

SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2009

**SOUTH CAROLINA STUDENT LOAN CORPORATION
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YEAR ENDED JUNE 30, 2009**

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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, 2009, 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 2008 financial statements and, in our report dated September 24, 2008, 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, 2009 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 22, 2009 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 22 - 28 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 22, 2009

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009		2008 Totals	Memorandum Only
	Unrestricted	Temporarily Restricted		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 63,519,346	\$ 143,491,234	\$ 207,010,580	\$ 439,939,730
Investments	3,676,060	-	3,676,060	183,345
Current portion of student loan receivables	867,000	228,745,348	229,612,348	343,629,736
Interest due from borrowers	656,200	86,063,920	86,720,120	75,424,870
Due from United States Department of Education	-	-	-	6,459,974
Due from SC State Education Assistance Authority	709,186	11,834,156	12,543,342	18,782,782
Accrued investment income	6,753	112,836	119,589	473,327
Miscellaneous operating receivables	-	-	-	11,771
Prepaid expenses	64,345	-	64,345	34,112
Due from (to) other funds	282,806	(282,806)	-	-
Total current assets	69,781,696	469,964,688	539,746,384	884,939,647
Investments and Long-Term Receivables				
Other student loan receivables less current portion and net of allowance for loan loss of \$ 5,055,974	22,282,032	3,415,487,417	3,437,769,449	2,798,789,914
Teacher loans receivable - less allowance for teacher loan cancellations of \$ 20,205,612 and current portion	-	16,939,788	16,939,788	13,197,576
Deferred cost of issuance of bonds	-	5,987,949	5,987,949	5,767,204
Total investments and long-term receivables	22,282,032	3,438,415,154	3,460,697,186	2,817,754,694
Property and Equipment				
Land	565,000	-	565,000	565,000
Building	2,431,329	-	2,431,329	2,431,329
Furniture and equipment	2,033,037	-	2,033,037	1,919,658
Automobiles	73,563	-	73,563	73,563
Less, accumulated depreciation	(2,069,300)	-	(2,069,300)	(1,749,498)
Net property and equipment	3,033,629	-	3,033,629	3,240,052
Total assets	\$ 95,097,357	\$ 3,908,379,842	\$ 4,003,477,199	\$ 3,705,934,393

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009		2008
	Unrestricted	Temporarily Restricted	Totals
			Memorandum Only
LIABILITIES AND NET ASSETS			
Current Liabilities			
Current portion of notes payable - finance loans	\$ -	\$ 50,820,000	\$ 75,000,000
Current maturities of bonds payable	-	29,273,526	-
Lines of credit	-	150,722,739	169,522,888
Interest payable	-	2,072,222	3,615,666
Accounts payable	231,768	202,087	614,050
Compensated absences	416,905	47,501	364,018
Due to SC State Education Assistance Authority	1,241,446	5,604,144	1,579,200
Due to United States Department of Education	15,358	10,106,322	-
Total current liabilities	1,905,477	248,848,541	250,695,822
Noncurrent Liabilities			
Accrued pension payable	617,582	-	236,762
Retiree medical insurance payable	-	-	3,291,834
Bonds payable less current maturities and bond premiums and discounts of \$ 5,682,500	-	2,063,348,313	2,155,624,410
Notes payable - finance loans less current maturities	-	1,018,171,820	935,897,828
Lines of credit	-	289,571,636	-
Total noncurrent liabilities	617,582	3,371,091,769	3,095,050,834
Total liabilities	2,523,059	3,619,940,310	3,345,746,656
Net Assets			
Temporarily restricted			
For bond indentures - current debt service	-	10,569,307	11,181,853
For bond indentures	-	224,882,374	224,427,895
For teacher loans	-	32,054,054	29,079,248
For lines of credit	-	20,933,797	1,750,966
Total temporarily restricted	-	288,439,532	266,439,962
Unrestricted			
Board designated	2,100,000	-	2,100,000
Undesignated	90,474,298	-	91,647,775
Total unrestricted	92,574,298	-	93,747,775
Total net assets	92,574,298	288,439,532	360,187,737
Total liabilities and net assets	\$ 95,097,357	\$ 3,908,379,842	\$ 3,705,934,393

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009		2008
	Unrestricted	Temporarily Restricted	Totals
			Memorandum Only
		Total	
Revenue			
Income from United States Department of Education	\$ 136,125	\$ 40,580,397	\$ 38,111,365
Student loan interest - subsidized	(150,863)	(42,129,880)	19,280,852
Special allowances	1,167,597	146,674,468	143,966,497
Student loan interest - non-subsidized	913,127	4,360,794	8,541,845
Investment income	(671,797)	221,433	(371,221)
Unrealized gain (loss) on investments	8,807	1,671,935	1,609,323
Late charges	(3)	(4,344)	21,577
Miscellaneous payments of student loans	2,414,915	112,855	450
Miscellaneous Income	-	5,787,043	6,908,381
State appropriations - Department of Education	216,989	-	215,450
Building rental income	5,326,708	-	7,999,494
Remittance from SC State Education Assistance Authority for operating cost	135,275,134	(135,275,134)	-
Net assets released from restrictions	144,636,739	21,999,570	226,284,013
Total revenue		166,636,309	
Expenses			
Personnel	7,213,533	-	7,023,892
Contractual services	1,111,802	-	1,047,332
General operating	1,840,637	-	1,878,517
Interest on debt	62,717,282	-	93,070,592
TLP cancellations	5,878,296	-	9,283,090
State recall of funds	-	-	500,000
Amortization of deferred cost of bond issuance	1,281,478	-	789,351
Payments to SC State Education Assistance Authority for student loan income	31,231,285	-	52,282,815
Loan fees	20,741,162	-	19,193,668
Reinsurance expense	413,899	-	355,388
Borrower incentives	11,734,554	-	14,136,268
Broker dealer fees	129,710	-	1,135,315
Building rental expenses	345,365	-	493,375
Contribution	-	-	3,077,000
Loan loss expense	(1,063,633)	-	6,101,331
Other	1,794,847	-	2,280,664
Total expenses	145,370,217	-	212,648,598
Employee Benefits - Related Changes Other Than Net Periodic Pension Cost	(439,999)	-	1,386,150
Change in net assets	(1,173,477)	21,999,570	15,021,565
Net Assets			
Beginning	93,747,775	266,439,962	345,166,172
Ending	\$ 92,574,298	\$ 288,439,532	\$ 360,187,737

