Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Audited Financial Report and Report on *Government Auditing Standards*
June 30, 2015 and 2014

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Contents

Independent Auditor's 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, 2015 and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1 of financial statements, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the State of Oklahoma, as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 of the financial statements, in 2015 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The Authority recorded the cumulative effect of adopting GASB Statements No. 68 and 71 as an adjustment of net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters
The financial statements of the Authority, as of and for the year ended June 30, 2014, were audited by other auditors whose report dated October 28, 2014, expressed an unmodified opinion on those statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Authority's proportionate share of the net pension liability, and the schedule of the Authority's contributions 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 (under separate cover) for the year ended June 30, 2015 dated December 16, 2015, 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. The report for the year ended June 30, 2014 was audited by other auditors and was dated October 28, 2014.

RSM US LLP

Oklahoma City, Oklahoma
December 16, 2015

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. In December 2014 the Authority began receiving allocations of newly disbursed loans, and from December 2014 through August 2015 received approximately 37,000 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, 2015 and 2014. Please read it in conjunction with the Authority's financial statements and the notes to the financial statements, which follow this section.

Financial Highlights

	2015	2014	2013
Total assets	$476,918,366	$571,034,750	$684,734,152
Student loans receivable, net	436,225,665	522,689,832	616,650,642
Total operating revenue	12,613,732	14,229,157	18,072,823
Net interest margin			
(interest income less interest expense)	5,648,542	6,022,314	7,034,650
Total operating expenses	14,599,652	16,103,260	18,575,801
Total nonoperating revenue	366,345	12,324,570	1,121,845
Net position	61,315,498	69,934,972	59,484,505

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 percent 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 percent to 1.0 percent effective June 20, 2007. The Authority decreased this interest rate reduction incentive program from 1.0 percent to 0.25 percent 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.

TOP Principal Reduction: A portion of the Authority's Stafford Loan and PLUS borrowers earned a 1.0 percent 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 1.0 percent 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:

	2015	2014	2013
Assets and Deferred Outflows			
Cash and investments	$ 33,476,848	$ 39,478,249	$ 57,068,006
Loans, net of allowance for loan losses	436,225,665	522,689,832	616,650,642
Other assets	7,215,853	8,866,669	11,015,504
Deferred outflows	413,486	-	-
Total assets and deferred outflows	$477,331,852	$571,034,750	$684,734,152

	2015	2014	2013
Liabilities and Deferred Inflows			
Notes and bonds payable	$404,756,489	$496,600,692	$620,561,180
Other liabilities	9,817,970	4,499,086	4,688,467
Deferred inflows	1,441,895	-	-
Total liabilities and deferred inflows	416,016,354	501,099,778	625,249,647
Net Position			
Invested in capital assets	828,202	1,139,816	1,329,599
Restricted	49,765,603	47,695,164	29,649,856
Unrestricted	10,721,693	21,099,992	28,505,050
Total net position	61,315,498	69,934,972	59,484,505
Total liabilities, deferred inflows and net position	$477,331,852	$571,034,750	$684,734,152

Student loans receivable, net decreased by approximately $86,464,000 and $93,961,000 to approximately $436,226,000 and $522,690,000 at June 30, 2015 and 2014, respectively, due primarily to principal payments received from borrowers, claim payments from guarantors and loan consolidations.

Cash and investments decreased by approximately $6,001,000 and $17,590,000 to approximately $33,477,000 and $39,478,000 at June 30, 2015 and 2014, 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 $91,844,000 and $123,960,000 to approximately $404,756,000 and $496,601,000 at June 30, 2015 and 2014, respectively, due primarily to principal payments on outstanding notes and bonds payable.

Financial Analysis of the Authority (Continued)

Pension liability results from the adoption of GASB No. 68 during fiscal year 2015. The effect of the adoption was a decrease to net position of approximately $6,999,900 as of July 1, 2014. The Authority has been a participant in the Teacher's Retirement System of Oklahoma and has made required contributions since the Authority's inception. Prior to adoption of GASB No. 68, the contractually required contributions and contributions representing the employee portion were properly expensed during the period paid, and classified as general administration expenses in the statements of revenues, expenses and changes in net position. GASB No. 68 does not change the calculation of the amounts to be contributed to the retirement plan, but does have a dramatic impact on how the Authority and all other employers in the plan account for plan participation. Actuarial calculations and assumptions drive the recognized pension liability and related expense recognition based on the Authority's proportion of the net pension liability of the plan. See Note 2—Summary of Accounting Policies–New accounting pronouncements adopted in fiscal year 2015 and Note 6. Retirement Plan in the notes to audited financial statements.

