

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2004

SOUTH CAROLINA STUDENT LOAN CORPORATION

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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, 2004, 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 2003 financial statements and, in our report dated August 28, 2003, 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, 2004 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 25, 2004 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 in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in Schedule 7 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrick, Stubbs & Stith, LLP

Columbia, South Carolina
August 25, 2004

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

(With Comparative Amounts for 2003)

<u>ASSETS</u>	<u>2004</u>			<u>2003</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Totals Memorandum Only</u>
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 12,425,612	\$ 69,475,595	\$ 81,901,207	\$ 158,575,798
Investments	148,186		148,186	77,609
Current Portion of Student Loan Receivables	766,349	275,057,606	275,823,955	190,618,060
Interest Due from Borrowers	568,378	26,069,362	26,637,740	29,614,709
Due from United States Department of Education	39	7,053,878	7,053,917	5,769,507
Due from SC State Education Assistance Authority	99,923	28,708,313	28,808,236	83,175
Accrued Investment Income		78,791	78,791	169,004
Miscellaneous Operating Receivables	806		806	58,376
Prepaid Expenses	30,238		30,238	4,915
Due from (to) Other Funds	6,258	(6,258)		
Total Current Assets	<u>\$ 14,045,789</u>	<u>\$ 406,437,287</u>	<u>\$ 420,483,076</u>	<u>\$ 384,971,153</u>
<u>Investments and Long-Term Receivables:</u>				
Other Student Loan Receivables Less Current Portion	\$ 18,295,877	\$ 1,656,063,700	\$ 1,674,359,577	\$ 1,543,109,259
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$ 15,689,234 and Current Portion		5,580,712	5,580,712	6,051,941
Deferred Cost of Issuance of Bonds		3,154,621	3,154,621	3,727,275
Total Investments and Long-Term Receivables	<u>\$ 18,295,877</u>	<u>\$ 1,664,799,033</u>	<u>\$ 1,683,094,910</u>	<u>\$ 1,552,888,475</u>
<u>Property and Equipment:</u>				
Land	\$ 565,000	\$	\$ 565,000	\$
Building	2,431,329		2,431,329	
Furniture and Equipment	2,039,071		2,039,071	1,910,451
Automobiles	41,049		41,049	41,049
Less, Accumulated Depreciation	(1,564,991)		(1,564,991)	(1,612,700)
Net Property and Equipment	<u>\$ 3,511,458</u>	<u>\$ -</u>	<u>\$ 3,511,458</u>	<u>\$ 338,800</u>
Total Assets	<u>\$ 35,853,124</u>	<u>\$ 2,071,236,320</u>	<u>\$ 2,107,089,444</u>	<u>\$ 1,938,198,428</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

(With Comparative Amounts for 2003)

<u>LIABILITIES AND NET ASSETS</u>	<u>2004</u>			<u>2003</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Totals Memorandum Only</u>
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$	\$ 64,800,000	\$ 64,800,000	\$ 52,000,000
Current Maturities of Bonds Payable		206,241,475	206,241,475	130,363,888
Interest Payable		1,111,826	1,111,826	1,231,485
Accounts Payable	975,637		975,637	1,132,998
Accrued Pension Payable	275,956		275,956	789,079
Compensated Absences	225,189	28,571	253,760	204,074
Due to SC State Education Assistance Authority		8,214,023	8,214,023	6,282,860
Total Current Liabilities	<u>\$ 1,476,782</u>	<u>\$ 280,395,895</u>	<u>\$ 281,872,677</u>	<u>\$ 192,004,384</u>
<u>Long-Term Debt:</u>				
Bonds Payable Less Current Maturities and Bond Premiums and Discounts of \$ 3,961,280	\$	\$ 1,131,810,720	\$ 1,131,810,720	\$ 1,337,519,404
Notes Payable - Finance Loans Less Current Maturities		458,749,392	458,749,392	209,072,774
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 1,590,560,112</u>	<u>\$ 1,590,560,112</u>	<u>\$ 1,546,592,178</u>
Total Liabilities	<u>\$ 1,476,782</u>	<u>\$ 1,870,956,007</u>	<u>\$ 1,872,432,789</u>	<u>\$ 1,738,596,562</u>
<u>Net Assets:</u>				
<u>Temporarily Restricted:</u>				
For Bond Indentures - Current Debt Service	\$	\$ 22,501,568	\$ 22,501,568	\$ 18,251,147
For Bond Indentures		155,319,989	155,319,989	128,954,841
For Teacher Loans		22,458,756	22,458,756	22,367,293
Total Temporarily Restricted	<u>\$</u>	<u>\$ 200,280,313</u>	<u>\$ 200,280,313</u>	<u>\$ 169,573,281</u>
Unrestricted	<u>34,376,342</u>		<u>34,376,342</u>	<u>30,028,585</u>
Total Net Assets	<u>\$ 34,376,342</u>	<u>\$ 200,280,313</u>	<u>\$ 234,656,655</u>	<u>\$ 199,601,866</u>
Total Liabilities and Net Assets	<u>\$ 35,853,124</u>	<u>\$ 2,071,236,320</u>	<u>\$ 2,107,089,444</u>	<u>\$ 1,938,198,428</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004
(With Comparative Amounts for 2003)

