



OKLAHOMA STUDENT LOAN AUTHORITY

Management's Discussion and Analysis and

Financial Statements

June 30, 2001 and 2000

(With Independent Auditors' Report Thereon)

Oklahoma Student Loan Authority Management's Discussion and Analysis

The Oklahoma Student Loan Authority (Authority) functions as a lender of student loans, servicer of student loans and secondary market for the purchase of student loans from other lenders. As a lender of student loans, the Authority is an eligible lender and also is the lender of last resort for the State of Oklahoma. As a servicer of student loans, the Authority services its own student loans and provides origination and pre-acquisition interim servicing for 33 other eligible lenders which are members of the OSLA Student Lending Network. The loan servicing work performed by the Authority is under the registered tradename "OSLA Student Loan Servicing™". As a secondary market for the members of OSLA Student Lending Network, each lender is required to sell their student loans to the Authority before repayment of the loans begin.

This section of the Authority's annual financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2001. Please read it in conjunction with the Authority's financial statements and the notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

- The Authority's total assets at June 30, 2001 were approximately \$485,406,000, which is an increase of approximately \$127,948,000 or 36% over June 30, 2000.
- The Authority's net student loans at June 30, 2001 were approximately \$395,554,000, which is an increase of approximately \$70,045,000 or 22% over June 30, 2000.
- The Authority's operating revenue for the fiscal year ended June 30, 2001 was approximately \$31,505,000, which is an increase of approximately \$7,885,000 or 33% over the fiscal year ended June 30, 2000.
- The Authority's interest expense for the fiscal year ended June 30, 2001 was approximately \$19,359,000, which is an increase of approximately \$6,056,000 or 46% over the fiscal year ended June 30, 2000.
- The Authority's total other operating expenses for the fiscal year ended June 30, 2001 were approximately \$5,667,000, which is an increase of only \$232,000 or 4% over the fiscal year ended June 30, 2000.
- The Authority's change in fund equity for the fiscal year ended June 30, 2001 was approximately \$6,479,000, which is an increase of approximately \$1,597,000 or 33% over the fiscal year ended June 30, 2000.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied on an accrual basis. Under the accrual basis of GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements presented within the financial statements are:

**Oklahoma Student Loan Authority
Management's Discussion and Analysis**

Balance Sheet – This statement presents information regarding the Authority's assets, liabilities and fund equity. Fund equity represents the total amount of assets less the total liabilities. The balance sheet classifies assets, liabilities and fund equity as current, noncurrent and restricted.

Statement of Revenues, Expenses and Change in Fund Equity - This statement presents the Authority's interest income, cost of funds, operating expenses and changes in fund equity for the fiscal year.

Statement of Cash Flows – The Authority's statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, non-capital financing, capital and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY:

The Authority's total fund equity at June 30, 2001 was approximately \$57,926,000, which is an increase of approximately \$6,479,000 or 13% over June 30, 2000. Components of the Authority's balance sheet as of June 30, 2001 and June 30, 2000 were as follows:

	<u>2001</u>	<u>2000</u>	<u>Percentage Increase (Decrease)</u>
Current assets	\$ 5,282,486	2,065,582	156%
Capital assets	935,431	345,084	171%
Other noncurrent assets	16,850,841	22,958,130	(27)%
Restricted assets	<u>462,337,169</u>	<u>332,089,413</u>	39%
Total assets	\$ <u>485,405,927</u>	<u>357,458,209</u>	36%
Current liabilities	\$ 246,998	304,102	(19)%
Current liabilities payable from restricted assets	6,601,839	23,100,512	(71)%
Noncurrent liabilities payable from restricted assets	<u>420,631,147</u>	<u>282,606,940</u>	49%
Total liabilities	<u>427,479,984</u>	<u>306,011,554</u>	40%
Fund equity:			
Invested in capital assets	935,431	345,084	171%
Restricted	29,047,172	23,678,017	22%
Unrestricted	<u>27,943,340</u>	<u>27,423,554</u>	2%
Total fund equity	<u>57,925,943</u>	<u>51,446,655</u>	13%
Total liabilities and fund equity	\$ <u>485,405,927</u>	<u>357,458,209</u>	36%

The growth noted above in the Authority's total assets is the continuation of a trend of significant growth in prior years. Total assets grew from approximately \$357,458,000 at June 30, 2000 to approximately \$485,406,000 at June 30, 2001. Net student loans grew from approximately \$325,509,000 at June 30, 2000 to approximately \$395,554,000 at June 30, 2001. The growth over the past year also relates to the issuance of the Series 2001A/B bonds and notes in June 2001 totaling \$40,625,000 which were held as restricted assets and not yet invested in student loans at June 30, 2001.

**Oklahoma Student Loan Authority
Management's Discussion and Analysis**

For the fiscal year ended June 30, 2001, the Authority originated or acquired student loans with a current principal balance (net of cancellations) of approximately \$112,083,000. The Authority funds the origination or acquisition of student loans by periodically issuing bonds and notes. During the fiscal year ended June 30, 2001, the Authority issued the Series 2000A bonds and notes totaling \$120,945,000 and the Series 2001A/B bonds and notes totaling \$40,625,000.

The increases noted above to current assets, restricted assets, and noncurrent liabilities payable from restricted assets are related to the increased level of student loan originations and acquisitions and related to the issuance of the Series 2000A and 2001A/B bonds and notes. The decrease noted above to other noncurrent assets is related to Federal Consolidation Loans being transferred to various debt service funds as restricted assets from the general fund that originates these loans.

The Authority's change in fund equity for the fiscal year ended June 30, 2001 was approximately \$6,479,000 which is an increase of approximately \$1,597,000 or 33% over the change in fund equity for the fiscal year ended June 30, 2000. Components of the statement of revenues, expenses and changes in fund equity for these two fiscal years are as follows:

	<u>2001</u>	<u>2000</u>	<u>Percentage Increase (Decrease)</u>
Loan interest income	\$28,640,905	22,547,274	27%
Investment interest income	<u>2,864,212</u>	<u>1,072,943</u>	167%
Total operating revenue	<u>31,505,117</u>	<u>23,620,217</u>	33%
Interest expense	19,358,782	13,302,656	46%
Other operating expenses:			
General administration	2,937,662	3,029,908	(3)%
External loan servicing	735,322	629,413	17%
Professional fees	302,244	252,494	20%
Consolidation rebate fees	741,319	597,969	24%
Provision for loan losses	<u>950,500</u>	<u>925,498</u>	3%
Total other operating expenses	<u>5,667,047</u>	<u>5,435,282</u>	4%
Total operating expenses	25,025,829	18,737,938	34%
Change in fund equity	<u>\$ 6,479,288</u>	<u>4,882,279</u>	33%

The growth noted above in the Authority's change in fund equity is the continuation of a trend of significant growth in prior years. The growth of approximately \$1,597,000 over the past year relates to both the Authority's debt service funds (which serve as collateral on outstanding bonds and notes) and to the Authority's general funds as both experienced increased fund equity for the fiscal year ended June 30, 2001. In addition, change in fund equity benefited from a significant decrease in variable interest rates on outstanding bonds and notes in the six months ended June 30, 2001, while the annual variable rate on student loans was unchanged through that six months period.