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009		2008
	Unrestricted	Temporarily Restricted	Totals
		Total	Memorandum Only
Cash Flows from Operating Activities			
Change in net assets	\$ (1,173,477)	\$ 21,999,570	\$ 15,021,565
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	319,802	-	299,178
Unrealized gain (loss) on investments	671,797	(221,433)	27,135
Amortization of premiums and discounts on bonds payable	-	(651,423)	516,019
Amortization of cost of bond issuance	-	1,123,768	273,332
Allowance for loan loss	535,783	(1,599,416)	6,101,330
Changes in operating assets and liabilities			
Decrease in due from Department of Education	15,439	16,566,216	13,036,321
(Increase) decrease in due from SCSEAA	(601,918)	6,841,359	18,465,921
(Increase) decrease in interest due from borrowers	178,206	(11,473,458)	(19,243,567)
(Increase) decrease in accrued investment income	17,849	335,889	135,597
(Increase) decrease in miscellaneous receivables	11,771	-	(11,108)
(Increase) decrease in prepaid expenses	(30,233)	-	(25,426)
Increase (decrease) in interest payable	-	(1,543,444)	(3,284,526)
Increase (decrease) in accounts payable	(36,649)	(143,548)	202,441
Increase (decrease) in accrued pension expense	380,820	-	(205,571)
Increase (decrease) in compensated absences	88,542	11,846	(27,721)
Increase (decrease) in retiree medical insurance payable	(3,291,834)	-	(2,408,762)
Increase (decrease) in due to SCSEAA	1,241,447	4,024,944	(9,477,792)
Increase (decrease) in due to (from) other funds	(5,692,767)	5,692,767	-
Net cash provided (used in) by operating activities	(7,365,422)	40,963,637	19,394,366
Cash Flows from Investing Activities			
Purchase of property and equipment	(113,379)	-	(268,931)
Purchase and issuance of student loans	(2,825,194)	(1,035,721,642)	(1,593,092,657)
Principal payments on student loans	751,912	504,275,902	1,151,256,615
Teacher loan cancellations	-	5,878,296	9,283,090
Purchase of investments	(4,164,512)	-	-
Sale of investments	-	221,433	-
Net cash provided by (used in) investing activities	(6,351,173)	(525,346,011)	(432,821,883)

See notes to financial statements

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009		2008
	Unrestricted	Temporarily Restricted	Totals
		Total	Memorandum Only
Cash Flows from Financing Activities			
Proceeds from financing loans	\$ -	\$ (112,190,891)	\$ 519,408,896
Payments on financing loans	-	170,284,884	(322,194,496)
Proceeds from lines of credit	-	500,438,740	169,522,888
Payments on lines of credit	-	(229,667,253)	-
Proceeds from bond issuance	-	-	600,000,000
Payments of bonds	-	(63,695,661)	(314,754,000)
Payment of costs of bond issuance	-	-	(1,800,000)
Net cash provided by financing activities	-	265,169,819	650,183,288
Net increase (decrease) in cash and cash equivalents	(13,716,595)	(219,212,555)	236,755,771
Cash and Cash equivalents			
Beginning	77,235,941	362,703,789	203,183,959
Ending	63,519,346	143,491,234	439,939,730
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest	-	64,260,766	96,355,116
Supplemental Disclosures of Non-Cash Transactions			
Retirement of fixed assets - investing activities	-	-	477,666
Write-off of accumulated depreciation related to retired assets - investing activities	-	-	-
	\$ -	\$ -	\$ 477,666

See notes to financial statements.

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009**

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.

During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP). The TLP is a part of the Education Improvement Act of 1984 passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program and the funds for operations and for making loans are provided by state appropriations. The intent of the program is to attract, through financial assistance, talented individuals and to encourage them to enter teaching in areas of critical need within the state. Loans are canceled at 20% to 33% per year for each year of teaching in a critical subject and/or location. These loans are repaid by the borrower if the borrower does not teach. TLP loans made for academic years before 1994-95 are guaranteed by the Authority. Loans made for academic years 1994-95 or after are non-guaranteed.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Overall operating arrangement (continued): During the 1995-96 year, the Corporation began making and servicing alternative loans through the Palmetto Assistance Loan (PAL) Program. PAL offers supplemental loans for students and parents of students enrolled at least half-time in an eligible school and for fourth year medical students seeking their residency and relocating. These loans were funded from Corporation accumulated unrestricted net assets and bond funds. The Corporation discontinued offering PAL loans in December 2008 due to lack of funds.

The Corporation has entered into other financing agreements to provide additional funding for student loans. See Note 8.

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

Display of net assets by class: The Corporation adheres to the disclosures and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes as follows:

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

Temporarily restricted net assets: Net assets subject to restrictions that will be met either by actions of the Corporation and/or the passage of time. These net assets are made up of guaranteed student loans from various funding sources.

Permanently restricted net assets: Net assets subject to stipulations that must be maintained permanently by the Corporation. The Corporation does not have any such net assets.

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

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

Concentration risk: The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At June 30, 2009, 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 \$ 20,205,612 at June 30, 2009.

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Provision for losses on student loans: The provision for losses on student loans represents the Corporation's estimate of the costs related to the 2% to 3% risk sharing on FFEL loans and losses related to servicing of guaranteed loans by the Corporation. The provision also includes an estimate for non-guaranteed loans. In making the estimate, the Corporation considers the trend in default rates in the loan guarantee portfolio, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future. The allowance for loan losses was \$ 5,055,974 at June 30, 2009. See Note 5 on Federal Reinsurance of FFEL loans.

Property and equipment: Property and equipment costing over \$ 5,000 are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment, three years for automobiles and computers and thirty-nine years for the building.

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

Compensated absences: Annual leave is earned at the rate of 12 to 25 days per year depending on length of employment. Employees are expected to use at least one week (5 consecutive days) each year. Earned, but unused, annual leave will be paid when an employee terminates his/her employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 10 days per year. Employees are not paid for earned, but unused, sick days upon termination of employment.

Comparative amounts: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2008, 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	\$ 3,842	\$ 3,842
Money market funds	9,004,169	9,004,169
Collateralized demand deposits	<u>54,511,335</u>	<u>54,511,335</u>
Total unrestricted	<u>63,519,346</u>	<u>63,519,346</u>
Temporarily Restricted		
Cash	60,658	60,658
Money market	6,407,077	6,407,077
Collateralized demand deposit	56,434,322	56,434,322
South Carolina State Treasurer pool	10,154,612	10,384,448
Guaranteed investment contracts	<u>70,204,729</u>	<u>70,204,729</u>
Total temporarily restricted	<u>\$ 143,261,398</u>	<u>\$ 143,491,234</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 10,384,448.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 3. Investments

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

	<u>Cost</u>	<u>Market Value</u>
Unrestricted		
Common stock	\$ -	\$ 164,407
Bond and equity funds	<u>4,567,658</u>	<u>3,511,653</u>
Totals	\$ <u>4,567,658</u>	\$ <u>3,676,060</u>

Note 4. Amounts Due from/to the Corporation

The \$ 6,845,598 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 \$ 12,543,542. 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 2009 and 2008, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 1.88% to 3.73% which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Loans are insured against death, disability and default by the Authority at 97% to 100% and are reinsured by the U.S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but on or before June 30, 2006, and 97% for loans made on or after July 1, 2006. Total loans insured by the Authority at June 30, 2009 are \$ 3,381,300,223. The Federal Default Fee required by the Higher Education Act on guaranteed loans made on or after July 1, 2006 is paid by 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. The origination fee for Stafford loans was 3.00% for loans first disbursed on or before June 30, 2006. It decreases to 2.00% on July 1, 2006; to 1.50% on July 1, 2007; 1.00% on July 1, 2008; and 0.50% on July 1, 2009. The origination fee for Stafford Loans will be eliminated as of July 1, 2010. The origination fee for PLUS loans remains at 3.00%.

Note 6. Bonds Payable

The Corporation issued bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds and notes are secured only by loans funded by bond proceeds or otherwise pledged, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The Corporation's bonds and notes are each secured by assets held by a trustee in one of three trust estates governed by the applicable general resolution and other bond documents. The bond documents require the Corporation to accumulate collections from borrowers to pay principal and interest on bonds. The bonds and notes do not constitute a debt, liability or obligation of the State of South Carolina or any agency thereof but are limited obligations of the Corporation.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

The debt service funds in the applicable general resolution contain assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2009, the Corporation held funds on deposit in the debt service funds of \$ 2,518,992.

