

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2005

**SOUTH CAROLINA STUDENT LOAN CORPORATION
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YEAR ENDED JUNE 30, 2005**

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INDEPENDENT AUDITOR'S 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, 2005, 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 2004 financial statements and, in our report dated August 25, 2004, 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, 2005 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 26, 2005 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 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 on pages 17 - 26 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrick, Stubbs & Stith, LLP

Columbia, SC
August 26, 2005

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR 2004)

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 16,740,489	\$ 140,790,266	\$ 157,530,755	\$ 81,901,207
Investments	160,006		160,006	148,186
Current portion of student loan receivables	50,000	329,856,145	329,906,145	275,823,955
Interest due from borrowers	43,249	26,222,292	26,265,541	26,637,740
Due from United States Department of Education	26	14,056,872	14,056,898	7,053,917
Due from SC State Education Assistance Authority	448,078	92,722,616	93,170,694	28,808,236
Accrued investment income	3,365	255,776	259,141	78,791
Miscellaneous operating receivables	12,061		12,061	806
Prepaid expenses	119,442		119,442	30,238
Due from (to) other funds	75,926	(75,926)		
Total current assets	17,652,642	603,828,041	621,480,683	420,483,076
Investments and Long-Term Receivables				
Other student loan receivables less current portion	1,658,389	1,866,499,389	1,868,157,778	1,674,359,577
Teacher loans receivable - net allowance for teacher loan cancellations of \$ 16,041,007 and current portion		5,294,788	5,294,788	5,580,712
Deferred cost of issuance of bonds		3,149,978	3,149,978	3,154,621
Total investments and long-term receivables	1,658,389	1,874,944,155	1,876,602,544	1,683,094,910
Property and Equipment				
Land	565,000		565,000	565,000
Building	2,431,329		2,431,329	2,431,329
Furniture and equipment	1,814,680		1,814,680	2,039,071
Automobiles	42,764		42,764	41,049
Less, accumulated depreciation	(1,440,587)		(1,440,587)	(1,564,991)
Net property and equipment	3,413,186	-	3,413,186	3,511,458
Total assets	\$ 22,724,217	\$ 2,478,772,196	\$ 2,501,496,413	\$ 2,107,089,444

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR 2004)

	2005			2004 Totals Memorandum Only
LIABILITIES AND NET ASSETS	Unrestricted	Temporarily Restricted	Total	
Current Liabilities				
Current portion of notes payable - finance loans	\$	\$ 76,400,000	\$ 76,400,000	\$ 64,800,000
Current maturities of bonds payable		225,169,000	225,169,000	206,241,475
Warehouse financing		141,133,909	141,133,909	
Interest payable		2,244,985	2,244,985	1,111,826
Accounts payable	53,282	381,162	434,444	63,724
Accrued pension payable	218,281		218,281	275,956
Compensated absences	300,128	35,297	335,425	253,760
Retiree medical insurance payable	1,610,867		1,610,867	911,913
Due to SC State Education Assistance Authority		9,678,139	9,678,139	8,214,023
Total current liabilities	2,182,558	455,042,492	457,225,050	281,872,677
Long-Term Debt				
Bonds payable less current maturities and bond premiums and discounts of \$ 3,747,088		1,086,855,912	1,086,855,912	1,131,810,720
Notes payable - finance loans less current maturities		696,004,853	696,004,853	458,749,392
Total long-term debt	-	1,782,860,765	1,782,860,765	1,590,560,112
Total liabilities	2,182,558	2,237,903,257	2,240,085,815	1,872,432,789
Net Assets				
Temporarily restricted:				
For bond indentures - current debt service		26,101,084	26,101,084	22,501,568
For bond indentures		192,069,807	192,069,807	155,319,989
For teacher loans		22,244,312	22,244,312	22,458,756
For warehouse financing		453,736	453,736	
Total temporarily restricted		240,868,939	240,868,939	200,280,313
Unrestricted	20,541,659		20,541,659	34,376,342
Total net assets	20,541,659	240,868,939	261,410,598	234,656,655
Total liabilities and net assets	\$ 22,724,217	\$ 2,478,772,196	\$ 2,501,496,413	\$ 2,107,089,444

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR 2004)

