.

**Property and equipment:** Property and equipment 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, three years for automobiles and computers and thirty-nine years for the building.

**Amortization of deferred cost of issuance of bonds and bond premiums and discounts:** Cost of issuance of bonds and bond premiums and discounts are being amortized over the lives of the bond issues on a straight-line basis and are included in operating expenses.

**Compensated absences:** Annual leave is earned at the rate of 12 to 25 days per year depending on length of employment. Employees are expected to use at least one week (5 consecutive days) each year. 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 10 days per year. Employees are not paid for earned, but unused, sick days upon termination of employment.

**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, 2007, from which the summarized information was derived.

**Note 2. Cash and Cash Equivalents**

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

	<u>Cost</u>	<u>Market Value</u>
Unrestricted		
Demand deposits	\$ 2,632	\$ 2,632
Money market funds	6,629,183	6,629,183
South Carolina State Treasurer Pool	673,246	673,246
Collateralized demand deposits	58,775,946	58,775,946
Mutual funds	4,004,933	4,004,933
Corporate bonds	<u>7,150,000</u>	<u>7,150,000</u>
Total unrestricted	<u>77,235,941</u>	<u>77,235,941</u>
Temporarily Restricted		
Money market	5,715,342	5,715,342
Collateralized demand deposit	16,172,246	16,172,246
South Carolina state treasurer pool	11,537,194	11,545,596
Guaranteed investment contracts	<u>329,270,605</u>	<u>329,270,605</u>
Total temporarily restricted	<u>\$ 362,695,387</u>	<u>\$ 362,703,789</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 11,545,596.

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 3. Investments**

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

	<u>Carrying Value</u>	<u>Market Value</u>
Unrestricted Common stock	\$ <u>          -</u>	\$ <u>  183,345</u>

**Note 4. Amounts Due from/to the Corporation**

The \$ 1,579,200 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education, fees in transit 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 \$ 18,782,762. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

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

In 2008 and 2007, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 6.62% to 8.20% 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 of final disbursement 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.

Loans are insured against death, disability and default by the Authority at 97% to 100% 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 on or before June 30, 2006, and 97% for loans made on or after July 1, 2006. Total loans insured by the Authority at June 30, 2008 are \$ 2,865,198,161. The federal default fee required by the Higher Education Act on guaranteed loans made on or after July 1, 2006 is paid by SCSLC or the Authority on the borrower's behalf.

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.

Origination fees reduce the amount of interest subsidy the Federal government pays to lenders on behalf of borrowers whether collected or waived. The rate of origination fees for loans first disbursed on or before June 30, 2006 is 3%. The Corporation does not charge this fee for Stafford loans and refunds the fees it is required to charge for PLUS loans in the form of a credit to the borrower's account. The rate of origination fees on loans first disbursed July 1, 2006 through June 30, 2007 remained at 3% for PLUS loans and was reduced to 2% for Stafford Loans. The rate of origination fees on loans first disbursed July 1, 2007 through June 30, 2008 remained at 3% for PLUS loans and was reduced to 1.5% for Stafford Loans. Origination fees are not assessed on Consolidation loans.

**Note 6. Bonds Payable**

The Corporation issued bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds and notes are secured only by loans funded by bond proceeds or otherwise pledged, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The Corporation's bonds and notes are each secured by assets held by a trustee

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

**Note 6. Bonds Payable (Continued)**

in one of three trust estates governed by the applicable general resolution and other bond documents. The bond documents require the Corporation to accumulate collections from borrowers to pay principal and interest on bonds. The bonds and notes do not constitute a debt, liability or obligation of the State of South Carolina or any agency thereof but are limited obligations of the Corporation.

The debt service funds in the applicable general resolution contain assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2008, the Corporation held funds on deposit in the debt service funds of \$ 11,181,853.

The bonds and notes outstanding as of June 30, 2008 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 06/30/07</u>	<u>Issued (Retired) During FY 08</u>	<u>Balance Outstanding 06/30/08</u>
17-Apr-02	\$210,000,000	6/1/2013	\$ 39,754,000	\$ (39,754,000)	\$ -
25-Jun-03	275,000,000	6/1/33-6/1/43	275,000,000	(275,000,000)	-
10-Nov-04	180,000,000	6/1/2034	180,000,000	-	180,000,000
19-Jul-05	700,000,000	12/3/18-12/1/23	700,000,000	-	700,000,000
11-Jul-06	500,000,000	12/2/19 - 12/1/22	500,000,000	-	500,000,000
25-Oct-06	182,000,000	9/4/2046	182,000,000	-	182,000,000
18-Jun-08	600,000,000	9/2/14-9/3/24	-	600,000,000	600,000,000
			<u>\$ 1,876,754,000</u>	<u>\$ 285,246,000</u>	<u>\$ 2,162,000,000</u>

**LIBOR Indexed Bonds Secured by 1996 General Resolution**

The Corporation's LIBOR Indexed Bonds totaled \$ 1,800,000,000 as of June 30, 2008 and have variable interest rates equal to three-month LIBOR plus 0.09% to 0.14% as adjusted quarterly. Throughout the year ended June 30, 2008, none of the rates exceeded 5.50%. Future interest payment projections are based upon the four-year weighted average rate at June 30, 2008, which was 4.118 %.

The LIBOR Indexed Bonds are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules. Failure by the Corporation to make any such payment contemplated by an applicable Targeted Amortization Schedule for the LIBOR Indexed Bonds under the 1996 General Resolution does not constitute a payment default. The Corporation intends to follow these payment schedules with respect to these bonds.

