

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2006

SOUTH CAROLINA STUDENT LOAN CORPORATION
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YEAR ENDED JUNE 30, 2006

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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, 2006, 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 2005 financial statements and, in our report dated August 26, 2005, 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, 2006 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 31, 2006 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, South Carolina
August 31, 2006

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006
(WITH COMPARATIVE AMOUNTS FOR 2005)

	2006		2005 Totals
	Unrestricted	Temporarily Restricted	
ASSETS		Total	Memorandum Only
Current Assets			
Cash and cash equivalents	\$ 30,693,165	\$ 241,748,634	\$ 157,530,755
Investments	204,742	-	160,006
Current portion of student loan receivables	260,000	330,715,283	329,906,145
Interest due from borrowers	405,217	35,588,909	26,265,541
Due from United States Department of Education	26	20,705,670	14,056,898
Due from SC State Education Assistance Authority	259,444	110,994,049	93,170,694
Accrued investment income	5,237	402,330	259,141
Miscellaneous operating receivables	3,967	-	12,061
Prepaid expenses	8,285	-	119,442
Due from (to) other funds	45,993	(45,993)	-
Total current assets	31,886,076	740,108,882	621,480,683
Investments and Long-Term Receivables			
Other student loan receivables less current portion	9,593,949	2,093,967,274	1,868,157,778
Teacher loans receivable - net allowance for teacher loan cancellations of \$ 16,515,614 and current portion	-	11,993,333	5,294,788
Deferred cost of issuance of bonds	-	3,214,541	3,149,978
Total investments and long-term receivables	9,593,949	2,109,175,148	1,876,602,544
Property and Equipment			
Land	565,000	-	565,000
Building	2,431,329	-	2,431,329
Furniture and equipment	1,960,050	-	1,814,680
Automobiles	40,548	-	42,764
Less, accumulated depreciation	(1,678,789)	-	(1,440,587)
Net property and equipment	3,318,138	-	3,413,186
Total assets	\$ 44,798,163	\$ 2,849,284,030	\$ 2,501,496,413

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006
(WITH COMPARATIVE AMOUNTS FOR 2005)

	2006		2005 Totals
	Unrestricted	Temporarily Restricted	
LIABILITIES AND NET ASSETS		Total	Memorandum Only
Current Liabilities			
Current portion of notes payable - finance loans	\$ -	\$ 77,500,000	\$ 76,400,000
Current maturities of bonds payable	-	219,449,000	225,169,000
Warehouse financing	-	223,827,345	141,133,909
Interest payable	-	5,105,940	2,244,985
Accounts payable	153,304	577,886	434,444
Accrued pension payable	95,224	-	218,281
Compensated absences	320,891	33,007	335,425
Retiree medical insurance payable	2,227,529	-	1,610,867
Due to SC State Education Assistance Authority	-	10,889,709	9,678,139
Total current liabilities	2,796,948	537,382,887	457,225,050
Long-Term Debt			
Bonds payable less current maturities and bond premiums and discounts of \$ 5,800,288	-	1,188,953,712	1,086,855,912
Notes payable - finance loans less current maturities	-	856,354,387	696,004,853
Total long-term debt	-	2,045,308,099	1,782,860,765
Total liabilities	2,796,948	2,582,690,986	2,240,085,815
Net Assets			
Temporarily restricted:			
For bond indentures - current debt service	-	37,980,790	26,101,084
For bond indentures	-	200,806,900	192,069,807
For teacher loans	-	26,695,854	22,244,312
For warehouse financing	-	1,109,500	453,736
Total temporarily restricted	-	266,593,044	240,868,939
Unrestricted	42,001,215	42,001,215	20,541,659
Total net assets	42,001,215	266,593,044	261,410,598
Total liabilities and net assets	\$ 44,798,163	\$ 2,849,284,030	\$ 2,501,496,413

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE AMOUNTS FOR 2005)

	2006		2005 Totals
	Unrestricted	Temporarily Restricted	
		Total	Memorandum Only
Revenue			
Income from United States Department of Education			
Student loan interest - subsidized	-	24,102,260	\$ 15,243,946
Special allowances	66	52,488,041	37,139,820
Student loan interest - non-subsidized	477,781	92,703,792	67,342,306
Investment income	633,594	6,925,463	2,773,756
Unrealized gain (loss) on investments	44,736	(118,667)	(106,691)
Late charges	621	1,502,353	1,372,093
Miscellaneous payments of student loans	-	302	5,130
State appropriations - Department of Education	-	6,989,706	4,831,932
State recall reversal income	-	3,278,710	-
Building rental income	211,803	-	194,776
Remittance from SC State Education Assistance Authority for operating cost	4,570,809	-	4,198,752
Net assets released from restrictions	162,147,855	(162,147,855)	-
Total revenue	168,087,265	25,724,105	132,995,820
Expenses			
Personnel	6,363,463	-	6,218,889
Contractual services	853,031	-	830,246
General operating	1,811,734	-	1,696,620
Interest on debt	70,942,656	-	34,204,327
TLP cancellations	6,954,683	-	6,392,751
State recall of funds	500,000	-	-
Amortization of deferred cost of bond issuance	1,212,476	-	1,163,743
Payments to SC State Education Assistance Authority for student loan income	22,352,161	-	22,670,453
Loan fees	14,529,184	-	11,084,863
Reinsurance expense	258,455	-	236,745
Borrower incentives	17,750,810	-	18,353,274
Broker dealer fees	1,393,684	-	2,070,901
Building rental expenses	316,516	-	339,723
Other	1,388,856	-	979,342
Total expenses	146,627,709	-	106,241,877
Change in net assets	21,459,556	25,724,105	26,753,943
Net Assets			
Beginning	20,541,659	240,868,939	234,656,655
Ending	\$ 42,001,215	\$ 266,593,044	\$ 261,410,598