The increase noted above in loan interest income is related to the growth in the Authority's portfolio of student loans and is also related to increases in the variable interest rates on the student loans. The variable interest rates on student loans are reset annually on July 1st and the rates for the fiscal year ended June 30, 2001 varied from 7.59% to 8.99% and the rates for the fiscal year ended June 30, 2000 varied from 6.32% to 7.72%.

**Oklahoma Student Loan Authority
Management's Discussion and Analysis**

The increase noted above in interest expense is related to the growth in the Authority's outstanding bonds and notes, to generally higher interest rates in the six months ended December 31, 2000 and to an increased proportion of taxable bonds and notes in the Authority's outstanding debt which carry higher interest rates than tax-exempt debt.

As noted above, the Authority's other operating expenses for the fiscal year ended June 30, 2001 grew by only 4% over the previous fiscal year. This minimum growth in other operating expenses is notable when compare to 36% growth in total assets. The Authority prepares an annual operating budget that is used as a management tools for tracking the various operating expenses. There were no significant variances between the budget and actual operating expenses for the fiscal year ended June 30, 2001.

DEBT ADMINISTRATION:

The Authority funds student loan notes receivable by issuing tax-exempt and taxable bonds and notes. The bonds and notes must be approved by the Oklahoma Executive and Legislative Bond Oversight Commissions prior to being issued. Tax-exempt bonds or notes also must receive an allocation of the State of Oklahoma private activity volume ceiling or "cap". In addition, the issues must comply with federal statutes and with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2001, the Authority had \$423,085,000 principal amount of bonds and notes payable, an increase of 40% from the \$301,570,000 principal amount outstanding at June 30, 2000. Detailed information on the Authority's debt is presented in note 5 to the financial statements.

The Authority meets its temporary requirements for funding student loan notes receivable through a taxable, revolving warehouse line of credit provided by commercial banks. The commitment amount of the line of credit is \$125,000,000, of which \$61,400,000 principal amount was outstanding at June 30, 2001. The line of credit is not rated by a credit rating agency.

In addition, \$9,435,000 of private placement Promissory Notes outstanding at June 30, 2001 were not rated. These notes were redeemed on July 1, 2001.

\$352,250,000 of Authority debt is publicly held and has long term credit ratings assigned by Moody's Investors Service (Moody's) and Standard and Poor's (S&P) based on the type of security as shown in the table below. The credit ratings have been maintained and periodically the ratings have been confirmed in connection with new parity debt issues or extensions of recycling periods.

<u>Credit Rating(s)</u>	<u>Principal Amount</u>	<u>Type of Security</u>
Aaa Moody's/AAA S&P	\$263,850,000	Senior Lien or Insured
Aaa Moody's	\$ 45,215,000	Over Collateralized
A2 Moody's/A S&P	\$ 43,185,000	Subordinate Bonds

\$119,625,000 of the Authority debt listed above bears a Weekly Rate and, in addition to the long term ratings, also has short-term ratings by Moody's (VMIG-1) and S&P (A-1+).

**Oklahoma Student Loan Authority
Management's Discussion and Analysis**

CONDITIONS AFFECTING FINANCIAL POSITION:

At June 30, 2001, the Authority was servicing and committed to purchase student loans from members of the OSLA Student Lending Network with a principal balance of approximately \$60,400,000. The total portfolio of gross student loans that the Authority owns or services for members of the OSLA Student Lending Network was approximately \$453,795,000 at June 30, 2001. This is an increase of approximately \$85,000,000 or 23% over this total as of June 30, 2000.

The Authority has experienced significant growth in all aspects of its operations. With the growth in the number of lenders in the OSLA Student Lending Network and an increasing volume of student loan applications being processed, the Authority's fiscal year 2002 budget reflects continued growth. The Authority has added additional staff to handle the additional work associated with this significant growth. The Authority's budgeted administrative expenses for fiscal year 2002 reflect the additional costs to be incurred as a result of the additional staff which increased administrative expenses.

Lower market interest rates at June 30, 2001 means that student loan interest rates on outstanding student loans will be reduced in the fiscal year ending June 30, 2002, causing a reduction in the average yield for the total student loan portfolio.

The Authority's budgets for funding the growth of student loans are based on a larger proportion of taxable debt, with correspondingly higher interest rates than tax-exempt debt, in the Authority's outstanding bonds and notes. This increase in taxable debt in proportion to tax-exempt debt will cause an increase to the overall average rate paid for interest expense.

The Authority is converting its loan servicing system from a remote system to an in-house operated system during the fiscal year ending June 30, 2002. The non-recurring and additional costs associated with converting and operating this system are reflected in the Authority's fiscal year 2002 budget.



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Independent Auditors' Report

Trustees
Oklahoma Student Loan Authority:

We have audited the balance sheets of the Oklahoma Student Loan Authority (the Authority), a component unit of the State of Oklahoma, as of June 30, 2001 and 2000, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 audits provide 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 the Oklahoma Student Loan Authority as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in fiscal year 2001, effective July 1, 1999. Accordingly, the fiscal year 2000 financial statements have been restated.

