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

Audited Financial Report
June 30, 2023 and 2022

Contents

RSM US LLP

Independent Auditor's Report

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

Opinion
We have audited the financial statements of the Oklahoma Student Loan Authority (the Authority), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed on the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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-OTRS and schedule of the Authority's contributions-OTRS, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

RSM US LLP

Oklahoma City, Oklahoma
January 12, 2024

The Oklahoma Student Loan Authority (the 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 services Direct Loans for the U.S. Department of Education as described below. 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 members of the OSLA 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 the new loan originations in the FFEL Program, the Authority continued working with members of the OSLA Network to service their loans or liquidate their loans by sales to the United States Department of Education (USDE). In 2016, the Authority purchased the remaining loans owned by the OSLA Network using proceeds from the 2016-1 financing.

SAFRA required the Secretary of the Department of Education to contract with eligible and qualified Not-For-Profit (NFP) student loan servicers to service loans owned by the USDE. The Authority satisfied all USDE requirements for a prime loan servicing contract and was awarded an NFP contract in July 2012. USDE has implemented various modifications to the NFP servicer program. During fiscal year 2023, USDE determined that it would not extend OSLA's loan servicing contract which expires December 31, 2023. USDE required OSLA to transfer its entire Direct Loan portfolio to another servicer during the 4th quarter of fiscal 2023 and no USDE loans were serviced at June 30, 2023.

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, 2023 and 2022. Please read it in conjunction with the Authority's financial statements and the notes to the financial statements, which follow this section.

Financial Highlights

	2023	2022	2021
Total assets	$ 157,369,645	$ 174,660,645	$ 198,284,456
Student loans receivable, net	112,913,820	141,016,464	169,714,908
Total operating revenue	35,659,508	25,855,305	20,587,437
Net interest margin			
(interest income less interest expense)	3,934,989	2,429,789	2,640,352
Total operating expenses	36,491,882	22,457,341	18,293,655
Total nonoperating revenue	1,010,687	335,288	479,548
Net position	69,572,291	69,393,978	65,660,726

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 from our student loan portfolio and through our loan servicing contract with USDE. Certain policies of the Authority 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.

TOP Interest Rate Reduction: A portion of Stafford Loan and PLUS borrowers earned a 1.5% interest rate reduction by making their first twelve payments on time. The reduced interest rate applies for the life of the loan.

EZ PAY Interest Rate Reduction: Borrowers earned an interest rate reduction by using the Authority's electronic debit tool 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 incentive was increased from 0.33% to 1.0% effective June 20, 2007. The incentive was decreased 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.

TOP Principal Reduction: A portion of Stafford Loan and PLUS borrowers earned a 1.0% 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 earned a 1.0% 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 TOP and EZ PAY Interest Rate Reduction programs result 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:

	2023	2022	2021
Assets and deferred outflows:			
Current assets	$ 58,289,795	$ 52,022,239	$ 50,425,543
Capital assets	1,502,192	1,717,262	347,684
Other noncurrent assets	97,577,658	120,921,144	147,511,229
Deferred outflows	5,180,453	3,958,261	4,250,609
Total assets and deferred outflows	$ 162,550,098	$ 178,618,906	$ 202,535,065

	2023	2022	2021
Liabilities and deferred inflows:			
Current liabilities	$ 5,568,565	$ 2,247,758	$ 1,800,823
Noncurrent liabilities	87,125,727	103,472,493	134,653,284
Deferred inflows	283,515	3,504,677	420,232
Total liabilities and deferred inflows	92,977,807	109,224,928	136,874,339
Net position:			
Invested in capital assets	1,502,192	1,717,262	347,684
Restricted	13,057,318	14,126,581	49,439,165
Unrestricted	55,012,781	53,550,135	15,873,877
Total net position	69,572,291	69,393,978	65,660,726
Total liabilities, deferred inflows and net position	$ 162,550,098	$ 178,618,906	$ 202,535,065

Student loans receivable, net decreased by approximately $28,102,000 and $28,698,000 to approximately $112,913,000 and $141,016,000 at June 30, 2023 and 2022, respectively, due primarily to principal payments received from borrowers, claim payments from guarantors and loan consolidations.

Cash and investments increased by approximately $13,937,000 and $2,299,000 to approximately $36,779,00 and $22,842,000 at June 30, 2023 and 2022, respectively. This was primarily the result of an increase in loan servicing fees income at June 30, 2023 compared to June 30, 2022, and a similar comparison from June 30, 2022 to June 30, 2021.

Notes and bonds payable decreased by approximately $21,202,000 and $25,928,000 to approximately $76,185,000 and $97,387,000 as of June 30, 2023 and 2022, respectively. In 2023, the decrease was due primarily to principal payments on outstanding notes payable. During fiscal year 2022, the Authority refunded all of the outstanding bonds and notes payable through the 2021 Note Payable issuance.

Financial Analysis of the Authority (Continued)

Pension liability results from the Authority's participation in the Teacher's Retirement System of Oklahoma. The net pension liability is $10.6 million, $5.7 million and $10.9 million for years ended June 30, 2023, 2022 and 2021, respectively. We have made required contributions since the Authority's inception. 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 6—Retirement Plan in the notes to audited financial statements.

