Audited Financial Statements

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014 and 2013

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014 and 2013

FINANCIAL STATEMENTS

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Trustees
Oklahoma Student Loan Authority
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying statements of net position of the Oklahoma Student Loan Authority (the "Authority"), a component unit of the State of Oklahoma, as of June 30, 2014, and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2014, and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2014, on our consideration of the Authority'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* in considering the Authority's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKLAHOMA STUDENT LOAN AUTHORITY

Years Ended June 30, 2014 and 2013

The Oklahoma Student Loan Authority (Authority) is an eligible lender, a loan servicer, and a secondary market in the guaranteed Federal Family Education Loans (FFEL) Program under the Higher Education Act. The Authority performs loan servicing functions under the registered trade name "OSLA Student Loan Servicing ™."

The Student Aid and Fiscal Responsibility Act of 2009 (SAFRA), Title II of the Reconciliation Act, became law on March 20, 2010. Beginning July 1, 2010, eligible lenders, including the Authority and its Network of eligible lenders, were no longer allowed to originate FFEL Program student loans. Beginning July 1, 2010, all federal student loans were solely originated by the federal government pursuant to its Direct Loan Program.

In the years prior to July 1, 2010, the Authority originated loans and performed servicing of FFEL Program loans for as many as 45 other eligible lenders as members of the OSLA Network. Upon the elimination of new loan origination in the FFEL Program at July 1, 2010, the Authority continued to service FFEL Program loan portfolios for 43 eligible network lenders. On June 29, 2011, the Authority purchased loans from 34 network lenders using the proceeds from our 2011-1 financing. Subsequently in September 2011, the Authority purchased all remaining loans from these 34 network lenders to liquidate their portfolios of FFEL loans serviced by the Authority. In April 2013, the Authority purchased loans from three of the remaining network lenders using proceeds from the 2013-1 financing. The remaining lenders did not sell their loans to the Authority and either entered into loan servicing agreements with OSLA or deconverted their loans to another servicing provider.

During fiscal year 2011, the Authority entered into a memorandum of understanding with the U.S. Department of Education (USDE) for the purpose of satisfying requirements to obtain an Authorization to Operate and to receive a Not-For-Profit (NFP) Servicer contract award with the USDE. In July 2012, the Authority was awarded a NFP Servicer loan servicing contract by USDE to service loans owned by the Department of Education. During the period from July through September 2012 the Authority received an initial allocation of and began servicing approximately 103,000 USDE owned loans. See further discussion in "Financial Analysis of the Authority."

This section of the Authority's annual financial report presents a discussion and analysis of the Authority's financial performance for the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the Authority's financial statements and the notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

	2014	2013	2012
Total assets	$ 571,034,750	$ 684,734,152	$ 832,205,866
Student loans receivable, net	522,689,832	616,650,642	739,010,915
Total operating revenue	14,229,157	18,072,823	16,121,922
Net interest margin (interest income less interest expense)	6,022,314	7,034,650	5,541,422
Total operating expenses	16,103,260	18,575,801	17,222,037
Total nonoperating revenue	12,324,570	1,121,845	1,739,625
Net position	69,934,972	59,484,505	58,865,638

OVERVIEW OF THE FINANCIAL STATEMENTS

Please refer to the Notes to Financial Statements, Summary of Accounting Policies, for a description of the Authority's basis of accounting and accounting policies.

Incentive Programs Affecting Operating Revenues: The Authority generates its Operating Revenues from borrower interest, subsidized interest and special allowance from the USDE, and loan servicing fees on its student loan portfolio. Certain Authority policies affect the generation of Operating Revenues.

The Authority offered certain incentive programs to our borrowers which continue to have an effect on our FFEL portfolio:

The following three incentives were offered for loans with first disbursement dates prior to July 1, 2008. The Authority eliminated or reduced this interest rate reduction incentive program for loans with first disbursement dates on or after July 1, 2008 so that loans from the Authority and members of the OSLA Student Lending Network would be in compliance with the requirements of the USDE's Participation and Put Programs as authorized by the Ensuring Continued Access to Student Loan Act (ECASLA) (Public Law 110-227).

TOP Interest Rate Reduction - A portion of the Authority's Stafford Loan and PLUS borrowers, including borrowers of loans that the Authority services for the OSLA Student Lending Network, could earn a 1.5% interest rate reduction by making their first twelve payments on time. The reduced interest rate will apply for the life of the loan after it was earned.

EZ PAY Interest Rate Reduction - Borrowers earned an interest rate reduction by using the Authority's electronic debit for making their monthly payments. The reduced interest rate applies as long as the borrower uses OSLA's electronic debit, EZ PAY, for making monthly payments. The Authority increased the interest rate reduction for using EZ PAY from 0.33% to 1.0% effective June 20, 2007. The Authority decreased this interest rate reduction incentive program from 1.0% to 0.25% for loans with first disbursement dates on or after July 1, 2008 as noted above. Subsequently, the incentive was eliminated for loans with first disbursement dates on or after April 1, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Incentive Programs Affecting Operating Revenues--Continued:

TOP Principal Reduction - A portion of the Authority's Stafford Loan and PLUS borrowers earned a 1% reduction in the principal amount of their loans by making their first three payments on time.

The remaining previously offered incentive described below was discontinued on the date noted.

Consolidation Loan Principal Reduction - Consolidation loan borrowers could earn a 1% reduction in the principal amount of their loan by making their first six payments on time. The Authority discontinued our consolidation loan program effective July 1, 2008.

The achievement of the TOP and EZ PAY Interest Rate Reduction programs results in a reduction, and will result in a future reduction, in Operating Revenues received and in the average yield for the total student loan portfolio.

The Authority expenses the cost associated with the TOP and Consolidation Loan Principal Reduction programs in the period the incentive was earned as a reduction to loan interest income from borrowers.