The Management's Discussion and Analysis on pages 1 through 5, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2001, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

August 17, 2001



OKLAHOMA STUDENT LOAN AUTHORITY

Balance Sheets

June 30, 2001 and 2000

Assets	2001	2000
Current assets:		
Cash	\$ 10,409	25,242
Investments	5,005,481	1,569,045
Interest receivable	266,596	471,295
Total current assets	<u>5,282,486</u>	<u>2,065,582</u>
Noncurrent assets:		
Loans, net of allowance for loan losses	16,749,617	22,939,754
Capital assets, net of accumulated depreciation	935,431	345,084
Other noncurrent assets	101,224	18,376
Total noncurrent assets	<u>17,786,272</u>	<u>23,303,214</u>
Restricted assets:		
Cash	75,139	53,630
Investments	68,042,684	17,794,117
Interest receivable	11,669,310	9,211,240
Loans, net of allowance for loan losses	378,804,133	302,568,939
Other restricted assets	3,745,903	2,461,487
Total restricted assets	<u>462,337,169</u>	<u>332,089,413</u>
	<u>\$ 485,405,927</u>	<u>357,458,209</u>
Liabilities and Fund Equity		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 246,998	304,102
Current liabilities payable from restricted assets:		
Accounts payable and other accrued expenses	848,371	24,744
Accrued interest payable	2,408,468	3,185,768
Current portion of bonds payable	3,345,000	19,890,000
Total current liabilities payable from restricted assets	<u>6,601,839</u>	<u>23,100,512</u>
Noncurrent liabilities payable from restricted assets:		
Arbitrage rebate payable	891,147	926,940
Notes payable	99,435,000	135,825,000
Bonds payable	320,305,000	145,855,000
Total noncurrent liabilities payable from restricted assets	<u>420,631,147</u>	<u>282,606,940</u>
Total liabilities	<u>427,479,984</u>	<u>306,011,554</u>
Fund equity:		
Invested in capital assets	935,431	345,084
Restricted	29,047,172	23,678,017
Unrestricted	27,943,340	27,423,554
Total fund equity	<u>57,925,943</u>	<u>51,446,655</u>
Commitments and contingencies, (note 7)	—	—
Total liabilities and fund equity	<u>\$ 485,405,927</u>	<u>357,458,209</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Revenues, Expenses and Changes in Fund Equity

Years ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating revenues:		
Loan interest income:		
From borrowers	\$ 20,033,511	14,805,147
From U.S. Department of Education (USDE)	8,607,394	7,742,127
Investment interest income	<u>2,864,212</u>	<u>1,072,943</u>
Total operating revenues	<u>31,505,117</u>	<u>23,620,217</u>
Operating expenses:		
Interest expense	19,358,782	13,302,656
General administration	2,937,662	3,029,908
External loan servicing fees	735,322	629,413
Professional fees	302,244	252,494
Consolidation rebate fees	741,319	597,969
Provision for loan losses	<u>950,500</u>	<u>925,498</u>
Total operating expenses	<u>25,025,829</u>	<u>18,737,938</u>
Change in fund equity	6,479,288	4,882,279
Fund equity, beginning of year	<u>51,446,655</u>	<u>46,564,376</u>
Fund equity, end of year	<u>\$ 57,925,943</u>	<u>51,446,655</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Cash Flows

Years ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Receipts of interest income from USDE	\$ 9,124,653	6,391,420
Receipts of interest income from borrowers	17,397,398	12,845,272
Receipts of interest on investments	2,729,695	1,123,598
Receipts from other sources	1,022,885	384,140
Payments for interest on notes and bonds payable	(20,136,082)	(11,842,326)
Payments to Internal Revenue Service for arbitrage rebate	(116,815)	(126,185)
Payments to employees and suppliers	<u>(3,950,024)</u>	<u>(4,521,206)</u>
Net cash provided by operating activities	<u>6,071,710</u>	<u>4,254,713</u>
Cash flows from non-capital financing activities:		
Advances on notes payable	89,690,000	88,835,000
Proceeds from issuance of bonds	120,945,000	—
Payments of debt financing costs	(979,853)	(36,385)
Payments on notes payable	(85,455,000)	(1,610,000)
Payments on bonds payable	<u>(3,665,000)</u>	<u>(4,160,000)</u>
Net cash provided by non-capital financing activities	<u>120,535,147</u>	<u>83,028,615</u>
Cash flows from investing activities:		
Proceeds from maturity of investments	279,014,665	147,480,670
Receipts of loan principal payments	54,232,694	40,149,353
Purchases of investments	(332,699,668)	(137,277,045)
Disbursements of loan funds	<u>(126,405,963)</u>	<u>(137,566,072)</u>
Net cash used in investing activities	<u>(125,858,272)</u>	<u>(87,213,094)</u>
Cash flows from capital activities:		
Purchases of capital assets	<u>(741,909)</u>	<u>(117,317)</u>
Net increase (decrease) in cash	6,676	(47,083)
Cash at beginning of year (including \$53,630 for 2001 reported in restricted assets)	<u>78,872</u>	<u>125,955</u>
Cash at end of year (including \$75,139 and \$53,630 for 2001 and 2000, respectively, reported in restricted assets)	\$ <u>85,548</u>	\$ <u>78,872</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Statements of Cash Flows

Years ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Reconciliation of change in fund equity to net cash provided by operating activities:		
Change in fund equity	\$ 6,479,288	4,882,279
Adjustments to reconcile change in fund equity to net cash provided by operating activities:		
Depreciation and amortization	1,987,690	1,266,491
Provision for loan loss	950,500	925,498
Increase in assets:		
Interest receivable	(2,253,371)	(3,259,927)
Other assets	(1,045,827)	(982,869)
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	766,523	(11,422)
Accrued interest payable	(777,300)	1,460,330
Arbitrage rebate payable	<u>(35,793)</u>	<u>(25,667)</u>
Net cash provided by operating activities	\$ <u>6,071,710</u>	<u>4,254,713</u>

See accompanying notes to financial statements.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

(1) Reporting Entity and Nature of the Program

The Oklahoma Student Loan Authority (the Authority) was created as an express trust under applicable Oklahoma statutes and a Trust Indenture dated August 2, 1972, with the State of Oklahoma (the State) accepting the beneficial interest therein. The Authority is a component unit of the State and is included in the financial statements of the State as a part of the Enterprise Fund. Enterprise funds are used to account for the operations and financial position of governmental entities that are financed and operated in a manner similar to private enterprise.

The purpose of the Authority is to provide loan funds to qualified persons at participating post secondary educational institutions. The Authority also performs origination and interim status servicing for other Federal Family Education Loan (FFEL) Program lenders in addition to providing a secondary market for FFEL Program loans for participating financial institutions. The student loans held by the Authority under the federal Higher Education Act of 1965, as amended, include Federal Stafford Loans (Stafford), Unsubsidized Stafford Loans for Middle Income Borrowers (Unsubsidized Stafford), Federal Supplemental Loans for Students (SLS), Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans (Consolidation).

These FFEL Program loans are guaranteed 98% with certain exceptions (100% guaranteed for loans first disbursed before October 1, 1993) by the Oklahoma State Regents for Higher Education Guaranteed Student Loan Program (State Guarantee Agency), which is reinsured by the United States Department of Education (USDE), or guaranteed by other guarantors approved by the USDE (Guarantee Agencies).