4 See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE AMOUNTS FOR 2005)

	2006		2005	
	Unrestricted	Temporarily Restricted	Total	Memorandum Only
Cash Flows from Operating Activities				
Change in net assets	\$ 21,459,556	\$ 25,724,105	\$ 47,183,661	\$ 26,753,943
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	265,667	-	265,667	283,526
Unrealized (gain) loss on investments	(44,736)	-	(44,736)	(11,820)
Amortization of premiums and discounts on bonds payable	-	396,800	396,800	214,191
Amortization of cost of bond issuance	-	815,676	815,676	949,552
Changes in operating assets and liabilities				
(Increase) decrease in due from Department of Education	-	(6,648,798)	(6,648,798)	(7,002,981)
(Increase) decrease in due from SCSEAA	188,634	(18,271,433)	(18,082,799)	(64,362,458)
(Increase) decrease in interest due from borrowers	(361,968)	(9,366,617)	(9,728,585)	372,199
(Increase) decrease in accrued investment income	(1,872)	(143,554)	(145,426)	(180,350)
(Increase) decrease in miscellaneous receivables	8,094	-	8,094	(11,255)
(Increase) decrease in prepaid expenses	111,157	-	111,157	(89,204)
Increase (decrease) in interest payable	-	2,860,955	2,860,955	169,400
Increase (decrease) in accounts payable	100,021	196,723	296,744	1,334,479
Increase (decrease) in accrued pension expense	(123,057)	-	(123,057)	(57,675)
Increase (decrease) in compensated absences	20,763	(2,290)	18,473	81,665
Increase (decrease) in retiree medical insurance payable	616,662	-	616,662	698,954
Increase (decrease) in due to SCSEAA	-	1,211,571	1,211,571	1,464,116
Due to (from) other funds	29,933	(29,933)	-	-
Net cash provided by (used in) operating activities	22,268,854	(3,256,795)	19,012,059	(39,381,898)
Cash Flows from Investing Activities				
Purchase of property and equipment	(170,619)	-	(170,619)	(185,254)
Purchase and issuance of student loans	(8,374,682)	(939,033,308)	(947,407,990)	(1,009,166,881)
Principal payments on student loans	229,123	697,053,057	697,282,180	755,179,663
Teacher loan cancellations	-	6,954,683	6,954,683	6,392,751
Net cash provided by (used in) investing activities	(8,316,178)	(235,025,568)	(243,341,746)	(247,791,541)

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE AMOUNTS FOR 2005)

	2006		2005 Totals
	Unrestricted	Temporarily Restricted	
Cash Flows from Financing Activities			Memorandum Only
Proceeds from financing loans	\$ -	\$ 945,083,333	\$ 647,181,033
Payments on financing loans	-	(783,633,799)	(398,325,572)
Proceeds from warehouse financing	-	223,827,345	141,133,909
Payments on warehouse financing	-	(141,133,909)	-
Proceeds from bond issuance	-	700,000,000	180,000,000
Payments of bonds	-	(601,569,000)	(206,241,475)
Payment of costs of bond issuance	-	(3,333,239)	(944,908)
Net cash provided by financing activities	-	339,240,731	362,802,987
Net increase (decrease) in cash and cash equivalents	13,952,676	100,958,368	75,629,548
Cash and cash equivalents			
Beginning	16,740,489	140,790,266	81,901,207
Ending	30,693,165	241,748,634	157,530,755
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	-	68,081,701	33,071,168
Supplemental Disclosures of Non-Cash Transactions			
Retirement of fixed assets - investing activities	27,465	-	407,931
Write-off of accumulated depreciation related to retired assets - investing activities	27,465	-	407,931

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006**

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 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, 2006**

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 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, 2006

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, 2006, 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 loan cancellations times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$ 16,515,614 at June 30, 2006.