The bonds and notes outstanding as of June 30, 2009 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 06/30/08</u>	<u>Issued (Retired) During FY 09</u>	<u>Balance Outstanding 06/30/09</u>
10-Nov-04	180,000,000	6/1/2034	\$ 180,000,000	\$ 12,950,000	\$ 167,050,000
19-Jul-05	700,000,000	12/3/18-12/1/23	700,000,000	-	700,000,000
11-Jul-06	500,000,000	12/2/19 - 12/1/22	500,000,000	-	500,000,000
25-Oct-06	182,000,000	9/4/2046	182,000,000	13,050,000	168,950,000
18-Jun-08	600,000,000	9/2/14-9/3/24	600,000,000	37,695,661	562,304,339
			<u>\$ 2,162,000,000</u>	<u>\$ 63,695,661</u>	<u>\$ 2,098,304,339</u>

LIBOR Indexed Bonds Secured by 1996 General Resolution

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$ 1,200,000,000 as of June 30, 2009 and have variable interest rates equal to three-month LIBOR plus 0.09% to 0.14% as adjusted quarterly. Throughout the year ended June 30, 2009, none of the rates exceeded 5.50%. Future interest payment projections are based upon the four-year weighted average rate at June 30, 2009, which was 3.19%

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

Auction Rate Securities Secured by 2004 General Resolution

The Corporation's auction rate securities ("ARS") totaled \$ 336,000,000 as of June 30, 2009, and have variable interest rates determined by auctions every 28 days. Payment of the principal of and interest on the ARS when due is insured by Ambac Assurance Corporation. The interest rates are subject to a maximum of the lesser of (i) a nominal cap of 17% or 20%, depending on the series, or (ii) one-month LIBOR plus 1.50% to 2.50%, depending on the then-current rating of the ARS. The ARS are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period.

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

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

LIBOR Notes Secured by 2008-1 General Resolution

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

Principal and interest on the LIBOR Notes are to be paid on each Distribution Date (the first business day of each March, June, September, and December beginning September 2008). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full and fourth on the A-4 Notes until paid in full. The LIBOR Notes issued under the 2008-1 General Resolution are subject to optional redemption on the Distribution Date immediately following the date when the Pool Balance is 10% or less of the Initial Pool Balance. The LIBOR Notes Secured by 2008-1 General Resolution balance as of June 30, 2009 was \$ 562,304,339.

Projected Debt Service

As of June 30, 2009, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ -	\$ 72,479,883	\$ 72,479,883
2011	-	72,479,883	72,479,883
2012	168,435,000	70,691,261	239,126,261
2013	254,516,000	63,361,230	317,877,230
2014	204,385,000	55,186,622	259,571,622
2015	268,889,000	46,212,665	315,101,665
2016	148,153,000	39,702,085	187,855,085
2017	120,491,000	35,047,722	155,538,722
2018	371,477,000	28,822,828	400,299,828
2019	29,654,000	19,085,547	48,739,547
2020	116,000,000	17,744,680	133,744,680
2021	-	14,759,124	14,759,124
2022	-	14,759,124	14,759,124
2023	-	14,759,124	14,759,124
2024	-	14,759,124	14,759,124
2025	80,304,339	12,692,286	92,996,625
2026	-	12,003,341	12,003,341
2027	-	12,003,341	12,003,341
2028	-	12,003,341	12,003,341
2029	-	12,003,341	12,003,341
2030	-	12,003,341	12,003,341
2031	-	12,003,341	12,003,341
2032	-	12,003,341	12,003,341
2033	-	12,003,341	12,003,341
2034	167,050,000	12,003,341	179,053,341
2035	-	6,035,608	6,035,608
2036	-	6,035,608	6,035,608
2037	-	6,035,608	6,035,608
2038	-	6,035,608	6,035,608
2039	-	6,035,608	6,035,608
2040	-	6,035,608	6,035,608

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009**

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2041	\$ -	\$ 6,035,608	\$ 6,035,608
2042	-	6,035,608	6,035,608
2043	-	6,035,608	6,035,608
2044	-	6,035,608	6,035,608
2045	-	6,035,608	6,035,608
2046	-	6,035,608	6,035,608
2047	168,950,000	1,508,902	170,458,902
Totals	<u>\$ 2,098,304,339</u>	<u>\$ 774,509,455</u>	<u>\$ 2,872,813,794</u>

The rate used for future interest payment projections was 3.38%. This estimate is inherently subjective and the rate may significantly change in the future.

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, 2009 and 2008 are as follows:

Authority Bond Resolution	<u>Balance 6/30/2009</u>	<u>Balance 6/30/2008</u>
1993	\$ 222,191,459	\$ 164,132,253
2002	846,800,361	846,800,361
Totals	<u>\$ 1,068,991,820</u>	<u>\$ 1,010,932,614</u>

Note 8. Line of Credit Financing

Initially on March 22, 2005, the Corporation entered into a one year line-of-credit agreement providing for advances to the Corporation funded by asset-backed commercial paper and secured by student loan receivables. The borrowing period was renegotiated annually under similar terms to end March 22, 2010. An extension is not guaranteed, but may be extended by written agreement among the borrower, the servicer, the lender, the alternative lender and the facility agent, with notice to the trustee. If the financing agreement is not extended, the Corporation must immediately find a new financing source and repay the line-of-credit. Interest is paid monthly at the commercial paper rate plus a spread and the interest rate ranged from 0.84% to 3.91% during 2009. 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, 2009. The outstanding balance of the facility was \$ 150,722,339 at June 30, 2009 and can go up to \$ 155,290,092.

On December 18, 2008, the Corporation entered into a line of credit agreement for the purpose of facilitating the transfer of certain student loans from a nonrecourse trust and the funding of future and existing student loans. This agreement is secured by existing student loans that are reinsured under the Federal Family Education Loan Program. Monthly interest payments are due on the last business day of each month beginning in December 2008 at a per annum rate equal to the adjusted LIBOR rate. Interest rates varied from 1.57% to 1.75%. The line of credit matures on August 28, 2010 and all outstanding principal and interest are due at such time. As of June 30, 2009, the Corporation had an outstanding balance of \$ 51,086,031. The maximum amount allowed on the credit line is \$ 175,000,000.

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009**

Notes to Financial Statements

Note 8. Line of Credit Financing (Continued)

On February 5, 2009, the Corporation entered into a revolving line of credit agreement for the purposes of facilitating the transfer of certain student loans from a nonrecourse trust and funding existing and future student loans. The line of credit is secured by the student loan receivables. Monthly interest payments are due on the last business day of each month beginning in February 2009 at a per annum rate equal to the adjusted LIBOR rate. Interest rates varied from 2.60% to 3.22%. The line of credit matures on August 31, 2010 and all outstanding principal and interest are due at such time. As of June 30, 2009, the Corporation had an outstanding balance of \$ 0. The maximum amount allowed under the line is \$ 25,000,000.

On December 12, 2008, the Corporation entered into the 2008-2009 Federal Family Education Loan Purchase Participation Program (LPP) under a Master Participation Agreement (MPA) with the United States Department of Education (the Department) as a financing facility to fund eligible student loans. The 2008-2009 LPP will terminate on September 30, 2009. The Corporation is required to notify the Department in July 2009 of its intent to either redeem the outstanding student loans financed under this agreement or exercise the Put Option, as defined in the MPA, to the Department for those student loans by October 15, 2009 (See Note 17). As of June 30, 2009, the Corporation had an outstanding Participation Interest balance of \$ 238,485,605 under this agreement.