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 percent to yield 1-Month LIBOR plus 0.55 percent.

At June 30, 2015 and 2014, the Authority was servicing student loans from members of the OSLA Student Lending Network with a principal balance of approximately $22,426,000 and $28,231,000, respectively.

The total portfolio of gross student loans that the Authority owns or services for members of the OSLA Student Lending Network was approximately $465,512,000 and $557,242,000 at June 30, 2015 and 2014, respectively. This is a decrease of approximately $91,730,000 or 16.5 percent, and $102,393,000, or 15.5 percent, from June 30, 2014 and 2013, respectively. The significant declines are due to payments by student loan borrowers, claim payments by guarantors, and loan payments from the Federal Direct Consolidation Loan Program.

Financial Analysis of the Authority (Continued)

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

	2015	2014	2013
Loan interest income, net of consolidation rebate fees	$ 10,205,088	$ 11,592,826	$ 14,460,586
Investment interest income	26,868	34,262	35,992
Total interest income	10,231,956	11,627,088	14,496,578
Less interest expense	4,583,414	5,604,774	7,461,928
Net interest margin (deficit)	5,648,542	6,022,314	7,034,650
Other operating revenues	2,381,776	2,602,069	3,576,245
Operating revenues, net of interest expense	8,030,318	8,624,383	10,610,895
Operating expenses (excluding interest expense)	10,016,238	10,498,486	11,113,873
Decrease in net position from operations	(1,985,920)	(1,874,103)	(502,978)
Nonoperating revenues	366,345	12,324,570	1,121,845
Increase in net position	$ (1,619,575)	$ 10,450,467	$ 618,867

Gross loan interest income for the years ended June 30, 2015 and 2014 decreased from fiscal year 2014 and 2013, 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: 1.73 percent to 3.35 percent for the year ended June 30, 2015; 1.75 percent to 3.38 percent for the year ended June 30, 2014, and 1.59 percent to 3.59 percent for the year ended June 30, 2013. The fixed rates for loans first disbursed on or after July 1, 2006 ranged from 5.6 percent to 8.5 percent. See Note 4, 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.

Financial Analysis of the Authority (Continued)

Interest expense: The Authority funded the origination or acquisition of student loans by periodically issuing bonds and notes. The approximate $91,844,000 decrease in bonds and notes outstanding offset somewhat by an increase in the weighted average cost of funds to 0.94 percent as of June 30, 2015, compared to a 0.88 percent cost of funds at June 30, 2014, led to the significant decrease in interest expense for the year ended June 30, 2015. Interest expense also declined significantly for the year ended June 30, 2014, compared to June 30, 2013, due to a $123,960,000 decrease in bonds and notes payable outstanding and a decrease in the weighted average cost of funds, 0.88 percent, as of June 30, 2014, compared to a 0.92 percent cost of funds at June 30, 2013.

Net interest margin for the years ended June 30, 2015, 2014, and 2013 of approximately $5,649,000 $6,022,000, and $7,035,000, 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 $373,000 and $1,013,000 from the years ended June 30, 2014 and 2013, respectively.

Loan servicing fees decreased for the years ended June 30, 2015 and 2014 to approximately $2,382,000 and $2,602,000, respectively, due a decline in monthly recurring servicing fees earned because of loans transferred to other servicers under loan consolidation, delinquencies and specialty servicing programs. The 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.

Other operating expenses for the year ended June 30, 2015 decreased by 4.6 percent to approximately $10,016,000 reflecting ongoing cost containment. Operating expenses for the year ended June 30, 2014 decreased by 5.5 percent to approximately $10,498,000, compared to the year ended June 30, 2013 principally due to lower professional fees and cost containment. 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, 2015.