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, 2005, 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	\$ 22,966,974	\$ 22,966,974
South Carolina state treasurer pool	16,345	16,345
Collateralized demand deposits	559,846	559,846
Corporate bonds	6,050,000	6,050,000
Municipal bonds	1,100,000	1,100,000
Total unrestricted	\$ <u>30,693,165</u>	\$ <u>30,693,165</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Temporarily Restricted		
Demand deposit	\$ 395	\$ 395
Money market fund	13,301,120	13,301,120
Repurchase agreements	602,000	602,000
Collateralized demand deposit	132,420,752	132,420,752
South Carolina state treasurer pool	11,004,744	10,927,470
Guaranteed investment contracts	<u>84,496,897</u>	<u>84,496,897</u>
Total temporarily restricted	\$ <u>241,825,908</u>	\$ <u>241,748,634</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 10,927,470.

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>204,742</u>

Note 4. Amounts Due from/to the Corporation

The \$ 10,889,709 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 \$ 111,253,493. 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 2006 and 2005, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 4.70% to 6.25%, 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 Higher Education Act requires the Authority charge a federal default fee for certain guaranteed loans made on or after July 1, 2006.

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, 2006

Notes to Financial Statements

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

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.

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, 2006, the Corporation was required to have assets deposited in the current debt service account of \$ 37,980,790.

The Education Loan Revenue Bonds as of June 30, 2006 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/05</u>	<u>Issued (Retired) During FY 06</u>	<u>Balance Outstanding 6/30/06</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	80,000,000	(80,000,000)	-
May 14, 1998	211,400,000	9/1/2033	211,400,000	(211,400,000)	-
May 23, 2001	400,000,000	6/1/2012	274,372,000	(199,639,000)	74,733,000
April 30, 2002	210,000,000	6/1/2013	210,000,000	(25,530,000)	184,470,000
June 25, 2003	275,000,000	6/1/33-6/1/43	275,000,000	-	275,000,000
November 10, 2004	180,000,000	6/1/34	180,000,000	-	180,000,000
July 19, 2005	700,000,000	12/3/18-12/1/23	-	700,000,000	700,000,000
			\$ <u>1,315,772,000</u>	\$ <u>98,431,000</u>	\$ <u>1,414,203,000</u>

The Corporation's Auction Rate Bonds totaled \$ 455,000,000 as of June 30, 2006, and have variable interest rates determined by auctions every 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 \$ 877,916,500 as of June 30, 2006 and have variable interest rates equal to three-month LIBOR plus 0.10% to 0.15% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 81,286,500 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, 2006, none of the rates exceeded 5.75%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2006, which was 5.61 %.

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 that principal reduction 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, 2006

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

As of June 30, 2006, the scheduled debt service to retire these bonds is as follows:

	Principal	Interest	Totals
2007	\$ 219,449,000	\$ 73,548,661	\$ 292,997,661
2008	39,754,000	65,167,200	104,921,200
2009	-	64,795,500	64,795,500
2010	-	64,795,500	64,795,500
2011	-	64,795,500	64,795,500
2012	134,650,000	62,835,301	197,485,301
2013	118,619,000	55,831,108	174,450,108
2014	93,972,000	49,462,753	143,434,753
2015	87,015,000	44,266,303	131,281,303
2016	79,462,000	39,502,834	118,964,834
2017	73,261,000	35,099,362	108,360,362
2018	83,367,000	30,834,411	114,201,411
2019	29,654,000	26,553,481	56,207,481
2020	-	25,525,500	25,525,500
2021	-	25,525,500	25,525,500
2022	-	25,525,500	25,525,500
2023	-	25,525,500	25,525,500
2024	-	25,525,500	25,525,500
2025	-	25,525,500	25,525,500
2026	-	25,525,500	25,525,500
2027	-	25,525,500	25,525,500
2028	-	25,525,500	25,525,500
2029	-	25,525,500	25,525,500
2030	-	25,525,500	25,525,500
2031	-	25,525,500	25,525,500
2032	-	25,525,500	25,525,500
2033	209,000,000	24,548,425	233,548,425
2034	180,000,000	13,800,600	193,800,600
2035	-	3,702,600	3,702,600
2036	-	3,702,600	3,702,600
2037	-	3,702,600	3,702,600
2038	-	3,702,600	3,702,600
2039	-	3,702,600	3,702,600
2040	-	3,702,600	3,702,600
2041	-	3,702,600	3,702,600
2042	-	3,702,600	3,702,600
2043	66,000,000	-	66,000,000
Totals	\$ 1,414,203,000	\$ 1,077,289,240	\$ 2,491,492,240

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006**

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

As of June 30, 2006, the Corporation's outstanding bonds totaled \$ 1,315,772,000. On July 19, 2006, the Corporation issued \$ 700,000,000 of LIBOR Indexed Education Loan Revenue Bonds with variable interest rates ranging from 3-month LIBOR plus 0.10% to 0.14%. Proceeds of the issue were used to (i) finance and refinance student loans, (ii) optionally redeem the 1996, 1997 and 1998 Auction Rate Bonds in full, (iii) fund a reserve and (iv) pay issuance costs. The Corporation optionally redeemed certain of its outstanding Auction Rate Bonds using proceeds of LIBOR Indexed Bonds in order to reduce interest spread and volatility. The liability for the 1996, 1997 and 1998 Auction Rate Bonds has been removed from bonds payable. The redemption resulted in no difference between the reacquisition price and the net carrying amount of the old debt.