**Auction Rate Securities Secured by 2004 General Resolution**

The Corporation's auction rate securities ("ARS") totaled \$ 362,000,000 as of June 30, 2008, and have variable interest rates determined by auctions every 28 days. Payment of the principal of and interest on the ARS when due is insured by Ambac Assurance Corporation. The interest rates are subject to a maximum of the lesser of (i) a nominal cap of 17% or 20%, depending on the series, or (ii) one-month LIBOR plus 1.50% to 2.50%, depending on the then-current rating of the ARS. The ARS are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period.

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 6. Bonds Payable (Continued)**

Due to adverse market conditions, most auctions associated with ARS across a variety of sectors and asset classes have experienced widespread failure since February 11, 2008. All of the Corporation's auctions have failed since this date, and the interest rates have been set at the applicable maximum rates. This has had the effect of increasing the Corporation's relative cost of funds. Although the Corporation has no requirement to refinance its ARS, the Corporation was able to successfully refinance \$275,000,000 of ARS as part of the 2008-1 Series transaction. The Corporation is considering any refinancing options for the remainder of its outstanding ARS.

**LIBOR Notes Secured by 2008-1 General Resolution**

On June 25, 2008, the Corporation issued \$ 600,000,000 of Student Loan Backed Notes, 2008-1 Series, with variable interest rates ranging from three-month LIBOR plus 0.50% to 1.00%. Proceeds of the issue were used to (i) finance student loans, (ii) refinance certain prior bonds, (iii) fund the Debt Service Reserve Fund, (iv) fund the Operating Fund, (v) fund the Department Reserve Fund and (vi) pay cost of issuance.

Principal and interest on the LIBOR Notes are to be paid on each Distribution Date (the first business day of each March, June, September, and December beginning September 2008). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full and fourth on the A-4 Notes until paid in full. The LIBOR Notes issued under the 2008-1 General Resolution are subject to optional redemption on the Distribution Date immediately following the date when the Pool Balance is 10% or less of the Initial Pool Balance.

At June 30, 2008, the Corporation held in escrow \$ 209,761,959 of the 2008-1 Series Notes in order to redeem the 2003 Series Bonds that were refinanced. In July 2008, the Corporation paid \$ 209,000,000 on such bonds using funds from the escrow account.

**Projected Debt Service**

As of June 30, 2008, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ -	\$ 89,366,855	\$ 89,366,855
2010	-	90,979,712	90,979,712
2011	-	90,979,712	90,979,712
2012	168,435,000	88,797,633	257,232,633
2013	254,516,000	79,855,166	334,371,166
2014	204,385,000	69,882,333	274,267,333
2015	268,889,000	58,934,313	327,823,313
2016	148,153,000	50,991,555	199,144,555
2017	120,491,000	45,313,341	165,804,341
2018	371,477,000	37,719,114	409,196,114
2019	29,654,000	25,839,856	55,493,856
2020	116,000,000	24,204,030	140,204,030
2021	-	20,561,720	20,561,720
2022	-	20,561,720	20,561,720
2023	-	20,561,720	20,561,720
2024	-	20,561,720	20,561,720
2025	118,000,000	16,856,612	134,856,612

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

**Note 6. Bonds Payable (Continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ -	\$ 15,621,576	\$ 15,621,576
2027	-	15,621,576	15,621,576
2028	-	15,621,576	15,621,576
2029	-	16,823,235	16,823,235
2030	-	15,621,576	15,621,576
2031	-	15,621,576	15,621,576
2032	-	15,621,576	15,621,576
2033	-	15,621,576	15,621,576
2034	180,000,000	15,130,764	195,130,764
2035	-	7,853,941	7,853,941
2036	-	7,853,941	7,853,941
2037	-	7,853,941	7,853,941
2038	-	7,853,941	7,853,941
2039	-	7,853,941	7,853,941
2040	-	7,853,941	7,853,941
2041	-	7,853,941	7,853,941
2042	-	7,853,941	7,853,941
2043	-	7,853,941	7,853,941
2044	-	7,853,941	7,853,941
2045	-	7,853,941	7,853,941
2046	-	7,853,941	7,853,941
2047	182,000,000	1,812,449	183,812,449
<b>Totals</b>	<b>\$ 2,162,000,000</b>	<b>\$ 1,089,331,884</b>	<b>\$ 3,251,331,884</b>

**Note 7. Notes Payable - Finance Loans**

Each bond resolution of the Authority requires that all funds advanced to SCSLC by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Advances to SCSLC from the Authority's 1993 General Resolution are made pursuant to a loan agreement dated August 31, 1993, and advances to SCSLC from the Authority's 2002 General Resolution are made pursuant to a loan agreement dated June 12, 2002. Each loan is calculated as set forth in the respective loan agreements.

The finance loans as of June 30, 2008 and 2007 are as follows:

Authority Bond Resolution	<u>Balance 6/30/08</u>	<u>Balance 6/30/07</u>
1993	\$ 164,132,253	\$ 253,471,462
2002	846,800,361	560,211,966
<b>Total</b>	<b>\$ 1,010,932,614</b>	<b>\$ 813,683,428</b>

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 8. Warehouse Financing**

Initially on March 22, 2005, the Corporation entered into a one year line-of-credit agreement providing for advances to the Corporation funded by asset-backed commercial paper and secured by student loan receivables. The borrowing period was renegotiated annually under the same terms to end March 22, 2009. An extension is not guaranteed, but may be extended by written agreement among the borrower, the servicer, the lender, the alternative lender and the facility agent, with notice to the trustee. If the financing agreement is not extended, the Corporation must immediately find a new financing source and repay the line-of-credit. Interest is paid monthly at the commercial paper rate plus a spread and the interest rate ranged from 5.30% to 5.32% during 2008. The agreement calls for certain covenants which include maintaining at least a \$ 100 million net asset balance and a debt reserve account of 0.5% of the outstanding loan balance. The Corporation was in compliance with all covenants at June 30, 2008. The outstanding balance of the facility was \$ 169,522,888 at June 30, 2008 and can go up to \$ 300,000,000.