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

	2023	2022	2021
Revenues:			
Operating revenues	$ 35,659,508	$ 25,855,305	$ 20,587,437
Nonoperating revenues	1,010,687	335,288	479,548
Total revenues	36,670,195	26,190,593	21,066,985
Expenses:			
Operating expenses	36,491,882	22,457,341	18,293,655
Increase/(decrease) in net position	$ 178,313	$ 3,733,252	$ 2,773,330

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

	2023	2022	2021
Loan interest income, net of consolidation rebate fees	$ 7,283,570	$ 3,876,104	$ 4,130,122
Investment interest income	461,936	24,854	97,983
Total interest income	7,745,506	3,900,958	4,228,105
Less interest expense	3,810,517	1,471,169	1,587,753
Net interest margin	$ 3,934,989	$ 2,429,789	$ 2,640,352

Operating revenues are comprised primarily of loan servicing fees and increased by approximately $6,396,000 and $5,522,000 for the years ended June 30, 2023 and June 30, 2022, respectively, due to increases in the number of borrowers serviced under the Authority's loan servicing agreement with the Department of Education. During fiscal year 2022 and for approximately 11 months in fiscal 2023, the Authority serviced loans for USDE and earned a monthly fee based on the number of borrowers serviced and the loan status for the borrowers. During fiscal year 2023, all USDE serviced loans were transferred to another servicer because our contract which expires December 31, 2023, was not extended.

Financial Analysis of the Authority (Continued)

Nonoperating revenues (excluding investment interest income) typically consist of on-behalf pension contributions which increased by approximately $238,000 to $548,000 and decreased by approximately $72,000 to approximately $310,000 for the years ended June 30, 2023 and 2022, respectively. On-behalf pension contributions had a similar slight increase by approximately $32,000 to approximately $382,000 for the year ended June 30, 2021, reflecting comparable activity for on-behalf pension costs during those periods. See further discussion of on-behalf pension contributions in Note 6 in the notes to financial statements.

Operating expenses (excluding interest expense) for the year ended June 30, 2023, increased to approximately $33,449,000 due to an increase in loan servicing fees, a $4.5 million settlement expense related to the required transfer of USDE loans to another servicer and higher administrative costs. The operating expenses (excluding interest expense) for the year ended June 30, 2022, increased to approximately $21,100,000 due to an increase in loan servicing fees and other administrative costs, including higher staffing levels due to further increases in Direct Loans service. Operating expenses (excluding interest expense) for the year ended June 30, 2021, decreased slightly to approximately $16,706,000 due to an increase in loan servicing fees offset by lower administrative costs including lower staffing levels due to the CARES Act payment pause. The Authority prepares an annual operating budget that is used as a management tool for monitoring operating expenses which did not include significant variances for any of the three years ended June 30, 2023.

Loan interest income for the year ended June 30, 2023 increased from $3.8 million to $7.2 million as a result of an increase in interest benefit income, net of rebate fees of $4.5 million over June 30, 2022 (significant increase in net income from USDE). Loan interest income for the year ended June 30, 2022 decreased by $254,000 due to decreases in student loans receivable from gradual payoffs of FFELP loans and a similar decrease in net payments to USDE. Loan interest income is primarily affected by loans outstanding and the variable interest rates on student loans, which are reset annually on July 1st by USDE. The variable rates ranged from: 2.84% to 6.08% for the year ended June 30, 2022, 1.72% to 3.34% for the year ended June 30, 2022, and 1.83% to 3.42% for the year ended June 30, 2021. The fixed rates for loans first disbursed on or after July 1, 2006, ranged from 5.6% to 8.5%. 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. The lender's yield is based on the 1-Month LIBOR index for purposes of special allowance calculations.

Interest expense: The Authority funded the origination or acquisition of student loans by periodically issuing bonds and notes. The approximate $21,201,000 decrease in notes outstanding during the year ended June 30, 2023 was accompanied by a increase in the weighted average cost of funds to approximately 4.0% as of June 30, 2023, compared to a 1.15% cost of funds at June 30, 2022. The approximate $25,928,000 decrease in bonds and notes outstanding and the weighted average cost of funds of 1.15% during the year ended June 30, 2022 compared to the weighted average cost of funds of 0.99% at June 30, 2021, resulted in a decrease in total interest expense for the year ended June 30, 2022. The approximate $35,159,000 decrease in bonds and notes outstanding during the year ended June 30, 2020 was accompanied by a decrease in the weighted average cost of funds to 1.78% as of June 30, 2020.

Financial Analysis of the Authority (Continued)

Net interest margin for the year ended June 30, 2023, of approximately $3,934,000 resulted from an increase in interest expense offset by an increase in interest income and represents a net increase of approximately $1,505,000 from the prior year. Net interest margin for the year ended June 30, 2022, of approximately $2,429,000, represents a decrease of approximately $210,000 from the prior year, which is the result of a decrease in loan interest income partially offset by a decrease in interest expense. Net interest margin for the year ended June 30, 2021, of approximately $2,640,000, represents a decrease of approximately $579,000 from the prior year, which is the result of a significant decrease in loan interest income partially offset by a decrease in interest expense.