As of June 30, 2001 and 2000, the Authority serviced approximately \$60,400,000 and \$44,129,000, respectively, in FFEL Program loans for other financial institutions. As a servicer of FFEL Program loans, the Authority collects student loan remittances and subsequently disburses these remittances to the appropriate lending entities.

(2) Summary of Significant Accounting Policies

The financial statements of the Authority included herein reflect the combined assets, liabilities, fund equity, and changes therein for the Authority.

(a) Basis of Accounting

The Authority accounts for its operation as an enterprise fund. Enterprise funds are accounted for on a basis of the flow of economic resources and use the accrual basis of accounting, similar to private business enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority utilizes all Financial Accounting Standards Board Statements as the Authority's accounting principles, unless such Statements are in direct conflict with Statements issued by the GASB.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(b) *Changes in Accounting Principles*

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (Statement 34) in fiscal year 2001, effective July 1, 1999. Accordingly, the fiscal year 2000 financial statements have been restated to conform to Statement 34. Statement 34 establishes financial reporting standards for all state and local governments and related entities. For the Authority, Statement 34 primarily relates to presentation and disclosure requirements and had no impact on fund equity. The impact was on the presentation of the balance sheets with assets and liabilities classified between current, noncurrent and restricted and fund equity categorized as invested in capital assets, restricted, and unrestricted; the inclusion of management's discussion and analysis; and the preparation of the statements of cash flows on the direct method.

(c) *Accounts of the Authority*

The accounts of the Authority are organized on the basis of individual funds as prescribed by the "Oklahoma Student Loan Act" (Act) and terms of various debt obligations. The various accounts assigned to each fund could include any of the following depending upon the terms of the related debt obligation: Principal Account, Interest Account, Student Loan Account, Repayment Account, Debt Service Reserve Account, Investment Earnings Account, Rebate Account and General Investment Account.

(d) *Cash*

The Authority only considers cash in demand deposit accounts, which are entirely insured by federal deposit insurance, to be cash for purposes of the statement of cash flows.

(e) *Investments*

Investments consist of repurchase agreements, certain government obligations, and mutual funds. Applicable Oklahoma statutes authorize certain types of investments the Authority can utilize. As of June 30, 2001 and 2000 the Authority was in compliance with these investment requirements.

Investments are stated at fair value based on quoted prices with changes in fair value included in the statements of revenues, expenses and changes in fund equity.

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Notes to Financial Statements

June 30, 2001 and 2000

(f) *Loans and Allowance for Loan Loss*

Loans are stated at cost, net of an allowance for loan loss. The Authority includes as the cost of a loan any premium paid on student loans purchased. Premiums are amortized over the estimated life of the loan as an adjustment to interest income.

All of the loans made or acquired by the Authority are guaranteed as noted above. There is still risk to the Authority if the loans should lose their guarantee. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. If the cure and recovery procedures are not successful within a maximum of three years, the loan will be written-off as uncollectible. Additionally, the Authority is at risk for 2% of the loans with first disbursement on or after October 1, 1993.

As of June 30, 2001 approximately \$376,400,000 of the Authority's loans were guaranteed at the 98% level. The allowance for loan losses was established by the management of the Authority to provide for these two types of losses. Student loans are written off when they are deemed uncollectible and charged against the allowance upon such determination. Any subsequent collection or recovery on an account written off as uncollectible is credited to the allowance.

(g) *Capital Assets*

The Authority capitalizes expenditures for equipment, system development, and leasehold improvements. Depreciation and amortization is calculated primarily on a straight-line basis of five to ten years. Accumulated depreciation and amortization on capital assets at June 30, 2001 and 2000, was approximately \$786,000 and \$691,000, respectively. Maintenance of equipment and other assets is expensed as incurred.

(h) *Restricted Fund Equity*

Certain assets of the Authority are restricted by the applicable bond and note covenants for the purpose of providing collateral for the outstanding debt obligations and paying debt interest and principal payments that are due (see note 5).

(i) *Operating Revenues and Expenses*

Balances classified as operating revenues and expenses are those which comprise the Authority's principle ongoing operations. Since the Authority's operations are similar to those of any other finance company, all revenues and expenses are considered operating.

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Notes to Financial Statements

June 30, 2001 and 2000

(j) Interest Income

Interest is earned from the borrowers on the various types of student loans, the USDE and from investments. The USDE makes two types of interest payments to the Authority. One is for the interest on Stafford loans when the borrower is not currently required to make principal and interest payments under the terms of the loan. Interest income from USDE for the years ended June 30, 2001 and 2000 was approximately \$6,878,000 and \$4,986,000, respectively. The other type of interest payment from the USDE is "Special Allowance Payments". The rates for Special Allowance Payments are based on quarterly formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loans (tax-exempt or taxable). These rates are based upon the average rate established in the auctions of 91-day U.S. Treasury bills during such quarter or the quotes of 3-month commercial paper (financial) in effect for each of the days in such quarter. Special allowance payments from USDE for the years ended June 30, 2001 and 2000, were approximately \$1,729,000 and \$2,756,000, respectively.

(k) Arbitrage Rebate

The proceeds from the Authority's tax exempt debt issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax exempt proceeds in non-purpose investments. The Authority has calculated and made provisions for the estimated cumulative rebatable arbitrage that must be remitted to the Internal Revenue Service for the excess earnings on non-purpose investments.

(l) Income Taxes

As a State beneficiary trust, the income of the Authority earned in the exercise of its essential function is exempt from state and federal income taxes.

(3) Investments

The Authority invests its idle cash in collateralized repurchase agreements, U.S. Treasury securities and U.S. Government securities based mutual funds. The Authority's investments would generally be categorized into one of three separate credit risk categories. Category 1 includes investments that are insured or registered, or are held by the Authority or its agent in the Authority's name. The Authority's Category 1 restricted investments totaled \$4,023,925 and \$4,693,318 at June 30, 2001 and 2000, respectively. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Authority's name. The Authority did not have any Category 2 investments at June 30, 2001 or 2000. Category 3 includes uninsured and unregistered investments, held by the counterparty, or by its trust department or agent, but not in the Authority's name. The Authority's Category 3 restricted investments totaled \$780,900 and \$1,000,800 at June 30, 2001 and 2000, respectively. One of the Authority's repurchase agreements is classified as Category 3 because the securities underlying the repurchase agreement are held by an independent custodian in the name of the seller of the purchased securities.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

The U.S. Government securities based mutual funds are not subject to classification in categories of credit risk because they are not evidenced by securities that exist in physical or book entry form. The Authority's restricted investment in U.S. Government securities based mutual funds totaled \$63,237,859 and \$12,099,999 at June 30, 2001 and 2000, respectively. The Authority's unrestricted investment in U.S. Government securities based mutual funds totaled \$5,005,481 and \$1,569,045 at June 30, 2001 and 2000, respectively.