**Note 9. 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.

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such excess interest to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level.

**Note 10. Employee Benefit Plans**

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. BB&T 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 two years service and 100% vested after six 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 2008 is \$ 248,396 and is fully funded.

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 2008 was \$ 279,209, which the Authority reimbursed \$ 96,048 for employees. All employees are eligible who have completed one year of service and attainment of age 21. Contributions are 100% vested when made. Employees are eligible to make voluntary contributions to the Plan.

The Corporation also sponsors a defined benefit pension plan, a funded plan, and a post-retirement health care plan, an unfunded plan. The defined benefit pension plan covers substantially all employees with one year of service and over 21 years of age. The Defined Benefit Pension 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 Post-Retirement Health Care Plan originally paid 3% of the premium for the standard plan times years of service starting with 15% at five years of service up to 90% not to exceed the cost of the total premium. Employees who retired and met one of the following conditions were eligible: 1) 30 years of service at any age; 2) 10 years of service and age 60; 3) 25 years of service and age 55.

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

**Note 10. Employee Benefit Plans (Continued)**

As of January 1, 2008, the Post-Retirement Health Care Plan was amended. The Plan pays 2% of the premium for the standard plan times years of service not to exceed 60% of the total premium. No spousal benefits are provided. An employee is eligible if 1) 15 years of service and age 62 or 2) any employee at January 1, 2008 who met the prior plan eligibility at that date. The amendment accounted for \$ 2,405,621 of the \$ 2,408,762 reduction in the benefit obligation during 2008. The change will reduce future retiree health insurance payments by 30%.

The Corporation has certain investments, primarily mutual funds, which it considers as being held to pay post-retirement health benefits. These investments, which are stated in the accompanying balance sheet at \$ 4,005,424 at June 30, 2008 do not constitute plan assets under generally accepted accounting principles and are included in the accompanying balance sheet with the Corporation's other investments. Income and losses on these investments are accounted for in the same manner as the Corporation's other investments.

The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan.

The following sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Corporations plans; and the amounts recognized in the Corporations financial statements at June 30, 2008:

	Defined Benefit Plan	Post-Retirement Health Care Plan
Change in benefit obligation:		
Benefit obligation at end of prior plan year	\$ (7,310,618)	\$ (5,700,596)
Service cost	(308,235)	(259,080)
Interest cost	(444,992)	(251,939)
Amendments	-	2,405,621
Actuarial gain/(loss)	(363,849)	457,784
Actual distributions	176,525	56,376
<b>Benefit obligation at end of year</b>	<b><u>(8,251,169)</u></b>	<b><u>(3,291,834)</u></b>
Change in plan assets:		
Plan assets at fair value at beginning of year	6,868,285	-
Actual return on plan assets	(212,353)	-
Actual employer contributions	1,535,000	56,376
Actual distributions/benefits paid	(176,525)	(56,376)
<b>Plan assets at fair value at end of year</b>	<b><u>8,014,407</u></b>	<b><u>-</u></b>
<b>Funded status at end of year</b>	<b><u>(236,762)</u></b>	<b><u>(3,291,834)</u></b>
Amounts recognized in the balance sheets consists of:		
Noncurrent liabilities	<u>(236,762)</u>	<u>(3,291,834)</u>
Amounts recognized in unrestricted net assets consists of the following:		
Unrecognized net actuarial (gain)/loss	2,393,043	1,678,433
Unrecognized prior service cost	318,265	(2,012,766)
<b>Net amount recognized</b>	<b><u>\$ 2,711,308</u></b>	<b><u>\$ (334,333)</u></b>

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

**Note 10. Employee Benefit Plans (Continued)**

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2008. The measurement date of the projected benefits obligation and Plan assets was June 30, 2008.

	Defined Benefit Plan	Post-Retirement Health Care Plan
Assumptions Used (Continued)		
Weighted-average assumptions used in computing ending obligations		
Discount rate	6.00%	6.00%
Rate of compensation increase	4.00%	
Weighted-average assumptions used in computing net cost		
Discount rate	6.00%	6.00%
Rate of compensation increase	4.00%	
Expected return on plan assets	7.50%	

The Corporation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plans' asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projections in inflation over the long-term period during which benefits are payable to plan participants.

For measurement purposes, a 12% annual rate of increase in the per capita cost of health care was assumed for 2008; the rate was assumed to decrease in 2% increments to 6% for 2010, then decrease to 5% for 2011 and remain at that level thereafter. The health care cost trend assumption has a significant effect on the amounts reported.

Components of net periodic benefit cost and employee benefit-related changes other than net periodic pension cost are as follows:

	Defined Benefit Plan	Post-Retirement Health Care Plan
<b>Net periodic benefit cost</b>		
Service cost	\$ 308,235	\$ 259,080
Interest cost	444,992	251,939
Expected return on plan assets	(508,377)	-
Amortization of prior service cost	107,066	(48,961)
Amortization of net (gain)/loss	114,651	141,656
Net periodic benefit cost	466,567	603,714
Administrative expenses	66,735	-
	533,302	603,714