FINANCIAL ANALYSIS OF THE AUTHORITY

Components of the Authority's statements of net position are as follows as of June 30:

	2014	2013	2012
ASSETS			
Cash and investments	$ 39,478,249	$ 57,068,006	$ 79,116,571
Loans, net of allowance for loan losses	522,689,832	616,650,642	739,010,915
Capital assets	1,139,816	1,329,599	1,476,554
Other current assets	463,673	467,506	335,916
Other noncurrent assets	870,314	1,052,460	1,486,184
Other restricted assets	6,392,866	8,165,939	10,779,726
TOTAL ASSETS	$ 571,034,750	$ 684,734,152	$ 832,205,866

FINANCIAL ANALYSIS OF THE AUTHORITY--Continued

	2014	2013	2012
LIABILITIES			
Notes and bonds payable	$ 496,600,692	$ 620,561,180	$ 765,251,810
Current liabilities	1,154,802	873,192	589,090
Other current liabilities payable from restricted assets	3,344,284	3,815,275	7,499,328
TOTAL LIABILITIES	501,099,778	625,249,647	773,340,228
NET POSITION			
Invested in capital assets	1,139,816	1,329,599	1,476,554
Restricted	47,695,164	29,649,856	29,283,263
Unrestricted	21,099,992	28,505,050	28,105,821
TOTAL NET POSITION	69,934,972	59,484,505	58,865,638
TOTAL LIABILITIES AND NET POSITION	$ 571,034,750	$ 684,734,152	$ 832,205,866

Student loans receivable, net decreased by approximately $93,961,000 and $122,360,000 to approximately $522,690,000 and $616,651,000 at June 30, 2014 and 2013, respectively, due primarily to principal payments received from borrowers, claim payments from guarantors, loan consolidations and loans sold to the USDE pursuant to the Straight A Funding Asset Backed Commercial Paper Conduit program (Conduit).

Cash and investments decreased by approximately $17,590,000 and $22,049,000 to approximately $39,478,000 and $57,068,000 at June 30, 2014 and 2013, respectively, due primarily to principal and interest repayments on outstanding notes and bonds and payment of bond program expenses that more than offset loan payments from borrowers.

Notes and bonds payable decreased by approximately $123,960,000 and $144,691,000 to approximately $496,601,000 and $620,561,000 at June 30, 2014 and 2013, respectively, due primarily to principal payments on outstanding notes and bonds payable.

In April 2013, we completed our $211,820,000 Series 2013-1 financing, using the proceeds to refinance the Conduit notes payable due in November 2013 (approximately $141,036,000) and acquire the related student loans from the Straight-A Facility trust estate, pay off all of the outstanding Series 2004 A-3 notes (approximately $40,400,000) that were subject to mandatory redemption in quarterly installments and bore interest at a defined step-up floating rate term, redeem at a discount $20,000,000 of Series 2001A-2 auction rate bonds tendered for purchase in lieu of redemption to the Authority, acquire $4,859,000 of student loans from network lenders, pay costs of issuance, fund required trust accounts, and maintain initial collateralization in the trust estate. The Series 2013-1 bonds were sold at a discount with a coupon interest rate of 1-month LIBOR plus 0.50% to yield 1-Month LIBOR plus 0.55%.

FINANCIAL ANALYSIS OF THE AUTHORITY--Continued

At June 30, 2014 and 2013, the Authority was servicing student loans from members of the OSLA Student Lending Network with a principal balance of approximately $28,231,000 and $35,392,000, respectively.

The total portfolio of gross student loans that the Authority owns or services for members of the OSLA Student Lending Network was approximately $557,242,000 and $659,635,000 at June 30, 2014 and 2013, respectively. This is a decrease of approximately $102,393,000, or 15.5%, and $140,378,000, or 17.5%, from June 30, 2013 and 2012, respectively. The significant declines are due to payments by student loan borrowers, claim payments by guarantors, loan sales to USDE through the Conduit Put program, and loan payments from the Federal Direct Consolidation Loan Program. Loan sales to USDE as part of the Conduit Put program ceased in March 2013 as a result of the payment of Conduit notes payable with proceeds from the 2013-1 financing.

Components of the statement of revenues, expenses, and changes in net position are as follows for the fiscal years ending June 30:

	2014	2013	2012
Loan interest income, net of consolidation rebate fees	$ 11,592,826	$ 14,460,586	$ 15,289,216
Investment interest income	34,262	35,992	150,393
Total interest income	11,627,088	14,496,578	15,439,609
Less: Interest expense	5,604,774	7,461,928	9,898,187
Net interest margin (deficit)	6,022,314	7,034,650	5,541,422
Loan servicing fees	2,602,069	3,576,068	682,214
Other income	-	177	99
Operating revenues, net of interest expense	8,624,383	10,610,895	6,223,735
Operating expenses			
General administration	9,141,373	8,919,808	6,628,035
External loan servicing	589,787	564,617	117,163
Professional fees	767,326	1,629,448	578,652
Total operating expenses (excluding interest expense)	10,498,486	11,113,873	7,323,850
Decrease in net position from operations	(1,874,103)	(502,978)	(1,100,115)
Nonoperating revenues			
Gain on extinguishment of debt	12,324,570	1,121,845	1,739,625
Increase in net position	$ 10,450,467	$ 618,867	$ 639,510

FINANCIAL ANALYSIS OF THE AUTHORITY--Continued

Gross loan interest income for the years ended June 30, 2014 and 2013 decreased from fiscal year 2013 and 2012, respectively, due to the decrease in the Authority's loan portfolio. Loan interest income is primarily affected by loans outstanding and the variable interest rates on student loans, which are reset annually on July 1st. The variable rates ranged from: 1.75% to 3.38% for the year ended June 30, 2014; 1.79% to 3.44% for the year ended June 30, 2013, and 1.59% to 3.59% for the year ended June 30, 2012. The fixed rates for loans first disbursed on or after July 1, 2006 ranged from 5.6% to 8.5%. See Note D, Loans and Allowance for Loan Losses, for explanation of the quarterly lenders' yield and its relationship to the loans' stated variable or fixed interest rates.

Prior to April 2012, substantially all of the student loans that we own had a lender's yield based on a 3-month commercial paper index. The USDE announced in February 2012 certain conditions which would allow lenders to substitute the 1-Month LIBOR for the 3-month commercial paper rate for purposes of special allowance calculations. In March 2012, OSLA elected to change the special allowance payment index on the loans that we own to the 1-Month LIBOR index, effective for the billing for the quarter ended June 30, 2012.

Interest expense - The Authority funded the origination or acquisition of student loans by periodically issuing bonds and notes. The approximate $123,960,000 decrease in bonds and notes outstanding and a decrease in the weighted average cost of funds to 0.88% as of June 30, 2014, compared to a 0.92% cost of funds at June 30, 2013, led to the significant decrease in interest expense for the year ended June 30, 2014. Interest expense also declined significantly for the year ended June 30, 2013, compared to June 30, 2012, due to a $144,691,000 decrease in bonds and notes payable outstanding and a decrease in the weighted average cost of funds, 0.92%, as of June 30, 2013, compared to a 1.1% cost of funds at June 30, 2012.