	2004			2003 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 13,316	\$ 14,455,966	\$ 14,469,282	\$ 16,259,325
Special Allowances	27	12,859,531	12,859,558	11,032,458
Student Loan Interest - Non Subsidized	768,073	59,291,982	60,060,055	62,154,470
Investment Income	112,746	1,382,356	1,495,102	2,347,600
Unrealized Gain (Loss) on Investments	70,577	(192,154)	(121,577)	(121,630)
Late Charges	2,814	873,531	876,345	712,563
Miscellaneous Payments of Student Loans	(16)	9,305	9,289	4,370
Premium on Sale of Loans				1,099
State Appropriations - Department of Education		4,377,048	4,377,048	4,584,264
Building Rental Income	52,005		52,005	
Remittance from SC State Education Assistance Authority for Operating Cost	3,901,624	2,144,391	6,046,015	5,615,073
Net Assets Released from Restrictions	64,494,924	(64,494,924)		
Total Revenue and Support	<u>\$ 69,416,090</u>	<u>\$ 30,707,032</u>	<u>\$ 100,123,122</u>	<u>\$ 102,589,592</u>
<u>Expenses:</u>				
Personnel	\$ 5,737,232	\$	\$ 5,737,232	\$ 5,475,711
Contractual Services	680,454		680,454	497,156
General Operating	1,762,729		1,762,729	1,764,810
Interest on Debt	17,927,494		17,927,494	21,560,363
TLP Cancellations	5,573,014		5,573,014	5,502,449
Amortization of Deferred Cost of Bond Issuance	1,578,864		1,578,864	1,310,920
Payments to SC State Education Assistance Authority for Student Loan Income	5,045,972		5,045,972	8,986,980
Lender Origination Fees	8,779,508		8,779,508	6,502,476
Reinsurance Expense	120,271		120,271	169,175
Borrower Incentives	15,485,920		15,485,920	14,786,516
State Recall of Funds				3,278,710
Broker Dealer Fees	1,856,612		1,856,612	999,986
Building Rental Expenses	111,762		111,762	
Other	408,501		408,501	279,878
Total Expenses	<u>\$ 65,068,333</u>	<u>\$ -</u>	<u>\$ 65,068,333</u>	<u>\$ 71,115,130</u>
<u>Change in Net Assets</u>	<u>\$ 4,347,757</u>	<u>\$ 30,707,032</u>	<u>\$ 35,054,789</u>	<u>\$ 31,474,462</u>
<u>Net Assets</u>				
Beginning	<u>30,028,585</u>	<u>169,573,281</u>	<u>199,601,866</u>	<u>168,127,404</u>
Ending	<u>\$ 34,376,342</u>	<u>\$ 200,280,313</u>	<u>\$ 234,656,655</u>	<u>\$ 199,601,866</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
(With Comparative Amounts for 2003)

	2004			2003 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 4,347,757	\$ 30,707,032	\$ 35,054,789	\$ 31,474,462
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	161,774		161,774	162,351
Amortization of Premiums and Discounts on Bonds Payable		532,791	532,791	332,554
Amortization of Cost of Bond Issuance		1,046,072	1,046,072	978,366
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Due from Department of Education	15,461	(1,299,871)	(1,284,410)	48,116
(Increase) Decrease in Due from SCSEAA	(69,641)	(28,655,420)	(28,725,061)	20,103,840
(Increase) Decrease in Interest Due from Borrowers	98,414	2,878,555	2,976,969	3,163,197
(Increase) Decrease in Accrued Investment Income	3,636	86,577	90,213	144,020
(Increase) Decrease in Miscellaneous Receivables	57,570		57,570	(744)
(Increase) Decrease in Prepaid Expenses	(25,323)		(25,323)	34,000
Increase (Decrease) in Interest Payable		(119,659)	(119,659)	(589,627)
Increase (Decrease) in Accounts Payable	(133,168)	(24,193)	(157,361)	699,455
Increase (Decrease) in Accrued Pension Expense	(489,451)	(23,672)	(513,123)	149,213
Increase (Decrease) in Compensated Absences	44,957	4,729	49,686	(43,561)
Increase (Decrease) in Due to SCSEAA	(1,429,855)	3,361,018	1,931,163	3,153,119
Due to (from) Other funds	(13,662,124)	13,662,124		
Net Cash Provided by Operating Activities	\$ <u>(11,079,993)</u>	\$ <u>22,156,083</u>	\$ <u>11,076,090</u>	\$ <u>59,808,761</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (3,334,432)		\$ (3,334,432)	\$ (281,894)
Purchase and Issuance of Student Loans	(3,074,406)	(723,977,243)	(727,051,649)	(833,059,027)
Principal Payments on Student Loans	5,482,523	500,011,128	505,493,651	674,153,682
Teacher Loan Cancellations		5,573,014	5,573,014	5,502,449
Unrealized (Gain) Loss on Investments	(70,577)		(70,577)	121,698
Net Cash (Used in) Investing Activities	\$ <u>(996,892)</u>	\$ <u>(218,393,101)</u>	\$ <u>(219,389,993)</u>	\$ <u>(153,563,092)</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
(With Comparative Amounts for 2003)