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

**Note 10. Employee Benefit Plans (Continued)**

	Defined Benefit Plan	Post-Retirement Health Care Plan	
Corporation's share	\$ 353,580	\$ 400,599	
Authority's share	179,723	203,115	
	<u>533,303</u>	<u>603,714</u>	
<b>Employee benefit - related changes other than net periodic pension cost</b>	Defined Benefit Plan	Post-Retirement Health Care Plan	Combined
Net (gain)/loss	\$ 1,084,579	\$ (599,440)	\$ 485,139
Prior service cost	-	(2,405,621)	(2,405,621)
Amortization of prior service cost	(107,066)	48,961	(58,105)
Amortization of net (Gain)/loss	(114,651)	-	(114,651)
Employee benefit-related changes other than net periodic benefit cost	<u>862,862</u>	<u>(2,956,100)</u>	<u>(2,093,238)</u>
Corporation's share	571,944	(1,958,094)	(1,386,150)
Authority's share	290,918	(998,006)	(707,088)
	<u>862,862</u>	<u>(2,956,100)</u>	<u>\$ (2,093,238)</u>
<b>Total net periodic benefit cost and employee benefit-related changes other than net periodic benefit cost</b>	<u>\$ 1,396,165</u>	<u>\$ (2,352,386)</u>	

The net pension expense for this Defined Benefit Pension Plan totaled \$ 1,329,429, plus \$ 66,736 of administrative expenses, totaling \$ 1,396,165 for the year ended June 30, 2008. The Authority contributed \$ 470,641 and the Corporation contributed \$ 925,524 to the expense for this Plan for its employees for the year ended June 30, 2008. No participant contributions are permitted by the pension plan.

The net post-retirement health care plan expense (benefit) totaled (\$ 1,090,903). Certain health care, dental, long-term disability and life insurance benefits are provided to active employees. Employees scheduled for 30 hours or more per week may be eligible to receive these benefits. The Corporation's share applicable to those benefits was (\$ 717,051) and the Authority's share was (\$ 373,852). The components of the net post-retirement health care plan benefit of (\$ 1,090,903) consisted of \$ 603,714 plan expenses, \$ 56,376 plan contributions, \$ 1,205,107 insurance premium contributions, and (\$ 2,956,100) benefit due to plan amendments, actuarial gains, and amortization of prior service cost.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$ 209,000 and \$ 107,000, respectively. The estimated net loss and prior service cost for the postretirement health care plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$ 105,000 and (\$ 185,000), respectively.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A 1% point change in assumed healthcare cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	\$ 90,000	(\$ 70,000)
Effect on postretirement benefit obligation	\$ 691,000	(\$ 538,000)

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 10. Employee Benefit Plans (Continued)**

The accumulated benefit obligations for the defined benefit pension plan and the post-retirement healthcare plan were \$ 7,074,124 and \$ 3,291,834, respectively, at June 30, 2008.

Defined Benefit Pension Plan assets include life insurance policies and mutual funds. There are no equity securities, debt securities or real estate in pension plan assets.

The Corporation's target asset allocation as of June 30, 2008, by asset category, is as follows:

<u>Asset Category</u>	
Equity securities	0%
Debt securities	0%
Real estate	0%
Other	100%

The Corporation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Corporation and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in the financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Plan's investments have likely incurred a significant decline in fair value since June 30, 2008.

The Corporation expects to contribute \$ 600,000 to its pension plan and \$ 67,000 to its postretirement benefit plan in 2009.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
2009	\$ 284,100	\$ 67,000
2010	310,600	79,000
2011	327,400	84,000
2012	348,500	93,000
2013	392,400	101,000
Year 2014-2018	922,100	770,000

**Note 11. Rental Property and Operating Leases**

The Corporation owns an office building and occupies approximately 68.5% of the building. The Corporation currently leases office space to five (5) tenants as of June 30, 2008. Certain lease expense is allocated to the Authority based on space occupied. The building has lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 104,917 in 2009; \$ 23,862 in 2010; and \$ 1,950 in 2011.

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**YEAR ENDED JUNE 30, 2008**

**Notes to Financial Statements**

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**Note 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.

**Note 13. Assets Released from Restrictions**

Net assets during the year ended June 30, 2008 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 335,445
Contractual services	27,261
General operating	46,343
Interest on debt	93,070,593
TLP cancellations	9,283,090
State recall of funds	500,000
Amortization of deferred cost of bond issuance	789,351
Payment to SC State Education Assistance Authority for student loan income	52,282,816
Loan fees	19,193,667
Reinsurance expense	355,388
Borrowers incentives	14,134,725
Broker dealer fees	1,135,315
Loan loss expense	5,661,792
Other	<u>891,024</u>
<b>Total expenses</b>	197,706,810
Employee benefits – related changes other than net periodic pension cost	(90,728)
Transfers to the 04 Resolution for operations	(9,739)
Transfers to tax exempt bonds for operations	(21,084)
Transfer to 08 resolution for operations	(3,358,617)
Transfer to Warehouse financing for operations	(771,094)
Transfers from taxable bonds for loan servicing	<u>56,871,135</u>
<b>Total</b>	<b>\$ <u>250,326,683</u></b>

**Note 14. Reclassifications**

Certain reclassifications were made on 2007 amounts on the statement of financial position and the statement of activities for comparability to 2008 with no effect on the change in net assets.

**Note 15. Board Designated Net Assets**

During fiscal year 2006, the board designated \$ 100,000 to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. In fiscal year 2007, the board designated \$ 2,000,000 for scholarships for South Carolina residents attending one of the state's public colleges or Universities.