Net interest margin for the years ended June 30, 2014, 2013, and 2012 of approximately $6,022,000 $7,035,000, and $5,541,000, respectively, resulted from the significant decrease in interest expense in all three years, offset by declines in interest income and represents a decrease of approximately $1,013,000 and improvement of approximately $1,494,000 from the years ended June 30, 2013 and 2012, respectively.

Loan servicing fees decreased for the year ended June 30, 2014 to approximately $2,602,000, due to the absence of one-time onboarding fees earned for the year ended June 30, 2013 under the contract to service USDE owned loans. The monthly recurring servicing fees earned also declined due to loans transferred to other servicers under loan consolidation, delinquencies and specialty servicing programs. Loan servicing fees increased to approximately $3,576,000 for the year ended June 30, 2013, resulting from the one-time onboarding fees and monthly recurring servicing fees earned under the Direct Loan servicing contract.

FINANCIAL ANALYSIS OF THE AUTHORITY--Continued

Gain on extinguishment of debt increased to approximately $12,325,000 for the year ended June 30, 2014 from approximately $1,122,000 for the year ended June 30, 2013 due to an increased number of notes and bonds offered to us for redemption including a significant subordinated note that generated most of the gains recorded during fiscal year 2014. For the year ended June 30, 2013, gain on extinguishment decreased to approximately $1,122,000 from approximately $1,740,000 for the year ended 2012, due to a decreased number of notes and bonds payable offered to us for redemption at a discount through unsolicited offers from debt holders and from tender offers made by the Authority.

Other operating expenses for the year ended June 30, 2014 decreased by 5.5% to approximately $10,498,000 reflecting lower professional fees and ongoing cost containment. Operating expenses for the year ended June 30, 2013 increased by 51.7% to approximately $11,114,000, compared to the year ended June 30, 2012 principally due to additional staffing, infrastructure, and expenses related to our NFP contract to service Direct Loans. We believe our current staffing and related support functions are at the proper levels to achieve highly rated service levels to both our Direct Loan and FFELP borrowers. The Authority prepares an annual operating budget that is used as a management tool for monitoring operating expenses. There were no significant variances between the budget and actual operating expenses for any of the three years ended June 30, 2014.

FEDERAL LOAN SERVICING

SAFRA requires the Secretary of the Department of Education to contract with eligible and qualified NFP Servicers to service loans within the Federal Direct Loan Program. The Authority entered into a Memorandum of Understanding, as amended, with the Department of Education, as a prime contractor for the purpose of satisfying requirements to obtain an Authorization to Operate and to receive a NFP Servicer contract award with the Department of Education.

The Authority was awarded a NFP Servicer loan servicing contract by the Department of Education to service loans owned by the Department of Education, primarily, in its Direct Loan Program under the Higher Education Act. Under that contract, the Authority began servicing federal loans in July 2012 when the Department transferred approximately 103,000 borrower accounts to the Authority for servicing. This transfer of USDE owned loans to the Authority for servicing was accomplished in three separate on-boardings processed in July, August, and September 2012. The addition of 103,000 borrower accounts represents a significant increase to the Authority, which was servicing approximately 65,000 borrowers as of June 30, 2012 in its existing FFEL Program servicing portfolio.

FEDERAL LOAN SERVICING--Continued

The Authority acquired additional capital assets, increased its number of personnel and related costs, and entered into contracts with service providers and consultants required to earn the NFP Servicer contract with USDE. The Authority funded this transition using fees collected from certain network lenders on their sale of loans to USDE for the academic year 2009-2010 ECASLA Put program.

During September 2014, the Department of Education issued contract modifications which, among other changes, established common pricing for loans serviced by Title IV and NFP members of the federal loan servicing team. These modifications provided for additional categories of loan status (delinquent 6–30 days, and service members, for example) together with related revised rates.

Also during September 2014, the Department of Education announced revised quarterly performance metrics by which NFP members of the federal loan servicing team are measured. The metrics determine the allocation of new loans to each NFP servicer relative to the other NFP servicers. The performance metrics assign a score to each servicer based on five metrics in two areas. The first two metrics measure borrower satisfaction survey results and Department of Education Federal Student Aid employee survey scores. The second group includes three metrics and measures the success of default prevention efforts using the repayment status of borrowers (current, delinquent and defaulted). Allocations to NFP servicers, representing 25% of the total new borrower volume, will begin in early 2015.

The Authority is in the process of determining the impact of these contract modifications and metrics used to determine new borrower volume, but believes any reduced revenue due to revised rates under the new contract will be more than offset by increased loan servicing revenues resulting from additional loans allocated beginning in calendar year 2015.

DEBT ADMINISTRATION

The Authority funded student loan notes receivable by issuing tax-exempt and taxable bonds and notes. The bonds and notes must be approved by the State of Oklahoma bond oversight process prior to issuance. 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.

Detailed information on the Authority's debt is presented in Note E to the audited financial statements.

DEBT ADMINISTRATION--Continued

$497,217,000, $605,998,000, and $570,920,000 of the Authority's debt was publicly held at June 30, 2014, 2013, and 2012, respectively, and had long-term credit ratings assigned by Moody's Investors Service (Moody's), Standard and Poor's (S&P), and Fitch at June 30, 2014 based on the type of security which is reflected in the table below.

Credit Ratings	2014 Principal Amount	2013 Principal Amount	2012 Principal Amount	Type of Security
Aaa Moody's/AA+ S&P /AAA Fitch	$ 480,617,000	$ 582,178,000	$ 542,965,000	Senior Lien or Insured
A2 Moody's/A S&P	$ 16,600,000	$ 23,820,000	$ 27,955,000	Subordinate Bonds

In September 2011, S&P published new criteria to describe their methodology for the treatment of partial loan-level support to loans backing "AAA" rated securities where USA government agencies or entities rated by Standard & Poor's provide such support. Bonds issued by the Authority are collateralized by Federal Family Education Loan Program (FFELP) student loans supported by the United States Department of Education in the form of guarantee or reinsurance, special allowance payments, and interest subsidy payments.