Net position decreased by approximately $589,000 at June 30, 2023, and increased by approximately $3,733,000 and $2,773,000 at June 30, 2022 and 2021, respectively, due to the changes in revenues and expenses described above.

Debt Administration

The Authority funded student loan notes receivable by issuing tax-exempt and taxable bonds and notes. The bonds and notes were approved by the State of Oklahoma bond oversight process prior to issuance. Tax-exempt bonds or notes also received 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.

During fiscal year 2022, the Authority issued the 2021 Note Payable, for which the proceeds were used to refund all notes and bonds payable at the time of issuance. All publicly held debt was extinguished as of June 30, 2022.

Economic Outlook

As described above, the Authority earned loan servicing fees from its contract with USDE based on the number of Direct Loans serviced through May 2023. The Authority was notified in February 2023 that the contract as a Direct Loan Servicer for the USDE would be allowed to expire December 31, 2023. The transfer of direct loan borrower accounts to other servicers started in April 2023 and was completed May 2023. The Authority is reviewing opportunities for alternative lines of revenue and began operating under a sub contractual agreement with another federal student loan servicer in August 2023. Under the contract, the Authority is providing personnel to provide call center support as well as back-office processing. The Authority expects the demand for additional personnel under subcontract will increase as borrowers return to repayment in the last calendar quarter of 2023 thus increasing fees earned by the Authority to offset expected decreases in interest income from borrowers related to the gradual payoff of FFEL Program loans owned by the Authority.

The interest rate basis for outstanding notes payable is indexed to monthly LIBOR (SOFR as of July 1, 2023) and resulted in an increase to weighted average cost of funds in fiscal year 2023. Rates have increased in 2023 with the rate hikes announced by the Federal Reserve. The interest rates are projected to remain high into fiscal 2024, resulting in continued higher cost of funds and slower pay down of bonds and notes due to a higher portion of collections on student loans required for interest. Higher rates also affect student loans with variable rates that are also LIBOR indexed (also SOFR as of July 1, 2023), resulting in increased interest income from borrowers, offset by the effects of the gradual payoff of FFEL Program loans owned by the Authority.

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

Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	**$ 210**	$ 210
Restricted cash	**60,166**	87,249
Investments	**32,559,635**	19,832,184
Loans, net of allowance for loan losses	**20,311,145**	24,342,110
Interest receivable from U.S. Department of Education	**843,514**	-
Interest and other receivables	**4,515,125**	7,760,486
Total current assets	**58,289,795**	52,022,239
Noncurrent assets:		
Restricted investments	**4,159,409**	2,922,393
Loans, net of allowance for loan losses	**92,602,675**	116,674,354
Capital assets, net of accumulated depreciation	**1,502,192**	1,717,262
Other noncurrent assets	**815,574**	1,324,397
Total noncurrent assets	**99,079,850**	122,638,406
Total assets	**157,369,645**	174,660,645
Deferred outflows of resources:		
Deferred pension plan outflows	**3,961,231**	2,580,015
Deferred loss on debt refunding outflows	**1,219,222**	1,378,246
Total deferred outflows of resources	**5,180,453**	3,958,261
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and other accrued expenses	**5,497,064**	1,918,680
Interest payable to U.S. Department of Education	**-**	292,184
Accrued interest payable	**71,501**	36,894
Total current liabilities	**5,568,565**	2,247,758
Noncurrent liabilities:		
Notes payable	**76,185,212**	97,386,926
Net pension liability	**10,612,079**	5,727,131
Other accrued expenses	**328,436**	358,436
Total noncurrent liabilities	**87,125,727**	103,472,493
Total liabilities	**92,694,292**	105,720,251
Deferred inflows of resources:		
Deferred pension plan inflows	**283,515**	3,504,677
Net position:		
Investment in capital assets	**1,502,192**	1,717,262
Restricted	**13,057,318**	14,126,581
Unrestricted	**55,012,781**	53,550,135
Total net position	**$ 69,572,291**	$ 69,393,978

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
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Loan interest income:		
From borrowers	**$ 5,889,062**	$ 7,000,300
Net from (to) U.S. Department of Education	**1,394,508**	(3,124,196)
Loan servicing fees	**28,375,938**	21,979,201
Total operating revenue	**35,659,508**	25,855,305
Operating expenses:		
Interest	**3,810,517**	1,471,169
General administration	**15,656,900**	11,519,025
External loan servicing fees	**15,909,954**	8,351,881
Professional fees	**1,114,511**	1,115,266
Total operating expenses	**36,491,882**	22,457,341
Operating (loss) income	**(832,374)**	3,397,964
Nonoperating revenues:		
OTRS on-behalf contributions	**548,751**	310,434
Investment interest income	**461,936**	24,854
Net nonoperating income	**1,010,687**	335,288
(Decrease) Increase in net position	**178,313**	3,733,252
Net position, beginning of year	**69,393,978**	65,660,726
Net position at end of year	**$ 69,572,291**	$ 69,393,978

See notes to financial statements.