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF FINANCIAL POSITION BY FUND  
JUNE 30, 2008**

	Unrestricted	Temporarily Restricted							Total
		Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	08 Resolution	Tax Exempt		
							93 Resolution	02 Resolution	
<b>ASSETS</b>									
Current Assets									
Cash and cash equivalents	\$ 77,235,941	\$ 11,545,596	\$ 4,515,735	\$ 69,348,421	\$ 109,957,304	\$ 154,484,460	\$ 11,280,243	\$ 1,572,030	\$ 439,939,730
Investments	183,345	-	-	-	-	-	-	-	183,345
Current portion of student loan receivables	1,228,000	1,942,736	11,269,000	194,336,000	22,674,000	37,180,000	17,050,000	57,950,000	343,629,736
Interest due from borrowers	634,406	2,147,596	2,081,486	21,429,418	16,425,820	11,450,170	1,496,616	19,559,356	75,424,868
Due from United States Department of Education	81	154	380,630	5,365,409	45,847	107,413	(1,137,014)	1,697,455	6,459,975
Due from SC State Education Assistance Authority	107,268	117,303	26,401	13,085,808	(12,342)	75,302	-	5,383,043	18,782,783
Accrued investment income	24,602	95,809	7,986	67,936	206,754	70,240	-	-	473,327
Miscellaneous operating receivables	11,771	-	-	-	-	-	-	-	11,771
Prepaid expenses	34,112	-	-	-	-	-	-	-	34,112
Due from (to) other funds	(5,409,961)	68,133	(43,603)	5,699,823	(115,638)	(201,250)	-	2,496	-
<b>Total current assets</b>	<b>74,249,565</b>	<b>15,917,327</b>	<b>18,237,635</b>	<b>309,332,815</b>	<b>149,181,745</b>	<b>203,166,335</b>	<b>28,689,845</b>	<b>86,164,380</b>	<b>884,939,647</b>
Investments and Long-Term Receivables									
Other student loan receivables less, current portion and allowance for loan loss	20,383,533	-	153,365,816	1,037,511,458	249,655,493	432,078,466	135,790,079	770,005,069	2,798,789,914
Teacher loans receivable - less allowance for teacher loan cancellations and current portion	-	13,197,576	-	-	-	-	-	-	13,197,576
Deferred cost of issuance of bonds	-	-	-	2,286,127	1,681,077	1,800,000	-	-	5,767,204
<b>Total investments and long-term receivables</b>	<b>20,383,533</b>	<b>13,197,576</b>	<b>153,365,816</b>	<b>1,039,797,585</b>	<b>251,336,570</b>	<b>433,878,466</b>	<b>135,790,079</b>	<b>770,005,069</b>	<b>2,817,754,694</b>
Property and Equipment									
Land	565,000	-	-	-	-	-	-	-	565,000
Building	2,431,329	-	-	-	-	-	-	-	2,431,329
Furniture and equipment	1,919,658	-	-	-	-	-	-	-	1,919,658
Automobiles	73,563	-	-	-	-	-	-	-	73,563
Less, accumulated depreciation	(1,749,498)	-	-	-	-	-	-	-	(1,749,498)
<b>Net property and equipment</b>	<b>3,240,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,240,052</b>
<b>Total assets</b>	<b>\$ 97,873,150</b>	<b>\$ 29,114,903</b>	<b>\$ 171,603,451</b>	<b>\$ 1,349,130,400</b>	<b>\$ 400,518,315</b>	<b>\$ 637,044,801</b>	<b>\$ 164,479,924</b>	<b>\$ 856,169,449</b>	<b>\$ 3,705,934,393</b>

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF FINANCIAL POSITION BY FUND  
JUNE 30, 2008**

	Unrestricted	Temporarily Restricted										Total		
		Operating/SLC	Teacher		Warehouse Financing		Temporarily Restricted				Tax Exempt			
			Loans				04 Resolution	08 Resolution	93 Resolution	96 Resolution	02 Resolution			
<b>LIABILITIES AND NET ASSETS</b>														
Current Liabilities														
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of bonds payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Warehouse Line of credit	-	-	-	169,522,888	-	-	-	-	-	-	-	-	-	169,522,888
Interest payable	-	-	-	-	2,700,138	577,937	337,591	-	-	-	-	-	-	3,615,666
Accounts payable	268,416	-	-	329,597	-	16,037	-	-	-	-	-	-	-	614,050
Compensated absences	328,363	-	35,655	-	-	-	-	-	-	-	-	-	-	364,018
Due to SC State Education Assistance Authority	-	-	-	-	-	-	-	-	-	382,458	-	-	-	1,579,200
<b>Total current liabilities</b>	<b>596,779</b>	<b>35,655</b>	<b>169,852,485</b>	<b>2,700,138</b>	<b>593,974</b>	<b>337,591</b>	<b>17,432,458</b>	<b>59,146,742</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>250,695,822</b>
Noncurrent liabilities														
Accrued pension payable	236,762	-	-	-	-	-	-	-	-	-	-	-	-	236,762
Retiree medical insurance payable	3,291,834	-	-	-	-	-	-	-	-	-	-	-	-	3,291,834
Bonds payable less, current maturities and bond premiums and discounts	-	-	-	1,193,624,410	362,000,000	600,000,000	-	-	-	-	-	-	-	2,155,624,410
Notes payable - finance loans less, current maturities	-	-	-	-	-	-	-	-	-	147,047,466	788,850,362	-	-	935,897,828
<b>Total noncurrent liabilities</b>	<b>3,528,596</b>	<b>-</b>	<b>-</b>	<b>1,193,624,410</b>	<b>362,000,000</b>	<b>600,000,000</b>	<b>147,047,466</b>	<b>788,850,362</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>3,095,050,834</b>
<b>Total liabilities</b>	<b>4,125,375</b>	<b>35,655</b>	<b>169,852,485</b>	<b>1,196,324,548</b>	<b>362,593,974</b>	<b>600,337,591</b>	<b>164,479,924</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>3,345,746,656</b>
Net Assets														
Temporarily restricted for bond indentures	-	-	-	2,700,138	309,370	-	-	-	-	-	-	-	-	11,181,853
Current debt service	-	-	-	150,105,714	37,614,971	36,707,210	-	-	-	-	-	-	-	224,427,895
Temporarily restricted for bond indentures	-	-	-	-	-	-	-	-	-	-	-	-	-	29,079,248
Temporarily restricted for teacher loans	-	29,079,248	-	-	-	-	-	-	-	-	-	-	-	1,750,966
Temporarily restricted for warehouse financing	-	-	1,750,966	-	-	-	-	-	-	-	-	-	-	2,100,000
Board designated for scholarships	2,100,000	-	-	-	-	-	-	-	-	-	-	-	-	2,100,000
Unrestricted	91,647,775	-	-	-	-	-	-	-	-	-	-	-	-	91,647,775
<b>Total net assets</b>	<b>93,747,775</b>	<b>29,079,248</b>	<b>1,750,966</b>	<b>152,805,852</b>	<b>37,924,341</b>	<b>36,707,210</b>	<b>164,479,924</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>847,997,104</b>	<b>360,187,737</b>
<b>Total liabilities and net assets</b>	<b>\$ 97,873,150</b>	<b>\$ 29,114,903</b>	<b>\$ 171,603,451</b>	<b>\$ 1,349,130,400</b>	<b>\$ 400,518,315</b>	<b>\$ 637,044,801</b>	<b>\$ 164,479,924</b>	<b>\$ 856,169,449</b>	<b>\$ 3,705,934,393</b>					