Investments at fair value consist of the following at June 30, 2001 and 2000:

	<u>2000</u>	<u>2000</u>
U.S. Government securities based mutual funds:		
Restricted	\$63,237,859	12,099,999
U.S. Treasury securities:		
Restricted	113,000	229,000
Repurchase agreements:		
Restricted	<u>4,691,825</u>	<u>5,465,118</u>
 Total Restricted Investments	 68,042,684	 17,794,117
 U.S. Government securities based Mutual funds:		
Unrestricted	<u>5,005,481</u>	<u>1,569,045</u>
 Total Investments	 <u>\$73,048,165</u>	 <u>19,363,162</u>

(4) Loans

The Authority originates, purchases and holds various types of student loans as described in Note 1. The terms of these loans, which vary on an individual basis depending upon loan type and the date the loan was originated, generally provide for repayment in monthly installments of principal and interest over a period of up to thirty years for Consolidation loans and generally up to ten years for other loans. The repayment period begins after a grace period of six months following graduation or loss of qualified student status for the Subsidized and Unsubsidized Stafford loans. The repayment period for Consolidation, SLS and PLUS loans begins within 60 days from the date the loan is fully disbursed. Interest rates on student loans ranged from 4.67% to 11.00% for the fiscal year ended June 30, 2001 depending upon the type and date of origination of the individual loan.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

Loans consist of the following at June 30, 2001 and 2000:

	2001	2000
Stafford – Subsidized	\$ 182,632,820	156,255,041
Stafford – Unsubsidized	108,574,760	82,671,740
PLUS/SLS	24,046,655	20,865,342
Consolidation	77,745,806	64,833,445
Other	394,670	(410,665)
Total gross loans	393,394,711	324,214,903
Net deferred premium and loan cost	5,154,909	3,577,334
Allowance for loan loss	(2,995,870)	(2,283,544)
Net loans	\$ 395,553,750	325,508,693

All FFEL Program student loans are guaranteed as to principal and accrued interest. The Guarantee Agencies are entitled to charge fees for these services which may be withheld from the loan disbursements to the borrower and remitted to the Guarantee Agencies. The Authority pays the guarantee fees on all loans disbursed when the guarantee agency does not waive those fees. Guarantee fees are capitalized when the loan is made and are amortized, using the interest method, over the estimated economic life of the loan. The capitalized guarantee fees, net of accumulated amortization, at June 30, 2001 and 2000, were approximately \$2,360,000 and \$1,616,000, respectively. In order for the loans to be or remain guaranteed, certain due diligence requirements in loan servicing must be met. As of June 30, 2001 and 2000, respectively, approximately \$151,000 and \$185,000 of loans were no longer considered as being guaranteed.

The Authority also withholds certain origination fees from the loan disbursements on FFEL Program loans to the borrowers and remits these fees to USDE. The amount of the origination fees is a certain percentage of the gross loan amount.

The Authority is also required to pay to USDE certain Lender and Rebate Fees. The amount of the Lender Fees includes a certain percentage of the gross loan amount on all FFEL Program loans originated after October 1, 1993 and a certain percentage of the carrying value of the Consolidation loans.

Loan origination costs are capitalized when the loan is made and are amortized, using the interest method, over the estimated economic life of the loan. The capitalized loan origination costs, net of accumulated amortization, at June 30, 2001 and 2000, were approximately \$977,000 and \$765,000, respectively.

Generally, student loans of the Authority are pledged as collateral for the various obligations of the Authority. The promissory notes for the pledged student loans are in the custody of Bank of Oklahoma, N.A. in its capacity as custodian for the Authority.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

(5) Notes and Bonds Payable

The Authority periodically issues bonds and notes for the purpose of funding student loans. All notes and bonds payable are primarily secured by the student loans, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution or financing agreement as maintained by the corporate trustees. The accompanying financial information on pages 22 and 23 summarize the General Funds and pledged assets and liabilities related to the Authority's debt obligation trust estates as of June 30, 2001 and 2000. The Authority is in compliance with all significant financing agreement requirements and bond covenants.

Notes payable at June 30, 2001 and 2000 consist of the following:

\$125,000,000 Taxable Variable Rate Revenue Note (line of credit), Series 1993L (1993L), dated April 26, 2000, as modified, payable to Bank One, Oklahoma, N.A. The interest rate is adjusted weekly based on the 91-day U.S. Treasury bill auction rate plus 1%. The interest rates were 4.45% and 6.84% as of June 30, 2001 and 2000, respectively. The principal is due at maturity on November 30, 2002. Advances and payments can be made under the provisions of the note, provided that the amount outstanding does not exceed the note amount.

\$21,600,000 Senior Notes, Series 1995A-1 (1995A-1) dated November 9, 1995. The interest rate is based on a 35-day auction period with rates of 3.00% and 4.42% as of June 30, 2001 and 2000, respectively. The principal is due at maturity on September 1, 2025.

\$7,000,000 Senior Notes, Series 1995A-2 (1995A-2) dated November 9, 1995. The interest rate is based on a one year auction period with rates of 3.05% and 4.75% as of June 30, 2001 and 2000, respectively. The principal is due at maturity on September 1, 2025.

\$10,455,000 1999A-1 Tax Exempt Promissory Note (1999A-1) dated August 25, 1999. The interest rate was a fixed rate of 4.92%. This issue was redeemed by the 2000A-4 Bonds issued August 31, 2000.

\$5,770,000 1999A-2 Tax Exempt Promissory Note (1999A-2) modified July 25, 2000. The interest rate is adjusted to 80% of LIBOR at the first of each month with a rate of 3.25% as of June 30, 2001. The principal is due at maturity on September 1, 2008. The 2001A-1 Bonds provided for the redemption of this note in July 2001.