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

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts of interest income from borrowers	**$ 5,727,606**	$ 7,379,492
Payments of interest to USDE	**-**	(3,464,652)
Payments of interest from USDE	**258,811**	-
Receipts of loan servicing fees	**31,797,124**	21,080,578
Receipts of loan principal payments	**30,659,284**	32,289,077
Acquisition of student loans receivable	**(2,557,629)**	(3,587,325)
Payments to employees and suppliers	**(27,793,806)**	(21,212,786)
Net cash provided by operating activities	**38,091,390**	32,484,384
Cash flows from noncapital financing activities:		
Debt issuances	**-**	117,220,000
Payments on interest on notes and bonds payable	**(3,616,886)**	(912,567)
Payments on issuance cost	**-**	(410,620)
Payments on bonds and notes payable	**(21,201,714)**	(27,931,139)
Payment to escrow for refunding of bonds and notes	**-**	(116,681,629)
Net cash used in noncapital financing activities	**(24,818,600)**	(28,715,955)
Cash flows from investing activities:		
Proceeds from sales of investments	**111,433,077**	43,137,152
Receipts of interest on investments	**447,567**	22,994
Purchases of investments	**(124,864,193)**	(45,268,914)
Net cash used in investing activities	**(12,983,549)**	(2,108,768)
Cash flows from capital and related financing activities:		
Purchases of capital assets	**(316,324)**	(1,651,637)
Net (decrease) increase in cash	**(27,083)**	8,024
Cash at beginning of year	**87,459**	79,435
Cash at end of year	**$ 60,376**	$ 87,459
Noncash flow information		
OTRS on-behalf contributions	**$ 548,751**	$ 310,434

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	**$ (832,374)**	$ 3,397,964
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Interest paid on bonds and notes payable	**3,492,469**	912,567
Issuance cost paid on debt refunding	**-**	410,620
Amortization of deferred outflows bonds	**159,024**	113,491
Depreciation on capital assets	**531,393**	282,059
Amortization of premiums on loan acquisition costs	**-**	61,829
OTRS on-behalf contributions	**548,751**	310,434
(Increase) decrease in assets and deferred outflows of resources:		
Student loans receivable, net	**27,821,182**	28,702,631
Interest and other receivables	**3,259,730**	(859,887)
Other assets	**508,823**	(823,862)
Deferred pension plan outflows	**72,762**	1,670,594
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and other accrued expenses	**3,420,912**	826,832
Accrued interest payable	**34,607**	(39,441)
Interest payable to U.S. Department of Education	**(1,135,697)**	(340,456)
Net pension liability	**4,884,948**	(5,225,436)
Deferred pension plan inflows	**(4,675,140)**	3,084,445
Net cash provided by operating activities	**$ 38,091,390**	$ 32,484,384

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 annual comprehensive financial report of the State.

The purpose of the Authority is (1) to support borrowers with loans offered under the Federal Family Education Loan (FFEL) Program or other loan programs and (2) to provide student loan servicing support to other loan servicers having contracts with the Department of Education.

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, 2023 and 2022, the majority of loans are guaranteed at 97% for loans first disbursed on or after July 1, 2006. The Authority must complete certain due diligence and claim filing requirements for delinquent loans in order to maintain the guarantee.

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.

In 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. The Authority earns a monthly servicing fee pursuant to the NFP Servicer loan servicing contract based on the number of borrower accounts. During fiscal year 2023, USDE determined that it would not extend OSLA's loan servicing contract which expires December 31, 2023. USDE required OSLA to transfer its entire Direct Loan portfolio to another servicer during the 4th quarter of fiscal 2023, and no USDE loans were serviced at June 30, 2023.

Note 2. Summary of Significant 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 Significant Accounting Policies (Continued)

Basis of accounting: The Authority's financial statements are prepared using the economic resources measurement focus 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 recognized 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

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.

Investments: Investments consist of U.S. government securities-based mutual funds, certificates of deposit, U.S. Treasuries, including Bills and Notes. Applicable Oklahoma Statutes authorize certain types of investments the Authority can utilize.

Non-negotiable certificates of deposit and U.S. Treasuries, including bills and notes, and government securities with original maturities of less than one year are stated at cost. U.S Treasuries and government securities with a maturity of greater than one year are stated at fair value with changes in fair value included in the statements of revenues, expenses, and changes in net position. Fair value is defined as 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. The U.S government securities-based mutual funds are stated at the net asset value (NAV) of the fund.

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.

All of the FFEL Program loans made or acquired by the Authority are guaranteed, and Authority staff completes required due diligence and claim filing to maintain the guarantee, 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.

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. Maintenance costs for equipment and other assets are expensed as incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Net position: The Authority's net position is classified as follows:

Investment in capital assets: This represents the Authority's total investment in capital assets.

Restricted net position: Net position where the use is restricted by a third party or enabling legislation. The Authority's restricted net position is restricted by the debt 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).

Unrestricted net position: Net position that does not meet the definition of invested in capital assets or restricted is classified as unrestricted.

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 related to servicing the loans are considered operating with the exception of investment interest income and OTRS on-behalf contributions.

