

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2007

SOUTH CAROLINA STUDENT LOAN CORPORATION
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YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of South Carolina Student Loan Corporation as of June 30, 2007, 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 2006 financial statements and, in our report dated August 31, 2006, 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, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2007 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of South Carolina Student Loan Corporation, taken as a whole. The accompanying supplementary information on pages 17 - 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrick, Stubbs & Stith, L.L.P.

Columbia, South Carolina
September 24, 2007

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
(WITH COMPARATIVE AMOUNTS FOR 2006)

	2007		2006
	Unrestricted	Temporarily Restricted	
ASSETS		Total	Memorandum Only
Current Assets			
Cash and cash equivalents	\$ 37,614,080	\$ 165,569,879	\$ 272,441,799
Investments	210,480	-	204,742
Current portion of student loan receivables	270,000	324,009,767	330,975,283
Interest due from borrowers	310,089	55,871,212	35,994,126
Due from United States Department of Education	117	19,496,179	20,705,696
Due from SC State Education Assistance Authority	84,803	37,163,901	111,253,493
Accrued investment income	44,123	564,800	407,567
Miscellaneous operating receivables	664	-	3,967
Prepaid expenses	8,686	-	8,285
Due from (to) other funds	108,878	(108,878)	-
Total current assets	38,651,920	602,566,860	771,994,958
Investments and Long-Term Receivables			
Other student loan receivables less current portion	8,768,302	2,383,232,510	2,103,561,223
Teacher loans receivable - net allowance for teacher loan cancellations of \$ 16,969,294 and current portion	-	12,885,026	11,993,333
Deferred cost of issuance of bonds	-	4,240,535	3,214,541
Total investments and long-term receivables	8,768,302	2,409,126,373	2,118,769,097
Property and Equipment			
Land	565,000	-	565,000
Building	2,431,329	-	2,431,329
Furniture and equipment	2,161,408	-	1,960,050
Automobiles	40,548	-	40,548
Less, accumulated depreciation	(1,927,986)	-	(1,678,789)
Net property and equipment	3,270,299	3,270,299	3,318,138
Total assets	\$ 50,690,521	\$ 3,002,924,931	\$ 2,894,082,193

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
(WITH COMPARATIVE AMOUNTS FOR 2006)

	2007		2006
	Unrestricted	Temporarily Restricted	
		Total	Memorandum Only
LIABILITIES AND NET ASSETS			
Current Liabilities			
Current portion of notes payable - finance loans	\$ -	\$ 92,000,000	\$ 77,500,000
Current maturities of bonds payable	-	39,754,000	219,449,000
Warehouse financing	-	-	223,827,345
Interest payable	-	6,900,192	5,105,940
Accounts payable	305,227	106,381	731,190
Compensated absences	352,389	39,350	353,898
Due to SC State Education Assistance Authority	-	11,056,993	10,889,709
Total current liabilities	657,616	149,856,916	537,857,082
Noncurrent Liabilities			
Accrued pension payable	442,333	-	95,224
Retiree medical insurance payable	5,700,596	-	2,227,529
Bonds payable less current maturities and bond premiums and discounts of \$ 6,891,609	-	1,830,108,391	1,188,953,712
Notes payable - finance loans less current maturities	-	721,683,428	856,354,387
Total noncurrent liabilities	6,142,929	2,551,791,819	2,047,630,852
Total liabilities	6,800,545	2,701,648,735	2,585,487,934
Net Assets			
Temporarily restricted			
For bond indentures - current debt service	-	27,988,841	37,980,790
For bond indentures	-	243,839,244	200,806,900
For teacher loans	-	28,602,096	26,695,854
For warehouse financing	-	846,015	1,109,500
Total temporarily restricted	-	301,276,196	266,593,044
Unrestricted			
Board designated	2,100,000	-	100,000
Undesignated	41,789,976	-	41,901,215
Total unrestricted	43,889,976	43,889,976	42,001,215
Total net assets	43,889,976	301,276,196	308,594,259
Total liabilities and net assets	\$ 50,690,521	\$ 3,002,924,931	\$ 2,894,082,193

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE AMOUNTS FOR 2006)