The Corporation intends to redeem all of these outstanding loans before the termination date through the Straight-A Funding facility which is currently available to the Corporation and provides a longer term financing arrangement, five (5) years, for these student loans. If the Corporation is unable to obtain suitable financing under the Straight-A Funding facility, then the Corporation will exercise the Put Option for the student loans with the Department. The Corporation participated in the LPP for the period December 23, 2008 through June 30, 2009. The interest rate paid on the student loans outstanding for the calendar quarter ending in December 2008 was 3.37%, 3.08% for the calendar quarter ending March 31, 2009, and 1.24% for the calendar quarter ending June 30, 2009.

The Corporation will use a similar arrangement with the Department for the year ending June 30, 2010.

Note 9. Special Allowance Income or Expense

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

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such excess interest to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level. For the year ended June 30, 2009, the Corporation paid USDE \$ 42,280,743.

Note 10. Termination of Post-Retirement Health Care Plan

Effective June 30, 2009, the Corporation shall not subsidize, fund or otherwise pay any amount representing the cost of coverage, determined from time to time in the sole discretion of the Corporation, for each eligible retiree's (or their respective eligible spouse's or dependents') coverage under the Retiree Medical Plan. Accordingly, each eligible retiree shall now be required to pay the entire amount of his or her (and their respective spouse's and dependents') post-retirement health care coverage.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 11. Employee Benefit Plans

The Corporation provides retirement benefits through the South Carolina Student Loan Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. BB&T is the Trustee of the Plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the social security wage base. Contributions are paid monthly. A participant is 20% vested after two years service and 100% vested after six years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total retirement expense for 2009 is \$ 224,638 and is fully funded.

The South Carolina Student Loan Corporation established the 403 (b) Defined Contribution Plan on November 5, 2002. The plan provides for a 5% contribution by the Corporation based on the participant's total annual compensation. The total amount contributed under the plan in 2008 was \$ 299,428, which the Authority reimbursed \$ 103,003 for employees. All employees are eligible who have completed one year of service and attainment of age 21. Contributions are 100% vested when made. Employees are eligible to make voluntary contributions to the Plan.

The Corporation also sponsors a defined benefit pension plan, a funded plan, and an unfunded plan. The defined benefit pension plan covers substantially all employees with one year of service and over 21 years of age. The Defined Benefit Pension Plan provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed 30 years. The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan. The following sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Corporations plan, and the amounts recognized in the Corporations financial statements at June 30, 2009:

	Defined Benefit
	Plan
Change in benefit obligation:	
Benefit obligation at end of prior plan year	\$ (8,251,169)
Service cost	(307,180)
Interest cost	(465,672)
Amendments	525,846
Actuarial gain/(loss)	90,579
Actual distributions	262,957
Benefit obligation at end of year	<u>(8,144,639)</u>
Change in plan assets:	
Plan assets at fair value at beginning of year	8,014,407
Actual return on plan assets	(871,925)
Actual employer contributions	647,532
Actual distributions/benefits paid	(262,957)
Plan assets at fair value at end of year	<u>7,527,057</u>
Funded status at end of year	<u>(617,582)</u>
Amounts recognized in the balance sheets consists of:	
Noncurrent liabilities	<u>(617,582)</u>
Amounts recognized in unrestricted net assets consists of the following:	
Unrecognized net actuarial (gain)/loss	3,550,541
Unrecognized prior service cost	(175,584)
Net amount recognized	<u>\$ 3,374,957</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 11. Employee Benefit Plans (Continued)

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2009. The measurement date of the projected benefits obligation and Plan assets was June 30, 2009.

	<u>Defined Benefit Plan</u>
Assumptions Used (Continued)	
Weighted-average assumptions used in computing ending obligations	
Discount rate	6.23%
Rate of compensation increase	4.00%
Weighted-average assumptions used in computing net cost	
Discount rate	6.23%
Rate of compensation increase	4.00%
Expected return on plan assets	7.50%

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

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

	<u>Defined Benefit Plan</u>
Net Periodic Benefit Cost	
Service cost	\$ 307,180
Interest cost	465,672
Expected return on plan assets	(612,714)
Amortization of prior service cost	(26,483)
Amortization of net (gain)/loss	231,048
Net periodic benefit cost	<u>364,703</u>
Administrative expenses	<u>44,891</u>
Net periodic benefit cost	<u>409,594</u>
Corporation's share	271,561
Authority's share	138,033
	<u>\$ 409,594</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009**

Notes to Financial Statements

Note 11. Employee Benefit Plans (Continued)

Employee Benefit - Related Changes Other Than Net Periodic Pension Cost	Defined Benefit Plan
Net (gain)/loss	\$ 1,394,060
Prior service cost	(525,846)
Amortization of prior service cost	26,483
Amortization of net (Gain)/loss	(231,048)
Employee benefit-related changes other than net periodic benefit cost	663,649
Corporation's share	439,999
Authority's share	223,650
Total	663,649
 Total net periodic benefit cost and employee benefit-related changes other than net periodic benefit cost	 \$ 1,073,243

The net pension expense for this Defined Benefit Pension Plan totaled \$ 1,028,352, plus \$ 44,891 of administrative expenses, totaling \$ 1,073,243 for the year ended June 30, 2009. The Authority contributed \$ 361,683 and the Corporation contributed \$ 711,560 to the expense for this Plan for its employees for the year ended June 30, 2009. No participant contributions are permitted by the pension plan.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$ 359,000 and \$ (26,483), respectively.

The accumulated benefit obligation for the defined benefit pension plan was \$ 7,282,487 at June 30, 2009.

Defined Benefit Pension Plan assets include life insurance policies and mutual funds. See target asset allocation below.

The Corporation's target asset allocation as of June 30, 2009, by asset category, is as follows:

<u>Asset Category</u>	
Equity securities	55%
Debt securities	40%
Real estate	5%
Other	100%

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

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

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

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 11. Employee Benefit Plans (Continued)

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in the financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Corporation cannot predict the future impact to the fund value of the investment portfolios.

The Corporation expects to contribute \$ 600,000 to its Defined Benefit Plan during 2009-2010.

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

	<u>Pension Benefits</u>
2010	\$ 308,000
2011	333,000
2012	349,000
2013	395,000
2014	420,000
Year 2015-2019	2,861,000

Note 12. Rental Property and Operating Leases

The Corporation owns an office building and occupies approximately 68.5% of the building. The Corporation currently leases office space to four (4) tenants as of June 30, 2009. Certain lease expense is allocated to the Authority based on space occupied. The building has lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 75,710 in 2010; \$ 53,352 in 2011; and \$ 31,829 in 2012.

Note 13. Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observables of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuation incorporate certain assumption and projections in determining the fair value assigned to such assets or liabilities.