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, 2023 and 2022 was approximately $172,000 and $233,000, 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). Most loan rates in the Authority's portfolio are based upon the 1-month LIBOR index, and also include 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. 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, 2023 and 2022 was approximately $2,104,000 and $2,262,000, 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, 2023 and 2022 was approximately $882,000 and $1,095,000, 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, 2023 and 2022, the Authority had deferred inflows related to pension items of approximately $540,000 and $3,504,000, respectively. See Note 6 for additional discussion regarding deferred inflows of resources.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022, the Authority had deferred outflows of resources related to pension items of approximately $3,450,000 and $2,580,000, respectively. See Note 6 for additional discussion regarding pension related deferred outflows of resources. In addition, during fiscal year 2022, the Authority issued a new note payable, for which the proceeds were used to refund all existing debt. As of June 30, 2023 and 2022, the results of the refunding transaction led to recording a deferred loss on refunding of approximately $1,219,000 and $1,378,000, respectively. The deferred loss is being amortized over the life of the new note payable which is the shorter of the old and the new debt.

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 2023: The Authority adopted new accounting pronouncements during the year ended June 30, 2023 as follows:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* issued March 2020 which defines these partnership arrangements and provides guidance on the related treatment of the contract for accounting and financial reporting. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The requirements were not material to the financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, issued May 2020, which defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The requirements were not material to the financial statements.
- GASB issued Statement No. 99, *OMNIBUS 2022*, issued in April 2022, which will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, were not material to the financial statements and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53, which are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter are not expected to be material to the financial statements in the future.

New accounting pronouncement issued not yet adopted: The GASB has issued new accounting pronouncement which will be effective to the Authority in fiscal years ended after June 30, 2023. A description of the new accounting pronouncement is provided below:

- In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-an amendments of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections and related disclosures. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Note 2. Summary of Significant Accounting Policies (Continued)

- In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement clarifies the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2023.

The Authority is evaluating the impact that adoption of these Statements will have on its financial position, results of operations and cash flows.

Note 3. Investments and Fair Value Measurements

The Authority's investments consist primarily of U.S. government securities-based money market mutual funds in accordance with the Authority's investment policy. Unrestricted investments may also include U.S. bank issued certificates of deposit, U.S. Treasury bills and municipal bonds. Generally, the policy requires investments to be 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 may default on its payment obligations. The U.S. government securities-based money market mutual funds, at June 30, 2023 and 2022 were rated AAA by the Standards & Poor's Corporation, and Aaa by Moody's Investors Service. Certificates of deposit at June 30, 2023 and June 30, 2022 were rated Three-Star or higher by Bauer Financial or A1/A/A or higher by Moody's/S&P/Fitch.

Custodial credit risk for deposits 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 formal policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. From time to time, account balances may exceed limits insured by the Federal Deposit Insurance Corporation. As of June 30, 2023, the bank balance of the Authority's deposits in financial institutions was approximately $198,000 and was either fully insured or collateralized. As of June 30, 2022, the bank balance of the Authority's deposits in financial institutions was approximately $761,000 of which approximately $511,000 was uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investments that are evidenced by securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the Authority, or are held by a counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's position in U.S. government securities-based mutual funds is not subject to custodial credit risk because these open-ended mutual funds are not evidenced by securities. The Authority's U.S. Treasury bills are held by its agent in the Authority's name. At June 30, 2023 and June 30, 2022, all of the Authority's negotiable certificates of deposit were fully insured.

Note 3. Investments and Fair Value Measurements (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. It is generally considered that an increased risk of loss occurs as more investments are acquired from a single issuer. Concentration of credit risk does not apply to the Authority's position in U.S. government securities-based mutual funds because the nature of mutual funds provide diversification. In order to limit concentration of credit risk of the Authority's other investments, the Authority does not invest more than 5% of its total investments in any one issuer.

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. At June 30, 2023, non-negotiable certificates of deposit with a carrying value of $6,151,985 and a weighted average maturity of 0.7 years, U.S. government securities-based mutual funds with a carrying value of $8,492,193 and a weighted average maturity of 0.2 years, and U.S. Treasury bills and notes with a carrying value of $22,074,866 and a weighted average maturity of 1.07 years were subject to interest rate risk. At June 30, 2022, non-negotiable certificates of deposit with a carrying value of $9,354,438 and a weighted average maturity of 0.87 years and U.S. government securities-based mutual funds with a carrying value of $5,008,933 and a weighted average maturity of 0.41 years were subject to interest rate risk U.S. Treasury bills/notes with a carrying value of $8,391,206 and a weighted average maturity of 0.77 years were subject to interest rate risk.

Fair value measurements: The Authority follows GASB Statement No. 72, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Valuations to which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity in the asset or liability.