	2007		2006	
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Revenue				
Income from United States Department of Education				
Student loan interest - subsidized	249	33,140,681	\$ 33,140,930	\$ 24,102,260
Special allowances	12	49,766,270	49,766,282	52,488,107
Student loan interest - non-subsidized	560,319	123,052,110	123,612,429	93,181,573
Investment income	1,522,000	13,139,764	14,661,764	7,559,057
Unrealized gain (loss) on investments	5,737	26,616	32,353	(73,931)
Late charges	757	1,650,319	1,651,076	1,502,974
Miscellaneous payments of student loans	52	14,068	14,120	302
State appropriations - Department of Education	-	6,989,706	6,989,706	6,989,706
State recall reversal income	-	-	-	3,278,710
Building rental income	211,351	-	211,351	211,803
Remittance from SC State Education Assistance Authority for operating cost	5,279,945	-	5,279,945	4,570,809
Net assets released from restrictions	193,096,382	(193,096,382)	-	-
Total revenue	200,676,804	34,683,152	235,359,956	193,811,370
Expenses				
Personnel	6,958,233	-	6,958,233	6,363,463
Contractual services	902,969	-	902,969	853,031
General operating	1,895,717	-	1,895,717	1,811,734
Interest on debt	106,153,093	-	106,153,093	70,942,656
TLP cancellations	7,520,328	-	7,520,328	6,954,683
State recall of funds	500,000	-	500,000	500,000
Amortization of deferred cost of bond issuance	1,190,846	-	1,190,846	1,212,476
Payments to SC State Education Assistance Authority for student loan income	29,447,389	-	29,447,389	22,352,161
Loan fees	17,511,633	-	17,511,633	14,529,184
Reinsurance expense	249,808	-	249,808	258,455
Borrower incentives	20,010,302	-	20,010,302	17,750,810
Broker dealer fees	1,101,501	-	1,101,501	1,393,684
Building rental expenses	655,625	-	655,625	316,516
Scholarship donation	2,000,000	-	2,000,000	-
Other	(485,091)	-	(485,091)	1,388,856
Total expenses	195,612,353	-	195,612,353	146,627,709
Change in net assets before adoption of FASB Statement No. 158	5,064,451	34,683,152	39,747,603	47,183,661
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	(3,175,690)	-	(3,175,690)	-
Change in net assets	1,888,761	34,683,152	36,571,913	47,183,661
Net Assets				
Beginning	42,001,215	266,593,044	308,594,259	261,410,598
Ending	43,889,976	301,276,196	345,166,172	308,594,259

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE AMOUNTS FOR 2006)

	2007		2006
	Unrestricted	Temporarily Restricted	Totals
	\$	\$	\$
Cash Flows from Operating Activities			
Change in net assets	1,888,761	34,683,152	47,183,661
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	249,197	-	265,667
Unrealized (gain) on investments	(5,738)	-	(44,736)
Amortization of premiums and discounts on bonds payable	-	533,679	396,800
Amortization of cost of bond issuance	-	657,167	815,676
Changes in operating assets and liabilities			
(Increase) decrease in due from Department of Education	(91)	1,209,491	(6,648,798)
(Increase) decrease in due from SCSEAA	174,641	73,830,148	(18,082,799)
(Increase) decrease in interest due from borrowers	95,128	(20,282,303)	(9,728,585)
(Increase) decrease in accrued investment income	(38,886)	(165,470)	(145,426)
(Increase) decrease in miscellaneous receivables	3,303	-	8,094
(Increase) decrease in prepaid expenses	(401)	-	111,157
Increase (decrease) in interest payable	-	1,794,252	2,860,955
Increase (decrease) in accounts payable	151,923	(471,505)	296,744
Increase (decrease) in accrued pension expense	347,109	-	(123,057)
Increase (decrease) in compensated absences	31,498	6,343	18,473
Increase (decrease) in retiree medical insurance payable	3,473,067	-	616,662
Increase (decrease) in due to SCSEAA	-	167,284	1,211,571
Due to (from) other funds	(62,885)	62,885	-
Net cash provided by operating activities	6,306,626	92,025,123	19,012,059
Cash Flows from Investing Activities			
Purchase of property and equipment	(201,358)	-	(170,619)
Purchase and issuance of student loans	-	(1,092,438,303)	(947,407,990)
Principal payments on student loans	815,647	801,466,562	697,282,180
Teacher loan cancellations	-	7,520,328	6,954,683
Net cash provided by (used in) investing activities	614,289	(283,451,413)	(243,341,746)
	\$ 1,888,761	\$ 34,683,152	\$ 47,183,661
	249,197	249,197	265,667
	(5,738)	(5,738)	(44,736)
	533,679	533,679	396,800
	657,167	657,167	815,676
	(91)	1,209,491	(6,648,798)
	174,641	73,830,148	(18,082,799)
	95,128	(20,282,303)	(9,728,585)
	(38,886)	(165,470)	(145,426)
	3,303	3,303	8,094
	(401)	(401)	111,157
	151,923	1,794,252	2,860,955
	347,109	(471,505)	296,744
	31,498	6,343	18,473
	3,473,067	3,473,067	616,662
	(62,885)	62,885	1,211,571
	6,306,626	92,025,123	19,012,059
	(201,358)	(201,358)	(170,619)
	815,647	(1,092,438,303)	(947,407,990)
	614,289	802,282,209	697,282,180
	614,289	7,520,328	6,954,683
	614,289	(283,451,413)	(243,341,746)

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE AMOUNTS FOR 2006)