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF ACTIVITIES BY FUND  
YEAR ENDED JUNE 30, 2008**

	Temporarily Restricted						Total		
	Unrestricted	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	08 Resolution		93 Resolution	Tax Exempt 02 Resolution
<b>Revenue</b>									
Income from United States Department of Education student loan interest - subsidized	\$ 359	\$ 1,025	\$ 677,340	\$ 15,603,116	\$ 560,781	\$ 232,258	\$ 4,112,817	\$ 16,923,669	\$ 36,111,365
Special allowances	(21)		(285,855)	20,216,136	1,880,898	(120,495)	49,253	(2,459,064)	19,280,852
Student loan interest - non-subsidized	1,300,802	3,149,048	2,289,784	72,984,093	20,054,373	814,866	12,847,444	30,526,087	143,966,497
Investment income	1,704,925	515,619	50,331	3,173,761	2,810,895	70,240	-	216,074	8,541,845
Unrealized gain (loss) on investments	(430,280)	59,060	-	-	-	-	-	-	(371,220)
Late charges	2,364	21,582	14,225	1,222,340	94,753	9,591	63,116	181,352	1,609,323
Miscellaneous payments of student loans	22	275	(24)	15,813	(38)	(38)	2,007	3,560	21,577
Miscellaneous income	450	-	-	-	-	-	-	-	450
State appropriations - Department of Education	-	6,908,381	-	-	-	-	-	-	6,908,381
Building rental income	215,450	-	-	-	-	-	-	-	215,450
Remittance from SC State Education Assistance Authority for operating cost	7,999,493	-	-	-	-	-	-	-	7,999,493
<b>Total revenue</b>	<b>10,793,564</b>	<b>10,654,990</b>	<b>2,746,801</b>	<b>113,215,259</b>	<b>25,401,662</b>	<b>1,006,422</b>	<b>17,074,637</b>	<b>45,391,678</b>	<b>226,284,013</b>
<b>Expenses</b>									
Persomel	6,688,447	335,445	-	-	-	-	-	-	7,023,892
Contractual services	1,020,071	27,261	-	-	-	-	-	-	1,047,332
General operating	1,832,174	46,343	-	-	-	-	-	-	1,878,517
Interest on debt	-	-	1,866,116	71,706,471	19,160,414	337,592	-	-	93,070,593
TLP cancellations	-	9,283,090	-	-	-	-	-	-	9,283,090
State recall of funds	-	500,000	-	-	-	-	-	-	500,000
Amortization of deferred cost of bond issuance	-	-	-	735,131	54,220	-	-	-	789,351
Payments to SC State Education Assistance Authority for student loan income	-	-	-	-	-	-	12,516,023	39,766,793	52,282,816
Loan fees	-	-	408,667	10,254,750	879,987	1,803	3,164,621	4,483,839	19,193,667
Reinsurance expense	-	-	-	295,676	10,370	23	5,828	43,491	355,388
Borrower incentives	1,543	11,658	44,374	2,681,802	161,659	15,947	1,353,378	9,865,907	14,136,268
Broker dealer fees	-	-	5,397	533,855	596,063	-	-	-	1,135,315
Building rental expenses	493,375	-	-	-	-	-	-	-	493,375
Contributions	3,077,000	-	-	-	-	-	-	-	3,077,000
Loan loss expense	439,538	-	37,389	219,855	5,180,335	59,583	34,787	129,843	6,101,330
Other	1,389,640	64,769	250,000	576,255	-	-	-	-	2,280,664
<b>Total expenses</b>	<b>14,941,788</b>	<b>10,288,566</b>	<b>2,611,943</b>	<b>86,427,540</b>	<b>26,619,303</b>	<b>414,948</b>	<b>17,074,637</b>	<b>54,289,873</b>	<b>212,648,598</b>
<b>Employee benefits - related changes other than net periodic pension cost</b>									
Transfer Between Accounts	1,295,422	90,728	-	-	-	-	-	-	1,386,150
Transfers in	52,830,823	-	771,093	87,927	9,739	36,115,736	-	21,084	89,836,402
Transfers out	(120,222)	-	-	(88,134,215)	(1,581,965)	-	-	-	(89,836,402)
<b>Total transfers between accounts</b>	<b>52,710,601</b>	<b>-</b>	<b>771,093</b>	<b>(88,046,288)</b>	<b>(1,572,226)</b>	<b>36,115,736</b>	<b>-</b>	<b>21,084</b>	<b>-</b>
<b>Change in net assets</b>	<b>49,857,799</b>	<b>477,152</b>	<b>904,951</b>	<b>(61,258,569)</b>	<b>(2,789,867)</b>	<b>36,707,210</b>	<b>-</b>	<b>(8,877,111)</b>	<b>12,249,265</b>
Net Assets Beginning	43,889,976	28,602,096	846,015	214,064,421	40,714,208	-	-	17,049,456	345,166,172
<b>Ending</b>	<b>\$ 93,747,775</b>	<b>\$ 29,079,248</b>	<b>\$ 1,750,966</b>	<b>\$ 152,805,852</b>	<b>\$ 37,924,341</b>	<b>\$ 36,707,210</b>	<b>\$ -</b>	<b>\$ 8,172,345</b>	<b>\$ 357,415,437</b>