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Revenue				
Income from United States Department of Education				
Student loan interest - subsidized	\$ 14	\$ 15,243,932	\$ 15,243,946	\$ 14,469,282
Special allowances	88	37,139,732	37,139,820	12,859,558
Student loan interest - non-subsidized	323,508	67,018,798	67,342,306	60,060,055
Investment income	295,420	2,478,336	2,773,756	1,495,102
Unrealized gain (loss) on investments	11,820	(118,511)	(106,691)	(121,577)
Late charges	1,880	1,370,213	1,372,093	876,345
Miscellaneous payments of student loans		5,130	5,130	9,289
State appropriations - Department of Education		4,831,932	4,831,932	4,377,048
Building rental income	194,776		194,776	52,005
Remittance from SC State Education Assistance Authority for operating cost	4,198,752		4,198,752	6,046,015
Net assets released from restrictions	87,380,936	(87,380,936)		
Total revenue	92,407,194	40,588,626	132,995,820	100,123,122
Expenses				
Personnel	6,218,889		6,218,889	5,737,232
Contractual services	830,246		830,246	680,454
General operating	1,696,620		1,696,620	1,762,729
Interest on debt	34,204,327		34,204,327	17,927,494
TLP cancellations	6,392,751		6,392,751	5,573,014
Amortization of deferred cost of bond issuance	1,163,743		1,163,743	1,578,864
Payments to SC State Education Assistance Authority for student loan income	22,670,453		22,670,453	5,045,972
Loan fees	11,084,863		11,084,863	8,779,508
Reinsurance expense	236,745		236,745	120,271
Borrower incentives	18,353,274		18,353,274	15,485,920
Broker dealer fees	2,070,901		2,070,901	1,856,612
Building rental expenses	339,723		339,723	111,762
Other	979,342		979,342	408,501
Total expenses	106,241,877	-	106,241,877	65,068,333
Change in net assets	(13,834,683)	40,588,626	26,753,943	35,054,789
Net Assets				
Beginning	34,376,342	200,280,313	234,656,655	199,601,866
Ending	\$ 20,541,659	\$ 240,868,939	\$ 261,410,598	\$ 234,656,655

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR 2004)

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Cash Flows from Operating Activities				
Change in net assets	\$ (13,834,683)	\$ 40,588,626	\$ 26,753,943	\$ 35,054,789
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	283,526		283,526	161,774
Amortization of premiums and discounts on bonds payable		214,191	214,191	532,791
Amortization of cost of bond issuance		949,552	949,552	1,046,072
Changes in operating assets and liabilities				
(Increase) decrease in due from Department of Education	13	(7,002,994)	(7,002,981)	(1,284,410)
(Increase) decrease in due from SCSEAA	(348,155)	(64,014,303)	(64,362,458)	(28,725,061)
(Increase) decrease in interest due from borrowers	525,129	(152,930)	372,199	2,976,969
(Increase) decrease in accrued investment income	(3,365)	(176,985)	(180,350)	90,213
(Increase) decrease in miscellaneous receivables	(11,255)		(11,255)	57,570
(Increase) decrease in prepaid expenses	(89,204)		(89,204)	(25,323)
Increase (decrease) in interest payable		169,400	169,400	(119,659)
Increase (decrease) in accounts payable	(10,442)	1,344,921	1,334,479	(157,361)
Increase (decrease) in accrued pension expense	(57,675)		(57,675)	(513,123)
Increase (decrease) in compensated absences	74,939	6,726	81,665	49,686
Increase (decrease) in retiree medical insurance payable	698,954		698,954	
Increase (decrease) in due to SCSEAA		1,464,116	1,464,116	1,931,163
Due to (from) other funds	(69,668)	69,668		
Net cash provided by (used in) operating activities	(12,841,886)	(26,540,012)	(39,381,898)	11,076,090
Cash Flows from Investing Activities				
Purchase of property and equipment	(185,254)		(185,254)	(3,334,432)
Purchase and issuance of student loans	(876,213)	(1,008,290,668)	(1,009,166,881)	(727,051,649)
Principal payments on student loans	18,230,050	736,949,613	755,179,663	505,493,651
Teacher loan cancellations		6,392,751	6,392,751	5,573,014
Unrealized (gain) loss on investments	(11,820)		(11,820)	(70,577)
Net cash provided by (used in) investing activities	\$ 17,156,763	\$ (264,948,304)	\$ (247,791,541)	\$ (219,389,993)

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR 2004)

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Cash Flows from Financing Activities				
Proceeds from financing loans	\$	\$ 647,181,033	\$ 647,181,033	\$ 648,162,256
Payments on financing loans		(398,325,572)	(398,325,572)	(385,685,638)
Proceeds from warehouse financing		141,133,909	141,133,909	
Proceeds from bond issuance		180,000,000	180,000,000	
Payments of bonds		(206,241,475)	(206,241,475)	(130,363,888)
Payment of costs of bond issuance		(944,908)	(944,908)	(473,418)
Net cash provided by financing activities	-	362,802,987	362,802,987	131,639,312
Net increase (decrease) in cash and cash equivalents	4,314,877	71,314,671	75,629,548	(76,674,591)
Cash and cash equivalents				
Beginning	12,425,612	69,475,595	81,901,207	158,575,798
Ending	16,740,489	140,790,266	157,530,755	81,901,207
Supplemental Disclosures of Cash Flow Information				
Cash payments for interest	-	33,071,168	33,071,168	18,047,153
Supplemental Disclosures of Non-Cash Transactions				
Retirement of fixed assets - investing activities	407,931	-	407,931	209,483
Write-off of accumulated depreciation related to retired assets - investing activities	\$ 407,931	\$ -	\$ 407,931	\$ 209,483

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

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 it is received as required by loan agreements.