	2007		2006 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	
Cash Flows from Financing Activities			
Proceeds from financing loans	\$ -	\$ 514,200,000	\$ 945,083,333
Payments on financing loans	-	(634,370,959)	(783,633,799)
Proceeds from warehouse financing	-	-	223,827,345
Payments on warehouse financing	-	(223,827,345)	(141,133,909)
Proceeds from bond issuance	-	682,000,000	700,000,000
Payments of bonds	-	(219,449,000)	(601,569,000)
Payment of costs of bond issuance	-	(3,305,161)	(3,333,239)
Net cash provided by financing activities	-	115,247,535	339,240,731
Net increase (decrease) in cash and cash equivalents	6,920,915	(76,178,755)	114,911,044
Cash and cash equivalents			
Beginning	<u>30,693,165</u>	<u>241,748,634</u>	<u>157,530,755</u>
Ending	<u>37,614,080</u>	<u>165,569,879</u>	<u>272,441,799</u>
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	<u>-</u>	<u>104,358,841</u>	<u>68,081,701</u>
Supplemental Disclosures of Non-Cash Transactions			
Retirement of fixed assets - investing activities	<u>-</u>	<u>-</u>	<u>27,465</u>
Write-off of accumulated depreciation related to retired assets - investing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,465</u>

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007**

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, 2007**

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, 2007

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, 2007, all of the Corporation's cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

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

Allowance for teacher loan cancellations: The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina who can annually cancel up to 20% to 33% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$ 16,969,294 at June 30, 2007.

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, 2006, 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	\$ 16,056,896	\$ 16,056,896
Money market funds	12,804,474	12,804,474
South Carolina state treasurer pool	894,154	894,154
Collateralized demand deposits	708,556	708,556
Corporate bonds	<u>7,150,000</u>	<u>7,150,000</u>
Total unrestricted	\$ <u>37,614,080</u>	\$ <u>37,614,080</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

	<u>Cost</u>	<u>Market Value</u>
Temporarily Restricted		
Money market	\$ 4,563,636	\$ 4,563,636
Collateralized demand deposit	41,947,610	41,947,610
South Carolina state treasurer pool	11,820,362	11,769,704
Guaranteed investment contracts	<u>107,288,929</u>	<u>107,288,929</u>
Total temporarily restricted	\$ <u>165,620,537</u>	\$ <u>165,569,879</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 11,769,704.

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>210,480</u>

Note 4. Amounts Due from/to the Corporation

The \$ 11,056,993 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education, fees in transit and borrowers' payments at June 30. These funds will be remitted to the Authority when received or by the tenth of each month. The Authority also owes the Corporation funds collected on their behalf of \$ 37,248,704. 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 2007 and 2006, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 6.54% to 8.09% which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Loans are insured against death, disability and default by the Authority at 97% to 100% and are reinsured by the U.S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but before October 1, 1998, and 95% for loans made on or after October 1, 1998. The federal default fee required by the Higher Education Act on guaranteed loans made on or after July 1, 2006 is paid by SCSLC or the Authority on the borrower's behalf.

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

Origination fees reduce the amount of interest subsidy the Federal government pays to lenders on behalf of borrowers whether collected or waived. The rate of origination fees for loans first disbursed on or before June 30, 2006 is 3%. The Corporation does not charge this fee for Stafford loans and refunds the fees it is

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007

Notes to Financial Statements

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

required to charge for PLUS loans in the form of a credit to the borrower's account. The rate of origination fees on loans first disbursed July 1, 2006 through June 30, 2007 remained at 3% for PLUS loans and was reduced to 2% for Stafford Loans. Origination fees are not assessed on Consolidation loans.

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, 2007, the Corporation was required to have assets deposited in the current debt service account of \$ 27,988,841.

The Education Loan Revenue Bonds as of June 30, 2007 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/06</u>	<u>Issued (Retired) During FY 07</u>	<u>Balance Outstanding 6/30/07</u>
May 23, 2001	\$ 400,000,000	6/1/12	\$ 74,733,000	\$(74,733,000)	\$ -
April 30, 2002	210,000,000	6/1/13	184,470,000	(144,716,000)	39,754,000
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
July 11, 2006	500,000,000	12/2/19-12/1/22	-	500,000,000	500,000,000
October 25, 2006	182,000,000	9/1/46	-	182,000,000	182,000,000
			<u>\$ 1,414,203,000</u>	<u>\$ 462,551,000</u>	<u>\$ 1,876,754,000</u>

The Corporation's Auction Rate Bonds totaled \$ 637,000,000 as of June 30, 2007, 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 \$ 1,230,289,000 as of June 30, 2007 and have variable interest rates equal to three-month LIBOR plus 0.09% to 0.15% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 9,465,000 and have variable interest rates equal to the three-month Commercial Paper indexed rate plus 0.24% as adjusted monthly. Throughout the year ended June 30, 2007, none of the rates exceeded 5.65%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2007, which was 5.56 %.