	2004			2003 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans	\$	\$ 648,162,256	\$ 648,162,256	\$ 526,016,988
Payments on Financing Loans		(385,685,638)	(385,685,638)	(573,542,727)
Proceeds from Issuance of Bonds				275,000,000
Payments of Bonds		(130,363,888)	(130,363,888)	(113,334,354)
Payment of Costs of Bond Issuance		(473,418)	(473,418)	(932,604)
Net Cash Provided by Financing Activities	\$	\$ 131,639,312	\$ 131,639,312	\$ 113,207,303
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$	\$ (12,076,885)	\$ (76,674,591)	\$ 19,452,972
<u>Cash and Cash Equivalents:</u>				
Beginning		24,502,497	134,073,301	158,575,798
Ending	\$	\$ 12,425,612	\$ 69,475,595	\$ 81,901,207
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Cash Payments for Interest	\$	\$ -	\$ 18,047,153	\$ 18,047,153
<u>Supplemental Disclosures of Non-Cash Transactions:</u>				
Retirement of Fixed Assets - Investing Activities	\$	\$ 209,483	\$ -	\$ 209,483
Write-off of Accumulated Depreciation Related to Retired Assets - Investing Activities	\$	\$ 209,483	\$ -	\$ 209,483

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies:

1.1 Reporting Entity:

The South Carolina Student Loan Corporation (Corporation) was incorporated November 15, 1973 under the Laws of the State of South Carolina. The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its corporate goal is to receive, disburse and administer funds exclusively for educational purposes without pecuniary gain or profit to its members and to aid in the fulfillment of the desire and direction of the People of South Carolina in making loans available to students and parents to attend eligible post secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

The Corporation administers the operations of the South Carolina State Education Assistance Authority (Authority). The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976 as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The basic, but not the only, criteria for including a component unit in the reporting entity is the governing body's oversight responsibility for such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor the Corporation is considered a component unit of the other because each is a legally separate organization and not financially accountable to/for the other.

The accompanying financial statements present the financial position, results of operations and cash flows solely of the South Carolina Student Loan Corporation.

1.2 Overall Operating Arrangement:

The Authority, as a guaranty agency, has approved the South Carolina Student Loan Corporation (Corporation) as an eligible lender to administer the Federal Family Education Loan Program. It is the duty of the Corporation to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace, and deferred periods by the U.S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower. Also, the U.S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate.

The Corporation finances these loans using several sources. One source is the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 7, makes loans. The Corporation remits income on these loans to the Authority as it is received as required by loan agreements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies (Continued):

1.2 Overall Operating Arrangement (Continued):

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.

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 tax-exempt bond funds.

1.3 Basis of Accounting:

These statements are prepared on the accrual method of accounting recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

1.4 Display of Net Assets by Class:

The Corporation adheres to the disclosures and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets, which are described as follows:

Unrestricted Net Assets - Net assets that are not subject to restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Corporation activity.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies (Continued):

1.4 Display of Net Assets by Class (Continued):

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.

1.5 Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.6 Cash and Cash Equivalents:

For purposes of reporting cash flows, the Corporation considers all certificates of deposit, regardless of maturity, and Treasury Bills, commercial paper and money market funds, including those that are classified as restricted assets, with a maturity of three months or less, to be cash equivalents.

1.7 Investments:

Investments are valued at market value. Realized and unrealized gains and losses on sale of investments are determined based on the cost of investments.

1.8 Property and Equipment:

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.

1.9 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. Summary of Significant Accounting Policies (Continued):

1.10 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, 2003, from which the summarized information was derived.

2. Cash and Cash Equivalents:

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

<u>Unrestricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
Demand Deposits	\$ 127,159	\$ 127,159
Repurchase Agreements	306,847	306,847
South Carolina State Treasurer Pool	140,509	140,509
Commercial Paper	1,100,000	1,100,000
Commercial Bonds	8,051,097	8,051,097
U.S. Agency Bonds	<u>2,700,000</u>	<u>2,700,000</u>
	\$ <u>12,425,612</u>	\$ <u>12,425,612</u>
<u>Temporarily Restricted</u>		
Demand Deposit	\$ 320	\$ 320
Repurchase Agreements	190,000	190,000
Collateralized Demand Deposit	24,863,576	24,863,576
South Carolina State Treasurer Pool	6,488,162	6,648,067
Guaranteed Investment Contracts	<u>37,773,632</u>	<u>37,773,632</u>
	\$ <u>69,315,690</u>	\$ <u>69,475,595</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 6,648,067.

3. Investments:

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

<u>Unrestricted:</u>	<u>Carrying Value</u>	<u>Market Value</u>
Common Stock	\$ <u>-</u>	\$ <u>148,186</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

4. Amounts Due from/to the Corporation:

The \$ 8,214,023 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 \$ 28,808,236. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

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

In 2004 and 2003, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 2.82% to 4.37%, 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.

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

6. Bonds Payable:

The Corporation issued Education Loan Revenue Bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds are secured only by loans funded by bond proceeds, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. Certain loans were previously financed by bank lines-of-credit as described in Note 9. The bond resolution permits the Corporation to accumulate collections from borrowers to pay principal and interest on bonds as due. The bonds do not constitute a debt,

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. Bonds Payable (Continued):

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, 2004, the Corporation was required to have assets deposited in the current debt service account of \$ 22,501,568.