\$3,665,000 2000N Tax Exempt Revenue Note (2000N) dated July 25, 2000. The interest rate is adjusted to 80% of LIBOR at the first of each month with a rate of 3.25% as of June 30, 2001. The principal is due at maturity on September 1, 2008. The 2001A-1 Bonds provided for the redemption of this note in July 2001. The following schedules summarize the notes payable outstanding as of June 30, 2001 and 2000:

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

2001	Beginning balance	Additions	Retired	Ending balance
1993L	\$ 91,000,000	45,400,000	(75,000,000)	61,400,000
1995A-1	21,600,000	—	—	21,600,000
1995A-2	7,000,000	—	—	7,000,000
1999A-1	10,455,000	—	(10,455,000)	—
1999A-2	5,770,000	—	—	5,770,000
2000N	—	3,665,000	—	3,665,000
Total	<u>\$ 135,825,000</u>	<u>49,065,000</u>	<u>(85,455,000)</u>	<u>99,435,000</u>
2000	Beginning balance	Additions	Retired	Ending balance
1993L	\$ 20,000,000	72,610,000	(1,610,000)	91,000,000
1995A-1	21,600,000	—	—	21,600,000
1995A-2	7,000,000	—	—	7,000,000
1999A-1	—	10,455,000	—	10,455,000
1999A-2	—	5,770,000	—	5,770,000
Total	<u>\$ 48,600,000</u>	<u>88,835,000</u>	<u>(1,610,000)</u>	<u>135,825,000</u>

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

The following schedules summarize the bonds payable outstanding as of June 30, 2001 and 2000:

<u>2001</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending balance</u>
6.30% - 6.70% Series 1992A, due serially through 9-1-05	\$ 16,680,000	—	(3,665,000)	13,015,000
Variable rate Series 1994A-1, due 9-1-20	25,200,000	—	—	25,200,000
Variable rate Series 1994A-2, due 9-1-15	7,000,000	—	—	7,000,000
5.80% Series 1995B-1 Subordinate, due 9-1-08	2,000,000	—	—	2,000,000
6.35% Series 1995B-2 Subordinate, due 9-1-25	3,980,000	—	—	3,980,000
Variable rate demand obligations Series 1996A, due 6-1-26	32,580,000	—	—	32,580,000
4.80% Series 1996B-1 Subordinate, due 8-1-04	5,975,000	—	—	5,975,000
5.10% Series 1996B-2 Subordinate, due 8-1-08	6,230,000	—	—	6,230,000
Variable rate demand obligations Series 1997A, due 12-1-26	33,000,000	—	—	33,000,000
Variable rate demand obligations Series 1998A, due 6-1-28	33,100,000	—	—	33,100,000
Variable rate Series 2000A-1, 2000A-2, and 2000A-3 due 6-1-30, 2000A-4 (demand obligation) due 6-1-29	—	120,945,000	—	120,945,000
5.625% Senior Series 2001A-1, due 6-1-31	—	15,625,000	—	15,625,000
Variable rate Series 2001B-1 Subordinate, due 6-1-31	—	25,000,000	—	25,000,000
Total	<u>\$ 165,745,000</u>	<u>161,570,000</u>	<u>(3,665,000)</u>	<u>323,650,000</u>

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

<u>2000</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending balance</u>
6.40% - 6.70% Series 1992A, due serially through 9-1-05	\$ 20,840,000	—	(4,160,000)	16,680,000
Variable rate Series 1994A-1, due 9-1-20	25,200,000	—	—	25,200,000
Variable rate Series 1994A-2, due 9-1-15	7,000,000	—	—	7,000,000
5.80% Series 1995B-1 Subordinate, due 9-1-08	2,000,000	—	—	2,000,000
6.35% Series 1995B-2 Subordinate, due 9-1-25	3,980,000	—	—	3,980,000
Variable rate demand obligations Series 1996A, due 6-1-26	32,580,000	—	—	32,580,000
4.80% Series 1996B-1 Subordinate, due 8-1-04	5,975,000	—	—	5,975,000
5.10% Series 1996B-2 Subordinate, due 8-1-08	6,230,000	—	—	6,230,000
Variable rate demand obligations Series 1997A, due 12-1-26	33,000,000	—	—	33,000,000
Variable rate demand obligations Series 1998A, due 6-1-28	<u>33,100,000</u>	<u>—</u>	<u>—</u>	<u>33,100,000</u>
Total	\$ <u>169,905,000</u>	<u>—</u>	<u>(4,160,000)</u>	<u>165,745,000</u>

The variable interest rates on the 1994A Bonds are based on periodic auctions of these bonds. The Series 1994A-1 Bonds are based on a 35-day auction period with a rate of 2.80% and 4.45% as of June 30, 2001 and 2000, respectively. The Series 1994A-2 Bonds are based on a one year auction period with a rate of 2.95% and 4.98% as of June 30, 2001 and 2000, respectively.

The variable rates on the 1996A bonds are set on a weekly basis by the Remarketing Agent, with a rate of 2.75% and 4.75% as of June 30, 2001 and 2000, respectively.

The variable rates of the 1997A bonds are set on a weekly basis by the Remarketing Agent, with a rate of 2.75% and 4.80% as of June 30, 2001 and 2000, respectively.

The variable rates on the 1998A bonds are set on a weekly basis by the Remarketing Agent, with a rate of 2.75% and 4.80% as of June 30, 2001 and 2000, respectively.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001 and 2000

The variable interest rates on the 2000A Bonds are based on periodic resets of these bonds. The Series 2000A-1, 2000A-2, and 2000A-3 Bonds are based on a 28-day auction period with rates of 4.08%, 3.90%, and 4.07%, respectively as of June 30, 2001. The Series 2000A-4 Bonds are set on a weekly basis by the Remarketing Agent, with a rate of 2.75% as of June 30, 2001.

The Senior Fixed Rate Bonds, Series 2001A-1 (2001A-1) dated June 1, 2001. The interest rate is a fixed interest rate of 5.625% as of June 30, 2001. The principal is due at maturity at June 1, 2031.

The Subordinate Auction Rate Obligations, Series 2001B-1 (2001B-1) dated June 7, 2001. The interest rate is based on a 35-day auction period with a rate of 3.00% as of June 30, 2001. The principal is due at maturity on June 1, 2031.

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 2001 levels, are as follows:

Year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 3,345,000	15,822,278	19,167,278
2003	64,330,000	13,963,990	78,293,990
2004	2,240,000	12,609,481	14,849,481
2005	7,875,000	12,217,751	20,092,751
2006	2,600,000	12,026,677	14,626,677
2007 – 2011	17,665,000	57,864,332	75,529,332
2012 – 2016	7,000,000	56,111,377	63,111,377
2017 – 2021	25,200,000	54,666,072	79,866,072
2022 – 2026	65,160,000	50,720,095	115,880,095
2027 – 2031	<u>227,670,000</u>	<u>27,832,469</u>	<u>255,502,469</u>
	<u>\$ 423,085,000</u>	<u>313,834,522</u>	<u>736,919,522</u>

Combining Financial Information

The following combining financial data reflects a summary of the Authority's financial information categorized by the various outstanding debt obligations. The category of "General Funds" represents unencumbered assets that are not pledged as collateral to any of the outstanding debt obligations.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2001