Management uses the following methods and assumption to estimate the fair value of the Corporation's financial instrument.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 13. Disclosures About Fair Value of Financial Instruments (Continued)

Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. The fair value of the investments is based on quoted market rates. Student loan receivables' carrying value approximates fair value based on like sale of student loans within the industry. Debt instruments carrying value also approximates fair value based on the prices for the same of similar debt issues and on current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Financial Assets		
Cash and cash equivalents	\$ 207,010,580	\$ 207,010,580
Investments	3,676,060	3,676,060
Student loan receivables	3,709,583,171	3,709,583,171
Financial Liabilities		
Notes payable	\$ 1,068,991,820	\$ 1,068,991,820
Bonds payable	2,098,304,339	2,098,304,339
Line of credit	440,294,375	440,294,375

Description	6/30/2009	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Financial Assets				
Cash and cash equivalents	\$ 207,010,580	\$207,010,580	\$ -	\$ -
Investments	3,676,060	3,676,060	-	-
Student loan receivables	3,710,583,171	-	3,710,583,171	-
Total financial assets	<u>\$3,921,269,811</u>	<u>\$210,686,640</u>	<u>\$3,710,583,171</u>	<u>\$ -</u>
Financial Liabilities				
Notes payable	\$1,068,991,820	\$ -	\$1,068,991,820	\$ -
Bonds payable	2,098,304,339	-	2,098,304,339	-
Line of credit	440,294,375	-	440,294,375	-
Total financial liabilities	<u>\$3,607,590,534</u>	<u>\$ -</u>	<u>\$3,607,590,534</u>	<u>\$ -</u>

Note 14. Assets Released from Restrictions

Net assets during the year ended June 30, 2009 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 331,104
Contractual services	26,505
General operating	56,130
Interest on debt	62,717,282
TLP cancellations	5,878,296
Amortization of deferred cost of bond issuance	1,281,478
Payment to SC State Education Assistance Authority for student loan income	31,231,285
Loan fees	20,479,796

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 14. Assets Released from Restrictions (Continued)

Reinsurance expense	\$ 413,899
Borrowers incentives	11,434,406
Broker dealer fees	129,710
Loan loss expense	(1,599,416)
Other	<u>1,393,590</u>
Total expenses	133,774,065
Employee benefits – related changes other than net periodic pension cost	
Transfers to the 04 Resolution for operations	(2,250)
Transfers to tax exempt bonds for operations	(9,846)
Transfer to Warehouse financing for operations	(5,346,277)
Transfers from taxable bonds for loan servicing	<u>6,859,442</u>
Total	\$ <u>135,275,134</u>

Note 15. Reclassifications

Certain reclassifications were made on 2008 amounts on the statement of financial position and the statement of activities for comparability to 2009 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.

Note 17. Contingencies

The President's fiscal year 2010 budget submitted to Congress earlier this year proposed the elimination of the FFEL Program in favor of the government run Direct Loan program beginning July 1, 2010.

On July 21, 2009, the House Education and Labor Committee concluded a markup by voting to approve the Student Aid and Fiscal Responsibility Act (H.R. 3221) ("SAFRA"). SAFRA calls for all new federal student loans to be originated through the Direct Loan program effective July 1, 2010. SAFRA plans to spend the projected budgetary savings on increased maximum Pell Grants, Access and Completion Grants, community college grants, grants for minority-servicing institutions, school construction and early childhood education. On September 17, 2009, the U.S. House of Representatives adopted SAFRA. The Senate is expected to introduce their version in late October which will be considered by the Senate HELP Committee for review and eventually to the Senate floor. It is uncertain what changes will be made to the proposed legislation as it moves through the Senate and prior to the final vote by the Senate. This process is not expected to be completed until November 2009.

If the legislation eventually becomes law, it is expected that it will have an impact on the future earnings of the Corporation. The impact expected cannot be projected as the terms of the legislation have not yet been completed, therefore an estimate cannot be reasonably predicted.

On September 8, 2009, in connection with its review of the process for determining whether borrowers qualify for a FFELP Loan under the Lender-of-Last-Resort Program (the "LLR Program") of the Authority established under the Higher Education Act and the Corporation's internal controls relating to the FFEL Program, the United States Department of Education made findings that (i) since 1993, the Authority has made FFELP loans under the LLR Program ("LLR Loans") without a specific LLR application from the borrower pursuant to the Higher Education Act, (ii) since 1994, the Authority has denied conventional FFELP loans to borrowers based solely on the borrowers' being bankrupts or debtors under the Bankruptcy Reform Act of 1994 (the "Bankruptcy Act") and on the basis on such denial made LLR Loans to such borrowers in violation of the Bankruptcy Act and guidance relating thereto issued by the United States Department of Education, and (iii) the Corporation has performed default aversion activities on behalf of the Authority in violation of the Federal Regulations promulgated under the Higher Education Act.

SOUTH CAROLINA STUDENT LOAN CORPORATION
YEAR ENDED JUNE 30, 2009

Notes to Financial Statements

Note 17. Contingencies (Continued)

As a result of these findings, the United States Department of Education has determined that (i) the Corporation must update its policies and procedures relating to the LLR Program, reclassify all LLR Loans made since 1993, calculate the amount of overpaid reinsurance relating to such LLR Loans, and refund such overpayment to the United States Department of Education, and (ii) the Authority must obtain an independent servicer, other than the Corporation, to perform default aversion activities on its behalf or begin to perform those activities with its own employees.

The United States Department of Education has calculated that the amount to be paid as a result of the incorrect classification of loans as LLR Loans and the resulting overpayment of reinsurance on LLR Loans is approximately \$ 4,850,000 by the Authority and \$ 1,000,000 by the Corporation.

The Authority and the Corporation intend to appeal these findings of the United States Department of Education. At June 30, 2009, no liability has been recorded for this potential liability.

Note 18. Subsequent Events

On March 19, 2009, the Corporation notified the United States Department of Education (the Department) of its intent to participate in the Loan Purchase Commitment Program for Eligible FFELP Student Loans. This program is commonly known as Straight-A Funding (Straight-A). Straight-A is an asset-backed commercial paper conduit financing facility used to finance Student Loans. Straight-A financing will provided funding for existing eligible, as defined by the agreement, student loans through a commercial paper conduit for a period of five (5) years, at which time the loans can either be paid out via another available financing facility, or put to the Department. As of June 30, 2009, the Corporation had not used this funding facility and had no loans financed through this facility. On July 7, 2009, the Corporation entered into an agreement and finalized USDE on July 31, 2009. Proceeds received from this funding facility were used to pay off the outstanding balance of the 2008-2009 LPP as discussed in Note 8, and to redeem \$ 155.6 million in outstanding bonds issued under the 1993 Resolution.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2009