Note 3. Investments and Fair Value Measurements (Continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Authority at the end of each reporting period. Investments at fair value consist of the following at June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasury Bills	$ 742,123	$ -	$ -	$ 742,123
U.S. Treasury Notes	13,449,480	-	-	13,449,480
Investments measured at cost and net asset value (NAV):				
Certificates of deposit at cost				6,151,985
U.S. government securities				7,883,263
Mutual funds at NAV				8,492,193
Total investments				$ 36,719,044

	2022			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
U.S. Treasury Bills	$ 1,982,850	$ -	$ -	$ 1,982,850
U.S. Treasury Notes	2,450,158	-	-	2,450,158
Investments measured at cost and net asset value (NAV):				
Certificates of deposit at cost				9,354,438
U.S. government securities				3,958,198
Mutual funds at NAV				5,008,933
Total investments				$ 22,754,577

Investments measured at fair value are reconciled to the statement of net position as follows at June 30:

	2023	2022
Investments measured at fair value or NAV	$ 22,683,796	$ 9,441,941
Investments measured at cost:		
Certificates of deposit	6,151,985	9,354,438
U.S. government securities	7,883,263	3,958,198
	$ 36,719,044	$ 22,754,577

	2023	2021
Investments – Unrestricted	$ 32,559,635	$ 19,832,184
Investments – Restricted	4,159,409	2,922,393
	$ 36,719,044	$ 22,754,577

Note 3. Investments and Fair Value Measurements (Continued)

There have been no significant changes in valuation techniques during fiscal years ended June 30, 2023 and 2022. U.S. Treasury bills classified in Level 1 of the fair value hierarchy are valued using unadjusted quotes of the exact security in active markets. The Authority's investments measured at NAV consist solely of mutual funds that invest in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, and repurchase agreements secured by such obligations or cash. The fund seeks as high a level of current income as is consistent with liquidity and stability of principal. The Authority has no unfunded commitments related to this investment type. Shares are redeemable daily at the NAV at the time of redemption.

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 payments 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.

During the year ended June 30, 2016, the Authority paid a premium of approximately $253,000 on the acquisition of student loans. Unamortized premiums at June 30, 2021 were approximately $62,000, the remaining of which was amortized over the estimated remaining life of loans purchased of five years at the time of purchase which occurred during fiscal year 2022.

Loans consist of the following as of June 30:

	2023	2022
Stafford	$ 17,460,576	$ 21,856,428
Unsubsidized Stafford	20,537,147	25,751,030
PLUS/ SLS	816,170	1,020,823
Consolidation	74,630,028	92,988,039
SHELF™	836,331	883,387
Total gross loans	114,280,252	142,499,707
Unprocessed loan payments	(53,636)	(80,043)
Allowance for loan losses	(1,312,796)	(1,403,200)
Net loans	$ 112,913,820	$ 141,016,464

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

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

	2023	2022
Balance at beginning of year	$ 1,403,200	$ 1,506,478
Loans charged off	(90,404)	(103,278)
Balance at end of year	$ 1,312,796	$ 1,403,200

The stated interest rates on student loans which are based on USDE regulations ranged from 2.84% to 10.0% for the fiscal years ended June 30, 2023 and 1.72% to 10.0% for the fiscal years ended June 30, 2022, 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 1-month LIBOR. 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 consisted of approximately 3.95% Negative SAP loans at June 30, 2023 and 59.31% Negative SAP loans at June 30, 2022. The calculated quarterly lenders' yield ranged from 2.00% to 10.00% for the fiscal year ended June 30, 2023 and 2.34% to 4.64% for the fiscal year ended June 30, 2022.

The FFEL Program loans are guaranteed at 98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006 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 (the USDE), or guaranteed by other guarantors approved by the USDE (Guarantee Agencies). As of June 30, 2023, approximately $113,443,000 of the Authority's outstanding loans were guaranteed at 98% or 97% of the outstanding balance, as described above.

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, 2023 and 2022, approximately $359,000 and $357,000, 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 of approximately $92,600,000 and $110,147,000 as of June 30, 2023 and 2022, were 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.

Note 5. Notes and Bonds Payable (Continued)

In October 2021, the Authority issued the Series 2021 Note to perform a current refunding and to consolidate the five outstanding bonds and notes payable into one, enabling the release of collateralized student loans from the refunded bonds and notes that were in a significantly overcollateralized position, and provide for a replacement benchmark interest rate when the monthly LIBOR rate is no longer available. The Authority reduced the total debt service payments by approximately $962,000 and achieved an economic gain of approximately $838,000 (difference between net present value of the debt service payments on the old and the new debt).

The Authority is required to establish and maintain accounts in connection with the Series 2021 Note sufficient to satisfy the covenants under the financing and security agreement for the Series 2021 Note.

The following schedules summarize the notes and bonds payable outstanding as of June 30, 2023 and 2022:

	2023								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning balance	Additions	Reductions	Ending balance
Notes payable from direct borrowings:									
Series 2021 Note	2021	117,220,000	M LIBOR + 0.75%	5.8%	2036	$ 97,386,926	$ -	$ 21,201,714	$ 76,185,212
Total debt outstanding						$ 97,386,926	$ -	$ 21,201,714	$ 76,185,212