The 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, 2007

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

As of June 30, 2007, the scheduled debt service to retire these bonds is as follows:

	Principal	Interest	Totals
2008	\$ 39,754,000	\$ 96,874,234	\$ 136,628,234
2009	-	101,824,236	101,824,236
2010	-	101,824,236	101,824,236
2011	-	101,824,236	101,824,236
2012	168,435,000	98,957,167	267,392,167
2013	254,516,000	87,207,511	341,723,511
2014	204,385,000	74,104,041	278,489,041
2015	169,889,000	63,803,597	233,692,597
2016	148,153,000	54,728,922	202,881,922
2017	120,491,000	47,268,222	167,759,222
2018	104,477,000	40,961,823	145,438,823
2019	29,654,000	36,368,811	66,022,811
2020	-	35,814,702	35,814,702
2021	-	35,814,702	35,814,702
2022	-	35,814,702	35,814,702
2023	-	35,814,702	35,814,702
2024	-	35,814,702	35,814,702
2025	-	35,814,702	35,814,702
2026	-	35,814,702	35,814,702
2027	-	35,814,702	35,814,702
2028	-	35,814,702	35,814,702
2029	-	38,569,679	38,569,679
2030	-	35,814,702	35,814,702
2031	-	35,814,702	35,814,702
2032	-	35,814,702	35,814,702
2033	209,000,000	35,814,702	244,814,702
2034	180,000,000	23,424,410	203,424,410
2035	-	13,943,557	13,943,557
2036	-	13,943,557	13,943,557
2037	-	13,943,557	13,943,557
2038	-	13,943,557	13,943,557
2039	-	13,943,557	13,943,557
2040	-	13,943,557	13,943,557
2041	-	13,943,557	13,943,557
2042	-	13,943,557	13,943,557
2043	66,000,000	13,821,224	79,821,224
2044	-	10,232,772	10,232,772
2045	-	10,232,772	10,232,772
2046	-	10,232,772	10,232,772
2047	182,000,000	2,361,409	184,361,409
Totals	<u>\$ 1,876,754,000</u>	<u>\$ 1,591,761,656</u>	<u>\$ 3,468,515,656</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007**

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

As of June 30, 2007, the Corporation's outstanding bonds totaled \$ 1,876,754,000. On July 11, 2006, the Corporation issued \$ 500,000,000 of LIBOR Indexed Education Loan Revenue Bonds with variable interest rates ranging from 3-month LIBOR plus 0.09% to 0.12%. Proceeds of the issue were used to (i) finance and refinance student loans, (ii) fund a reserve and (iii) pay issuance costs.

On October 25, 2006, the Corporation issued \$182,000,000 of auction rate Student Loan Backed Notes with an initial interest rate of 5.30%. Proceeds of the issue were used to (i) finance and refinance student loans, (ii) fund a reserve and (iii) pay issuance costs.

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, 2007 and 2006 are as follows:

Authority Bond Resolution	<u>Balance 6/30/07</u>	<u>Balance 6/30/06</u>
1993	\$ 253,471,462	\$ 361,695,735
2002	560,211,966	572,158,652
Total	<u><u>\$ 813,683,428</u></u>	<u><u>\$ 933,854,387</u></u>

Note 8. Warehouse Financing

On March 22, 2005, the Corporation entered into a line-of-credit agreement providing for advances to the Corporation secured by student loan receivables. The borrowing period ended March 21, 2007 and was renegotiated for \$ 50,000,000 under the same terms to March 22, 2008. 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 5.30% 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, 2007. No balance was owed at June 30, 2007.

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, 2007

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 2007 is \$ 162,394 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 \$ 503,217, plus \$ 43,152 of administrative expenses, totaling \$ 546,369 for the year ended June 30, 2007. The Authority contributed \$ 180,302 to the expense for this Plan for its employees for the year ended June 30, 2007. The net post-retirement health care plan expense totaled \$ 930,367 with the Authority contributing \$ 307,021. The components of the cost charged to expense consisted of the following:

	Defined Benefit Plan	Post-Retirement Health Care Plan
	<u> </u>	<u> </u>
Obligations and funded status at end of year		
Fair value of plan assets	\$ 6,868,285	\$ -
Benefit obligations	<u>(7,310,618)</u>	<u>(5,700,596)</u>
Funded status at end of year	<u><u>(442,333)</u></u>	<u><u>(5,700,596)</u></u>
Amounts recognized on balance sheet as		
Noncurrent liabilities	<u><u>(442,333)</u></u>	<u><u>(5,700,596)</u></u>
Amounts recognized in unrestricted net assets		
consist of		
Net loss	207,659	-
Prior service cost	<u>425,331</u>	<u>2,542,700</u>
	<u><u>\$ 632,990</u></u>	<u><u>\$ 2,542,700</u></u>

The total amount recognized in unrestricted net assets for the affect of adoption of recognition and measurement date provisions of FASB Statement No. 158 is \$ 3,175,690.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007

Notes to Financial Statements

Note 10. Employee Benefit Plans (Continued)

The following sets forth the Plan's funded status as of June 30, 2007. The measurement date of the projected benefits obligation and Plan assets was June 30, 2007.