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, 2006 and 2005 are as follows:

<u>Authority Bond Resolution</u>	<u>Balance 6/30/06</u>	<u>Balance 6/30/05</u>
1993	\$ 361,695,735	\$ 388,842,022
2002	572,158,652	383,562,831
Total	\$ 933,854,387	\$ 772,404,853

Note 8. Warehouse Financing

On March 22, 2005, the Corporation entered into a line-of-credit agreement providing for advances to the Corporation not to exceed an aggregate outstanding principal balance of \$ 150,000,000 secured by student loan receivables. The borrowing period ended March 21, 2006 and was renegotiated for \$ 150,000,000 under the same terms to March 22, 2007. On June 29, 2006, the maximum outstanding principal balance was increased to \$ 250,000,000 for the period ending on July 20, 2006, at which time the maximum aggregate outstanding principal balance returns to \$ 150,000,000. 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. Interest is paid monthly at the commercial paper rate plus a spread and the interest rate ranged from 3.43% to 5.32%. 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, 2006.

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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006

Notes to Financial Statements

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 three years service and 100% vested after seven years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total retirement expense for 2006 is \$ 194,117 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 \$ 428,463, plus \$ 45,176 of administrative expenses, totaling \$ 473,639 for the year ended June 30, 2006. The Authority contributed \$ 157,542 to the expense for this Plan for its employees for the year ended June 30, 2006. The net post-retirement health care plan expense totaled \$ 616,662 with the Authority contributing \$ 203,498. The components of the cost charged to expense consisted of the following:

	Defined Benefit Plan	Post-Retirement Health Care Plan
Service cost (benefits earned)	\$ 305,122	\$ 227,833
Interest cost on projected benefit obligation	355,719	204,968
Actual return on assets	(377,032)	
Net amortization and deferral	234,579	183,861
Minimum liability	(89,925)	
Net pension cost	<u>\$ 428,463</u>	<u>\$ 616,662</u>
Actuarial Present Value of Benefit Obligations		
Vested benefit obligation	\$ 5,533,070	\$ 1,069,945
Non-vested benefit obligation	155,603	2,779,340
Accumulated benefit obligation	<u>5,688,673</u>	<u>3,849,285</u>
Projected benefits	(6,561,814)	(3,873,729)
Plan assets at fair value	5,593,449	-
Projected benefit obligation (in excess of) plan assets	(968,365)	(3,873,729)
Unrecognized prior service cost	531,664	430,826
Unrecognized net loss	1,556,933	1,215,374
Required additional minimum liability	(1,215,456)	-
Accrued pension cost	<u>\$ (95,224)</u>	<u>\$ (2,227,529)</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006**

Notes to Financial Statements

Note 10. Employee Benefit Plans (Continued)

The following sets forth the Plan's funded status as of June 30, 2006. The measurement date of the projected benefits obligation and Plan assets was June 30, 2006.

	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	6.00%	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%	

Defined Benefit Pension Plan assets include life insurance policies and mutual funds and employer contributions were \$ 551,520. No participant contributions are permitted by the Pension Plan. Pension benefit payments made during the years ended June 30, 2006 totaled \$ 54,541. Actual paid contributions and benefits were \$ 28,369 for the year ending June 30, 2006 for the post-retirement health care plan.

For measurement purposes, a 12% annual rate of increase in the per capita cost of health care was assumed for 2007; 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, 2006 by approximately \$ 815,000 and the service and interest cost components of net postretirement health care cost for the year then ended by approximately \$ 100,000.

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 2006 was \$ 270,247, which the Authority reimbursed \$ 90,173 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 \$ 1,062,317 in 2006.

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 eight (8) tenants as of June 30, 2006. Certain lease expense is allocated to the Authority based on space occupied.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2006

Notes to Financial Statements

Note 12. Rental Property and Operating Leases

As described in Note 11, the Corporation purchased an office building. The Corporation occupies approximately 67% of the space. The building has lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 86,835 in 2007; \$ 70,107 in 2008; \$ 18,345 in 2009; and \$ 3,962 in 2010.

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, 2006 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$	306,042
Contractual services		26,749
General operating		51,930
Interest on debt		70,942,656
TLP cancellations		6,954,683
State recall of funds		500,000
Amortization of deferred cost of bond issuance		1,212,476
Payment to SC State Education Assistance Authority for student loan income		22,352,161
Loan fees		14,529,184
Reinsurance expense		258,455
Borrowers incentives		17,750,572
Broker dealer fees		1,393,684
Other		<u>1,333,105</u>
Total expenses		137,611,698
Transfers to the 04 Resolution for operations		(2,517)
Transfers to tax exempt bonds for operations		(7,295)
Transfers from taxable bonds for loan servicing		<u>24,545,969</u>
Total	\$	<u>162,147,855</u>

Note 15. Reclassifications

Certain reclassifications were made on 2005 amounts on the statement of financial position and the statement of activities for comparability to 2006 with no effect on the change in net assets.