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

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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 with the Royal Bank of Canada 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Concentration risk: The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At June 30, 2005, the amount on deposit in one commercial bank exceeded the insurance limits of the FDIC by approximately \$ 2,020,000. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 loan cancellations times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$ 16,041,007 at June 30, 2005.

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. 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.

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, 2004, 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:

Unrestricted	Cost	Market Value
Demand deposits	\$ 2,216,233	\$ 2,216,233
Repurchase agreements	404,611	404,611
South Carolina state treasurer pool	271,938	271,938
U.S. agency bond	4,697,707	4,697,707
Corporate bonds	<u>9,150,000</u>	<u>9,150,000</u>
Total unrestricted	\$ <u>16,740,489</u>	\$ <u>16,740,489</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Temporarily Restricted		
Demand deposit	\$ 310	\$ 310
Money market fund	10,610,867	10,610,867
Repurchase agreements	266,404	266,404
Collateralized demand deposit	39,174,572	39,174,572
South Carolina state treasurer pool	6,604,603	6,645,997
Guaranteed investment contracts	<u>84,092,117</u>	<u>84,092,116</u>
Total temporarily restricted	\$ <u>140,748,873</u>	\$ <u>140,790,266</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 6,645,997.

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>160,006</u>

Note 4. Amounts Due from/to the Corporation

The \$ 9,678,139 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education and borrowers' payments at June 30. These funds will be remitted to the Authority when received or by the tenth of each month. The Authority also owes the Corporation funds collected on their behalf of \$ 93,170,694. 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 2005 and 2004, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 2.77% to 4.32%, 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 and are reinsured by the U. S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but before October 1, 1998, and 95% for loans made on or after October 1, 1998. Prior to March 1, 1999, loan recipients paid an amount equal to 1/2 of 1% of the principal amount of the loan as a guaranty premium. Since March 1, 1999, guaranty premiums have not been charged, however, the Authority reserves the right to reinstate such charges at such times and in such lawful amounts as it deems appropriate.

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

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

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

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

Note 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. 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, 2005, the Corporation was required to have assets deposited in the current debt service account of \$ 26,101,084.

The Education Loan Revenue Bonds as of June 30, 2005 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/04</u>	<u>Issued (Retired) During FY 05</u>	<u>Balance Outstanding 6/30/05</u>
July 11, 1996	\$ 223,900,000	9/1/26	\$ 85,000,000	\$	\$ 85,000,000
May 15, 1997	335,300,000	12/1/07-9/1/27	82,160,677	(2,160,677)	80,000,000
May 14, 1998	211,400,000	9/1/2033	211,400,000		211,400,000
July 18, 2000	150,000,000	6/1/2010	122,971,798	(122,971,798)	
May 23, 2001	400,000,000	6/1/2012	355,481,000	(81,109,000)	274,372,000
April 30, 2002	210,000,000	6/1/2013	210,000,000		210,000,000
June 25, 2003	275,000,000	6/1/33-6/1/43	275,000,000		275,000,000
Nov. 10, 2004	180,000,000	6/1/34		180,000,000	180,000,000
			\$ <u>1,342,013,475</u>	\$ <u>(26,241,475)</u>	\$ <u>1,315,772,000</u>

The Corporation's Auction Rate Bonds totaled \$ 831,400,000 as of June 30, 2005, and have variable interest rates determined by auctions every 7 to 28 days, subject to a maximum of the lesser of 20% or certain variable caps that vary among the series. The Corporation's LIBOR Indexed Bonds totaled \$ 297,186,000 as of June 30, 2005 and have variable interest rates equal to three-month LIBOR plus 0.13% to 0.15% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 187,186,000 and have variable interest rates ranging from the three-month Commercial Paper indexed rate plus 0.24% to 0.25% as adjusted weekly or monthly. Throughout the year ended June 30, 2005, none of the rates exceeded 4.00%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2005, which was 3.63 %.

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

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

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

As of June 30, 2005, the scheduled debt service to retire these bonds is as follows:

	Principal	Interest	Totals
2006	\$ 225,169,000	\$ 42,965,957	\$ 268,134,957
2007	219,449,000	35,843,630	255,292,630
2008	39,754,000	30,420,332	70,174,332
2009		30,179,820	30,179,820
2010		30,179,820	30,179,820
2011		30,179,820	30,179,820
2012		30,179,820	30,179,820
2013		30,179,820	30,179,820
2014		30,179,820	30,179,820
2015		30,179,820	30,179,820
2016		30,179,820	30,179,820
2017		30,179,820	30,179,820
2018		30,179,820	30,179,820
2019		30,179,820	30,179,820
2020		30,179,820	30,179,820
2021		30,179,820	30,179,820
2022		30,179,820	30,179,820
2023		30,179,820	30,179,820
2024		30,179,820	30,179,820
2025		30,179,820	30,179,820
2026		30,179,820	30,179,820
2027	85,000,000	27,608,570	112,608,570
2028	80,000,000	24,674,320	104,674,320
2029		24,190,320	24,190,320
2030		24,190,320	24,190,320
2031		24,190,320	24,190,320
2032		24,190,320	24,190,320
2033	209,000,000	23,558,095	232,558,095
2034	391,400,000	10,208,770	401,608,770
2035		2,395,800	2,395,800
2036		2,395,800	2,395,800
2037		2,395,800	2,395,800
2038		2,395,800	2,395,800
2039		2,395,800	2,395,800
2040		2,395,800	2,395,800
2041		2,395,800	2,395,800
2042		2,395,800	2,395,800
2043	66,000,000		66,000,000
Totals	\$ 1,315,772,000	\$ 854,444,114	\$ 2,170,216,114

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

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, 2005 and 2004 are as follows:

<u>Authority Bond Resolution</u>	<u>Balance 6/30/05</u>	<u>Balance 6/30/04</u>
1993	\$ 388,842,022	\$ 323,895,594
2002	383,562,831	199,653,798
Total	\$ 772,404,853	\$ 523,549,392

Note 8. Warehouse Financing

On March 22, 2005, the Corporation entered into a Warehouse Line financing agreement with Royal Bank of Canada providing for advances to the Corporation not to exceed an aggregate outstanding principal balance of \$ 150,000,000 and is secured by student loan receivables. The borrowing period ends March 21, 2006. 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. During the year, the Corporation received advances totaling \$ 141,133,909 on the Warehouse Line which is also the June 30, 2005 balance. No principal payments were made during the year. Interest is paid monthly at the commercial paper rate plus 0.27% and the interest rate ranged from 3.12% to 3.54%. 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, 2005.

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.

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. The Corporation has adopted the Branch Banking & Trust Co. (BB&T) Money Purchase Pension Plan. 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 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

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 10. Employee Benefit Plans (Continued)

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 2005 is \$ 203,440 and is fully funded.

The Corporation also sponsors a defined benefit pension plan and a post-retirement health care plan covering 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 pays 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.

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 net pension expense for this Defined Benefit Pension Plan totaled \$ 455,925, plus \$ 36,786 of administrative expenses, totaling \$ 492,711 for the year ended June 30, 2005. The Authority contributed \$ 161,372 to the expense for this Plan for its employees for the year ended June 30, 2005. The net post-retirement health care plan expense totaled \$ 698,954 with the Authority contributing \$ 251,623. The components of the cost charged to expense consisted of the following:

	Defined Benefit Plan	Post-Retirement Health Care Plan
Service cost (benefits earned)	\$ 273,943	\$ 243,481
Interest cost on projected benefit obligation	314,467	218,790
Actual return on assets	(310,510)	
Net amortization and deferral	228,119	236,683
Minimum liability	(50,094)	
Net pension cost	<u>\$ 455,925</u>	<u>\$ 698,954</u>

The following sets forth the Plan's funded status as of June 30, 2005. The measurement date of the projected benefits obligation and Plan assets was June 30, 2005.

	Defined Benefit Plan	Post-Retirement Health Care Plan
Actuarial Present Value of Benefit Obligations		
Vested benefit obligation	\$ 4,855,325	\$ 1,070,695
Non-vested benefit obligation	146,054	3,086,655
Accumulated benefit obligation	<u>5,001,379</u>	<u>4,157,350</u>
Projected benefits	(5,823,387)	(4,157,350)
Plan assets at fair value	4,783,098	
Projected benefit obligation (in excess of) plan assets	(1,040,289)	(4,157,350)
Unrecognized prior service cost	637,997	506,951
Unrecognized net loss	1,489,392	2,039,532
Required additional minimum liability	(1,305,381)	
Accrued pension cost	<u>\$ (218,281)</u>	<u>\$ (1,610,867)</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 10. Employee Benefit Plans (Continued)

	Defined Benefit Plan	Post-Retirement Health Care Plan
	<u>Plan</u>	<u>Plan</u>
Assumptions Used		
Weighted-average assumptions used in computing ending obligations		
Discount rate	6.25%	6.00%
Rate of compensation increase	4.00%	
Weighted-average assumptions used in computing net cost		
Discount rate	6.25%	6.25%
Rate of compensation increase	4.00%	
Expected return on plan assets	7.50%	

Defined Benefit Pension Plan assets include life insurance policies and mutual funds and employer contributions were \$ 513,600. No participant contributions are permitted by the Pension Plan. Pension benefit payments made during the years ended June 30, 2005 totaled \$ 26,277. Actual paid contributions and benefits were \$ 21,313 for the year ending June 30, 2005 for the post-retirement health care plan.