	Unrestricted	Temporarily Restricted							Total			
		Operating/S/LC	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	08 Resolution	Federal Loan Participation Program		Credit Lines	93 Resolution	02 Resolution
ASSETS												
Current Assets												
Cash and cash equivalents	\$ 63,519,346	\$ 10,384,448	\$ 2,264,368	\$ 29,566,119	\$ 36,094,528	\$ 17,433,402	\$ 1,464,786	\$ 20,125,684	\$ 333,093	\$ 25,824,806	\$ 207,010,580	
Investments	3,676,060	-	-	-	-	-	-	-	-	-	3,676,060	
Current portion of student loan receivables	867,000	1,863,348	7,144,000	82,147,000	12,243,000	54,265,000	14,657,000	5,606,000	9,860,000	40,960,000	229,612,348	
Interest due from borrowers	656,200	2,583,701	1,695,943	19,972,877	14,485,121	13,063,649	4,687,907	193,861	4,673,659	24,727,202	86,720,120	
Due from SC State Education Assistance Authority	709,186	139,974	75,137	7,719,478	-	44,787	17,500	-	-	3,837,280	12,543,342	
Accrued investment income	6,753	85,832	848	13,280	5,569	7,317	-	-	-	-	119,589	
Prepaid expenses	64,345	-	-	-	-	-	-	-	-	-	64,345	
Due from (to) other funds	282,806	104,388	(39,044)	160	(135,964)	(213,158)	-	-	210	602	-	
Total current assets	69,781,696	15,161,691	11,141,252	139,418,914	62,672,244	84,600,997	20,827,193	25,925,645	14,866,962	95,349,890	539,746,384	
Investments and Long-Term Receivables												
Other student loan receivables less, current portion and allowance for loan loss	22,282,032	-	148,989,667	1,205,980,056	310,440,200	514,669,318	222,055,053	36,196,855	212,002,195	765,154,073	3,437,769,449	
Teacher loans receivable - less allowance for teacher loan cancellations and current portion	-	16,939,788	-	-	-	-	-	-	-	-	16,939,788	
Deferred cost of issuance of bonds	-	-	-	1,699,469	1,626,857	2,661,623	-	-	-	-	5,987,949	
Total investments and long-term receivables	22,282,032	16,939,788	148,989,667	1,207,679,525	312,067,057	517,330,941	222,055,053	36,196,855	212,002,195	765,154,073	3,460,697,186	
Property and Equipment												
Land	565,000	-	-	-	-	-	-	-	-	-	565,000	
Building	2,431,329	-	-	-	-	-	-	-	-	-	2,431,329	
Furniture and equipment	2,033,037	-	-	-	-	-	-	-	-	-	2,033,037	
Automobiles	73,563	-	-	-	-	-	-	-	-	-	73,563	
Less, accumulated depreciation	(2,069,300)	-	-	-	-	-	-	-	-	-	(2,069,300)	
Net property and equipment	3,033,629	-	-	-	-	-	-	-	-	-	3,033,629	
Total assets	\$ 95,097,357	\$ 32,101,479	\$ 160,130,919	\$ 1,347,098,439	\$ 374,739,301	\$ 601,931,938	\$ 242,882,246	\$ 62,122,400	\$ 226,869,157	\$ 860,503,963	\$ 4,003,477,199	

SOUTH CAROLINA STUDENT LOAN CORPORATION
 SCHEDULE OF FINANCIAL POSITION BY FUND
 JUNE 30, 2009

	Temporarily Restricted										Total	
	Unrestricted		Warehouse			Federal Loan			Tax Exempt			
	Operating/S/LC	Teacher Loans	Financing	96 Resolution	04 Resolution	08 Resolution	Participation Program	Credit Lines	93 Resolution	02 Resolution		
LIABILITIES AND NET ASSETS												
Current Liabilities												
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,860,000	\$ 40,960,000	\$ -	\$ 50,820,000
Current maturities of bonds payable	-	-	-	-	17,012,658	12,260,868	-	-	-	-	-	29,273,526
Lines of credit	-	-	150,722,739	-	-	-	-	-	-	-	-	150,722,739
Interest payable	-	-	-	778,867	407,679	631,534	239,147	14,995	-	-	-	2,072,222
Accounts payable	231,768	-	186,768	-	15,319	-	-	-	-	-	-	433,865
Compensated absences	416,905	47,501	-	-	-	-	-	-	-	-	-	464,406
Due to SC State Education Assistance Authority	1,241,446	-	-	-	-	-	-	-	3,077,925	2,526,219	-	6,845,591
Due from United States Department of Education	15,358	(76)	601,305	854,536	55,072	1,003,465	1,379,717	1,485,461	1,599,773	3,127,069	-	10,121,680
Total current liabilities	1,905,477	47,425	151,510,812	1,633,403	17,490,728	13,895,867	1,618,864	1,500,456	14,537,698	46,613,288	-	250,754,018
Noncurrent liabilities												
Accrued pension payable	617,582	-	-	-	-	-	-	-	-	-	-	617,582
Bonds payable less, current maturities and bond premiums and discounts	-	-	-	1,194,985,249	318,987,342	549,375,722	-	-	-	-	-	2,063,348,313
Notes payable - finance loans less, current maturities	-	-	-	-	-	-	-	-	212,331,459	805,840,361	-	1,018,171,820
Lines of credit	-	-	-	-	-	-	238,485,605	51,086,031	-	-	-	289,571,636
Total noncurrent liabilities	617,582	-	-	1,194,985,249	318,987,342	549,375,722	238,485,605	51,086,031	212,331,459	805,840,361	-	3,371,709,351
Total liabilities	2,523,059	47,425	151,510,812	1,196,618,652	336,478,070	563,271,589	240,104,469	52,586,487	226,869,157	852,453,649	-	3,622,463,369
Net Assets												
Temporarily restricted for bond indentures	-	-	-	778,867	1,740,126	-	-	-	-	8,050,314	-	10,569,307
Current debt service	-	-	-	149,700,920	36,521,105	38,660,349	-	-	-	-	-	224,882,374
Temporarily restricted for bond indentures	-	-	-	-	-	-	-	-	-	-	-	32,054,054
Temporarily restricted for teacher loans	-	32,054,054	-	-	-	-	-	-	-	-	-	32,054,054
Temporarily restricted for warehouse financing	-	-	8,620,107	-	-	-	2,777,777	9,535,913	-	-	-	20,933,797
Board designated for scholarships	2,100,000	-	-	-	-	-	-	-	-	-	-	2,100,000
Unrestricted	90,474,298	-	-	-	-	-	-	-	-	-	-	90,474,298
Total net assets	92,574,298	32,054,054	8,620,107	150,479,787	38,261,231	38,660,349	2,777,777	9,535,913	-	8,050,314	-	381,013,830
Total liabilities and net assets	\$ 95,097,357	\$ 32,101,479	\$ 160,130,919	\$ 1,347,098,439	\$ 374,739,301	\$ 601,931,938	\$ 242,882,246	\$ 62,122,400	\$ 226,869,157	\$ 860,503,963	\$ 4,003,477,199	