Note 16. Subsequent Event

On July 11, 2006, the Corporation issued \$ 500,000,000 in LIBOR Indexed Education Loan Revenue Bonds that consists of two series. Series A-1 in the amount of \$ 320,000,000 matures on December 2, 2019 and Series A-2 in the amount of \$ 180,000,000 matures on December 1, 2022. The Bonds are issued as Senior Lien Bonds pursuant to a June 7, 1996 General Resolution and a Series Resolution effective as of July 6, 2006. The bonds 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, 2006**

	Unrestricted	Temporarily Restricted						Total
		Operating/S/LC	Teacher Loans	Warehouse Financing		Tax Exempt		
				96 Resolution	04 Resolution	93 Resolution	02 Resolution	
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 30,693,165	\$ 10,927,470	\$ 12,613,526	\$ 51,860,429	\$ 38,561,848	\$ 97,007,796	\$ 272,441,799	
Investments	204,742	-	-	-	-	-	204,742	
Current portion of student loan receivables	260,000	2,118,283	9,537,000	225,500,000	16,060,000	24,800,000	330,975,283	
Interest due from borrowers	405,217	1,435,698	1,268,018	17,711,430	6,187,336	2,542,561	35,994,126	
Due from United States Department of Education	26	1,445	1,011,556	12,190,346	438,729	2,105,420	20,705,696	
Due from SC State Education Assistance Authority	259,444	158,050	327,409	77,412,387	13,904	-	11,253,493	
Accrued investment income	5,237	80,669	25,603	159,788	136,270	-	407,567	
Miscellaneous operating receivables	3,967	-	-	-	-	-	3,967	
Prepaid expenses	8,285	-	-	-	-	-	8,285	
Due from (to) other funds	45,993	13,913	749	3,434	(64,795)	-	-	
Total current assets	31,886,076	14,735,528	24,783,861	384,837,814	61,333,292	126,455,777	771,994,958	
Investments and Long-Term Receivables								
Other student loan receivables less, current portion	9,593,949	-	200,534,768	1,050,677,628	139,435,050	240,121,987	2,103,561,223	
Teacher loans receivable - net allowance for teacher loan cancellations and current portion	-	11,993,333	-	-	-	-	11,993,333	
Deferred cost of issuance of bonds	-	-	-	2,325,372	889,169	-	3,214,541	
Total investments and long-term receivables	9,593,949	11,993,333	200,534,768	1,053,003,000	140,324,219	240,121,987	2,118,769,097	
Property and Equipment								
Land	565,000	-	-	-	-	-	565,000	
Building	2,431,329	-	-	-	-	-	2,431,329	
Furniture and equipment	1,960,050	-	-	-	-	-	1,960,050	
Automobiles	40,548	-	-	-	-	-	40,548	
Less, accumulated depreciation	(1,678,789)	-	-	-	-	-	(1,678,789)	
Net property and equipment	3,318,138	-	-	-	-	-	3,318,138	
Total assets	\$ 44,798,163	\$ 26,728,861	\$ 225,318,629	\$ 1,437,840,814	\$ 201,657,511	\$ 366,577,764	\$ 2,894,082,193	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUNI
JUNE 30, 2006**

	Temporarily Restricted						Total	
	Unrestricted	Teacher Loans	Warehouse Financing	Temporarily Restricted				Tax Exempt
				96 Resolution	04 Resolution	93 Resolution		
Operating/S/LC								
LIABILITIES AND NET ASSETS								
Current Liabilities								
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,800,000	\$ 77,500,000	
Current maturities of bonds payable	-	-	219,449,000	-	-	-	219,449,000	
Warehouse financing	-	-	223,827,345	-	-	-	223,827,345	
Interest payable	-	-	4,813,565	292,375	-	-	5,105,940	
Accounts payable	153,304	-	381,784	196,102	-	-	731,190	
Accrued pension payable	95,224	-	-	-	-	-	95,224	
Compensated absences	320,891	33,007	-	-	-	-	353,898	
Retiree medical insurance payable	2,227,529	-	-	-	-	-	2,227,529	
Due to SC State Education Assistance Authority	-	-	-	-	-	4,882,029	10,889,709	
Total current liabilities	2,796,948	33,007	224,209,129	224,262,565	488,477	29,682,029	540,179,835	
Long-Term Debt								
Bonds payable less, current maturities and bond premiums and discounts	-	-	-	1,008,953,712	180,000,000	-	1,188,953,712	
Notes payable - finance loans less, current maturities	-	-	-	-	-	336,895,735	856,354,387	
Total long-term debt	-	-	-	1,008,953,712	180,000,000	336,895,735	2,045,308,099	
Total liabilities	2,796,948	33,007	224,209,129	1,233,216,277	180,488,477	366,577,764	2,585,487,934	
Net Assets								
Temporarily restricted for bond indentures	-	-	-	37,980,790	-	-	37,980,790	
Current debt service	-	-	-	166,643,747	21,169,034	-	200,806,900	
Temporarily restricted for bond indentures	-	26,695,854	-	-	-	-	26,695,854	
Temporarily restricted for teacher loans	-	-	1,109,500	-	-	-	1,109,500	
Temporarily restricted for warehouse financing	-	-	-	-	-	-	-	
Unrestricted	42,001,215	-	-	-	-	-	42,001,215	
Total net assets	42,001,215	26,695,854	1,109,500	204,624,537	21,169,034	12,994,119	308,594,259	
Total liabilities and net assets	\$ 44,798,163	\$ 26,728,861	\$ 225,318,629	\$ 1,437,840,814	\$ 201,657,511	\$ 366,577,764	\$ 2,894,082,193	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2006**