For measurement purposes, a 14% annual rate of increase in the per capita cost of health care was assumed for 2006; 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. For instance, increasing the assumed health care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation as of June 30, 2005 by approximately \$ 915,000 and the service and interest cost components of net postretirement health care cost for the year then ended by approximately \$ 110,000.

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 2005 was \$ 225,653, which the Authority reimbursed \$ 88,553 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.

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 those benefits. Employer contributions applicable to those benefits were \$ 1,069,203 in 2005.

Note 11. Operating Leases

The Corporation leased office space under a lease that was to expire October 31, 2006. However, during March 2004, the Corporation purchased the land and building and currently leases office space to nine (9) tenants as of June 30, 2005. Certain lease expense is allocated to the Authority based on space occupied.

Note 12. Rental Property and Operating Leases

As described in Note 10, the Corporation purchased an office building. The Corporation occupies approximately 71% of the space. The building has lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 86,659 in 2006; \$ 84,979 in 2007; \$ 56,827 in 2008; and \$ 2,600 in 2009.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2005

Notes to Financial Statements

Note 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.

Note 14. Assets Released from Restrictions

Net assets during the year ended June 30, 2005 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$	305,424
Contractual services		28,781
General operating		47,043
Interest on debt		34,204,327
TLP cancellations		6,392,751
Amortization of deferred cost of bond issuance		1,163,743
Payment to SC State Education Assistance Authority for student loan income		22,670,453
Loan fees		11,084,863
Reinsurance expense		236,745
Borrowers incentives		18,350,840
Broker dealer fees		2,070,901
Other		<u>1,115,163</u>
Total expenses		97,671,034
Transfers to the 04 Resolution for capital for issuance	(18,312,265)
Transfers to warehouse line for operations	(122,660)
Transfers to tax exempt bonds for operations	(2,099)
Transfers from taxable bonds for loan servicing		<u>8,146,926</u>
Total	\$	<u>87,380,936</u>

Note 15. Reclassifications

Certain reclassifications were made on 2004 amounts on the statement of financial position and the statement of activities for comparability to 2005 with no effect on the change in net assets.

Note 16. Subsequent Event

On July 19, 2005, the Corporation issued \$ 700,000,000 in Education Loan Revenue Bonds that consists of three series. Series A-1 in the amount of \$ 264,000,000 matures on December 3, 2018; Series A-2 in the amount of \$ 210,000,000 matures on December 1, 2020; Series A-3 in the amount of \$ 226,000,000 matures on December 1, 2023. The Bonds are issued as Senior Lien Bonds pursuant to a June 7, 1996 General Resolution and a Series Resolution effective as of July 7, 2005. The bonds will be used to refund the 1996, 1997 and 1998 bond issues as described in Note 6 totaling \$ 376,400,000. The remaining amount will be used to finance student loans, fund a reserve and pay costs of issuance.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUNI
JUNE 30, 2005

	Unrestricted	Temporarily Restricted						Total
	Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	Tax Exempt		
						93 Resolution	02 Resolution	
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 16,740,489	\$ 6,645,997	\$ 7,992,372	\$ 39,254,144	\$ 49,970,995	\$ 23,862,553	\$ 13,064,205	\$ 157,530,755
Investments	160,006							160,006
Current portion of student loan receivables	50,000	8,915,145	19,281,000	206,866,000	18,394,000	41,256,000	35,144,000	329,906,145
Interest due from borrowers	43,249	1,195,849	682,056	15,655,728	3,044,770	2,380,146	3,263,743	26,265,541
Due from United States Department of Education	26	3,501	779,116	7,312,200	656,293	2,489,154	2,816,608	14,056,898
Due from SC State Education Assistance Authority	448,078	156,065	5,000	70,135,969	29,286		22,396,296	93,170,694
Accrued investment income	3,365	50,410	10,060	94,750	100,556			259,141
Miscellaneous operating receivables	12,061							12,061
Prepaid expenses	119,442							119,442
Due from (to) other funds	75,926	17,854	(35,388)	6,995	(60,387)	(5,000)		-
Total current assets	17,652,642	16,984,821	28,714,216	339,325,786	72,135,513	69,982,853	76,684,852	621,480,683
Investments and Long-Term Receivables								
Other student loan receivables less, current portion	1,658,389		113,170,744	987,732,377	126,522,702	323,796,824	315,276,742	1,868,157,778
Teacher loans receivable - net allowance for teacher loan cancellations and current portion		5,294,788						5,294,788
Deferred cost of issuance of bonds				2,228,958	921,020			3,149,978
Total investments and long-term receivables	1,658,389	5,294,788	113,170,744	989,961,335	127,443,722	323,796,824	315,276,742	1,876,602,544
Property and Equipment								
Land	565,000							565,000
Building	2,431,329							2,431,329
Furniture and equipment	1,814,680							1,814,680
Automobiles	42,764							42,764
Less, accumulated depreciation	(1,440,587)							(1,440,587)
Net property and equipment	3,413,186	-	-	-	-	-	-	3,413,186
Total assets	\$ 22,724,217	\$ 22,279,609	\$ 141,884,960	\$ 1,329,287,121	\$ 199,579,235	\$ 393,779,677	\$ 391,961,594	\$ 2,501,496,413