	2022								
	Year Issued	Original Amount	Interest Rate Basis	Interest Rate at Year-end	Final Maturity	Beginning balance	Additions	Reductions	Ending balance
Notes payable from direct borrowings:									
Senior Notes, 2016 Bank Note	2016	17,725,000	M LIBOR + 0.75%	0.8%	2026	$ 4,188,575	$ -	$ 4,188,575	$ -
Senior Notes, 2017 Bank Note	2017	52,450,000	M LIBOR + 0.65%	0.7%	2032	22,385,245		22,385,245	
Series 2021 Note	2021	117,220,000	M LIBOR + 0.75%	2.4%	2036	-	117,220,000	19,833,074	97,386,926
Total notes payable						26,573,820	117,220,000	46,406,894	97,386,926
Bonds payable:									
2010 Indenture of Trust Tax-Exempt LIBOR Floating Rate Bonds:									
Series 2010A-2A	2010	51,225,000	Q LIBOR + 1.20%	1.3%	2037	20,770,000	-	20,770,000	-
Series 2010A-2B	2010	44,230,000	Q LIBOR + 1.00%	1.1%	2037	17,940,000	-	17,940,000	-
2011 Indenture of Trust Taxable LIBOR Floating Rate Bonds:									
Series 2011-1	2011	205,200,000	Q LIBOR + 1.15%	1.3%	2040	28,105,000	-	28,105,000	-
2013 Indenture of Trust Taxable LIBOR Floating Rate Bonds:									
Series 2013-1	2013	211,820,000	M LIBOR + 0.50%	0.6%	2032	30,375,000	-	30,375,000	-
Total bonds payable						97,190,000	-	97,190,000	-
Discount on bonds outstanding						(448,539)	-	448,539	-
Total debt outstanding						$ 123,315,281	$ 117,220,000	$ 144,045,433	$ 97,386,926

The Series 2010A-2B and 2013-1 bonds were sold with original issue discounts. The entire balance was written off as part of the debt refunding transaction during fiscal year 2022.

Note 5. Notes and Bonds Payable (Continued)

The Authority's outstanding note payable from a direct borrowing is secured with pledges of collateral from the student loans receivable and payments received on those loans. The outstanding agreement contains provisions that, in an event of default including failure to make punctual payment of any principal or interest when it becomes due, an event of bankruptcy, or violation of any covenant or condition contained in the note agreement, the timing of repayment of outstanding amounts may become due immediately.

Contractual maturities on notes payable, assuming interest rates on variable rate debt remains at June 30, 2023 levels, are as follows:

	Notes Payable from Direct Borrowings		
	Principal	Interest	Total
Years ending June 30:			
2024	$ -	$ 4,448,630	$ 4,448,630
2025	-	4,448,630	4,448,630
2026	-	4,448,630	4,448,630
2027	-	4,448,630	4,448,630
2028	-	4,448,630	4,448,630
2029-2033	-	22,243,149	22,243,149
2034-2036	76,185,212	14,408,567	90,593,779
	$ 76,185,212	$ 58,894,866	$ 135,080,078

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, Post Office Box 53524, Oklahoma City, Oklahoma 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% vested in retirement benefits earned to date after five years of credited Oklahoma service (seven for members who joined on or after November 1, 2017). 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% 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% 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% 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% of their covered salary. The Authority made the system members' required contribution on behalf of its employees in 2023 and 2022.

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 is 9.5%. The Authority's total payments to OTRS for the employer's contributions were approximately $763,000 and $652,000 for the years ended June 30, 2023 and 2022, respectively, and was equal to the employer's required contribution. In addition, the State of Oklahoma also contributes 5% 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 2023 and 2022 was approximately $548,000 and $310,000, respectively. 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, 2023 and 2022, the Authority reported a liability of approximately $10,612,000 and $5,727,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2022. Based upon this information, at June 30, 2023 and June 30, 2022, the Authority's proportion was 0.129267750% and 0.112102700%, respectively.

Note 6. Retirement Plan (Continued)

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of approximately $2,363,000 and $333,000, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption	$ 579,600	$ -	$ 890,910	$ (57,035)
Differences between expected and actual experience	297,239	(106,910)	377,630	(210,910)
Net difference between projected and actual investment earnings on pension plan investments	1,453,978	-	-	(2,974,604)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	866,569	(176,605)	658,809	(262,128)
Total deferred amounts to be recognized in pension expense in future periods	3,197,386	(283,515)	1,927,349	(3,504,677)
Authority contributions subsequent to the measurement date	763,845	-	652,666	-
Total deferred amounts related to pension	$ 3,961,231	$ (283,515)	$ 2,580,015	$ (3,504,677)

Deferred pension outflows resulting from the Authority's Employer contributions subsequent to the measurement date, totaling approximately $763,000 and $652,000 at June 30, 2023 and 2022, respectively, will be recognized as a reduction of the net pension liability in subsequent years. Deferred outflows related to the difference between projected and actual investment earnings are amortized over five years. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions consist of amounts originating in current and prior years and will be recognized in pension expense using the average expected remaining service life of active and inactive members of the Plan. The average expected remaining service life of the Plan is determined by taking the calculated total future service years of the Plan and is estimated at 5.23 years at June 30, 2023 and was estimated at 5.27 years at June 30, 2022.