The Education Loan Revenue Bonds as of June 30, 2004 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/03</u>	<u>Issued (Retired) During FY 04</u>	<u>Balance Outstanding 6/30/04</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	131,290,167	(49,129,490)	82,160,677
May 14, 1998	211,400,000	9/1/2033	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/2007	9,687,196	(9,687,196)	
July 18, 2000	150,000,000	6/1/2010	150,000,000	(27,028,202)	122,971,798
May 23, 2001	400,000,000	6/1/2012	400,000,000	(44,519,000)	355,481,000
April 30, 2002	210,000,000	6/1/2013	210,000,000		210,000,000
June 25, 2003	275,000,000	6/1/33-6/1/43	<u>275,000,000</u>		<u>275,000,000</u>
			<u>\$ 1,472,377,363</u>	<u>\$(130,363,888)</u>	<u>\$ 1,342,013,475</u>

The Corporation's Treasury Indexed Bonds totaled \$ 2,160,677 as of June 30, 2004, and have variable interest rates equal to the Treasury Index plus 0.64%. The Corporation's Auction Rate Bonds totaled \$ 651,400,000 as of June 30, 2004, 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 \$ 427,919,818 as of June 30, 2004 and have variable interest rates equal to three-month LIBOR plus 0.13% to 0.17% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 260,532,980 and have variable interest rates ranging from the three-month Commercial Paper indexed rate plus 0.24% to 0.31% as adjusted weekly or monthly. Throughout the year ended June 30, 2004, none of the rates exceeded 2.05%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2004, which was 2.93 %.

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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

6. Bonds Payable (Continued):

As of June 30, 2004, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 206,241,475	\$ 36,545,411	\$ 242,786,886
2006	225,169,000	30,285,510	255,454,510
2007	219,449,000	23,657,636	243,106,636
2008	39,754,000	19,280,152	59,034,152
2009		19,086,020	19,086,020
2010		19,086,020	19,086,020
2011		19,086,020	19,086,020
2012		19,086,020	19,086,020
2013		19,086,020	19,086,020
2014		19,086,020	19,086,020
2015		19,086,020	19,086,020
2016		19,086,020	19,086,020
2017		19,086,020	19,086,020
2018		19,086,020	19,086,020
2019		19,086,020	19,086,020
2020		19,086,020	19,086,020
2021		19,086,020	19,086,020
2022		19,086,020	19,086,020
2023		19,086,020	19,086,020
2024		19,086,020	19,086,020
2025		19,086,020	19,086,020
2026		19,086,020	19,086,020
2027	85,000,000	17,010,603	102,010,603
2028	80,000,000	14,642,187	94,642,187
2029		14,251,520	14,251,520
2030		14,251,520	14,251,520
2031		14,251,520	14,251,520
2032		14,251,520	14,251,520
2033	209,000,000	13,741,212	222,741,212
2034	211,400,000	2,966,137	214,366,137
2035		1,933,800	1,933,800
2036		1,933,800	1,933,800
2037		1,933,800	1,933,800
2038		1,933,800	1,933,800
2039		1,933,800	1,933,800
2040		1,933,800	1,933,800
2041		1,933,800	1,933,800
2042		1,933,800	1,933,800
2043	<u>66,000,000</u>		<u>66,000,000</u>
Totals	\$ <u>1,342,013,475</u>	\$ <u>574,153,688</u>	\$ <u>1,916,167,163</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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, 2004 and 2003 are as follows:

<u>Authority Bond Resolution</u>	<u>Balance 6/30/03</u>	<u>Balance 6/30/04</u>
1993	\$ 151,747,899	\$ 323,895,594
2002	<u>109,324,876</u>	<u>199,653,798</u>
Total	<u>\$ 261,072,775</u>	<u>\$ 523,549,392</u>

8. Special Allowance Income:

As an inducement to the lender to make guaranteed student loans, the U. S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate. It was instituted to assure that the interest rate and other limitations of the Higher Education Act, in the context of the current money market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

9. Employee Benefit Plans:

9.1 The Corporation provides retirement benefits through the South Carolina Student Loan Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. The Corporation has adopted the 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 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 2004 is \$ 190,702 and is fully funded.

9.2 The South Carolina Student Loan Corporation finalized a supplemental retirement plan for its employees on July 1, 1998. The Plan is a defined benefit pension plan covering substantially all employees with one year of service and over 21 years of age. The Plan provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed 30 years.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

9. Employee Benefit Plans (Continued):

9.2 (Continued):

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

The net pension expense for this Plan totaled \$ 673,877, plus \$ 38,686 of administrative expenses, totaling \$ 712,563 for the year ended June 30, 2004. The Authority contributed \$ 244,035 to the expense for this Plan for its employees for the year ended June 30, 2004. The components of the pension cost charged to expense consisted of the following:

Service Cost (Benefits Earned)	\$ 229,241
Interest Cost on Projected Benefit Obligation	271,752
Actual Return on Assets	(243,673)
Net Amortization and Deferral	181,829
Minimum Liability	<u>234,728</u>
Net Pension Cost	\$ <u>673,877</u>

The following sets forth the Plan's funded status as of June 30, 2004. The measurement date of the projected benefits obligation and Plan assets was June 30, 2004.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 4,034,636
Non-vested Benefit Obligation	<u>142,206</u>
Accumulated Benefit Obligation	\$ <u>4,176,842</u>
Projected Benefits	\$(4,910,027)
Plan Assets at Fair Value	<u>3,900,886</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,009,141)
Unrecognized Prior Service Cost	744,330
Unrecognized Net Loss	1,344,330
Required Additional Minimum Liability	(<u>1,355,475</u>)
Accrued Pension Cost	\$(<u>275,956</u>)

Assumptions used in accounting for net periodic pension cost were for discount rates of 7.0%, weighted average rates of increase in compensation levels of 4%, and expected long-term rate of return on assets of 8%. Plan assets include life insurance policies and a mutual fund. Employer contributions were \$ 1,187,000. No participant contributions are permitted by the Plan. Benefit payments made during the years ended June 30, 2004 totaled \$ 20,336.