	General Bond Resolution (92A & 94A)	Line of Credit Financing (1993L)	Master Bond Resolution (95A/B, 96B & 2001)	3rd Party Enhanced Resolution (96A, 97A, 98A & 2000)	Private Placement Notes (1999A)	Collections Holding (b)	Total Debt Service Funds	General Funds	Eliminations	Total
Assets:										
Unrestricted:										
Cash and investments	\$ —	—	—	—	—	—	—	5,015,890	—	5,015,890
Loans, net of allowance (a)	—	—	—	—	—	—	—	16,749,617	—	16,749,617
Interfund receivables	—	—	—	—	—	—	—	6,865,871	(6,865,871)	—
Other unrestricted assets	—	—	—	—	—	—	—	1,303,251	—	1,303,251
Total unrestricted assets	—	—	—	—	—	—	—	29,934,629	(6,865,871)	23,068,758
Restricted:										
Cash and investments	9,553,256	3,258,707	44,102,523	9,519,170	321,704	1,362,463	68,117,823	—	—	68,117,823
Loans, net of allowance	49,352,551	63,476,822	46,601,999	209,351,274	9,847,546	173,941	378,804,133	—	—	378,804,133
Interfund receivables	178,343	—	150,205	479,131	21,321	—	829,000	—	(829,000)	—
Other restricted assets	1,505,009	3,123,110	1,972,938	8,433,576	380,580	—	15,415,213	—	—	15,415,213
Total restricted assets	60,589,159	69,858,639	92,827,665	227,783,151	10,571,151	1,536,404	463,166,169	(829,000)	—	462,337,169
Total assets	\$ 60,589,159	69,858,639	92,827,665	227,783,151	10,571,151	1,536,404	463,166,169	29,934,629	(7,694,871)	485,403,927
Liabilities and fund equity										
Unrestricted:										
Other unrestricted liabilities	\$ —	—	—	—	—	—	—	246,998	—	246,998
Interfund payables	—	—	—	—	—	—	—	808,860	(808,860)	—
Total unrestricted liabilities	—	—	—	—	—	—	—	1,055,858	(808,860)	246,998
Restricted:										
Notes and bonds payable	45,215,000	61,400,000	87,410,000	219,625,000	9,435,000	—	423,085,000	—	—	423,085,000
Interfund payables	925,072	4,283,773	379,067	575,476	8,285	714,338	6,886,011	—	(6,886,011)	—
Other restricted liabilities	613,265	658,990	608,319	1,326,835	118,511	822,066	4,147,986	—	—	4,147,986
Total restricted liabilities	46,753,337	66,342,763	88,397,386	221,527,311	9,561,796	1,536,404	434,118,997	—	(6,886,011)	427,232,986
Total liabilities	46,753,337	66,342,763	88,397,386	221,527,311	9,561,796	1,536,404	434,118,997	1,055,858	(7,694,871)	427,479,984
Fund equity, beginning of year	12,515,688	2,771,020	3,479,893	4,313,968	758,698	—	23,839,267	27,768,638	—	51,607,905
Fund equity transfers	—	100,000	—	—	—	—	100,000	(261,250)	—	(161,250)
Adjusted fund equity, beginning of year	12,515,688	2,871,020	3,479,893	4,313,968	758,698	—	23,939,267	27,507,388	—	51,446,655
Current operations:										
Operating revenue	4,677,265	4,369,232	4,243,427	15,292,485	914,224	—	29,496,633	2,008,484	—	31,505,117
Less: operating expenses	(3,357,131)	(3,724,376)	(3,293,041)	(13,350,613)	(663,567)	—	(24,388,728)	(637,101)	—	(25,025,829)
Change in fund equity	1,320,134	644,856	950,386	1,941,872	250,657	—	5,107,905	1,371,383	—	6,479,288
Fund equity, end of year	13,835,822	3,515,876	4,430,279	6,255,840	1,009,355	—	29,047,172	28,878,771	—	57,925,943
Total liabilities and fund equity	\$ 60,589,159	69,858,639	92,827,665	227,783,151	10,571,151	1,536,404	463,166,169	29,934,629	(7,694,871)	485,403,927

(a) Loans, net of allowance in the General Funds, include student loans financed by Authority equity funds.

(b) Collections Holding includes monies received from borrowers but not identified and distributed to the other funds by June 30, 2001.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Financial Statements

June 30, 2000

	General Bond Resolution (92A & 94A)	Line of Credit Financing (1993L)	Master Bond Resolution (95A/B & 96B)	3rd Party Enhanced Resolution (96A, 97A & 98A)	Private Placement Notes (1999A)	Collections Holding (b)	Total Debt Service Funds	General Funds	Eliminations	Total
Assets:										
Unrestricted:										
Cash and investments	\$ —	—	—	—	—	—	—	1,594,287	—	1,594,287
Loans, net of allowance (a)	—	—	—	—	—	—	—	22,939,754	—	22,939,754
Interfund receivables	—	—	—	—	—	—	—	3,265,668	(3,265,668)	—
Other unrestricted assets	—	—	—	—	—	—	—	834,755	—	834,755
Total unrestricted assets	—	—	—	—	—	—	—	28,634,464	(3,265,668)	25,368,796
Restricted:										
Cash and investments	8,696,985	1,153,396	2,256,586	2,283,168	583,260	2,874,352	17,847,747	—	—	17,847,747
Loans, net of allowance	52,129,712	90,531,392	46,644,702	97,954,033	15,742,957	(433,857)	302,568,939	—	—	302,568,939
Interfund receivables	680,760	244,230	566,472	644,222	75,407	1,866	2,212,957	—	(2,212,957)	—
Other restricted assets	1,718,792	3,747,580	1,600,571	3,856,193	749,591	—	11,672,727	—	—	11,672,727
Total restricted assets	63,226,249	95,676,598	51,068,331	104,737,616	17,151,215	2,442,361	334,302,370	—	(2,212,957)	332,089,413
Total assets	\$ 63,226,249	95,676,598	51,068,331	104,737,616	17,151,215	2,442,361	334,302,370	28,634,464	(5,478,625)	357,458,209
Liabilities and fund equity										
Unrestricted:										
Other unrestricted liabilities	\$ —	—	—	—	—	—	—	304,102	—	304,102
Interfund payables	—	—	—	—	—	—	—	561,724	(561,724)	—
Total unrestricted liabilities	—	—	—	—	—	—	—	865,826	(561,724)	304,102
Restricted:										
Notes and bonds payable	48,880,000	91,000,000	46,785,000	98,680,000	16,225,000	—	301,570,000	—	—	301,570,000
Interfund payables	1,064,156	408,217	355,163	616,117	30,887	2,442,361	4,916,901	—	(4,916,901)	—
Other restricted liabilities	766,405	1,497,361	609,525	1,127,531	136,630	—	4,137,452	—	—	4,137,452
Total restricted liabilities	50,710,561	92,905,578	47,749,688	100,423,648	16,392,517	2,442,361	310,624,353	—	(4,916,901)	305,707,452
Total liabilities	50,710,561	92,905,578	47,749,688	100,423,648	16,392,517	2,442,361	310,624,353	865,826	(5,478,625)	306,011,554
Fund equity, beginning of year	11,033,764	1,370,232	2,814,010	3,162,477	—	—	18,380,483	28,183,893	—	46,564,376
Fund equity transfers	406,738	1,615,690	(343,255)	(580,204)	671,250	—	1,770,219	(1,770,219)	—	—
Adjusted fund equity, beginning of year	11,440,502	2,985,922	2,470,755	2,582,273	671,250	—	20,150,702	26,413,674	—	46,564,376
Current operations:										
Operating revenue	4,759,528	3,960,109	4,002,138	7,765,878	993,943	—	21,481,596	2,138,621	—	23,620,217
Less: operating expenses	(3,684,342)	(4,175,011)	(3,154,250)	(6,034,183)	(906,495)	—	(17,954,281)	(783,657)	—	(18,737,938)
Change in fund equity	1,075,186	(214,902)	847,888	1,731,695	87,448	—	3,527,315	1,354,964	—	4,882,279
Fund equity, end of year	12,515,688	2,771,020	3,318,643	4,313,968	758,698	—	23,678,017	27,768,638	—	51,446,655
Total liabilities and fund equity	\$ 63,226,249	95,676,598	51,068,331	104,737,616	17,151,215	2,442,361	334,302,370	28,634,464	(5,478,625)	357,458,209