Gain on extinguishment of debt decreased to approximately $60,000 for the year ended June 30, 2015 from approximately $12,325,000 for the year ended June 30, 2014. Gains for the year ended June 30, 2014 included the redemption of a significant subordinated note that generated most of the gains recorded for the year. For the year ended June 30, 2013, gain on extinguishment was approximately $1,122,000. Gain on extinguishment of debt is dependent primarily on the value of notes and bonds payable offered to us for redemption at a discount through unsolicited offers from debt holders.

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.

Federal Loan Servicing (Continued)

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.

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 percent 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 5 to the audited financial statements.

Debt Administration (Continued)

$405,070,000, $497,217,000, and $605,998,000 of the Authority's debt was publicly held at June 30, 2015, 2014, and 2013, 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, 2015 based on the type of security which is reflected in the table below.

Credit Ratings	2015 Principal Amount	2014 Principal Amount	2013 Principal Amount	Type of Security
Aaa Moody's/ AA+ S&P/ AAA Fitch	$ 389,770,000	$ 480,617,000	$ 582,178,000	Senior Lien or Insured
A2 Moody's/ AA+ S&P	$ 15,300,000	$ 16,600,000	$ 23,820,000	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.

In August 2015, S&P published a press release raising its ratings on the Authority's Series 2010A-1 to "AAA (sf)" from their "AA+ (sf)" rating. 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 20, 2015.

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.

Economic Outlook

As described above, the Authority earns loan servicing fees from its contract with USDE based on the number of loans serviced. In December 2014 the Authority began receiving additional loans through the USDE allocation process. Approximately 37,000 additional loans were received through August 31, 2015 and the Authority expects to receive additional allocations as students receive loans during the fall 2015 semester and into the 2015-2016 school year.

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Statements of Net Position
June 30, 2015 and 2014

Assets	**2015**	2014
Current Assets		
Cash	**$ 3,605**	$ 200
Investments	**11,913,122**	16,716,459
Interest and other receivables	**389,655**	463,673
Total current assets	**12,306,382**	17,180,332
Noncurrent Assets		
Loans, net of allowance for loan losses	**5,778,626**	4,204,148
Capital assets, net of accumulated depreciation	**828,202**	1,139,816
Other noncurrent assets	**774,397**	870,314
Total noncurrent assets	**7,381,225**	6,214,278
Restricted Assets		
Cash	**1,570,572**	451,700
Investments	**19,989,549**	22,309,890
Interest receivable	**5,223,599**	6,392,866
Loans, net of allowance for loan losses	**430,447,039**	518,485,684
Total restricted assets	**457,230,759**	547,640,140
Total assets	**$ 476,918,366**	$ 571,034,750
Deferred Outflows of Resources		
Deferred pension plan outflows	**$ 413,486**	$ -
Liabilities and Net Position		
Current Liabilities		
Accounts payable and other accrued expenses	**$ 648,220**	$ 368,515
Interest payable to U.S. Department of Education	**883,154**	786,287
Total current liabilities	**1,531,374**	1,154,802
Current Liabilities Payable from Restricted Assets		
Accounts payable and other accrued expenses	**823,936**	1,019,727
Accrued interest payable	**268,112**	290,779
Interest payable to U.S. Department of Education	**1,616,619**	2,033,778
Total current liabilities payable from restricted assets	**2,708,667**	3,344,284
Noncurrent Liabilities Payable from Unrestricted Assets		
Pension Liability	**5,577,929**	-
Noncurrent Liabilities Payable from Restricted Assets		
Notes payable	**23,000,000**	31,400,000
Bonds payable	**381,756,489**	465,200,692
Total noncurrent liabilities payable from restricted assets	**404,756,489**	496,600,692
Total liabilities	**$ 414,574,459**	$ 501,099,778
Deferred Inflows of Resources		
Deferred pension plan inflows	**$ 1,441,895**	$ -
Commitments and Contingencies (Note 7)		
Net Position		
Invested in capital assets	**$ 828,202**	$ 1,139,816
Restricted	**49,765,603**	47,695,164
Unrestricted	**10,721,693**	21,099,992
Total net position	**$ 61,315,498**	$ 69,934,972

See Notes to Financial Statements.