9.3 The South Carolina Student Loan Corporation established the 403 (b) Defined Contribution Plan on November 5, 2002. The plan provides for a 5% contribution by the Corporation based on the participant's total annual compensation. The total amount contributed under the plan in 2004 was \$ 235,229, which the Authority reimbursed and \$ 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

9. Employee Benefit Plans (Continued):

9.4 Certain health care, dental, long-term disability and life insurance benefits are provided to active employees. All full-time and part-time employees who worked at least 32 hours per week are eligible to receive these benefits. Employer contributions applicable to those benefits were \$ 719,575 in 2004.

10. 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 lease office space to nine (9) tenants as of June 30, 2004. Total rental expenses, prior to the purchase, including rental agreements under one year in duration were \$ 148,248 for June 30, 2004. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

11. Rental Property and Operating Leases:

As described in Note 10, the Corporation purchased an office building. The Corporation occupies approximately 65% of the space. The building had lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 50,692 in 2005; \$ 25,937 in 2006; \$ 26,856 in 2007 and \$ 27,975 in 2008.

12. Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of the Corporation's financial instruments. Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. Student loan receivables' carrying value approximates fair value based on similar investments' quoted market prices. The carrying value of finance loans also approximates fair value based on the prices for the same or similar debt issues and on the current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

The Corporation intends to carry its investments and receivables to maturity. The Corporation also intends to carry to maturity the finance loans with the South Carolina State Education Assistance Authority.

13. Assets Released from Restrictions:

Net assets during the year ended June 30, 2004 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 273,205
Contractual Services	23,686
General Operating	47,639
Interest on Debt	17,927,494
TLP Cancellations	5,573,014
Amortization of Deferred Cost of Bond Issuance	1,578,864

SOUTH CAROLINA STUDENT LOAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

13. Assets Released from Restrictions (Continued):

Payment to SC State Education Assistance	
Authority for Student Loan Income	\$ 5,045,972
Lender Origination Fees	8,779,508
Reinsurance Expense	119,923
Borrowers Incentives	15,485,951
Broker Dealer Fees	1,856,612
Other	<u>250,639</u>
Total Expenses	\$ <u>56,962,507</u>
Transfers for Loan Servicing on Taxable Bonds	7,547,635
Transfer from TLP Fund for Operations	<u>(15,218)</u>
Total	\$ <u><u>64,494,924</u></u>

14. Reclassifications:

Certain reclassifications were made on 2003 amounts on the statement of financial position and the statement of activities for comparability to 2004 with no effect on the change in net assets.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2004

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
Current Assets:							
Cash and Cash Equivalents	\$ 12,118,765	\$ 306,847	\$ 6,648,067	\$ 37,963,952	\$ 7,545,696	\$ 17,317,880	\$ 81,901,207
Investments	148,186						148,186
Current Portion of Student Loan Receivables		766,349	8,757,606	201,500,000	40,824,000	23,976,000	275,823,955
Interest Due from Borrowers		568,378	1,332,100	20,107,171	1,902,914	2,727,177	26,637,740
Due from United States Department of Education		39	291	3,104,373	3,073,471	875,743	7,053,917
Due from SC State Education Assistance Authority	15,735	84,188	123,250	26,046,382		2,538,681	28,808,236
Accrued Investment Income			51,559	27,232			78,791
Miscellaneous Operating Receivables	806						806
Prepaid Expenses	30,238						30,238
Due from (to) Other Funds	32,069	(25,811)	(6,258)	10,403	(10,403)		-
Total Current Assets	\$ 12,345,799	\$ 1,699,990	\$ 16,906,615	\$ 288,759,513	\$ 53,335,678	\$ 47,435,481	\$ 420,483,076
Investments and Long-Term Receivables							
Other Student Loan Receivables Less, Current Portion		\$ 18,295,877		\$ 1,219,204,090	\$ 275,536,301	\$ 161,323,309	\$ 1,674,359,577
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion			5,580,712				5,580,712
Deferred Cost of Issuance of Bonds				3,154,621			3,154,621
Total Investments and Long-Term Receivables	\$ -	\$ 18,295,877	\$ 5,580,712	\$ 1,222,358,711	\$ 275,536,301	\$ 161,323,309	\$ 1,683,094,910
Property and Equipment							
Land	\$ 565,000						\$ 565,000
Building	2,431,329						2,431,329
Furniture and Equipment	2,039,071						2,039,071
Automobiles	41,049						41,049
Less, Accumulated Depreciation	(1,564,991)						(1,564,991)
Net Property and Equipment	\$ 3,511,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,511,458
Total Assets	\$ 15,857,257	\$ 19,995,867	\$ 22,487,327	\$ 1,511,118,224	\$ 328,871,979	\$ 208,758,790	\$ 2,107,089,444