	Defined Benefit Plan	Post-Retirement Health Care Plan
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 \$ 789,098. No participant contributions are permitted by the Pension Plan. Pension benefit payments made during the years ended June 30, 2007 totaled \$ 125,962. Actual paid contributions and benefits were \$ 54,623 for the year ending June 30, 2007 for the post-retirement health care plan with cost-sharing contributions paid directly to the employer by participants totaling \$ 17,987.

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, 2007 by approximately \$ 354,000 and the service and interest cost components of net postretirement health care cost for the year then ended by approximately \$ 534,000.

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 2007 was \$ 259,720, which the Authority reimbursed \$ 85,325 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 \$ 1,436,695 in 2007.

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, 2007. Certain lease expense is allocated to the Authority based on space occupied.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2007

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: \$ 66,301 in 2008; \$ 18,293 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, 2007 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$	340,352
Contractual services		27,745
General operating		50,542
Interest on debt		106,153,093
TLP cancellations		7,520,328
State recall of funds		500,000
Amortization of deferred cost of bond issuance		1,190,846
Payment to SC State Education Assistance Authority for student loan income		29,447,389
Loan fees		17,511,633
Reinsurance expense		249,808
Borrowers incentives		20,009,453
Broker dealer fees		1,101,501
Other	(<u>1,254,018</u>)
Total expenses		182,848,672
Transfers to the 04 Resolution for operations	(12,718,383)
Transfers to tax exempt bonds for operations		(11,493)
Transfers from taxable bonds for loan servicing		<u>22,977,586</u>
Total	\$	<u>193,096,382</u>

Note 15. Reclassifications

Certain reclassifications were made on 2006 amounts on the statement of financial position and the statement of activities for comparability to 2007 with no effect on the change in net assets.

Note 16. Board Designated Net Assets

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

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2007**

	Unrestricted	Temporarily Restricted						Total
		Operating/SLC	Teacher	Warehouse	Tax Exempt		Total	
			Loans	Financing	96 Resolution	04 Resolution		
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 37,614,080	\$ 11,769,704	\$ 845,552	\$ 45,758,457	\$ 78,534,480	\$ 17,439,205	\$ 11,222,481	\$ 203,183,959
Investments	210,480	-	-	-	-	-	-	210,480
Current portion of student loan receivables	270,000	2,009,767	-	209,947,000	20,053,000	20,532,000	71,468,000	324,279,767
Interest due from borrowers	310,089	1,745,131	-	26,010,478	13,810,477	4,072,619	10,232,507	56,181,301
Due from United States Department of Education	117	456	-	13,213,803	1,148,660	1,388,167	3,745,093	19,486,296
Due from SC State Education Assistance Authority	84,803	119,937	-	27,862,353	10,296	-	9,171,315	37,248,704
Accrued investment income	44,123	99,907	3,380	155,719	305,794	-	-	608,923
Miscellaneous operating receivables	664	-	-	-	-	-	-	664
Prepaid expenses	8,686	-	-	-	-	-	-	8,686
Due from (to) other funds	108,878	11,518	-	5,993	(128,371)	-	1,982	-
Total current assets	38,651,920	15,756,420	848,932	322,953,803	113,734,336	43,431,991	105,841,378	641,218,780
Investments and Long-Term Receivables								
Other student loan receivables less, current portion	8,768,302	-	-	1,402,701,985	288,013,595	215,592,403	476,924,527	2,392,000,812
Teacher loans receivable - net allowance for teacher loan cancellations and current portion	-	12,885,026	-	-	-	-	-	12,885,026
Deferred cost of issuance of bonds	-	-	-	2,505,239	1,735,296	-	-	4,240,535
Total investments and long-term receivables	8,768,302	12,885,026	-	1,405,207,224	289,748,891	215,592,403	476,924,527	2,409,126,373
Property and Equipment								
Land	565,000	-	-	-	-	-	-	565,000
Building	2,431,329	-	-	-	-	-	-	2,431,329
Furniture and equipment	2,161,408	-	-	-	-	-	-	2,161,408
Automobiles	40,548	-	-	-	-	-	-	40,548
Less, accumulated depreciation	(1,927,986)	-	-	-	-	-	-	(1,927,986)
Net property and equipment	3,270,299	-	-	-	-	-	-	3,270,299
Total assets	\$ 50,690,521	\$ 28,641,446	\$ 848,932	\$ 1,728,161,027	\$ 403,483,227	\$ 259,024,394	\$ 582,765,905	\$ 3,053,615,452