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Loan interest income:		
From borrowers	**$ 19,514,268**	$ 22,909,485
Net to U.S. Department of Education	**(9,309,180)**	(11,316,659)
Loan servicing fees	**2,381,776**	2,602,069
Investment interest income	**26,868**	34,262
Total operating revenue	**12,613,732**	14,229,157
Operating expenses:		
Interest	**4,583,414**	5,604,774
General administration	**8,667,112**	9,141,373
External loan servicing fees	**606,351**	589,787
Professional fees	**742,775**	767,326
Total operating expenses	**14,599,652**	16,103,260
Operating loss	**(1,985,920)**	(1,874,103)
Nonoperating revenues (expenses):		
OTRS on-behalf contributions	**306,695**	-
Gain on extinguishment of debt	**59,650**	12,324,570
Net nonoperating income (expense)	**366,345**	12,324,570
(Decrease)/ Increase in net position	**(1,619,575)**	10,450,467
Net position, beginning of year	**69,934,972**	59,484,505
Restatement - implementation of GASB Statement 68 & 71	**(6,999,899)**	-
Net position, beginning of year, as restated	**62,935,073**	**59,484,505**
Net position at end of year	**$ 61,315,498**	$ 69,934,972

See Notes to Financial Statements.

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows
Year Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts of interest income from borrowers	**$ 20,653,067**	$ 24,652,003
Payments of interest to USDE	**(9,629,473)**	(11,159,794)
Receipts of loan servicing fees	**2,486,708**	2,635,629
Receipts of loan principal payments	**89,627,780**	104,666,482
Origination and acquisition of student loans receivable	**(3,163,615)**	(10,705,672)
Payments to employees and suppliers	**(9,362,438)**	(10,039,496)
Net cash provided by operating activities	**90,612,029**	100,049,152
Cash Flows from Noncapital Financing Activities		
Payments for interest on notes and bonds payable	**(4,303,285)**	(5,368,225)
Payments on notes payable	**(8,400,000)**	(6,800,000)
Payments on bonds payable	**(83,687,350)**	(105,174,148)
Net cash used in financing activities	**(96,390,635)**	(117,342,373)
Cash Flows from Investing Activities		
Proceeds from sales of investments	**154,798,174**	75,164,202
Receipts of interest on investments	**26,423**	35,090
Purchases of investments	**(147,761,354)**	(57,945,455)
Net cash provided by investing activities	**7,063,243**	17,253,837
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	**(162,360)**	(331,626)
Net increase (decrease) in cash	**1,122,277**	(371,010)
Cash at beginning of year (including $451,700 and $817,710 for 2015 and 2014, respectively, reported in restricted assets)	**451,900**	822,910
Cash at end of year (including $1,570,572 and $451,700 for 2015 and 2014, respectively, reported in restricted assets)	**$ 1,574,177**	$ 451,900

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows (Continued)
Year Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Increase in Net Position to Net Cash Provided by Operating Activities		
Operating loss	**$ (1,985,920)**	$ (1,874,103)
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Investment income received	**(26,427)**	(35,090)
Interest paid on bonds and notes payable	**4,606,082**	5,706,455
Depreciation on capital assets	**463,835**	777,555
Loss on disposal of capital assets	**10,139**	39,877
(Increase) decrease in assets:		
Student loans receivable	**86,464,165**	93,960,810
Interest and other receivables	**1,243,286**	1,776,906
Other assets	**95,917**	(113,877)
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	**83,913**	(244,565)
Accrued interest payable	**(22,668)**	(101,681)
Interest payable to U.S. Department of Education	**(320,293)**	156,865
Net cash provided by operating activities	**$ 90,612,029**	$ 100,049,152

See Notes to Financial Statements.

Note 1. 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 comprehensive annual financial report of the State.

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, 2015 and 2014, the majority of loans are guaranteed at 97 percent for loans first disbursed on or after July 1, 2006.

As of June 30, 2015 and 2014, the Authority serviced approximately $22,426,000 and $28,231,000, 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, 2015, the Authority was servicing approximately 78,000 borrower accounts with an aggregate principal balance of approximately $1,449,435,000 compared to approximately 81,000 borrower accounts with an aggregate principal balance of approximately $1,595,734,000 at June 30, 2014.

Note 2. 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.