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**SCHEDULE OF CASH FLOWS BY FUND**  
**YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted										Total	
		Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	08 Resolution	Tax Exempt		93 Resolution	02 Resolution			
							09 Resolution	01 Resolution					
<b>Cash Flows from Operating Activities</b>													
Change in net assets	\$ 49,857,799	\$ 477,152	\$ 904,951	\$ (61,258,569)	\$ (2,789,867)	\$ 36,707,210	\$ -	\$ -	\$ (8,877,111)	\$ -	\$ -	\$ -	\$ 15,021,565
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities													
Depreciation	299,178	-	-	-	-	-	-	-	-	-	-	-	299,178
Unrealized (gain) on investments	27,135	-	-	-	-	-	-	-	-	-	-	-	27,135
Amortization of premiums and discounts on bonds payable	-	-	-	516,019	-	-	-	-	-	-	-	-	516,019
Amortization of cost of bond issuance	-	-	-	219,112	54,220	-	-	-	-	-	-	-	273,332
Allowance for Loan Loss	439,538	-	37,389	219,855	5,180,335	59,583	-	34,787	129,843	-	-	-	6,101,330
Changes in operating assets and liabilities													
(Increase) decrease in due from US Department of Education	36	302	(380,630)	7,848,394	1,102,813	(107,413)	-	2,525,181	2,047,638	-	-	-	13,036,321
(Increase) decrease in due from SC State Education Assistance Authority	(22,464)	2,634	(26,401)	14,776,545	22,637	(75,302)	-	-	3,788,272	-	-	-	18,465,921
(Increase) decrease in interest due from borrowers	(524,317)	(402,465)	(2,081,486)	4,581,060	(2,615,343)	(11,450,170)	-	2,576,003	(9,326,849)	-	-	-	(19,243,567)
(Increase) decrease in accrued investment income	19,521	4,098	(4,606)	87,783	99,040	(70,239)	-	-	-	-	-	-	135,597
(Increase) decrease in miscellaneous receivables	(11,108)	-	-	-	-	-	-	-	-	-	-	-	(11,108)
(Increase) decrease in prepaid expenses	(25,426)	-	-	-	-	-	-	-	-	-	-	-	(25,426)
Increase (decrease) in interest payable	-	-	-	(3,534,499)	(87,618)	337,591	-	-	-	-	-	-	(3,284,526)
Increase (decrease) in accounts payable	(36,811)	-	326,679	-	(87,427)	-	-	-	-	-	-	-	202,441
Increase (decrease) in accrued pension expense	(205,571)	-	-	-	-	-	-	-	-	-	-	-	(205,571)
Increase (decrease) in compensated absences	(24,026)	(3,695)	-	-	-	-	-	-	-	-	-	-	(27,721)
Increase (decrease) in retiree medical insurance payable	(2,408,762)	-	-	-	-	-	-	-	-	-	-	-	(2,408,762)
Increase (decrease) in due to SC State Education Assistance Authority	-	-	-	422	-	-	-	(5,170,473)	(4,307,741)	-	-	-	(9,477,792)
Due to (from) other funds	5,518,839	(56,615)	43,603	(5,693,830)	(12,733)	201,250	-	-	(514)	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>52,903,561</b>	<b>21,411</b>	<b>(1,180,501)</b>	<b>(42,237,708)</b>	<b>866,057</b>	<b>25,602,510</b>	<b>(34,502)</b>	<b>(16,546,462)</b>	<b>19,394,366</b>	<b>(514)</b>	<b>-</b>	<b>-</b>	<b>19,394,366</b>
<b>Cash Flows from Investing Activities</b>													
Purchase of property and equipment	(268,931)	-	-	-	-	-	-	-	-	-	-	-	(268,931)
Purchase and issuance of student loans	(15,788,469)	(10,346,110)	(167,691,784)	(168,842,548)	(88,576,357)	(470,025,150)	-	(196,386,641)	(475,435,598)	-	-	-	(1,593,092,657)
Principal payments on student loans	2,775,700	817,501	3,019,580	549,424,220	119,133,124	707,100	-	279,636,177	195,743,213	-	-	-	1,151,256,615
Teacher loan cancellations	-	9,283,090	-	-	-	-	-	-	-	-	-	-	9,283,090
<b>Net cash provided by (used in) investing activities</b>	<b>(13,281,700)</b>	<b>(245,519)</b>	<b>(164,672,204)</b>	<b>380,581,672</b>	<b>30,556,767</b>	<b>(469,318,050)</b>	<b>83,249,536</b>	<b>(279,692,385)</b>	<b>(432,821,863)</b>	<b>(279,692,385)</b>	<b>-</b>	<b>-</b>	<b>(432,821,863)</b>