In October 2011, S&P published a press release regarding 118 Ratings from 70 U.S. Student Loan FFELP Asset Backed Securities Transactions Lowered to "AA + (sf)." Among these series or classes of issues were the Authority's Series 2010A-1, Series 2010A-2A, Series 2010A-2B, and Series 2011-1 bonds. In March 2012, the 1995 Master Bond Resolution Series 2001A-1, 2001 A2/A3, 2004 A-1, and 2004 A-2 were also lowered to AA+ by S&P. Each series of the bonds is now rated by S&P at AA + (sf) instead of their AAA (sf) rating which was assigned by S&P when the Bonds were issued on their respective issue dates. The ratings reflect only the view of S&P at the time such ratings were given. An explanation of the significance of the ratings may be obtained from S&P.

In August 2014, S&P published a press release raising five ratings on the Authority's 1995 Master Bond Resolution. Series 2001A-2, 2001A-4, 2004A-1, 2004A-2 were raised to "AAA (sf)" from their "AA+ (sf)" rating, and Subordinate 2001B-1 was raised to "AA+ (sf)" from "A (sf)." The upgrades reflect S&P's view regarding the collateral's future performance, as well as that the current credit enhancement available (which includes overcollateralization (parity), the reserve account and excess spread) can support the bonds and notes at the raised rating levels. More information regarding the raised ratings may be obtained from S&P and from the press release dated August 29, 2014.

INTERNAL REVENUE SERVICE EXAMS

The Authority is subject to routine examinations by the Internal Revenue Service (IRS) for compliance with debt issuance requirements regarding both tax-exempt and taxable bond and note issues. In October 2012, the Authority received a letter from the IRS requesting information and documents for examination of the Authority's compliance regarding its $40,625,000 Oklahoma Student Loan Bonds and Notes, Tax-Exempt Variable Rate Demand Obligations, Series 2002A-1 that was issued in 2002 and retired in full in 2010. In January 2013, the Authority received a letter from the IRS requesting information and documents for examination of the Authority's compliance regarding its $228,000,000 2010 Indenture of Trust that was issued in 2010 and had approximately $196,832,000 in bonds outstanding at the beginning of fiscal year 2013. The Authority responded to the initial and subsequent requests for information and documents. In May 2013, the IRS notified the Authority that the examinations for both Series were completed and that the IRS was closing the examinations with no change to the position that interest received by the bond and note holders is excludable from gross income.

STATEMENTS OF NET POSITION

OKLAHOMA STUDENT LOAN AUTHORITY

	June 30, 2014	June 30, 2013
ASSETS		
CURRENT ASSETS		
Cash	$ 200	$ 5,200
Investments	16,716,459	25,855,211
Interest and other receivables	463,673	467,506
TOTAL CURRENT ASSETS	17,180,332	26,327,917
NONCURRENT ASSETS		
Loans, net of allowance for loan losses	4,204,148	1,997,865
Capital assets, net of accumulated depreciation	1,139,816	1,329,599
Other noncurrent assets	870,314	1,052,460
TOTAL NONCURRENT ASSETS	6,214,278	4,379,924
RESTRICTED ASSETS		
Cash	451,700	817,710
Investments	22,309,890	30,389,885
Interest receivable	6,392,866	8,165,939
Loans, net of allowance for loan losses	518,485,684	614,652,777
TOTAL RESTRICTED ASSETS	547,640,140	654,026,311
TOTAL ASSETS	$ 571,034,750	$ 684,734,152
CURRENT LIABILITIES		
Accounts payable and other accrued expenses	$ 368,515	$ 434,620
Interest payable to U.S. Department of Education	786,287	438,572
TOTAL CURRENT LIABILITIES	1,154,802	873,192
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts payable and other accrued expenses	1,019,727	1,198,187
Accrued interest payable	290,779	392,460
Interest payable to U.S. Department of Education	2,033,778	2,224,628
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	3,344,284	3,815,275
NONCURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Notes payable	31,400,000	38,200,000
Bonds payable	465,200,692	582,361,180
TOTAL NONCURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	496,600,692	620,561,180
TOTAL LIABILITIES	501,099,778	625,249,647
COMMITMENTS AND CONTINGENCIES (*Note G*)		
NET POSITION		
Invested in capital assets	1,139,816	1,329,599
Restricted	47,695,164	29,649,856
Unrestricted	21,099,992	28,505,050
TOTAL NET POSITION	69,934,972	59,484,505
TOTAL LIABILITIES AND NET POSITION	$ 571,034,750	$ 684,734,152

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OKLAHOMA STUDENT LOAN AUTHORITY

	Year Ended June 30, 2014	Year Ended June 30, 2013
OPERATING REVENUES		
Loan interest income:		
From borrowers	$ 22,909,485	$ 26,914,708
From U.S. Department of Education	(11,316,659)	(12,454,122)
Loan servicing fees	2,602,069	3,576,068
Investment interest income	34,262	35,992
Other income	-	177
TOTAL OPERATING REVENUES	14,229,157	18,072,823
OPERATING EXPENSES		
Interest	5,604,774	7,461,928
General administration	9,141,373	8,919,808
External loan servicing fees	589,787	564,617
Professional fees	767,326	1,629,448
TOTAL OPERATING EXPENSES	16,103,260	18,575,801
OPERATING LOSS	(1,874,103)	(502,978)
NONOPERATING REVENUES (EXPENSES)		
Gain on extinguishment of debt	12,324,570	1,121,845
INCREASE IN NET POSITION	10,450,467	618,867
NET POSITION AT BEGINNING OF YEAR	59,484,505	58,865,638
NET POSITION AT END OF YEAR	$ 69,934,972	$ 59,484,505

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA STUDENT LOAN AUTHORITY

	Year Ended June 30, 2014	Year Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of interest income from borrowers	$ 24,652,003	$ 29,626,201
Payments of interest to USDE	(11,159,794)	(13,831,178)
Receipts of loan servicing fees	2,635,629	3,344,586
Receipts of loan principal payments	104,666,482	139,558,649
Origination and acquisition of student loans receivable	(10,705,672)	(17,198,368)
Payments to employees and suppliers	(10,039,496)	(10,591,734)
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,049,152	130,908,156
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of bonds	-	211,331,818
Payments of debt financing costs	-	(1,046,803)
Payments for interest on notes and bonds payable	(5,368,225)	(7,659,348)
Payments on notes payable	(6,800,000)	(250,695,647)
Payments on bonds payable	(105,174,148)	(104,414,000)
NET CASH USED IN FINANCING ACTIVITIES	(117,342,373)	(152,483,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	75,164,202	150,552,435
Receipts of interest on investments	35,090	38,178
Purchases of investments	(57,945,455)	(130,187,614)
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,253,837	20,402,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(331,626)	(510,914)
NET INCREASE (DECREASE) IN CASH	(371,010)	(1,683,739)
CASH AT BEGINNING OF YEAR (including $817,710 and $2,501,375 for 2014 and 2013, respectively, reported in restricted assets)	822,910	2,506,649
CASH AT END OF YEAR (including $451,700 and $817,710 for 2014 and 2013, respectively, reported in restricted assets)	$ 451,900	$ 822,910

STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

	Year Ended June 30, 2014	2013
RECONCILIATION OF INCREASE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (1,874,103)	$ (502,978)
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Investment income received	(35,090)	(38,178)
Interest paid on bonds and notes payable	5,706,455	7,868,391
Depreciation on capital assets	777,555	749,321
Loss on disposal of capital assets	39,877	-
Fees paid for issuance of bonds	-	1,046,803
(Increase) decrease in assets:		
Student loans receivable	93,960,810	122,360,281
Interest and other receivables	1,776,906	2,482,197
Other assets	(113,877)	342,270
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(244,565)	(1,616,432)
Accrued interest payable	(101,681)	(406,463)
Interest payable to U.S. Department of Education	156,865	(1,377,056)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 100,049,152	$ 130,908,156

See notes to financial statements.

NOTE A--REPORTING ENTITY AND NATURE OF 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 service borrowers with loans offered under the Federal Family Education Loan (FFEL) Program and to service federal loans as part of its Not-For-Profit (NFP) contract with the Department of Education. The Authority performs servicing for other FFEL 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 (Higher Education Act), 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).

The FFEL Program loans are guaranteed 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, 2014 and 2013, the majority of loans are guaranteed at 97% for loans first disbursed on or after July 1, 2006.

As of June 30, 2014 and 2013, the Authority serviced approximately $28,231,000 and $35,392,000, 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.

The Authority also holds private loans through the Supplemental Higher Education Loan Financing (SHELF™) Program. These loans are not guaranteed under the Higher Education Act. The Authority discontinued originations of SHELF loans effective July 1, 2008.

During July 2012, the Authority was awarded a NFP Servicer loan servicing contract by the Department of Education to service loans owned by the Department of Education in its Direct Loan Program under the Higher Education Act. From July 2012 through September 2012, the Authority on-boarded approximately 103,000 borrower accounts and began servicing those student loans. The Authority earns a monthly servicing fee pursuant to the NFP Servicer loan servicing contract based on the number of borrower loans and loan status. As of June 30, 2014, the Authority was servicing approximately 81,000 borrower accounts with an aggregate principal balance of approximately $1,595,734,000 compared to approximately 98,000 borrower accounts with an aggregate principal balance of approximately $1,884,310,000 at June 30, 2013.

NOTE B--SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Authority included herein reflect the combined assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and changes therein for the Authority.

Basis of Accounting: The Authority accounts for its operations as an enterprise fund. Enterprise funds focus on 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.

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 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.

New Accounting Pronouncements Adopted in Fiscal Year 2014: The Authority adopted several new accounting pronouncements during the year ended June 30, 2014 as follows:

- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

  GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The Authority will only be required to adopt the provisions of GASB No. 70 if it enters into a nonexchange financial guarantee, and currently it has not entered into any such arrangements.

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 (the Act) and terms of various debt obligations. The various accounts assigned to each fund may 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, Rebate Account, and General Investment Account.

Cash: Cash consists primarily of demand deposit accounts at financial institutions. The Authority also utilizes bank deposit accounts which periodically sweep cash into uninsured short-term investment securities. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

NOTE B--SUMMARY OF ACCOUNTING POLICIES--Continued

Investments: Investments consist of repurchase agreements, U.S. Government securities-based mutual funds, and certificates of deposit. Applicable Oklahoma Statutes authorize certain types of investments the Authority can utilize. As of June 30, 2014 and 2013, the Authority is in compliance with these investment requirements.

Investments are stated at fair value, based on current share prices for mutual funds and at cost for repurchase agreements and certificates of deposit, with changes in fair value included in the statements of revenues, expenses, and changes in net position.

Loans and Allowance for Loan Losses: Loans are stated at cost, net of an allowance for loan losses. The Authority includes in 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. Loan origination costs are recorded as an expense when the loan is made. Due to changes in legislation (Note H), the Authority has not originated any student loans after June 30, 2010.

All of the FFEL Program loans made or acquired by the Authority are guaranteed as described in Note A. There is still risk to the Authority if the loans should lose their guarantee status. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee status. If the cure and recovery procedures are not successful within a maximum of three years, the loan will be written off as uncollectible.

The allowance for loan losses was established by the Authority's management to provide for this type of loss, as well as losses on non-guaranteed SHELF™ loans. 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.

Capital Assets: The Authority capitalizes expenditures for equipment, software, system development, and leasehold improvements. Depreciation and amortization are calculated primarily using a straight-line basis of three to ten years. Accumulated depreciation and amortization on capital assets at June 30, 2014 and 2013 were approximately $4,252,000 and $3,800,000, respectively. Maintenance costs for equipment and other assets are expensed as incurred.

Restricted Net Position: 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 E).

Operating Revenues and Expenses: Balances classified as operating revenues and expenses are those which comprise the Authority's principal operations. Since the Authority's operations are similar to those of a finance company, all revenues and expenses are considered operating with the exception of gain on extinguishment of debt.

Servicing fees earned from the Authority's NFP servicing contract with USDE are recorded in the month such services are provided.

NOTE B--SUMMARY OF ACCOUNTING POLICIES--Continued

Interest Income: Interest is earned from the borrowers on the various types of student loans, from the USDE, and from investments. The USDE makes two types of interest payments to the Authority. One is for the interest on Subsidized Stafford and Consolidation loans when the borrower is not currently required to make principal and interest payments under the terms of the loan. Such interest income from the USDE for the years ended June 30, 2014 and 2013 was approximately $2,878,000 and $3,735,000, respectively. The other type of interest payment from the USDE is a Special Allowance Payment (SAP). The rates for Special Allowance Payments are based on 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 three-month commercial paper (financial index) in effect for each of the days in such quarter. OSLA elected to change from the three-month commercial paper (financial index) to the 1-month LIBOR index after March 31, 2012. In the event that the quarterly Special Allowance Rates are less than the stated interest rate for the loans with first disbursement on or after April 1, 2006, lenders are required to rebate to the USDE this excess interest over the quarterly Special Allowance rate. This rebate typically results in negative Special Allowance income. Net Special Allowance Payments to the USDE for the years ended June 30, 2014 and 2013 were approximately $10,619,000 and $12,367,000, respectively.