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2004

LIABILITIES AND NET ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
Current Liabilities							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	40,824,000	\$ 23,976,000	\$ 64,800,000
Current Maturities of Bonds Payable				206,241,475			206,241,475
Interest Payable				1,111,826			1,111,826
Accounts Payable	975,637						975,637
Accrued Pension Payable	275,956						275,956
Compensated Absences	225,189		28,571				253,760
Due to SC State Education Assistance Authority					4,976,385	3,237,638	8,214,023
Total Current Liabilities	\$ 1,476,782	\$ -	\$ 28,571	\$ 207,353,301	\$ 45,800,385	\$ 27,213,638	\$ 281,872,677
Long-Term Debt							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$	1,131,810,720	\$	\$	\$ 1,131,810,720
Notes Payable - Finance Loans Less, Current Maturities					283,071,594	175,677,798	458,749,392
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ 1,131,810,720	\$ 283,071,594	\$ 175,677,798	\$ 1,590,560,112
Total Liabilities	\$ 1,476,782	\$ -	\$ 28,571	\$ 1,339,164,021	\$ 328,871,979	\$ 202,891,436	\$ 1,872,432,789
Net Assets:							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$	22,501,568	\$	\$	\$ 22,501,568
Temporarily Restricted for Bond Indentures				149,452,635		5,867,354	155,319,989
Temporarily Restricted for Teacher Loans			22,458,756				22,458,756
Unrestricted	14,380,475	19,995,867					34,376,342
Total Net Assets	\$ 14,380,475	\$ 19,995,867	\$ 22,458,756	\$ 171,954,203	\$ -	\$ 5,867,354	\$ 234,656,655
Total Liabilities and Net Assets	\$ 15,857,257	\$ 19,995,867	\$ 22,487,327	\$ 1,511,118,224	\$ 328,871,979	\$ 208,758,790	\$ 2,107,089,444

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2004

	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	Tax Exempt		
					93 Resolution	02 Resolution	
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$	\$ 13,316	\$ 2,247	\$ 10,605,770	\$ 2,598,123	\$ 1,249,826	\$ 14,469,282
Special Allowances		27	(29)	1,091,166	9,662,846	2,105,548	12,859,558
Student Loan Interest - Non Subsidized		768,073	1,616,163	47,115,833	4,222,335	6,337,651	60,060,055
Investment Income	109,643	3,103	240,466	1,111,554		30,336	1,495,102
Unrealized Gain (Loss) on Investments	70,577		(192,154)				(121,577)
Late Charges		2,814	9,355	776,542	11,750	75,884	876,345
Miscellaneous Payments of Student Loans		(16)	152	7,883	(261)	1,531	9,289
State Appropriations - Department of Education			4,377,048				4,377,048
Building Rental Income	52,005						52,005
Remittance from SC State Education Assistance Authority for Operating Cost	3,901,624				2,144,391		6,046,015
Total Revenue	\$ 4,133,849	\$ 787,317	\$ 6,053,248	\$ 60,708,748	\$ 18,639,184	\$ 9,800,776	\$ 100,123,122
Expenses:							
Personnel	\$ 5,464,027	\$	\$ 273,205	\$	\$	\$	\$ 5,737,232
Contractual Services	656,768		23,686				680,454
General Operating	1,715,090		47,639				1,762,729
Interest on Debt				17,927,494			17,927,494
TLP Cancellations			5,573,014				5,573,014
Amortization of Deferred Cost of Bond Issuance				1,578,864			1,578,864
Payments to SC State Education Assistance Authority for Student Loan Income						5,045,972	5,045,972
Lender Origination Fees				4,809,434	3,150,064	820,010	8,779,508
Reinsurance Expense		348		115,818	653	3,452	120,271
Borrower Incentives		(31)		4,552	15,488,467	(7,068)	15,485,920
Broker Dealer Fees				1,856,612			1,856,612
Building Rental Expenses	111,762						111,762
Other	5,338	152,524	59,459	39,906		151,274	408,501
Total Expenses	\$ 7,952,985	\$ 152,841	\$ 5,977,003	\$ 26,332,680	\$ 18,639,184	\$ 6,013,640	\$ 65,068,333
Transfers Between Accounts:							
Transfers In	\$ 6,180,139	\$ 1,400,000	\$ 1,830,151	\$	\$	\$	\$ 9,410,290
Transfers Out	(15,218)	(32,504)	(1,814,933)	(7,547,635)			(9,410,290)
Total Transfers Between Accounts	\$ 6,164,921	\$ 1,367,496	\$ 15,218	\$ (7,547,635)	\$ -	\$ -	\$ -
Change in Net Assets	\$ 2,345,785	\$ 2,001,972	\$ 91,463	\$ 26,828,433	\$ -	\$ 3,787,136	\$ 35,054,789
Net Assets:							
Beginning	12,034,690	17,993,895	22,367,293	145,125,770		2,080,218	199,601,866
Ending	\$ 14,380,475	\$ 19,995,867	\$ 22,458,756	\$ 171,954,203	\$ -	\$ 5,867,354	\$ 234,656,655