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2005

	Unrestricted	Temporarily Restricted						Total
	Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	Tax Exempt		
						93 Resolution	02 Resolution	
LIABILITIES AND NET ASSETS								
Current Liabilities								
Current portion of notes payable - finance loans	\$	\$	\$	\$	\$	\$ 41,256,000	\$ 35,144,000	\$ 76,400,000
Current maturities of bonds payable				225,169,000				225,169,000
Warehouse financing			141,133,909					141,133,909
Interest payable				2,075,585	169,400			2,244,985
Accounts payable	53,282		260,899		120,263			434,444
Accrued pension payable	218,281							218,281
Compensated absences	300,128	35,297						335,425
Retiree medical insurance payable	1,610,867							1,610,867
Due to SC State Education Assistance Authority			36,416			4,937,655	4,704,068	9,678,139
Total current liabilities	2,182,558	35,297	141,431,224	227,244,585	289,663	46,193,655	39,848,068	457,225,050
Long-Term Debt								
Bonds payable less, current maturities and bond premiums and discounts				906,855,912	180,000,000			1,086,855,912
Notes payable - finance loans less, current maturities						347,586,022	348,418,831	696,004,853
Total long-term debt	-	-	-	906,855,912	180,000,000	347,586,022	348,418,831	1,782,860,765
Total liabilities	2,182,558	35,297	141,431,224	1,134,100,497	180,289,663	393,779,677	388,266,899	2,240,085,815
Net Assets								
Temporarily restricted for bond indentures								
Current debt service				26,101,084				26,101,084
Temporarily restricted for bond indentures				169,085,540	19,289,572		3,694,695	192,069,807
Temporarily restricted for teacher loans		22,244,312						22,244,312
Temporarily restricted for warehouse financing			453,736					453,736
Unrestricted	20,541,659							20,541,659
Total net assets	20,541,659	22,244,312	453,736	195,186,624	19,289,572	-	3,694,695	261,410,598
Total liabilities and net assets	\$ 22,724,217	\$ 22,279,609	\$ 141,884,960	\$ 1,329,287,121	\$ 199,579,235	\$ 393,779,677	\$ 391,961,594	\$ 2,501,496,413

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted						Total
	Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	Tax Exempt		
				93 Resolution	02 Resolution			
Revenue								
Income from United States Department of Education student loan interest - subsidized	\$ 14	\$ 1,741	\$ 97,252	\$ 8,534,072	\$ 654,924	\$ 3,331,798	\$ 2,624,145	\$ 15,243,946
Special allowances	88	4,408	810,438	14,442,515	934,293	15,321,834	5,626,244	37,139,820
Student loan interest - non-subsidized	323,508	1,663,129	1,389,506	45,007,982	3,340,442	6,918,847	8,698,892	67,342,306
Investment income	295,420	224,190	22,358	1,448,367	749,381		34,040	2,773,756
Unrealized gain (loss) on investments	11,820	(118,511)						(106,691)
Late charges	1,880	14,370	12,928	1,144,595	20,577	42,148	135,595	1,372,093
Miscellaneous payments of student loans		1,238	14	3,206	72	331	269	5,130
State appropriations - Department of Education		4,831,932						4,831,932
Building rental income	194,776							194,776
Remittance from SC State Education Assistance Authority for operating cost	4,198,752							4,198,752
Total revenue	5,026,258	6,622,497	2,332,496	70,580,737	5,699,689	25,614,958	17,119,185	132,995,820
Expenses								
Personnel	5,913,465	305,424						6,218,889
Contractual services	801,465	28,781						830,246
General operating	1,649,577	47,043						1,696,620
Interest on debt			1,300,392	29,762,235	3,141,700			34,204,327
TLP cancellations		6,392,751						6,392,751
Amortization of deferred cost of bond issuance				1,139,855	23,888			1,163,743
Payments to SC State Education Assistance Authority for student loan income						12,773,101	9,897,352	22,670,453
Loan fees			421,606	5,187,089	136,361	3,084,861	2,254,946	11,084,863
Reinsurance expense				221,716	702	1,471	12,856	236,745
Borrower incentives	2,434	3,936	31,334	1,347,234	20,928	9,755,525	7,191,883	18,353,274
Broker dealer fees			4,095	1,761,681	305,125			2,070,901
Building rental expenses	339,723							339,723
Other	(135,821)	59,006	243,993		875,258		(63,094)	979,342
Total expenses	8,570,843	6,836,941	2,001,420	39,419,810	4,503,962	25,614,958	19,293,943	106,241,877
Transfer Between Accounts								
Transfers in	8,146,926		122,660	22,884	18,588,046		2,099	26,882,615
Transfers out	(18,437,024)			(7,951,390)	(494,201)			(26,882,615)
Total transfers between accounts	(10,290,098)	-	122,660	(7,928,506)	18,093,845	-	2,099	-
Change in net assets	(13,834,683)	(214,444)	453,736	23,232,421	19,289,572		(2,172,659)	26,753,943
Net Assets								
Beginning	34,376,342	22,458,756		171,954,203			5,867,354	234,656,655
Ending	\$ 20,541,659	\$ 22,244,312	\$ 453,736	\$ 195,186,624	\$ 19,289,572	\$ -	\$ 3,694,695	\$ 261,410,598