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2007**

	Unrestricted	Temporarily Restricted						Total		
		Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	93 Resolution		Tax Exempt	
									02 Resolution	02 Resolution
LIABILITIES AND NET ASSETS										
Current Liabilities										
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,468,000	\$ -	\$ 92,000,000	
Current maturities of bonds payable	-	-	-	39,754,000	-	-	-	-	39,754,000	
Interest payable	-	-	-	6,234,637	665,555	-	-	-	6,900,192	
Accounts payable	305,227	-	2,917	-	103,464	-	-	-	411,608	
Compensated absences	352,389	39,350	-	-	-	-	-	-	391,739	
Due to SC State Education Assistance Authority	-	-	-	(422)	-	5,552,931	5,504,484	-	11,056,993	
Total current liabilities	657,616	39,350	2,917	45,988,215	769,019	26,084,931	76,972,484	-	150,514,532	
Noncurrent liabilities										
Accrued pension payable	442,333	-	-	-	-	-	-	-	442,333	
Retiree medical insurance payable	5,700,596	-	-	-	-	-	-	-	5,700,596	
Bonds payable less, current maturities and bond premiums and discounts	-	-	-	1,468,108,391	362,000,000	-	-	-	1,830,108,391	
Notes payable - finance loans less, current maturities	-	-	-	-	-	232,939,463	488,743,965	-	721,683,428	
Total noncurrent liabilities	6,142,929	-	-	1,468,108,391	362,000,000	232,939,463	488,743,965	-	2,557,934,748	
Total liabilities	6,800,545	39,350	2,917	1,514,096,606	362,769,019	259,024,394	565,716,449	-	2,708,449,280	
Net Assets										
Temporarily restricted for bond indentures	-	-	-	27,988,841	-	-	-	-	27,988,841	
Current debt service	-	-	-	186,075,580	40,714,208	-	17,049,456	-	243,839,244	
Temporarily restricted for bond indentures	-	-	-	-	-	-	-	-	28,602,096	
Temporarily restricted for teacher loans	-	28,602,096	-	-	-	-	-	-	846,015	
Temporarily restricted for warehouse financing	-	-	846,015	-	-	-	-	-	2,100,000	
Board designated for scholarships	2,100,000	-	-	-	-	-	-	-	2,100,000	
Unrestricted	41,789,976	-	-	-	-	-	-	-	41,789,976	
Total net assets	43,889,976	28,602,096	846,015	214,064,421	40,714,208	-	17,049,456	-	345,166,172	
Total liabilities and net assets	\$ 50,690,521	\$ 28,641,446	\$ 848,932	\$ 1,728,161,027	\$ 403,483,227	\$ 259,024,394	\$ 582,765,905	\$ -	\$ 3,053,615,452	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2007**

	Temporarily Restricted							Total
	Unrestricted		Temporarily Restricted			Tax Exempt		
	Operating/SLC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	
Revenue								
Income from United States Department of Education student loan interest - subsidized	249	3,445	36,612	\$ 18,524,331	\$ 743,718	\$ 3,970,284	\$ 9,862,291	\$ 33,140,930
Special allowances	12	6	56,736	35,108,735	2,713,802	3,895,953	7,991,038	49,766,282
Student loan interest - non-subsidized	560,319	2,908,804	87,336	74,073,845	17,220,681	8,428,097	20,333,347	123,612,429
Investment income	1,522,000	490,806	238,720	8,031,055	4,029,888	-	349,295	14,661,764
Unrealized gain (loss) on investments	5,737	26,616	-	-	-	-	-	32,353
Late charges	757	19,064	465	1,375,989	67,172	23,656	163,973	1,651,076
Miscellaneous payments of student loans	52	200	-	6,354	780	1,561	5,173	14,120
State appropriations - Department of Education	-	6,989,706	-	-	-	-	-	6,989,706
Building rental income	211,351	-	-	-	-	-	-	211,351
Remittance from SC State Education Assistance Authority for operating cost	5,279,945	-	-	-	-	-	-	5,279,945
Total revenue	7,580,422	10,438,647	419,869	137,120,309	24,776,041	16,319,551	38,705,117	235,359,956
Expenses								
Personnel	6,617,881	340,352	-	-	-	-	-	6,958,233
Contractual services	875,224	27,745	-	-	-	-	-	902,969
General operating	1,845,175	50,542	-	-	-	-	-	1,895,717
Interest on debt	-	-	672,156	89,302,087	16,178,850	-	-	106,153,093
TLP cancellations	-	7,520,328	-	-	-	-	-	7,520,328
State recall of funds	-	500,000	-	-	-	-	-	500,000
Amortization of deferred cost of bond issuance	-	-	-	1,144,084	46,762	-	-	1,190,846
Payments to SC State Education Assistance Authority for student loan income	-	-	-	-	-	-	-	-
Loan fees	-	-	(80)	-	-	8,584,608	20,862,781	29,447,389
Reinsurance expense	-	-	-	10,065,161	970,220	3,081,012	3,395,320	17,511,633
Borrower incentives	-	-	-	218,019	2,518	1,347	27,924	249,808
Broker dealer fees	849	9,849	2,158	4,689,673	279,941	4,652,584	10,375,248	20,010,302
Building rental expenses	655,625	-	2,500	585,625	513,376	-	-	1,101,501
Scholarship donation	2,000,000	-	-	-	-	-	-	655,625
Other	768,927	83,589	5,067	-	(1,342,674)	-	-	2,000,000
Total expenses	12,763,681	8,532,405	681,801	106,004,649	16,648,993	16,319,551	34,661,273	195,612,353
Transfer Between Accounts								
Transfers in	10,247,710	-	-	70,574	12,718,383	-	11,493	23,048,160
Transfers out	-	-	(1,553)	(21,746,350)	(1,300,257)	-	-	(23,048,160)
Total transfers between accounts	10,247,710	-	(1,553)	(21,675,776)	11,418,126	-	11,493	-
Change in net assets before adoption of FASB Statement No. 158	5,064,451	1,906,242	(263,485)	9,439,884	19,545,174	-	4,055,337	39,747,603
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	(3,175,690)	-	-	-	-	-	-	(3,175,690)
Change in net assets	1,888,761	1,906,242	(263,485)	9,439,884	19,545,174	-	4,055,337	36,571,913
Net Assets								
Beginning	42,001,215	26,695,854	1,109,500	204,624,537	21,169,034	-	12,994,119	308,594,259
Ending	43,889,976	28,602,096	846,015	214,064,421	40,714,208	\$	17,049,456	\$ 345,166,172