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2009

	Temporarily Restricted														
	Unrestricted	Teacher Loans			Warehouse Financing		08 Resolution			Federal Loan Participation Program		Tax Exempt			
		Operating/SIC					04 Resolution	06 Resolution	08 Resolution	08 Resolution	93 Resolution	02 Resolution	Total		
Revenue															
Income from United States Department of Education student loan interest - subsidized	136,125	\$	225	\$	1,343,628	\$	9,622,713	\$	113,823	\$	7,678,635	\$	15,695,862	\$	40,716,522
Special allowances	(150,863)		-		(1,866,840)		(2,009,734)		(126,119)		(7,352,630)		(6,825,597)		(42,280,743)
Student loan interest - non-subsidized	1,167,597		2,799,048		8,142,015		51,851,579		13,446,069		20,907,905		10,525,846		147,842,065
Investment income	913,127		430,095		89,710		1,084,954		1,210,161		1,532,609		14,172		5,273,921
Unrealized gain (loss) on investments	(671,797)		221,433		-		-		-		-		-		(450,364)
Late charges	8,807		20,320		70,498		717,628		94,711		472,429		36,400		1,680,742
Miscellaneous payments of student loans	(3)		(85)		(95)		(565)		(636)		(515)		(163)		(4,344)
Miscellaneous income	2,414,915		112,855		-		-		-		-		-		2,527,770
State appropriations - Department of Education	-		5,787,043		-		-		-		-		-		5,787,043
Building rental income	216,989		-		-		-		-		-		-		216,989
Remittance from SC State Education Assistance Authority for operating cost	5,326,708		9,370,834		7,778,916		61,266,575		14,738,009		23,238,433		7,137,043		5,326,708
Total revenue	9,361,605		9,370,834		7,778,916		61,266,575		14,738,009		23,238,433		7,137,043		166,636,309
Expenses															
Personnel	6,902,551		310,982		-		-		-		-		-		7,213,533
Contractual services	1,085,297		26,505		-		-		-		-		-		1,111,802
General operating	1,784,507		56,130		-		-		-		-		-		1,840,637
Interest on debt	-		-		4,275,874		26,526,659		13,164,523		16,498,945		586,980		62,717,282
TLP cancellations	-		5,878,296		-		764,368		54,220		462,890		-		5,878,296
Amortization of deferred cost of bond issuance	-		-		-		-		-		-		-		1,281,478
Payments to SC State Education Assistance Authority for student loan income	261,366		-		1,715,196		11,065,813		186,002		1,268,043		2,179,886		31,231,285
Loan fees	-		-		2,704		273,870		9,021		40,814		2,591,141		20,741,162
Reinsurance expense	300,148		11,438		239,510		3,865,215		84,547		1,768,967		2,380,298		413,899
Borrower incentives	-		-		12,518		109,817		(34,625)		42,000		-		11,734,554
Broker dealer fees	345,365		-		-		-		-		-		-		129,710
Building rental expenses	535,783		-		1,585		(219,855)		(1,236,165)		(59,583)		(34,787)		345,365
Loan loss expense	401,257		-		8,665		608,068		608,068		615,026		1,794,847		(1,063,633)
Other	11,616,274		6,376,006		6,256,052		42,385,887		12,835,591		20,022,076		7,137,043		179,847
Total expenses	(419,877)		(20,122)		-		-		-		20,022,076		7,137,043		145,370,217
Employee benefits - related changes other than net periodic pension cost (expense) benefit															(439,999)
Transfer Between Accounts															
Transfers in	45,105,273		-		5,346,277		37,699		2,250		1,190,518		214,101,183		492,279,490
Transfers out	(43,604,204)		-		-		(21,244,452)		(1,567,778)		(2,453,736)		-		(492,279,490)
Total transfers between accounts	1,501,069		-		5,346,277		(21,206,753)		(1,565,528)		(1,263,218)		3,173,477		9,846
Change in net assets	(1,173,477)		2,974,806		6,869,141		(2,326,065)		336,890		1,953,139		-		20,826,093
Net Assets															
Beginning	93,747,775		29,079,248		1,750,966		152,805,852		37,924,241		36,707,210		-		360,187,737
Ending	92,574,298		32,054,054		8,620,107		150,479,787		38,261,231		38,660,349		-		381,013,830

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2009

	Temporarily Restricted										Total	
	Unrestricted	Teacher Loans	Warehouse Financing	96 Resolution	04 Resolution	08 Resolution	Participation Program	Credit Lines	93 Resolution	02 Resolution		Tax Exempt
Cash Flows from Operating Activities												
Change in net assets	\$ (1,173,477)	\$ 2,974,806	\$ 6,869,141	\$ (2,326,065)	\$ 336,890	\$ 1,953,139	\$ 2,777,777	\$ 9,535,913	\$ -	\$ (122,031)	\$ 20,826,093	
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities												
Depreciation	319,802	-	-	-	-	-	-	-	-	-	319,802	
Unrealized (gain) loss on investments	671,797	(221,433)	-	-	(2,012,262)	-	-	-	-	-	450,364	
Amortization of premiums and discounts on bonds payable	-	-	-	1,360,839	-	(1,613,479)	(4,687,906)	(193,861)	-	-	(651,423)	
Amortization of cost of bond issuance	-	-	-	54,220	482,890	59,583	67,340	11,892	(34,787)	(129,843)	1,123,768	
Allowance for Loan Loss	535,783	-	1,585	(219,855)	(1,236,165)	(59,583)	-	-	-	-	(1,063,633)	
Changes in operating assets and liabilities												
(Increase) decrease in due from US Department of Education	15,439	78	981,935	6,219,945	100,919	1,110,878	1,379,717	1,485,461	462,759	4,824,524	16,581,655	
(Increase) decrease in due from SC State Education Assistance Authority	(601,918)	(22,671)	(48,736)	5,366,330	(12,342)	30,515	(17,500)	-	-	1,545,763	6,239,441	
(Increase) decrease in accrued investment income	178,206	(436,105)	385,543	1,456,541	1,960,689	(1,613,479)	(4,687,906)	(193,861)	(3,177,043)	(5,167,847)	(11,295,252)	
(Increase) decrease in miscellaneous receivables	17,849	9,977	7,138	54,656	201,196	62,922	-	-	-	-	353,738	
(Increase) decrease in prepaid expenses	11,771	-	-	-	-	-	-	-	-	-	11,771	
Increase (decrease) in interest payable	(30,233)	-	-	-	-	-	-	-	-	-	(30,233)	
Increase (decrease) in accounts payable	(36,649)	-	(142,829)	(1,921,271)	(170,258)	293,943	239,147	14,995	-	-	(1,543,444)	
Increase (decrease) in accrued pension expense	380,820	-	-	-	(719)	-	-	-	-	-	(180,197)	
Increase (decrease) in compensated absences	88,542	11,846	-	-	-	-	-	-	-	-	380,820	
Increase (decrease) in retiree medical insurance payable	(3,291,834)	-	-	-	-	-	-	-	-	-	100,388	
Increase (decrease) in due to SC State Education Assistance Authority	1,241,447	-	-	-	-	-	-	-	2,695,467	1,329,477	5,266,391	
Due to (from) other funds	(5,692,767)	(36,255)	(4,559)	5,699,663	20,326	11,908	-	-	(210)	1,894	-	
Net cash provided by (used in) operating activities	(7,365,422)	2,280,243	8,049,218	16,277,441	1,254,766	260,871	(241,425)	10,854,400	(53,814)	2,281,937	33,598,215	
Cash Flows from Investing Activities												
Purchase of property and equipment	(113,379)	-	-	-	-	-	-	-	-	-	(113,379)	
Purchase and issuance of student loans	(2,825,194)	(10,197,849)	(246,625)	(141,261,230)	(61,971,913)	(153,729,003)	(294,191,383)	(261,953,135)	(88,800,622)	(23,369,882)	(1,038,546,836)	
Principal payments on student loans	751,912	656,729	8,746,189	85,201,487	12,854,371	54,112,735	57,411,989	220,138,388	19,813,293	45,340,721	505,027,814	
Teacher loan cancellations	-	5,878,296	-	-	-	-	-	-	-	-	5,878,296	
Purchase of investments	(4,164,512)	-	-	-	-	-	-	-	-	-	(4,164,512)	
Sale of investments	-	221,433	-	-	-	-	-	-	-	-	221,433	
Net cash provided by (used in) investing activities	(6,351,173)	(3,441,391)	8,499,564	(56,059,743)	(49,117,542)	(99,616,268)	(236,779,394)	(41,814,747)	(65,987,329)	21,970,839	(631,697,184)	
Cash Flows from Financing Activities												
Proceeds from financing loans	-	-	-	-	-	-	-	-	170,284,884	-	170,284,884	
Payments on financing loans	-	-	-	-	-	-	-	-	(112,190,891)	-	(112,190,891)	
Proceeds from lines of credit	-	-	-	-	-	-	238,485,605	261,953,135	-	-	500,438,740	
Payments on lines of credit	-	-	(18,800,149)	-	-	-	(210,867,104)	-	-	-	(229,667,253)	
Payments of bonds	-	-	-	(26,000,000)	(26,000,000)	(37,695,661)	-	-	-	-	(63,695,661)	
Net cash provided by (used in) financing activities	-	-	(18,800,149)	(26,000,000)	(26,000,000)	(37,695,661)	238,485,605	51,086,031	58,093,993	-	265,169,819	
Net increase (decrease) in cash and cash equivalents	(13,716,595)	(1,161,148)	(2,251,367)	(39,782,302)	(73,862,776)	(137,051,058)	1,464,786	20,125,684	(10,947,150)	24,252,776	(232,929,150)	
Cash and Cash Equivalents Beginning	77,235,941	11,545,596	4,515,735	69,348,421	109,957,304	154,484,460	-	-	11,280,243	1,572,030	439,939,730	
Ending	63,519,346	10,384,448	2,264,368	29,566,119	36,094,528	17,433,402	1,464,786	20,125,684	333,093	25,824,806	207,010,580	
Supplemental Disclosure of Cash Flow Information												
Cash payments for interest	-	-	\$ 4,275,874	\$ 28,447,930	\$ 13,334,781	\$ 16,205,002	\$ 1,425,154	\$ 572,025	\$ -	\$ -	\$ 64,260,766	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2009**