Additionally, the Authority pays a consolidation rebate fee to the USDE on a monthly basis. The consolidation rebate fee is based on the outstanding principal and unpaid accrued interest on consolidation loans at month end. Consolidation rebate fees paid to the USDE for the years ended June 30, 2014 and 2013 were approximately $3,206,000 and $3,589,000, respectively. Such fees are reported as a reduction to loan interest income from USDE.

Arbitrage Rebate: The proceeds from the Authority's tax-exempt debt issuances 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 calculates and makes provisions for any estimated cumulative rebatable arbitrage that must be remitted to the Internal Revenue Service for the excess earnings on non-purpose investments.

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.

Reclassifications: Certain reclassifications have been made in the June 30, 2013 financial statements to conform to the classifications used at June 30, 2014.

NOTE C--INVESTMENTS

The Authority invests its idle cash in collateralized repurchase agreements and U.S. Government securities-based money market mutual funds in accordance with the Authority's investment policy. Generally, the policy requires investments in U.S. Government Obligations or obligations explicitly guaranteed by the U.S. Government to reduce the Authority's related credit risk, custodial credit risk, and interest rate risk. Credit risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Unrestricted investments may also include U.S. bank issued certificates of deposit and municipal bonds.

The U.S. Government securities-based money market mutual funds, at June 30, 2014 and 2013 were rated AAA by the Standards & Poor's Corporation, Aaa by Moody's Investors Service, and AAA/V1+ by Fitch Ratings. Certificates of deposit at June 30, 2014 and June 30, 2013 were fully insured by the FDIC and were rated Two-Star or higher by Bauer Financial or A1/A/A or higher by Moody's/S&P/Fitch.

Investments at fair value consist of the following at June 30:

	2014	2013
Restricted:		
U.S. Government securities-based mutual funds	$ 21,309,725	$ 29,189,013
Repurchase agreements	1,000,165	1,200,872
Total restricted investments	22,309,890	30,389,885
Unrestricted:		
U.S. Government securities-based mutual funds	9,966,459	22,885,211
Certificates of deposit	6,750,000	2,970,000
Total unrestricted investments	16,716,459	25,855,211
Total investments	$ 39,026,349	$ 56,245,096

NOTE D--LOANS AND ALLOWANCE FOR LOAN LOSSES

The Authority purchases and holds various types of student loans as described in Note A. 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 30 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 Stafford 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.

NOTE D--LOANS AND ALLOWANCE FOR LOAN LOSSES--Continued

Loans consist of the following as of June 30:

	2014	2013
Stafford	$ 114,532,581	$ 145,940,053
Unsubsidized Stafford	114,151,312	139,439,729
PLUS/SLS	10,249,262	14,177,639
Consolidation	287,367,171	321,790,500
SHELF™	2,009,138	2,263,405
Total gross loans	528,309,464	623,611,326
Unprocessed loan payments	(701,407)	(1,398,501)
Allowance for loan losses	(4,918,225)	(5,562,183)
Net loans	$ 522,689,832	$ 616,650,642

An analysis of the change in the allowance for loan losses is as follows for the year ended June 30:

	2014	2013
Balances at beginning of year	$ 5,562,183	$ 6,765,982
Loans charged off	(643,958)	(1,203,799)
Balance at end of year	$ 4,918,225	$ 5,562,183

The stated interest rates on student loans which are based on USDE regulations ranged from 1.6% to 10% for the fiscal year ended June 30, 2014 depending upon the type and date of origination of the individual loan and whether the borrower had earned any of the Authority's interest rate reduction incentives. This stated interest rate is paid by the borrowers or by USDE. For loans that had first disbursement on or after April 1, 2006, the lenders' yield on student loans is based on a quarterly calculation that uses the quarterly average rates of either the 91 day Treasury Bills or 90 day Commercial Paper - Financial indices (1-month LIBOR after March 31, 2012). The lender yield is calculated using these quarterly average rates plus an allowable mark-up that is based on the type and date of the loan's first disbursement. If the quarterly lenders' yield on the loans is less than the stated interest rate, the lender must rebate the excess to USDE. The excess of the loans' stated interest rate over the quarterly lenders' yield is referred to as Negative SAP. The Authority's loan portfolio at June 30, 2014 consisted of approximately 82.4% Negative SAP loans. The calculated quarterly lenders' yield ranged from 1.45% to 3.54% for the fiscal year ending June 30, 2014.

NOTE D--LOANS AND ALLOWANCE FOR LOAN LOSSES--Continued

All FFEL Program student loans are guaranteed at 98% or 97% (97% for loans first disbursed on or after July 1, 2006) as to principal and accrued interest. USDE allows the loan guarantors to charge Federal Default or Guarantee fees which are remitted to the loan guarantor. The Authority maintained a borrower incentive program by paying the Federal Default or Guarantee fees when the loans' guarantors charged this fee for Stafford and PLUS loans guaranteed on or after July 1, 2006. Federal Default and Guarantee fees paid by the Authority were capitalized when the loan was made, and any unamortized amounts were written off upon adoption of GASB No. 65 in the fiscal year ended June 30, 2013. The Authority eliminated this incentive program for loans with first disbursements on or after July 1, 2009.

In order for the FFEL Program student loans to be or remain guaranteed, certain due-diligence requirements in loan servicing must be met. As of June 30, 2014 and 2013, approximately $44,000 and $26,000, respectively, of loans were no longer considered to be guaranteed.

The Authority is also required to pay to the USDE certain lender origination and consolidation loan 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.

Also, during the year ended June 30, 2013, proceeds from the sale to USDE of loans collateralizing the Conduit (see Note E) were approximately $18,856,000. These proceeds were utilized to pay down the notes payable under the Conduit. In April 2013, notes payable under the Conduit were fully paid using proceeds from bonds issued under Series 2013-1.

Student loans receivable classified as restricted assets are pledged as collateral for notes and bonds payable issued by the Authority.