	Unrestricted	Temporarily Restricted						Total
		Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	93 Resolution	
Revenue								
Income from United States Department of Education student loan interest - subsidized	\$ -	\$ 2,348	\$ 350,738	\$ 13,606,171	\$ 799,143	\$ 4,527,786	\$ 4,816,074	\$ 24,102,260
Special allowances	66	2,488	2,060,883	27,058,802	1,045,534	12,526,214	9,794,120	52,488,107
Student loan interest - non-subsidized	477,781	1,841,395	2,536,696	56,912,328	8,542,028	8,034,619	14,836,726	93,181,573
Investment income	633,594	317,621	197,557	4,386,691	1,842,872	-	180,722	7,559,057
Unrealized gain (loss) on investments	44,736	(118,667)	-	-	-	-	-	(73,931)
Late charges	621	16,365	29,612	1,226,700	37,428	21,755	170,493	1,502,974
Miscellaneous payments of student loans	-	(38)	(47)	(425)	15	(21)	818	302
State appropriations - Department of Education	-	6,989,706	-	-	-	-	-	6,989,706
State recall reversal income	-	3,278,710	-	-	-	-	-	3,278,710
Building rental income	211,803	-	-	-	-	-	-	211,803
Remittance from SC State Education Assistance Authority for operating cost	4,570,809	-	-	-	-	-	-	4,570,809
Total revenue	5,939,410	12,329,928	5,175,439	103,190,267	12,267,020	25,110,353	29,798,953	193,811,370
Expenses								
Personnel	6,057,421	306,042	-	-	-	-	-	6,363,463
Contractual services	826,282	26,749	-	-	-	-	-	853,031
General operating	1,759,804	51,930	-	-	-	-	-	1,811,734
Interest on debt	-	-	3,662,678	59,721,428	7,558,550	-	-	70,942,656
TLP cancellations	-	6,954,683	-	-	-	-	-	6,954,683
State recall of funds	-	500,000	-	-	-	-	-	500,000
Amortization of deferred cost of bond issuance	-	-	-	1,180,625	31,851	-	-	1,212,476
Payments to SC State Education Assistance Authority for student loan income	-	-	-	-	-	5,945,997	16,406,164	22,352,161
Loan fees	-	-	604,696	6,648,988	192,318	4,338,821	2,744,361	14,529,184
Reinsurance expense	-	-	2,143	227,236	5,159	1,701	22,216	258,455
Borrower incentives	238	6,056	32,795	1,488,293	35,820	14,823,833	1,363,775	17,750,810
Broker dealer fees	-	-	6,567	902,992	484,125	-	-	1,393,684
Building rental expenses	316,516	-	-	-	-	-	-	316,516
Other	55,750	32,926	7,632	49	1,322,190	-	(29,692)	1,388,856
Total expenses	9,016,011	7,878,386	4,316,511	70,169,611	9,630,013	25,110,352	20,506,824	146,627,709
Transfer Between Accounts								
Transfers in	24,584,687	-	-	36,496	2,517	-	7,295	24,630,995
Transfers out	(48,530)	-	(203,164)	(23,619,239)	(760,062)	-	-	(24,630,995)
Total transfers between accounts	24,536,157	-	(203,164)	(23,582,743)	(757,545)	-	7,295	-
Change in net assets	21,459,556	4,451,542	655,764	9,437,913	1,879,462	-	9,299,424	47,183,661
Net Assets								
Beginning	20,541,659	22,244,312	453,736	195,186,624	19,289,572	-	3,694,695	261,410,598
Ending	\$ 42,001,215	\$ 26,695,854	\$ 1,109,500	\$ 204,624,537	\$ 21,169,034	\$ -	\$ 12,994,119	\$ 308,594,259