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2004

	Unrestricted		Temporarily Restricted				Total
	Operating	SLC	Teacher Loans	96 Resolution	93 Resolution	02 Resolution	
<u>Cash Flows from Operating Activities:</u>							
Change in Net Assets	\$ 2,345,785	\$ 2,001,972	\$ 91,463	\$ 26,828,433	\$	\$ 3,787,136	\$ 35,054,789
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	161,774						161,774
Amortization of Premiums and Discounts on Bonds Payable				532,791			532,791
Amortization of Cost of Bond Issuance				1,046,072			1,046,072
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from US Department of Education		15,461	(291)	(90,649)	(698,562)	(510,369)	(1,284,410)
(Increase) Decrease in Due from SC State Education Assistance Authority	14,547	(84,188)	(123,250)	(25,993,489)		(2,538,681)	(28,725,061)
(Increase) Decrease in Interest Due from Borrowers		98,414	194,099	4,338,126	(764,498)	(889,172)	2,976,969
(Increase) Decrease in Accrued Investment Income	3,636		41,592	44,985			90,213
(Increase) Decrease in Miscellaneous Receivables	57,570						57,570
(Increase) Decrease in Prepaid Expenses	(25,323)						(25,323)
Increase (Decrease) in Interest Payable				(119,659)			(119,659)
Increase (Decrease) in Accounts Payable	(112,482)	(20,686)	(16,834)		(16)	(7,343)	(157,361)
Increase (Decrease) in Accrued Pension Expense	(489,451)		(23,672)				(513,123)
Increase (Decrease) in Compensated Absences	44,957		4,729				49,686
Increase (Decrease) in Due to SC State Education Assistance Authority	(1,429,855)			(192,949)	1,463,059	2,090,908	1,931,163
Due to (from) Other Funds	(8,596,878)	(5,065,246)	135,827	12,701,657	10,403	814,237	
Net Cash Provided by (Used in) Operating Activities	\$ (8,025,720)	\$ (3,054,273)	\$ 303,663	\$ 19,095,318	\$ 10,386	\$ 2,746,716	\$ 11,076,090
<u>Cash Flows from Investing Activities:</u>							
Purchase of Property and Equipment	\$ (3,334,432)	\$	\$	\$	\$	\$	(3,334,432)
Purchase and Issuance of Student Loans		(3,074,406)	(7,776,652)	(40,101,024)	(566,963,775)	(109,135,792)	(727,051,649)
Principal Payments on Student Loans		5,482,523	737,541	100,310,242	381,883,674	17,079,671	505,493,651
Teacher Loan Cancellations			5,573,014				5,573,014
Unrealized (Gain) Loss on Investments	(70,577)						(70,577)
Net Cash Provided by (Used in) Investing Activities	\$ (3,405,009)	\$ 2,408,117	\$ (1,466,097)	\$ 60,209,218	\$ (185,080,101)	\$ (92,056,121)	\$ (219,389,993)

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF PROPERTY AND EQUIPMENT

YEAR ENDED JUNE 30, 2004

Description and Rate	Cost	Accumulated Depreciation 6/30/03	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/04
<u>Land:</u>	\$ 565,000	\$	\$	\$	\$
<u>Building:</u>	\$ 2,431,329	\$	\$ 14,971	\$	\$ 14,971
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,508,970	\$ 1,287,560	\$ 102,460	\$ 68,473	\$ 1,321,547
Other Office Machines	210,083	231,607	10,706	105,090	137,223
Telephone Equipment	233,718	33,157	7,844	35,920	5,081
Miscellaneous	86,300	41,153	12,111		53,264
Total Furniture and Fixtures	\$ 2,039,071	\$ 1,593,477	\$ 133,121	\$ 209,483	\$ 1,517,115
<u>Automobiles:</u>					
2001 Buick LeSabre	\$ 18,500	\$ 12,334	\$ 6,166	\$	\$ 18,500
2002 Buick Park Avenue	22,549	6,889	7,516		14,405
Total Automobiles	\$ 41,049	\$ 19,223	\$ 13,682	\$ -	\$ 32,905
Grand Totals	\$ 5,076,449	\$ 1,612,700	\$ 161,774	\$ 209,483	\$ 1,564,991