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted					Total	
	Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	Tax Exempt 93 Resolution 02 Resolution		
Cash Flows from Operating Activities								
Change in net assets	\$ (13,834,683)	\$ (214,444)	\$ 453,736	\$ 23,232,421	\$ 19,289,572	\$ (2,172,659)	\$ 26,753,943	
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Depreciation	283,526						283,526	
Amortization of premiums and discounts on bonds payable				214,191			214,191	
Amortization of cost of bond issuance				925,664	23,888		949,552	
Changes in operating assets and liabilities								
(Increase) decrease in due from US Department of Education	13	(3,210)	(779,116)	(4,207,827)	(656,293)	584,317	(7,002,981)	
(Increase) decrease in due from SC State Education Assistance Authority	(348,155)	(32,815)	(5,000)	(44,089,587)	(29,286)	(19,857,615)	(64,362,458)	
(Increase) decrease in interest due from borrowers	525,129	136,251	(682,056)	4,451,443	(3,044,770)	(477,232)	372,199	
(Increase) decrease in accrued investment income	(3,365)	1,149	(10,060)	(67,518)	(100,556)		(180,350)	
(Increase) decrease in miscellaneous receivables	(11,255)						(11,255)	
(Increase) decrease in prepaid expenses	(89,204)						(89,204)	
Increase (decrease) in interest payable					169,400		169,400	
Increase (decrease) in accounts payable	(10,442)		260,899	963,759	120,263		1,334,479	
Increase (decrease) in accrued pension expense	(57,675)						(57,675)	
Increase (decrease) in compensated absences	74,939	6,726					81,665	
Increase (decrease) in retiree medical insurance payable	698,954						698,954	
Increase (decrease) in due to SC State Education Assistance Authority			36,416			(38,730)	1,466,430	
Due to (from) other funds	(69,668)	(24,112)	35,388	3,408	60,387	(5,403)		
Net cash provided by (used in) operating activities	(12,841,886)	(130,455)	(689,793)	(18,574,046)	15,832,605	62,952	(23,041,275)	(39,381,898)
Cash Flows from Investing Activities								
Purchase of property and equipment	(185,254)						(185,254)	
Purchase and issuance of student loans	(876,213)	(6,941,434)	(132,814,610)	(19,930,312)	(161,345,810)	(443,004,803)	(1,009,166,881)	
Principal payments on student loans	18,230,050	677,068	362,866	246,036,025	16,429,108	394,312,280	755,179,663	
Teacher loan cancellations		6,392,751					6,392,751	
Unrealized (gain) loss on investments	(11,820)						(11,820)	
Net cash provided by (used in) investing activities	\$ 17,156,763	\$ 128,385	\$ (132,451,744)	\$ 226,105,713	\$ (144,916,702)	\$ (48,692,523)	\$ (165,121,433)	\$ (247,791,541)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2005

Description and Rate	Cost	Accumulated Depreciation 6/30/04	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/05
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	14,971	62,341	-	77,312
Furniture and Fixtures					
Computer equipment	1,141,437	1,321,547	93,688	355,862	1,059,373
Other office machines	268,631	137,223	43,007	33,568	146,662
Telephone equipment	314,356	5,081	54,234	-	59,315
Miscellaneous	90,256	53,264	15,583	-	68,847
Total furniture and fixtures	1,814,680	1,517,115	206,512	389,430	1,334,197
Automobiles					
2001 Buick LeSabre	-	18,500	-	18,500	-
2002 Buick Park Avenue	22,549	14,405	7,935	-	22,340
2004 Buick LeSabre	20,215	-	6,738	-	6,738
Total automobiles	42,764	32,905	14,673	18,500	29,078
Total general operating	2,422,444	1,550,020	221,185	407,930	1,363,275
Grand total	\$ 4,853,773	\$ 1,564,991	\$ 283,526	\$ 407,930	\$ 1,440,587