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2006

	Temporarily Restricted							Total
	Unrestricted	Teacher Loans	Warehouse Financing		Tax Exempt			
			96 Resolution	04 Resolution	93 Resolution	02 Resolution		
Cash Flows from Operating Activities								
Change in net assets	\$ 21,459,556	\$ 4,451,542	\$ 655,764	\$ 9,437,913	\$ 1,879,462	\$ -	\$ 47,183,661	
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Depreciation	265,667	-	-	-	-	-	265,667	
Unrealized (gain) loss on investments	(44,736)	-	-	-	-	-	(44,736)	
Amortization of premiums and discounts on bonds payable	-	-	396,800	-	-	-	396,800	
Amortization of cost of bond issuance	-	-	783,825	31,851	-	-	815,676	
Changes in operating assets and liabilities								
(Increase) decrease in due from US Department of Education	-	2,056	(232,440)	(4,878,146)	217,564	383,734	(6,648,798)	
(Increase) decrease in due from SC State Education Assistance Authority	188,634	(1,985)	(322,409)	(7,276,418)	15,382	-	(18,082,799)	
(Increase) decrease in interest due from borrowers	(361,968)	(239,849)	(585,962)	(2,055,702)	(3,142,566)	(162,415)	(9,728,585)	
(Increase) decrease in accrued investment income	(1,872)	(30,259)	(15,543)	(62,038)	(35,714)	-	(145,426)	
(Increase) decrease in miscellaneous receivables	8,094	-	-	-	-	-	8,094	
(Increase) decrease in prepaid expenses	111,157	-	-	-	-	-	111,157	
Increase (decrease) in interest payable	-	-	-	2,737,980	122,975	-	2,860,955	
Increase (decrease) in accounts payable	100,021	-	120,884	-	75,839	-	296,744	
Increase (decrease) in accrued pension expense	(123,057)	-	-	-	-	-	(123,057)	
Increase (decrease) in compensated absences	20,763	(2,290)	-	-	-	-	18,473	
Increase (decrease) in retiree medical insurance payable	616,662	-	-	-	-	-	616,662	
Increase (decrease) in due to SC State Education Assistance Authority	-	-	(36,415)	-	-	(55,626)	1,211,571	
Due to (from) other funds	29,933	3,941	(36,137)	3,561	4,408	(5,000)	-	
Net cash provided by (used in) operating activities	22,268,854	4,183,156	(452,258)	(912,225)	(830,799)	160,693	19,012,059	
Cash Flows from Investing Activities								
Purchase of property and equipment	(170,619)	-	-	-	-	-	(170,619)	
Purchase and issuance of student loans	(8,374,682)	(7,992,657)	(95,935,513)	(512,729,822)	(35,172,303)	-	(947,407,990)	
Principal payments on student loans	229,123	1,136,291	18,315,489	431,150,571	24,593,955	100,130,837	697,282,180	
Teacher loan cancellations	-	6,954,683	-	-	-	-	6,954,683	
Net cash provided by (used in) investing activities	(8,316,178)	98,317	(77,620,024)	(81,579,251)	(10,578,348)	100,130,837	(243,341,746)	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2006**

	Unrestricted	Temporarily Restricted						Total
		Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	93 Resolution	Tax Exempt 02 Resolution	
Cash Flows from Financing Activities								
Proceeds from financing loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 734,700,000	\$ 210,383,333	\$ 945,083,333
Payments on financing loans	-	-	-	-	-	(761,846,287)	(21,787,512)	(783,633,799)
Proceeds from warehouse financing	-	223,827,345	-	-	-	-	-	223,827,345
Payments on warehouse financing	-	141,133,909	-	-	-	-	-	(141,133,909)
Proceeds from bond issuance	-	-	700,000,000	-	-	-	-	700,000,000
Payments of bonds	-	-	(601,569,000)	-	-	-	-	(601,569,000)
Payment of costs of bond issuance	-	-	(3,333,239)	-	-	-	-	(3,333,239)
Net cash provided by (used in) financing activities	-	364,961,254	95,097,761	-	-	(27,146,287)	188,595,821	339,240,731
Net increase (decrease) in cash and cash equivalents	13,952,676	4,281,473	286,888,972	12,606,285	(11,409,147)	73,145,243	17,713,360	114,911,044
Cash and Cash Equivalents								
Beginning	16,740,489	6,645,997	7,992,372	39,254,144	49,970,995	23,862,553	13,064,205	157,530,755
Ending	30,693,165	10,927,470	294,881,344	51,860,429	38,561,848	97,007,796	30,777,565	272,441,799
Supplemental Disclosure of Cash Flow Information								
Cash payments for interest	-	-	3,662,678	56,983,448	7,435,575	-	-	68,081,701
Supplemental Disclosure of Non-Cash Transactions								
Retirement of fixed assets - investing activities	27,465	-	-	-	-	-	-	27,465
Write-off of Accumulated Depreciation Related to Retired assets- investing activities	\$ 27,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,465