Deferred outflows of resources and deferred inflows of resources at June 30, 2023, will be recognized in pension expense as follows:

	Deferred Outflows (Inflows)
2024	$ 850,397
2025	509,861
2026	485,972
2027	1,023,678
2028	43,963
	$ 2,913,871

Note 6. Retirement Plan (Continued)

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of June 30, 2022, using the following actuarial assumptions:

- Actuarial cost method — Entry age normal
- Inflation — 2.25%
- Salary increases — Composed of 2.25% wage inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment rate of return — 7.00%
- Retirement age — Experience-based table of rates based on age, service, and gender. Adopted by the OTRS Board in July 2020 in conjunction with the five-year experience study for the period ended June 30, 2019.
- Mortality rates after retirement — Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.
- Mortality rates for active members — Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

The long-term expected rate of return on pension plan investments was determined using 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, 2023, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.30%	4.90%
International Equity	16.70%	5.50%
Domestic Fixed Income	22.00%	1.30%
Real Estate*	10.00%	3.50%
Private Equity	8.00%	7.60%
Private Debt	5.00%	4.60%
Total	100.00%	

*The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged)

Note 6. Retirement Plan (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.00%. 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% 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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	2023		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	$ 14,941,871	$ 10,612,079	$ 7,052,482

	2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	$ 9,361,093	$ 5,727,131	$ 2,718,708

Note 7. Capital Assets

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	$ 4,878,187	$ 139,183	$ -	$ 5,017,370
Computer software	3,042,513	177,141	-	3,219,654
Leasehold improvements	520,276	-	7,895	512,381
	8,440,976	316,324	7,895	8,749,405
Accumulated depreciation	6,723,715	531,393	7,895	7,247,213
Net capital assets	$ 1,717,261	$ (215,069)	$ -	$ 1,502,192

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	$ 3,674,970	$ 1,206,569	$ 3,352	$ 4,878,187
Computer software	2,835,327	207,186	-	3,042,513
Leasehold improvements	282,394	237,882	-	520,276
	6,792,691	1,651,637	3,352	8,440,976
Accumulated depreciation	6,445,008	282,059	3,352	6,723,715
Net capital assets	$ 347,683	$ 1,369,578	$ -	$ 1,717,261

Note 8. 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.

Note 9. Risk Management

The Authority participates in the Oklahoma Risk Management Division’s (a division of the Department of Central Services) insurance pool, which covers all governmental tort, property, vehicle and directors and officers liability claims against the Authority. The Authority pays a yearly premium to the Department of Central Services to participate in the insurance pool. Premiums paid are not subject to retroactive adjustment.

Note 10. Subsequent Events

The Authority entered into a sub-contract agreement with a USDE Direct Loan Servicer to provide call center support and back-office processing. The Authority began providing personnel services in the first quarter of FY2024.

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*

	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Authority's proportion of the net pension liability	0.12926775%	0.11210270%	0.11540884%	0.10169906%	0.10334683%	0.09868767%	0.09932093%	0.10123064%
Authority's proportionate share of the net pension liability	10,612,079	5,727,131	10,952,567	6,730,444	6,246,398	6,548,331	8,322,242	6,176,715
Authority's covered payroll	7,768,421	5,933,632	5,961,621	5,091,758	4,723,200	4,359,537	4,450,453	4,352,484
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.61%	96.52%	183.72%	132.18%	132.25%	150.21%	187.00%	141.91%
Plan fiduciary net position as a percentage of the total pension liability	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%

Notes to Schedule:

* GASB Statement No. 68 was adopted in the fiscal year ended June 30, 2015. Information prior to adoption of GASB Statement No. 68 is not available.

Note 1. Change in benefit terms: There were no significant changes to benefit provisions or other matters that affected the comparability of the information presented above.

Note. 2. Change of assumptions: For the year ended June 30, 2022 & 2021, salary increases are composed of 2.25% wage inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

For the year ended June 30, 2022 & 2021, the retirement age was determined using the experience-based table developed from a five-year experience study for the period ended June 30, 2019. This table was adopted by the OTRS Board in July 2020.

For the year ended June 30, 2022 & 2021, the mortality rates after retirement for males and females were determined using the 2020 GRS Southwest Region Teacher Mortality Table with generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Mortality for active members were determined using the Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

For the year ended June 30, 2022 & 2021, investment return was 7.00% per year, net of investment-related expenses, composed of an assumed 2.25% inflation rate and a 4.75% real rate of return.

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

	2023	2022	2021	2020	2019
Contractually required contribution	$ 763,846	$ 652,666	$ 563,114	$ 562,313	$ 483,717
Contributions in relation to the contractually required contribution	(763,846)	(652,666)	(563,114)	(562,313)	(483,717)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 7,768,421	$ 6,707,366	$ 5,933,632	$ 5,961,621	$ 5,091,758
Contributions as a percentage of covered payroll	9.50%	9.50%	9.50%	9.50%	9.50%

	2018	2017	2016	2015	2014
Contractually required contribution	$ 448,704	$ 414,156	$ 422,793	$ 413,486	$ 420,981
Contributions in relation to the contractually required contribution	(448,704)	(414,156)	(422,793)	(413,486)	(420,981)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 4,723,200	$ 4,359,537	$ 4,450,453	$ 4,352,484	$ 4,431,379
Contributions as a percentage of covered payroll	9.50%	9.50%	9.50%	9.50%	9.50%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry are normal
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	5-year smooth market
Inflation	2.25%
Salary increase	Composed of 2.25% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
Investment rate of return	7.00%
Retirement age	Experience based table of rates based on age, service and gender.
Mortality	2020 GRS Southwest Region Teacher Mortality Table for males and females.