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2004

	Operating Fund				Teacher Loan Program - EIA			
	2004		Variance	2003	2004		Variance	2003
	Total	Actual	Favorable	Actual	Total	Actual	Favorable	Actual
	Budget		(Unfavorable)		Budget		(Unfavorable)	
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,760,150	\$ 3,668,400	\$ 91,750	\$ 3,354,690	\$ 201,750	\$ 207,823	\$ (6,073)	\$ 199,943
Part-time Salaries	28,000	11,825	16,175	36,586				
Contracted Services	11,300	3,642	7,658	6,410				
Social Security	272,775	262,536	10,239	242,549	15,700	15,117	583	14,467
Group Insurance	714,600	687,355	27,245	635,737	33,525	32,220	1,305	29,800
Retirement	731,400	365,142	366,258	815,161	37,500	17,345	20,155	28,244
Non-recurring Defined Benefit	451,333	451,333	-					
Unemployment	12,325	13,794	(1,469)	11,574	650	700	(50)	577
Total Personnel	\$ 5,981,883	\$ 5,464,027	\$ 517,856	\$ 5,102,707	\$ 289,125	\$ 273,205	\$ 15,920	\$ 273,031
Contractual:								
Loan Servicing	\$ 594,400	\$ 587,897	\$ 6,503	\$ 417,998	\$ 22,750	\$ 21,870	\$ 880	\$ 18,534
Legal	19,000	10,246	8,754	16,785				
Accounting	58,700	58,625	75	42,072	1,825	1,816	9	1,767
Total Contractual	\$ 672,100	\$ 656,768	\$ 15,332	\$ 476,855	\$ 24,575	\$ 23,686	\$ 889	\$ 20,301
General Operating:								
Rent	\$ 202,250	\$ 139,185	\$ 63,065	\$ 194,650	\$ 9,500	\$ 9,063	\$ 437	\$ 9,124
Telephone	169,000	165,186	3,814	170,490	7,925	7,744	181	7,992
Printing	266,850	265,268	1,582	259,042	7,700	6,846	854	9,857
Postage	653,800	645,990	7,810	630,990	15,500	15,355	145	15,948
Supplies	108,675	109,553	(878)	75,447	3,450	3,492	(42)	3,535
Travel	62,000	57,637	4,363	58,602	400	334	66	365
Equipment Maintenance	29,650	30,620	(970)	38,970	1,400	1,435	(35)	1,827
Subscriptions and Fees	33,000	32,352	648	31,326	125	20	105	20
Meeting and Conference Expenses	11,000	9,769	1,231	9,141	200	193	7	5
Insurance - General and Automotive	50,500	54,373	(3,873)	44,745	2,200	2,549	(349)	2,097
Marketing	17,750	17,415	335					
Contingencies	40,000	25,968	14,032	37,976	500	608	(108)	310
Depreciation	200,000	161,774	38,226	162,351				
Total General Operating	\$ 1,844,475	\$ 1,715,090	\$ 129,385	\$ 1,713,730	\$ 48,900	\$ 47,639	\$ 1,261	\$ 51,080
Total Operating Expenses	\$ 8,498,458	\$ 7,835,885	\$ 662,573	\$ 7,293,292	\$ 362,600	\$ 344,530	\$ 18,070	\$ 344,412

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2004

	Operating Fund				Teacher Loan Program - EIA			
	2004		Variance	2003	2004		Variance	2003
	Total	Actual	Favorable	Actual	Total	Actual	Favorable	Actual
	Budget		(Unfavorable)		Budget		(Unfavorable)	
Capital Additions:								
Land and Building	\$ 3,000,000	\$ 2,996,329	\$ 3,671	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment, Furniture and Fixtures	363,578	338,103	25,475	256,355				2,990
Automobile	-	-	-	22,549				
Total Capital Additions	<u>3,363,578</u>	<u>3,334,432</u>	<u>29,146</u>	<u>278,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,990</u>
Total Operating Expenses and Capital Additions	<u>\$ 11,862,036</u>	<u>\$ 11,170,317</u>	<u>\$ 691,719</u>	<u>\$ 7,572,196</u>	<u>\$ 362,600</u>	<u>\$ 344,530</u>	<u>\$ 18,070</u>	<u>\$ 347,402</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ORGANIZATIONAL DATA

YEAR ENDED JUNE 30, 2004

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

BOARD OF DIRECTORS OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Robert W. Derrick	Chairman	2005
Sharon W. Bryant	Vice-Chairman	2006
Dr. Dennis A. Pruitt, Sr.	Vice-Chairman	2006
Thomas J. Little, Jr.	Treasurer	2005
William M. Mackie, Jr.	Secretary, President	2007
Melvin E. Barnette		2005
T. Graham Edwards		2006
Dr. Ronald L. Epps		2007
J. Thornton Kirby		2005
William G. McMaster		2006
Lisa Montgomery		2007
Dr. Caroline B. Whitson		2007

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

<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		\$ 12,859,558
Subsidized Interest	84.032		<u>14,469,282</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>27,328,840</u>



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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the South Carolina Student Loan Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Derrick, Stubbs & Stith, LLP

August 25, 2004



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, 2004. 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, 2004.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Derick, Stulke + Smith, LLP

August 25, 2004

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

1. Summary of Auditor's Results:
 - (i) Type of report issued on financial statements Unqualified
 - (ii) Reportable material weaknesses in internal control over financial reporting None Identified
 - (iii) Reportable conditions not considered to be material weaknesses in internal control None Identified
 - (iv) Noncompliance material to the financial statements None Noted
 - (v) Material weaknesses in internal control over major programs None Identified
 - (vi) Reportable conditions not considered to be material weaknesses in internal control over major programs None Identified
 - (vii) Type of report issued on compliance for major programs Unqualified
 - (viii) Audit findings required to be reported under paragraph .510(a) OMB 133 None Disclosed
 - (ix) Identification of major programs:
 - U.S. Department of Education:
 - Higher Education Act Insured Loan Programs:
 - Federal Family Education Loan Program:
 - Special Allowances CFDA# Expenditure
84.032 \$ 12,859,558
 - Subsidized Interest 84.032 14,469,282
 - Total Federal Family Education Loan Program (Major Program) \$ 27,328,840
 - (x) Dollar threshold used to distinguish between Type A and Type B programs \$ 819,865
 - (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, 2004

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, 2004

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