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for accounting principles generally accepted applicable to governmental proprietary activities in the United States of America. The Authority applies all applicable GASB pronouncements.

Note 2. Summary of Accounting Policies (Continued)

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.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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.

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, 2015 and 2014, the Authority believes it 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 8), the Authority stopped originating student loans after June 30, 2010.

All of the FFEL Program loans made or acquired by the Authority are guaranteed as described in Note 1. 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.

Note 2. Summary of Accounting Policies (Continued)

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 over three to ten years. Accumulated depreciation and amortization on capital assets at June 30, 2015 and 2014 were approximately $4,716,000 and $4,252,000, 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 5).

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 the 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.

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, 2015 and 2014 was approximately $2,096,000 and $2,878,000, respectively. The other type of interest payment that may be received 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 in which case the Authority pays the USDE. Net Special Allowance Payments to the USDE for the years ended June 30, 2015 and 2014 were approximately $8,473,000 and $10,619,000, 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, 2015 and 2014 were approximately $2,850,000 and $3,206,000, respectively. Such fees are reported as a reduction to loan interest income from USDE.

Deferred inflows of resources: Deferred inflows of resources are the acquisition of net position by the Authority that are applicable to a future period. At June 30, 2015, the Authority had deferred inflows of $1,441,895. See Note 6 for additional discussion regarding deferred inflows of resources.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the Authority that are applicable to a future period. At June 30, 2015, the Authority had deferred outflows of resources of $413,486. See Note 6 for additional discussion regarding deferred outflows of resources.

Note 2. Summary of Accounting Policies (Continued)

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.

New accounting pronouncements adopted in fiscal year 2015: The Authority adopted several new accounting pronouncements during the year ended June 30, 2015 as follows:

*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. The provisions of the statement are effective for periods beginning after June 15, 2014. The adoption of GASB No. 68 resulted in a decrease in net position of $6,999,899 as of July 1, 2014.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB No. 68 (GASB No. 71) was issued in November 2013 and amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement were required to be adopted simultaneously with the adoption of GASB No. 68. The adoption of GASB No. 71 resulted in the recording of a deferred outflow of $420,981 for contributions and increase in net position as of July 1, 2014.

New accounting pronouncements issued not yet adopted: The GASB has issued several new accounting pronouncements which will be effective to the Authority in fiscal year ended June 30, 2016. A description of the new accounting pronouncements is provided below:

Statement No. 72, Fair Value Measurement and Application (GASB No. 72) addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. Management is evaluating the impact of adopting this Statement; however, the impact is not expected to be material to the Authority's financial position.

Note 2. Summary of Accounting Policies (Continued)

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB No. 76): The objective of GASB No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. Management is evaluating the impact of adopting this Statement; however, the impact is not expected to be material to the Authority's financial position.

Note 3. 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. The Authority does not have a policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. 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, 2015 and 2014 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, 2015 and June 30, 2014 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:

	2015	2014
Restricted:		
U.S. Government securities-based mutual funds	$ 19,098,837	$ 21,309,725
Repurchase agreements	890,712	1,000,165
Total restricted investments	19,989,549	22,309,890
Unrestricted:		
U.S. Government securities-based mutual funds	4,663,122	9,966,459
Certificates of deposit	7,250,000	6,750,000
Total unrestricted investments	11,913,122	16,716,459
Total investments	$ 31,902,671	$ 39,026,349

Note 4. Loans and Allowance for Loan Losses

The Authority 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 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.

Loans consist of the following as of June 30:

	2015	2014
Stafford	$ 88,239,217	$ 114,532,581
Unsubsidized Stafford	90,906,067	114,151,312
PLUS/ SLS	7,251,615	10,249,262
Consolidation	254,370,081	287,367,171
SHELF™	1,796,404	2,009,138
Total gross loans	442,563,384	528,309,464
Unprocessed loan payments	(2,085,034)	(701,407)
Allowance for loan losses	(4,252,685)	(4,918,225)
Net loans	$ 436,225,665	$ 522,689,832

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

	2015	2014
Balance at beginning of year	$ 4,918,225	$ 5,562,183
Loans charged off	(665,540)	(643,958)
Balance at end of year	$ 4,252,685	$ 4,918,225

The stated interest rates on student loans which are based on USDE regulations ranged from 1.4 percent to 10.0 percent for the fiscal year ended June 30, 2015 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 the 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, 2015 consisted of approximately 83.7 percent Negative SAP loans. The calculated quarterly lenders' yield ranged from 1.50 percent to 3.52 percent for the fiscal year ending June 30, 2015.