NOTE E--NOTES AND BONDS PAYABLE

The Authority periodically issues notes and bonds for the purpose of funding student loans. All notes and bonds payable are primarily secured by student loans, related accrued interest, and by the amounts on deposit in accounts established under the respective bond resolution or financing agreement as maintained by the corporate trustees. The Authority is in compliance with all significant financing agreement requirements and bond covenants.

NOTE E--NOTES AND BONDS PAYABLE--Continued

The following schedules summarize the notes payable outstanding as of June 30:

	2014								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning balance	Additions	Retirements	Ending balance
Senior Notes, Series 1995A-1	1995	$ 21,600,000	35-Day Auction	0.1%	2025	$ 10,200,000	$ -	$ -	$ 10,200,000
Senior Taxable Floating Rate Notes, Series 2001A-4	2001	50,000,000	Quarterly CP Index	0.1%	2017	28,000,000	-	6,800,000	21,200,000
						$ 38,200,000	$ -	$ 6,800,000	$ 31,400,000

	2013								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning balance	Additions	Retirements	Ending balance
Senior Notes, Series 1995A-1	1995	$ 21,600,000	35-Day Auction	0.3%	2025	$ 12,800,000	$ -	$ 2,600,000	$ 10,200,000
Senior Taxable Floating Rate Notes, Series 2001A-4	2001	50,000,000	Quarterly CP Index	0.2%	2017	34,800,000	-	6,800,000	28,000,000
Senior Taxable Floating Rate Notes, Series 2004A-3	2004	100,000,000	1-Month LIBOR	0.0%	2034	62,900,000	-	62,900,000	-
FFELP ABCP Conduit	2009	328,000,000	CP	0.8%	2013	179,489,492	-	179,489,492	-
						$ 289,989,492	$ -	$ 251,789,492	$ 38,200,000

Notes payable issued under the Conduit program bear interest monthly based on financing costs incurred by the Conduit. All payments on the loans collateralizing the Conduit program are deposited into a collections account and are used to pay interest costs and service fees and to reduce the outstanding balance of the notes payable. In April 2013, notes payable issued under the Conduit were fully paid using proceeds from bonds issued under Series 2013-1.

Notes payable issued under Series 2004A-3 were required to be offered for remarketing beginning on January 1, 2012. The Notes were not successfully remarketed for two successive tender dates. Accordingly, the Notes became subject to mandatory redemption and were required to be paid, to the full extent of amounts available, in 20 quarterly instalments in the principal amount of $3,500,000 and to bear interest at a defined step-up floating rate term based on a LIBOR index that adjusts monthly. On May 1, 2013, the Notes were paid in full using proceeds from bonds issued under Series 2013-1.

NOTE E--NOTES AND BONDS PAYABLE--Continued

The following schedules summarize the bonds payable outstanding as of June 30:

	2014								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning Balance	Additions	Retirements	Ending Balance
1995 Master Bond Resolution									
Senior Taxable Auction Rate Bonds, Series 2001A2/A3	2001	$ 75,000,000	28-Day Auction	0.2%	2031	$ 6,400,000	$ -	$ 3,900,000	$ 2,500,000
Senior Auction Rate Bonds, Series 2004A-1	2004	40,625,000	35-Day Auction	0.2%	2033	21,550,000	-	2,850,000	18,700,000
Senior Auction Rate Bonds, Series 2004A-2	2004	40,625,000	35-Day Auction	0.2%	2034	26,150,000	-	3,050,000	23,100,000
Subordinate Bonds, Series 1995B-2	1995	3,980,000	Fixed Rate	6.35%	2025	2,020,000	-	2,020,000	-
Subordinate Bonds, Series 2001B-1	2001	25,000,000	35-Day Auction	0.2%	2031	21,800,000	-	5,200,000	16,600,000
2010 Indenture of Trust Tax-Exempt LIBOR Floating Rate Bonds,									
Series 2010A-1	2010	132,545,000	Q LIBOR + 0.75%	1.0%	2024	55,855,000	-	21,175,000	34,680,000
Series 2010A-2A	2010	51,225,000	Q LIBOR + 1.20%	1.4%	2037	51,225,000	-	-	51,225,000
Series 2010A-2B	2010	44,230,000	Q LIBOR + 1.00%	1.2%	2037	44,230,000	-	-	44,230,000
Series 2010B-1	2010	15,517,718	Adj Fixed Rate	0.0%	2040	15,517,718	-	15,517,718	-
2011 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2011-1	2011	205,200,000	Q LIBOR + 1.15%	1.4%	2040	134,925,000	-	22,285,000	112,640,000
2013 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2013-1	2013	211,820,000	Q LIBOR + 0.50%	0.7%	2032	203,643,000	-	41,501,000	162,142,000
						$583,315,718	$ -	$117,498,718	$465,817,000

	2013								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning Balance	Additions	Retirements	Ending Balance
1995 Master Bond Resolution									
Senior Bonds, Series 2001A-1	2001	$ 15,625,000	Fixed Rate	5.625%	2031	$ 1,765,000	$ -	$ 1,765,000	$ -
Senior Taxable Auction Rate Bonds, Series 2001A2/A3	2001	75,000,000	28-Day Auction	0.5%	2031	26,400,000	-	20,000,000	6,400,000
Senior Auction Rate Bonds, Series 2004A-1	2004	40,625,000	35-Day Auction	0.4%	2033	25,825,000	-	4,275,000	21,550,000
Senior Auction Rate Bonds, Series 2004A-2	2004	40,625,000	35-Day Auction	0.4%	2034	29,125,000	-	2,975,000	26,150,000
Subordinate Bonds, Series 1995B-2	1995	3,980,000	Fixed Rate	6.35%	2025	2,955,000	-	935,000	2,020,000
Subordinate Bonds, Series 2001B-1	2001	25,000,000	35-Day Auction	0.3%	2031	25,000,000	-	3,200,000	21,800,000
2010 Indenture of Trust Tax-Exempt LIBOR Floating Rate Bonds,									
Series 2010A-1	2010	132,545,000	Q LIBOR + 0.75%	1.0%	2024	82,860,000	-	27,005,000	55,855,000
Series 2010A-2A	2010	51,225,000	Q LIBOR + 1.20%	1.5%	2037	51,225,000	-	-	51,225,000
Series 2010A-2B	2010	44,230,000	Q LIBOR + 1.00%	1.3%	2037	44,230,000	-	-	44,230,000
Series 2010B-1	2010	15,517,718	Adj Fixed Rate	0.0%	2040	15,517,718	-	-	15,517,718
2011 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2011-1	2011	205,200,000	Q LIBOR + 1.15%	1.4%	2040	171,035,000	-	36,110,000	134,925,000
2013 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2013-1	2013	211,820,000	Q LIBOR + 0.50%	0.7%	2032	-	211,820,000	8,177,000	203,643,000
						$475,937,718	$211,820,000	$104,442,000	$583,315,718

NOTE E--NOTES AND BONDS PAYABLE--Continued

The Series 2010A-2B and 2013-1 bonds were sold with original issue discounts. The unamortized balance at June 30, 2014 and 2013 was approximately $616,000 and $955,000, respectively, and is classified in the statement of net position as an offset to bonds payable.