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2005

	Operating Fund				Teacher Loan Program - EIA			
	2005		Variance	2004	2005		Variance	2004
	Total Budget	Actual	Favorable (Unfavorable)	Actual	Total Budget	Actual	Favorable (Unfavorable)	Actual
Operating Expenses								
Personnel								
Staff salaries	\$ 3,994,500	\$ 3,944,417	\$ 50,083	\$ 3,668,400	\$ 211,400	\$ 212,605	\$ (1,205)	\$ 207,823
Part-time salaries	19,500	8,137	11,363	11,825				
Contracted services				3,642				
Social security	296,300	281,587	14,713	262,536	16,200	14,932	1,268	15,117
Group insurance	1,022,500	1,022,216	284	687,355	48,000	46,987	1,013	32,220
Retirement	808,900	641,706	167,194	365,142	36,500	30,173	6,327	17,345
Non-recurring defined benefit				451,333				
Unemployment	15,500	15,402	98	13,794	775	727	48	700
Total personnel	6,157,200	5,913,465	243,735	5,464,027	312,875	305,424	7,451	273,205
Contractual								
Loan servicing	722,400	722,737	(337)	587,897	26,450	27,233	(783)	21,870
Legal	26,500	22,888	3,612	10,246				
Accounting	51,850	55,840	(3,990)	58,625	1,375	1,548	(173)	1,816
Total contractual	800,750	801,465	(715)	656,768	27,825	28,781	(956)	23,686
General Operating								
Rent				139,185	9,500	8,759	741	9,063
Telephone	159,800	155,076	4,724	165,186	7,500	6,894	606	7,744
Printing	311,650	262,977	48,673	265,268	6,200	5,333	867	6,846
Postage	681,700	672,325	9,375	645,990	16,350	15,672	678	15,355
Supplies	137,500	115,413	22,087	109,553	6,450	5,797	653	3,492
Travel	62,000	53,871	8,129	57,637	400	322	78	334
Equipment maintenance	33,125	32,686	439	30,620	1,550	1,532	18	1,435
Subscriptions and fees	34,000	35,674	(1,674)	32,352	125	20	105	20
Meeting and conference expenses	11,900	10,007	1,893	9,769	200	186	14	193
Insurance - general and automotive	62,000	53,933	8,067	54,373	2,900	2,528	372	2,549
Marketing	33,000	32,301	699	17,415				
Contingencies	50,000	4,129	45,871	25,968	500		500	608
Depreciation	209,000	221,185	(12,185)	161,774				
Total general operating	1,785,675	1,649,577	136,098	1,715,090	51,675	47,043	4,632	47,639
Total operating expenses	\$ 8,743,625	\$ 8,364,507	\$ 379,118	\$ 7,835,885	\$ 392,375	\$ 381,248	\$ 11,127	\$ 344,530

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2005**

	Operating Fund				Teacher Loan Program - EIA			
	2005		Variance Favorable (Unfavorable)	2004 Actual	2005		Variance Favorable (Unfavorable)	2004 Actual
Total Budget	Actual	Total Budget			Actual			
Capital Additions								
Land and building	\$	\$	\$	\$ 2,996,329	\$	\$	\$	\$
Equipment, furniture and fixtures	180,000	165,039	14,961	338,103				
Automobile	24,000	20,215	3,785					
Total capital additions	204,000	185,254	18,746	3,334,432	-	-	-	-
Total operating expenses and capital additions	8,947,625	8,549,761	397,864	11,170,317	392,375	381,248	11,127	344,530

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ORGANIZATIONAL DATE
YEAR ENDED JUNE 30, 2005**

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

BOARD OF DIRECTORS OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Sharon W. Bryant	Chairman	2006
Dr. Dennis A. Pruitt, Sr.	Vice-Chairman	2006
Thomas J. Little, Jr.	Vice-Chairman	2008
T. Graham Edwards	Treasurer	2006
William M. Mackie, Jr.	Secretary, President	2007
Dr. Julia Boyd		2008
Marvin G. Carmichael		2008
Timothy E. Madden		2008
William G. McMaster		2006
Lisa P. Montgomery		2007
J. Edward Norris, III		2007
Dr. Caroline B. Whitson		2007

**SOUTH CAROLINA STUDENT LOAN CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005**

<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		\$ 37,139,820
Subsidized interest	84.032		<u>15,243,946</u>
Total U.S. Department of Education programs (major program)			\$ <u>52,383,766</u>



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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, 2005, and have issued our report thereon dated August 26, 2005. 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 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.

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, LLP

August 26, 2005



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, 2005. 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, 2005.

Internal Control Over Compliance

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

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.

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

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

Derick, Stulke + Smith, LLP

August 26, 2005

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

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	<u>CFDA#</u> <u>Expenditure</u>
	Special allowances	84.032 \$ 37,139,820
	Subsidized interest	84.032 <u>15,243,946</u>
	Total federal family education loan program (major program)	<u>\$ 52,383,766</u>
(x)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,571,513
(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, 2005**

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, 2005**

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