(a) Loans, net of allowance in the General Funds, include student loans financed by Authority equity funds.

(b) Collections Holding includes monies received from borrowers but not identified and distributed to the other funds by June 30, 2000.

OKLAHOMA STUDENT LOAN AUTHORITY

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(6) Retirement Plan

The Authority contributes to the Teachers Retirement System of Oklahoma (TRS), a cost-sharing multiple-employer public employee retirement system which is self-administered. TRS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of TRS. TRS issues a publicly available annual financial report that includes financial statements and required supplementary information for TRS. That annual report may be obtained by writing to the TRS, P.O. 53524, Oklahoma City, OK 73152 or by calling at 1-405-521-2387.

Employees of the Authority, as TRS members, are required to contribute to the Plan at a rate set by statute. The contribution rate for system members is based on 7% of their covered salary. The Authority made the system members' required contribution on behalf of its employees in 2001 and 2000.

The Authority itself is required to contribute a legislated rate on regular annual compensation for administration of the Plan. In 2001 and 2000, the contribution rate for the Authority was 11.5% of regular annual compensation. As provided by State statute, the amount of the Authority's contribution each fiscal year shall be reduced by the estimated revenue due to TRS from the dedicated natural and casinghead gas tax, which is considered an on behalf payment made by the State of Oklahoma for the Authority's employees. In 2001 and 2000, the actual net contribution rate due from the Authority was 5.8% and 4.8%, respectively.

The Authority's contributions to TRS were approximately \$215,000, \$189,000, and \$173,000, for the years ended June 30, 2001, 2000 and 1999, respectively. These contributions equaled the required contributions for system members and Plan administration each period.

(7) Commitments and Contingencies

The Authority conducts certain programs subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies.

As part of its secondary market activities for FFEL Program loans, the Authority has entered into various Forward Purchase and Sale Commitment Agreements with certain financial institutions for which it performs interim status loan servicing. Under such forward purchase commitments, the seller is required to offer these FFEL Program loans to the Authority and the Authority is required to purchase the loans under certain terms and conditions. As of June 30, 2001 and 2000, the Authority was committed to purchase approximately \$60,400,000 and \$44,129,000, respectively, in such FFEL Program loans that the Authority is servicing.

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Proceeds from the Authority's tax-exempt debt that are invested in student loans are subject to Federal government yield adjustment payment rebate law which limits the earnings rate on funds received by an organization which issues tax exempt debt. Any excess student loan interest over the allowable debt yield and spread would be rebated to the student loan borrowers as interest rate reductions or loan principal forgiveness, or rebated to the IRS at the maturity of the related debt. Management is actively monitoring and managing this spread and will take necessary action to maintain student loan yields within the allowable spread over the life of the respective debt issuances.

(8) Student Loan Legislation

Legislation passed in June of 1998, and Reauthorization of the Higher Education Act signed into law on October 7, 1998, lowered the interest rate on FFEL Program Stafford loans first disbursed from July 1, 1998 through June 30, 2003. The new interest rates, together with Special Allowance Payments paid by USDE, represented a yield reduction to FFEL Program lenders and holders of 0.30%. In addition, the U.S. Treasury Bill auction index used to establish the interest rate on FFEL PLUS loans disbursed during this period was changed.

Legislation signed into law on December 17, 1999 changed the index for Special Allowance Payments rates for loans first disbursed on or after January 1, 2000 and before June 30, 2003 from the 91-day U.S. Treasury Bill average auction rate to the average rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter and changed the Special Allowance Payments formulas for such loans.

(9) Fair Value of Financial Instruments

Fair value estimates, methods, and assumptions are set forth below for the Authority's financial instruments. Carrying amounts and estimated fair values of financial instruments at June 30 are summarized as follows:

	2001		2000	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash	\$ 85,548	85,548	78,872	78,872
Investments	73,048,165	73,048,165	19,363,162	19,363,162
Interest receivable	11,935,906	11,935,906	9,682,535	9,682,535
Loans, net	395,553,750	395,553,750	325,508,693	325,508,693
Financial liabilities:				
Accrued interest payable	2,408,468	2,408,468	3,195,345	3,195,345
Notes payable	99,435,000	99,435,000	135,825,000	135,825,000
Bonds payable	323,650,000	325,075,264	165,745,000	165,978,666

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The carrying amount for cash, interest receivable, and accrued interest payable approximates fair value because of the short maturity of these financial instruments. The fair value of investments is based upon quoted prices.

The carrying value of loans approximates fair value because of the variable rate nature of the majority of loans and the special allowance payments by USDE.

The carrying value of notes payable approximates fair value for 2000 because all notes were variable rate and approximated rates currently available for notes with similar terms and remaining maturities. The fair value of notes payable for 2001 and bonds payable has been determined based on a fair value appraisal performed by a third party broker.