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2007

	Temporarily Restricted							Total
	Unrestricted	Teacher Loans	Warehouse Financing		Tax Exempt		Total	
			04 Resolution	96 Resolution	93 Resolution	02 Resolution		
Cash Flows from Operating Activities								
Change in net assets	\$ 1,888,761	\$ 1,906,242	\$ (263,485)	\$ 9,439,884	\$ 19,545,174	\$ -	\$ 4,055,337	\$ 36,571,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Depreciation	249,197	-	-	-	-	-	-	249,197
Unrealized (gain) on investments	(5,738)	-	-	-	-	-	-	(5,738)
Amortization of premiums and discounts on bonds payable	-	-	-	533,679	-	-	-	533,679
Amortization of cost of bond issuance	-	-	-	610,405	46,762	-	-	657,167
Changes in operating assets and liabilities								
(Increase) decrease in due from US Department of Education	(91)	989	1,011,556	(1,023,457)	(709,931)	717,253	1,213,081	1,209,400
(Increase) decrease in due from SC State Education Assistance Authority	174,641	38,113	327,409	49,550,034	3,608	-	23,910,984	74,004,789
(Increase) decrease in accrued investment income	95,128	(309,433)	1,268,018	(8,299,048)	(7,623,141)	(1,530,058)	(3,788,641)	(20,187,175)
(Increase) decrease in miscellaneous receivables	(38,886)	(19,238)	22,223	1,069	(169,524)	-	-	(204,356)
(Increase) decrease in prepaid expenses	3,303	-	-	-	-	-	-	3,303
(Increase) decrease in interest payable	(401)	-	-	-	-	-	-	(401)
Increase (decrease) in accounts payable	151,923	-	-	1,421,072	373,180	-	-	1,794,252
Increase (decrease) in accrued pension expense	347,109	-	(378,867)	-	(92,638)	-	-	(319,582)
Increase (decrease) in compensated absences	31,498	6,343	-	-	-	-	-	347,109
Increase (decrease) in retiree medical insurance payable	3,473,067	-	-	-	-	-	-	37,841
Increase (decrease) in due to SC State Education Assistance Authority	-	-	-	(422)	-	670,902	(503,196)	167,284
Due to (from) other funds	(62,885)	2,395	749	(2,559)	63,576	-	(1,276)	-
Net cash provided by (used in) operating activities	6,306,626	1,625,411	1,987,603	52,230,657	11,437,066	(141,903)	24,886,289	98,331,749
Cash Flows from Investing Activities								
Purchase of property and equipment	(201,358)	-	-	-	-	-	-	(201,358)
Purchase and issuance of student loans	-	(9,175,509)	-	(744,555,226)	(170,535,200)	(10,294,565)	(157,877,703)	(1,092,438,303)
Principal payments on student loans	815,647	872,004	210,071,768	408,083,869	17,963,655	39,092,249	125,383,017	802,282,209
Teacher loan cancellations	-	7,520,328	-	-	-	-	-	7,520,328
Net cash provided by (used in) investing activities	614,289	(783,177)	210,071,768	(336,471,357)	(152,571,545)	28,797,584	(32,494,686)	(282,837,124)