**SOUTH CAROLINA STUDENT LOAN CORPORATION**  
**SCHEDULE OF CASH FLOWS BY FUND**  
**YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted						Total	
		Teacher Loans	Warehouse Financing	Temporarily Restricted			Tax Exempt		
				96 Resolution	04 Resolution	08 Resolution	93 Resolution		02 Resolution
Operating/SLC									
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,300,000	\$ 332,108,896	\$ 519,408,896
	-	-	-	-	-	-	(276,673,996)	(45,520,500)	(322,194,496)
	-	169,522,888	-	-	-	-	-	-	169,522,888
	-	-	-	-	-	-	-	-	-
	-	-	-	-	600,000,000	-	-	-	600,000,000
	-	-	(314,754,000)	-	-	-	-	-	(314,754,000)
	-	-	-	-	(1,800,000)	-	-	-	(1,800,000)
	-	169,522,888	(314,754,000)	-	598,200,000	-	(89,373,996)	286,588,396	650,183,288
	39,621,861	(224,108)	3,670,183	23,589,964	31,422,824	154,484,460	(6,158,962)	(9,650,451)	236,755,771
<b>Net increase (decrease) in cash and cash equivalents</b>									
Cash and Cash Equivalents									
Beginning	37,614,080	11,769,704	845,552	45,758,457	78,534,480	-	17,439,205	11,222,481	203,183,959
<b>Ending</b>	<b>77,235,941</b>	<b>11,545,596</b>	<b>4,515,735</b>	<b>69,348,421</b>	<b>109,957,304</b>	<b>154,484,460</b>	<b>11,280,243</b>	<b>1,572,030</b>	<b>439,939,730</b>
Supplemental Disclosure of Cash Flow Information									
Cash payments for interest	-	-	1,866,115	75,240,969	19,248,032	-	-	-	96,355,116
Supplemental Disclosures of Non-Cash Transactions									
Retirement of fixed assets - investing activities	477,666	-	-	-	-	-	-	-	477,666
Write-off of accumulated depreciation related to retired assets - investing activities	\$ 477,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,666

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF PROPERTY AND EQUIPMENT  
YEAR ENDED JUNE 30, 2008**

Description and Rate	Cost	Accumulated Depreciation 6/30/07	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/08
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	201,996	62,341	-	<b>264,337</b>
Furniture and Fixtures					
Computer equipment	1,126,339	1,205,234	103,607	477,666	<b>831,175</b>
Other office machines	388,707	221,558	49,959	-	<b>271,517</b>
Telephone equipment	314,356	185,057	62,871	-	<b>247,928</b>
Miscellaneous	90,256	84,890	5,366	-	<b>90,256</b>
<b>Total furniture and fixtures</b>	<u>1,919,658</u>	<u>1,696,739</u>	<u>221,803</u>	<u>477,666</u>	<u><b>1,440,876</b></u>
Automobiles					
2004 Buick LeSabre	20,215	20,214	-	-	<b>20,214</b>
2008 Buick Lucerne	33,015	-	8,256	-	<b>8,256</b>
2005 Buick LeSabre	20,333	9,037	6,778	-	<b>15,815</b>
<b>Total automobiles</b>	<u>73,563</u>	<u>29,251</u>	<u>15,034</u>	<u>-</u>	<u><b>44,285</b></u>
 <b>Grand total</b>	 <u><u>\$ 4,989,550</u></u>	 <u><u>\$ 1,927,986</u></u>	 <u><u>\$ 299,178</u></u>	 <u><u>\$ 477,666</u></u>	 <u><u>\$ 1,749,498</u></u>



**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF ORGANIZATIONAL DATA  
YEAR ENDED JUNE 30, 2008**

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.

**BOARD OF DIRECTORS OF THE CORPORATION**

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
William G. McMaster	Chairman	2009
Robert R. Hill, Jr.	Vice Chairman	2009
J. Edward Norris, III	Treasurer	2010
Charlie C. Sanders, Jr.	Secretary, President & CEO	2010
Dr. Julia Boyd		2011
R. Jason Caskey, CPA		2011
Neil E. Grayson, Esq.		2011
Fredrick T. Himmelein, Esq.		2010
J. Thornton Kirby, Esq.		2011
William M. Mackie, Jr.		2010
Jeffrey R. Scott		2009

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

<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		\$ 19,280,852
Subsidized interest	84.032		<u>38,111,365</u>
<b>Total U.S. Department of Education     programs (major program)</b>			\$ <u>57,392,217</u>

Summary of Significant Accounting Policies

This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during its fiscal year July 1, 2007 through June 30, 2008.



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

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K. Todd Dailey, CPA, CVA  
Timothy M. Monahan, CPA  
**RSM McGladrey Network**  
An Independently Owned Member

**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, 2008, and have issued our report thereon dated September 24, 2008. 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.

**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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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*.

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, L.L.P.*

September 24, 2008



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

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

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

**Compliance**

We have audited the compliance of the South Carolina Student Loan Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. 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, 2008.

**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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Carolina Student Loan Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use 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*

September 24, 2008

**SOUTH CAROLINA STUDENT LOAN CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

1. Summary of Auditor's Results:

(i)	Type of report issued on financial statements			Unqualified
(ii)	Material weaknesses in internal control over financial reporting			None Identified
(iii)	Significant deficiencies not considered to be material weaknesses in internal control over financial reporting			None Identified
(iv)	Noncompliance material to the financial statements			None Noted
(v)	Material weaknesses in internal control over major programs			None Identified
(vi)	Significant deficiencies 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	<u>CFDA#</u>	<u>Expenditure</u>	
	Special allowances	84.032	\$ 19,280,852	
	Subsidized interest	84.032	<u>38,111,365</u>	
	Total federal family education loan program (major program)		<u>\$ 57,392,217</u>	
(x)	Dollar threshold used to distinguish between Type A and Type B programs			\$ 1,721,766
(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, 2008**

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, 2008**

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