Note 4. Loans and Allowance for Loan Losses (Continued)

All FFEL Program student loans are guaranteed at 98 percent or 97 percent (97 percent 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, 2015 and 2014, approximately $28,000 and $44,000, 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.

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

Note 5. 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.

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

2015

	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	0.2%	2025	$ 10,200,000	$ -	$ 1,600,000	$ 8,600,000
Senior Taxable Floating Rate Notes, Series 2001A-4	2001	50,000,000	Quarterly CP Index	0.2%	2017	21,200,000	-	6,800,000	14,400,000
						$ 31,400,000	$ -	$ 8,400,000	$ 23,000,000

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

Note 5. Notes and Bonds Payable (Continued)

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

2015	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	0.0%	2031	$ 2,500,000	$ -	$ 2,500,000	$ -
Senior Auction Rate Bonds, Series 2004A-1	2004	40,625,000	35-Day Auction	0.3%	2033	18,700,000	-	3,100,000	15,600,000
Senior Auction Rate Bonds, Series 2004A-2	2004	40,625,000	35-Day Auction	0.3%	2034	23,100,000	-	2,500,000	20,600,000
Subordinate Bonds, Series 2001B-1	2001	25,000,000	35-Day Auction	0.3%	2031	16,600,000	-	1,300,000	15,300,000
2010 Indenture of Trust Tax-Exempt LIBOR Floating Rate Bonds,									
Series 2010A-1	2010	132,545,000	Q LIBOR + 0.75%	1.0%	2024	34,680,000	-	17,580,000	17,100,000
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
2011 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2011-1	2011	205,200,000	Q LIBOR + 1.15%	1.4%	2040	112,640,000	-	20,320,000	92,320,000
2013 Indenture of Trust Taxable LIBOR Floating Rate Bonds, Series 2013-1	2013	211,820,000	Q LIBOR + 0.50%	0.7%	2032	162,142,000	-	36,447,000	125,695,000
						$ 465,817,000	$ -	$ 83,747,000	$ 382,070,000

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

Note 5. 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, 2015 and 2014 was approximately $314,000 and $616,000, respectively, and is classified in the statement of net position as an offset to bonds payable.

At June 30, 2015, the Authority's notes and bonds payable also consisted of $60,100,000 of tax-exempt auction rate securities with interest rates set every 35 days.

Fiscal year debt service requirements to maturity or redemption date, assuming interest rates on variable rate debt remains at June 30, 2015 levels, are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ -	$ 3,887,210	$ 3,887,210
2017	-	3,887,210	3,887,210
2018	14,400,000	3,870,632	18,270,632
2019	-	3,858,410	3,858,410
2020	-	3,858,410	3,858,410
2021-2025	-	19,292,050	19,292,050
2026-2030	25,700,000	19,068,963	44,768,963
2031-2035	140,995,000	15,221,857	156,216,857
2036-2040	131,655,000	9,785,136	141,440,136
2041-2045	92,320,000	6,362,434	98,682,434
	$405,070,000	$ 89,092,313	$494,162,313

Note 6. Retirement Plan

Plan description: The Authority contributes to the Teachers Retirement System of Oklahoma (OTRS), a cost-sharing multiple-employer public employee retirement system which is self-administered. OTRS 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 OTRS. OTRS issues a publicly available annual financial report that includes financial statements and required supplementary information for OTRS. That annual report may be obtained at www.ok.gov/TRS/ or by writing to the TRS, P. O. Box 53524, Oklahoma City, OK 73152.

Benefits provided: OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Members become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.

Note 6. Retirement Plan (Continued)

Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

Upon the death of a retired member, OTRS will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2.0 percent of final average compensation for the applicable years of credited service.

Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).

Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions: Employees of the Authority, as OTRS members, are required to contribute to the plan at a rate set by State Statute (employees' contributions). The contribution rate for OTRS members is based on 7 percent of their covered salary. The Authority made the system members' required contribution on behalf of its employees in 2015 and 2014.

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 percent. The Authority's total payments to OTRS for the employees' and employer's contributions were approximately $733,000, $753,000, and $689,000 for the years ended June 30, 2015, 2014, and 2013, respectively, equal to the required contributions each year plus the employees' share. In addition, the State of Oklahoma also contributes 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the Authority and recognized in the Authority's Statement of Revenue, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2015 was $306,695. These on-behalf payments do not meet the definition of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2015, the Authority reported a liability of $5,577,929 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Authority's proportion of the net pension liability was based on the Authority's contributions to OTRS relative to total contributions to OTRS by all participating employers for the year ended June 30, 2014. Based upon this information, the Authority's proportion was 0.10368155 percent at June 30, 2014.

Note 6. Retirement Plan (Continued)

For the year ended June 30, 2015, the Authority recognized pension expense of $326,620. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 91,941
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,349,954
Authority's contributions made subsequent to the measurement date	413,486	-
Total	$ 413,486	$ 1,441,895

Deferred pension outflows totaling $413,486 resulting from the Authority's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling $1,349,954 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling $91,941 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2016	$ 354,706
2017	354,706
2018	354,706
2019	354,706
2020	17,303
Thereafter	5,768
	$ 1,441,895

Note 6. Retirement Plan (Continued)

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Amortization Period—Amortization over an open 30-year period
- Asset Valuation Method—5-year smooth market
- Inflation—3.0 percent
- Salary Increases—Composed of 3.0 percent inflation, plus 1.0 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—8.0 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the OTRS Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality—RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90.0 percent for males and 80.0 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
International Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates—US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Note 6. Retirement Plan (Continued)

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5.0 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the Authority calculated using the discount rate of 8.0 percent, as well as what the Authority's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (7.0 percent) or 1-percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	$ 7,836,258	$ 5,577,929	$ 3,671,821

Note 7. 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, 2015 and 2014 was approximately $479,000 and $466,000, respectively. The following is a schedule of future minimum rental payments under operating leases as of June 30, 2015:

Year Ending June 30	
2016	$ 466,000
2017	466,000
2018	279,000
2019	14,000
	$ 1,225,000

Note 7. Commitments and Contingencies (Continued)

As part of the NFP servicer contract (Note 8), 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 8. 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 9. 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	
	2015	2014
Loans being serviced at year end	$ 19,161,000	$ 24,163,000

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

Required Supplementary Information

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Oklahoma Teacher's Retirement System (OTRS)
Last 10 Fiscal Years*

		2015
Authority's proportion of the net pension liability		0.10368155%
Authority's proportionate share of the net pension liability	$	5,577,929
Authority's covered-employee payroll		4,352,484
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		128.16%
Plan fiduciary net position as a percentage of the total pension liability		72.43%

Notes to Schedule:

* Only the current fiscal year is presented because 10-year data is not yet available.

Oklahoma Student Loan Authority
A Component Unit of the State of Oklahoma

Required Supplementary Information
Schedule of the Authority's Contributions
Oklahoma Teacher's Retirement System (OTRS)
Last 10 Fiscal Years

	2015	2014	2013	2012	2011
Contractually required contribution	$ 413,486	$ 420,981	$ 384,832	$ 331,252	$ 303,573
Contributions in relation to the contractually required contribution	(413,486)	(420,981)	(384,832)	(331,252)	(303,573)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 4,352,484	$ 4,431,379	$ 4,050,863	$ 3,486,863	$ 3,195,505
Contributions as a percentage of covered-employee payroll	9.50%	9.50%	9.50%	9.50%	9.50%

	2010	2009	2008	2007	2006
Contractually required contribution	$ 323,991	$ 315,530	$ 268,865	$ 208,521	$ 184,503
Contributions in relation to the contractually required contribution	(323,991)	(315,530)	(268,865)	(208,521)	(184,503)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 3,502,605	$ 3,606,057	$ 3,319,321	$ 2,844,761	$ 2,617,064
Contributions as a percentage of covered-employee payroll	9.25%	8.75%	8.10%	7.33%	7.05%