Description and Rate	Cost	Accumulated Depreciation 6/30/08	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/09
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	264,337	62,341	-	326,678
Furniture and Fixtures					
Computer equipment	1,247,365	831,175	144,702	-	975,877
Other office machines	381,060	271,517	46,228	-	317,745
Telephone equipment	314,356	247,928	51,009	-	298,937
Miscellaneous	90,256	90,256	-	-	90,256
Total furniture and fixtures	<u>2,033,037</u>	<u>1,440,876</u>	<u>241,939</u>	<u>-</u>	<u>1,682,815</u>
Automobiles					
2004 Buick LeSabre	20,215	20,214	-	-	20,214
2008 Buick Lucerne	33,015	8,256	11,004	-	19,260
2005 Buick LeSabre	20,333	15,815	4,518	-	20,333
Total automobiles	<u>73,563</u>	<u>44,285</u>	<u>15,522</u>	<u>-</u>	<u>59,807</u>
 Grand total	 <u>\$ 5,102,929</u>	 <u>\$ 1,749,498</u>	 <u>\$ 319,802</u>	 <u>\$ -</u>	 <u>\$ 2,069,300</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2009

	Operating Fund				Teacher Loan Program - EIA				
	2009		Variance Favorable (Unfavorable)	2008 Actual	2009		Variance Favorable (Unfavorable)	2008 Actual	
	Total Budget	Actual			Total Budget	Actual			
Operating Expenses									
Personnel									
Staff salaries	\$ 4,995,101	\$ 4,732,594	\$ 262,507	\$ 4,426,789	\$ 232,142	\$ 212,260	\$ 19,882	\$ 228,375	
Part-time salaries	-	39,571	(39,571)	-	-	-	-	-	-
Social security	366,059	326,466	39,593	311,835	17,759	15,039	2,720	16,164	
Group insurance	1,245,082	1,122,695	122,387	1,184,401	58,363	51,019	7,344	56,642	
Retirement	921,450	668,297	253,153	700,510	44,100	32,146	11,954	33,571	
Unemployment	13,640	12,928	712	13,856	704	518	186	693	
Total personnel	7,541,332	6,902,551	638,781	6,637,391	353,068	310,982	42,086	335,445	
before non-recurring defined benefit	-	-	-	51,056	-	-	-	-	
Non-recurring defined benefit	7,541,332	6,902,551	638,781	6,688,447	353,068	310,982	42,086	335,445	
Total personnel									
Contractual									
Loan servicing	898,384	928,394	(30,010)	854,585	29,875	24,224	5,651	25,101	
Legal	30,000	21,216	8,784	29,846	-	-	-	-	
Accounting	111,566	105,494	6,072	94,013	2,400	2,281	119	2,160	
Credit bureau	54,600	30,193	24,407	41,627	-	-	-	-	
Total contractual	1,094,550	1,085,297	9,253	1,020,071	32,275	26,505	5,770	27,261	
General Operating									
Rent	-	-	-	-	8,796	8,759	37	8,759	
Telephone	150,500	131,531	18,969	123,184	7,300	6,159	1,141	5,685	
Printing	288,750	132,834	155,916	270,544	7,500	6,201	1,299	1,823	
Postage	886,660	772,238	114,422	748,822	30,174	26,889	3,285	22,254	
Supplies	140,000	70,561	69,439	73,305	7,250	3,207	4,043	3,381	
Travel	75,000	43,990	31,010	51,198	600	293	307	205	
Equipment maintenance	156,676	140,449	16,227	125,705	2,338	2,096	242	1,873	
Subscriptions and fees	60,000	52,561	7,439	50,187	100	30	70	45	
Meeting and conference expenses	45,000	49,609	(4,609)	22,854	150	-	150	-	
Insurance - general and automotive	61,856	46,329	15,527	49,096	2,899	2,171	728	2,248	
Outreach and awareness	175,000	42,115	132,885	50,660	-	-	-	-	
Contingencies	52,000	19,164	32,836	29,782	500	325	175	70	
Depreciation	277,900	257,461	20,439	236,837	-	-	-	-	
Other operating expenses	-	25,665	(25,665)	-	-	-	-	-	
Total general operating	2,369,342	1,784,507	584,835	1,832,174	67,607	56,130	11,477	46,343	
Total operating expenses	11,005,224	9,772,355	1,232,869	9,540,692	452,950	393,617	59,333	409,049	
Employee benefits - related changes other than net periodic pension cost	-	419,877	(419,877)	(1,295,422)	-	20,122	(20,122)	(90,728)	
Capital Additions									
Equipment, furniture and fixtures	135,700	113,379	22,321	235,916	-	-	-	-	
Automobile	-	-	-	33,015	-	-	-	-	
Total capital additions	135,700	113,379	22,321	268,931	-	-	-	-	
Total operating expenses, employee benefits - related changes and capital additions	\$ 11,140,924	\$ 10,305,611	\$ 835,313	\$ 8,514,201	\$ 452,950	\$ 413,739	\$ 39,211	\$ 318,321	

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2009**

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

BOARD OF DIRECTORS OF THE CORPORATION

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

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

<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		See Note 2
Subsidized interest	84.032		\$ <u>40,716,522</u>
Total U.S. Department of Education programs (major program)			\$ <u>40,716,522</u>

1. Summary of Significant Accounting Policies

This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during its fiscal year July 1, 2008 through June 30, 2009.

2. Special Allowances

The U.S. Department of Education (USDE) now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid \$ 42,280,743 for the year ending June 30, 2009.



DERRICK, STUBBS & STITH, L.L.P.
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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, 2009, and have issued our report thereon dated September 22, 2009. 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 22, 2009



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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, 2009. 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, 2009.

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.

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

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.

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.

Derick, Stulke + Smith, LLP

September 22, 2009

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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 Subsidized interest	<u>CFDA#</u> <u>Expenditure</u> 84.032 \$ 40,716,522
(x)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,221,497
(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, 2009**

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, 2009**

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