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2006

Description and Rate	Cost	Accumulated Depreciation 6/30/05	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/06
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	77,312	62,342	-	139,654
Furniture and Fixtures					
Computer equipment	1,243,362	1,059,373	79,399	-	1,138,772
Other office machines	312,075	146,662	37,843	-	184,505
Telephone equipment	314,356	59,315	62,871	-	122,186
Miscellaneous	90,257	68,847	9,090	-	77,937
Total furniture and fixtures	1,960,050	1,334,197	189,203	-	1,523,400
Automobiles					
2002 Buick Park Avenue	-	22,340	209	22,549	-
2004 Buick LeSabre	20,215	6,738	6,738	-	13,476
2005 Buick LeSabre	20,333	-	2,259	-	2,259
2005 Buick Rainier	-	-	4,916	4,916	-
Total automobiles	40,548	29,078	14,122	27,465	15,735
 Grand total	 \$ 4,996,927	 \$ 1,440,587	 \$ 265,667	 \$ 27,465	 \$ 1,678,789

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2006

	Operating Fund				Teacher Loan Program - EIA			
	2006				2006			
	Total Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual	Total Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Operating Expenses								
Personnel								
Staff salaries	\$ 4,288,500	\$ 4,030,079	\$ 258,421	\$ 3,944,417	\$ 220,450	\$ 211,051	\$ 9,399	\$ 212,605
Part-time salaries	17,000	10,396	6,604	8,137	-	-	-	-
Social security	315,700	289,722	25,978	281,587	16,900	14,528	2,372	14,932
Group insurance	1,119,500	1,014,749	104,751	1,022,216	52,500	47,568	4,932	46,987
Retirement	809,000	697,703	111,297	641,706	37,000	32,179	4,821	30,173
Unemployment	15,700	14,772	928	15,402	775	716	59	727
Total personnel	6,565,400	6,057,421	507,979	5,913,465	327,625	306,042	21,583	305,424
Contractual								
Loan servicing	750,000	738,731	11,269	722,737	26,400	25,249	1,151	27,233
Legal	32,000	11,275	20,725	22,888	-	-	-	-
Accounting	80,600	76,275	4,325	55,840	1,500	1,500	-	1,548
Total contractual	862,600	826,281	36,319	801,465	27,900	26,749	1,151	28,781
General Operating								
Rent	-	-	-	-	9,500	8,759	741	8,759
Telephone	146,500	133,294	13,206	155,076	6,900	6,246	654	6,894
Printing	313,000	259,753	53,247	262,977	6,300	7,142	(842)	5,333
Postage	760,500	707,873	52,627	672,325	18,200	17,894	306	15,672
Supplies	165,000	160,544	4,456	115,413	7,750	7,499	251	5,797
Travel	65,000	45,674	19,326	53,871	600	477	123	322
Equipment maintenance	37,000	35,191	1,809	32,686	1,750	1,396	354	1,532
Subscriptions and fees	38,000	48,325	(10,325)	35,674	125	20	105	20
Meeting and conference expenses	24,500	17,078	7,422	10,007	200	-	200	186
Insurance - general and automotive	54,000	48,572	5,428	53,933	2,550	2,277	273	2,528
Marketing	50,000	48,284	1,716	32,301	-	-	-	-
Contingencies	50,000	51,890	(1,890)	4,129	500	220	280	-
Depreciation	208,000	203,326	4,674	221,185	-	-	-	-
Total general operating	1,911,500	1,759,804	151,696	1,649,577	54,375	51,930	2,445	47,043
Total operating expenses	9,339,500	8,643,506	695,994	8,364,507	409,900	384,721	25,179	381,248
Capital Additions								
Equipment, furniture and fixtures	148,500	148,495	5	165,039	-	-	-	-
Automobile	28,500	22,124	6,376	20,215	-	-	-	-
Total capital additions	177,000	170,619	6,381	185,254	-	-	-	-
Total operating expenses and capital additions	\$ 9,516,500	\$ 8,814,125	\$ 702,375	\$ 8,549,761	\$ 409,900	\$ 384,721	\$ 25,179	\$ 381,248

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2006**

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>
Thomas J. Little, Jr.	Chairman	2008
Lisa P. Montgomery	Vice Chairman	2007
J. Edward Norris, III	Treasurer	2007
Charlie C. Sanders, Jr.	Secretary, President & CEO	2007
Dr. Julia Boyd		2008
Marvin G. Carmichael		2008
Robert R. Hill, Jr.		2009
Richard W. Kelly		2009
William M. Mackie, Jr.		2007
Timothy E. Madden		2008
William G. McMaster		2009

**SOUTH CAROLINA STUDENT LOAN CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006**

<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		\$ 52,488,107
Subsidized interest	84.032		<u>24,102,260</u>
Total U.S. Department of Education programs (major program)			\$ <u>76,590,367</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, 2006, and have issued our report thereon dated August 31, 2006. 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 31, 2006



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, 2006. 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, 2006.

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.

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

Columbia, South Carolina
August 31, 2006

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

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	\$ 52,488,107	
	Subsidized interest	84.032	<u>24,102,260</u>	
	Total federal family education loan program (major program)		<u>\$ 76,590,367</u>	
(x)	Dollar threshold used to distinguish between Type A and Type B programs			\$ 2,297,711
(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, 2006**

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, 2006**

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