At June 30, 2014, the Authority's notes and bonds payable also consisted of auction rate securities totalling $71,100,000, of which $68,600,000 was tax-exempt with interest rates set every 35 days and $2,500,000 was taxable with interest rates set every 28 days.

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 2014 levels, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ -	$ 4,467,478	$ 4,467,478
2016	-	4,467,478	4,467,478
2017	-	4,467,478	4,467,478
2018	21,200,000	4,455,216	25,655,216
2019	-	4,446,278	4,446,278
2020-2024	-	22,231,388	22,231,388
2025-2029	44,880,000	20,464,229	65,344,229
2030-2034	181,242,000	17,628,809	198,870,809
2035-2039	137,255,000	11,816,655	149,071,655
2040-2044	112,640,000	1,454,991	114,094,991
	$ 497,217,000	$ 95,900,000	$ 593,117,000

NOTE F--RETIREMENT PLAN

The Authority contributes to the Teachers Retirement System of Oklahoma (the TRS), a cost-sharing multiple-employer public employee retirement system which is self-administered. The TRS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the State legislature. 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 the TRS. The TRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the TRS. That annual report may be obtained by writing to the TRS, P. O. Box 53524, Oklahoma City, OK 73152.

Employees of the Authority, as TRS members, are required to contribute to the plan at a rate set by State Statute (employees' contributions). The contribution rate for TRS members is based on 7% of their covered salary. The Authority made the system members' required contribution on behalf of its employees in 2014 and 2013.

NOTE F--RETIREMENT PLAN--Continued

The Authority itself is required to contribute a statutory percentage of participating employees' regular annual compensation for administration of the plan (employer's contributions). The contribution rate for the Authority was 9.5%. The Authority's total payments to the TRS for the employees' and employer's contributions were approximately $753,000, $689,000, and $615,000 for the years ended June 30, 2014, 2013, and 2012, respectively, equal to the required contributions each year.

NOTE G--COMMITMENTS AND CONTINGENCIES

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

Proceeds from the Authority's tax-exempt debt that are invested in student loans are subject to the 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 Internal Revenue Service at the maturity of the related debt. The Authority's management actively monitors and manages this spread and will take necessary action to maintain student loan yields within the allowable spread over the life of the respective debt issuances. In recent years, the excess interest estimate has not required any action to maintain such yields.

The Authority leases certain facilities and equipment under noncancelable operating leases that expire at various dates through January 2018. Rent expense for the years ended June 30, 2014 and 2013 was approximately $487,000 each year. The following is a schedule of future minimum rental payments under operating leases as of June 30, 2014:

Year Ending June 30	
2015	$ 466,000
2016	466,000
2017	466,000
2018	279,000
2019	14,000
Thereafter	-
	$ 1,691,000

As part of the NFP servicer contract (Note H), the Authority entered into a hosted service license agreement to use software products designed to service both Federal Student Loans and FFELP loans. The initial term of the agreement is the later of the expiration or termination of a contract with the Department of Education as a NFP servicer or five years from the effective date. The agreement calls for minimum annual usage fees of $450,000 during the term of the agreement.

NOTE H--STUDENT LOAN LEGISLATION

The Higher Education Act is the subject of frequent amendments, including amendments from the federal government's budget process. Legislation passed in 2010 implemented various changes to the FFEL Program.

The Health Care and Education Reconciliation Act of 2010 (HCERA) became law on March 30, 2010. The Student Aid and Fiscal Responsibility Act (SAFRA), Title II of HCERA, included provisions that terminated the FFEL Program. Effective July 1, 2010, eligible lenders, including the Authority, were no longer allowed to originate FFEL Program loans. Beginning July 1, 2010, all federal student loans were solely originated by USDE's Direct Loan Program.

SAFRA also requires USDE to contract with eligible and qualified Not-For-Profit servicers (NFP Servicers) to service federally held student loans. The Authority responded to USDE's NFP Servicer Solicitation in December 2010, received its authority to operate in July 2012, and began servicing student loans also in July 2012.

NOTE I--RELATED PARTIES

Certain members of the Authority's Board of Trustees are officers or directors of lenders in the Authority's student lending network. The following relates to these lenders:

	June 30	
	2014	2013
Loans being serviced at year end	$ 24,163,000	$ 30,311,814

These related party lenders participate in the Authority's student lending network on terms and conditions available to other network lenders similarly situated.

NOTE J--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:

	2014		2013	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash	$ 451,900	$ 451,900	$ 822,910	$ 822,910
Investments	39,026,349	39,026,349	56,245,096	56,245,096
Interest receivable	6,856,539	6,856,539	8,633,445	8,633,445
Loans, net	522,689,832	522,689,832	616,650,642	616,650,642
Financial liabilities:				
Interest payable to USDE	2,820,065	2,820,065	2,663,200	2,663,200
Accrued interest payable	290,779	290,779	392,460	392,460
Notes payable	31,400,000	31,400,000	38,200,000	38,200,000
Bonds payable	465,200,692	465,200,692	582,361,180	582,462,180

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 current share prices for mutual funds and cost for repurchase agreements.

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 the USDE.

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

NOTE K--SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred subsequent to June 30, 2014 through October 28, 2014, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements. There were no subsequent events requiring recognition or disclosure.

NOTE L--NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET ADOPTED

The GASB has also issued several new accounting pronouncements which will be effective to the Authority in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Authority's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

  GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in January 2014. Although the Authority has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*

  GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This Statement will only impact the Authority in the event of a government combination or disposal.

Independent Auditors' Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Oklahoma Student Loan Authority
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the financial statements of the Oklahoma Student Loan Authority (the "Authority") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 28, 2014