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2007**

	Temporarily Restricted							Total	
	Unrestricted	Teacher Loans	Warehouse Financing	Resolution			Tax Exempt		
				96 Resolution	04 Resolution	93 Resolution	02 Resolution		
Operating/SLC									
\$	-	\$ -	\$ -	\$ -	\$ 341,500,000	\$ 172,700,000	\$ (449,724,272)	\$ (634,370,959)	
Cash Flows from Financing Activities									
Proceeds from financing loans	-	-	-	-	(449,724,272)	(184,646,687)	-	(634,370,959)	
Payments on financing loans	-	-	-	-	-	-	-	-	
Proceeds from warehouse financing	-	-	(223,827,345)	-	-	-	-	(223,827,345)	
Payments on warehouse financing	-	-	-	182,000,000	-	-	-	182,000,000	
Proceeds from bond issuance	-	-	-	(219,449,000)	-	-	-	(219,449,000)	
Payments of bonds	-	-	-	(2,412,272)	-	-	-	(3,305,161)	
Payment of costs of bond issuance	-	-	(223,827,345)	(892,889)	(108,224,272)	(11,946,687)	-	(115,247,535)	
Net cash provided by (used in) financing activities				181,107,111	(108,224,272)	(11,946,687)		69,257,840	
Net increase (decrease) in cash and cash equivalents	6,920,915	842,234	(11,767,974)	(6,101,972)	39,972,632	(79,568,591)		(69,257,840)	
Cash and Cash Equivalents									
Beginning	30,693,165	10,927,470	12,613,526	51,860,429	38,561,848	97,007,796		272,441,799	
Ending	37,614,080	11,769,704	845,552	45,758,457	78,534,480	17,439,205	11,222,481	203,183,959	
Supplemental Disclosure of Cash Flow Information									
Cash payments for interest	\$ -	\$ -	\$ 672,156	\$ 87,881,015	\$ 15,805,670	\$ -	\$ -	\$ 104,358,841	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2007**

<u>Description and Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation 6/30/06</u>	<u>Depreciation Expense</u>	<u>Disposals and Transfers</u>	<u>Accumulated Depreciation 6/30/07</u>
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	139,654	62,342	-	201,996
Furniture and Fixtures					
Computer equipment	1,374,847	1,138,772	66,462	-	1,205,234
Other office machines	381,948	184,505	37,053	-	221,558
Telephone equipment	314,356	122,186	62,871	-	185,057
Miscellaneous	90,257	77,937	6,953	-	84,890
Total furniture and fixtures	2,161,408	1,523,400	173,339	-	1,696,739
Automobiles					
2004 Buick LeSabre	20,215	13,476	6,738	-	20,214
2005 Buick LeSabre	20,333	2,259	6,778	-	9,037
Total automobiles	40,548	15,735	13,516	-	29,251
Grand total	\$ 5,198,285	\$ 1,678,789	\$ 249,197	\$ -	\$ 1,927,986

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2007**

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

BOARD OF DIRECTORS OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Thomas J. Little, Jr.	Chairman	2008
William G. McMaster	Vice Chairman	2009
J. Edward Norris, III	Treasurer	2010
Charlie C. Sanders, Jr.	Secretary, President & CEO	2010
Dr. Julia Boyd		2008
Marvin G. Carmichael		2008
Robert R. Hill, Jr.		2009
Richard W. Kelly		2009
William M. Mackie, Jr.		2010
Timothy E. Madden		2008
Fredrick T. Himmelein, Esq.		2010

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

<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		\$ 49,766,282
Subsidized interest	84.032		<u>33,140,930</u>
Total U.S. Department of Education programs (major program)			\$ <u>82,907,212</u>



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An Independently Owned Member

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

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

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Derrick, Stubbs & Stith, L.L.P.

September 24, 2007



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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, 2007. 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, 2007.

Internal Control Over Compliance

The management of the South Carolina Student Loan Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Carolina Student Loan Corporation's internal control over compliance.

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

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

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

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

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

Derrick, Stulke + Stith, LLP

September 24, 2007

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

1. Summary of Auditor's Results:

(i)	Type of report issued on financial statements	Unqualified
(ii)	Material weaknesses in internal control over financial reporting	None Identified
(iii)	Significant deficiencies not considered to be material weaknesses in internal control over financial reporting	None Identified
(iv)	Noncompliance material to the financial statements	None Noted
(v)	Material weaknesses in internal control over major programs	None Identified
(vi)	Significant deficiencies not considered to be material weaknesses in internal control over major programs	None Identified
(vii)	Type of report issued on compliance for major programs	Unqualified
(viii)	Audit findings required to be reported under paragraph .510(a) OMB 133	None Disclosed
(ix)	Identification of major programs: U.S. Department of Education Higher education act insured loan programs	
	Federal family education loan program	<u>CFDA#</u> <u>Expenditure</u>
	Special allowances	84.032 \$ 49,766,282
	Subsidized interest	84.032 <u>33,140,930</u>
	Total federal family education loan program (major program)	\$ <u>82,907,212</u>
(x)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,487,216
(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, 2007**

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, 2007**

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