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Minnesota Office of Higher Education (A Component Unit of the State of Minnesota)

Financial Statements and
Supplementary Information

June 30, 2023

Independent Auditors' Report

To the Commissioner of
Minnesota Office of Higher Education

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Minnesota Office of Higher Education (the Agency), a component unit of the State of Minnesota as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). 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 Agency 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 Agency'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.

Auditors' 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 auditors' 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 GAS 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 and GAS, 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 Agency'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 Agency'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 required supplementary information, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Eau Claire, Wisconsin
October 26, 2023

Our discussion and analysis of the financial performance of the Minnesota Office of Higher Education (the "Agency") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2023.

Introduction

Minnesota Statutes, 136A; *Minnesota Statutes* 136G, *Minnesota Rules* 4800-4880

The Minnesota Office of Higher Education is a cabinet-level state agency providing students with financial aid programs and information to help them gain access to postsecondary education. The Agency also serves as the state's clearinghouse for data, research and analysis on postsecondary enrollment, financial aid, and postsecondary finance trends. Specifically, the Agency, and its staff of 76 FTE (30 state funded), work to:

- Help students achieve financial access to postsecondary education;
- Enable students to choose among postsecondary education options;
- Protect and inform educational consumers;
- Produce independent, statewide information on postsecondary education; and
- Facilitate interaction and collaboration among organizations that share responsibility for education in Minnesota.

The Agency's programs and services are provided through different means, including:

<u>Financial Aid</u>

The Agency administers numerous financial aid programs that enable thousands of Minnesota students to have financial access to, and choice of, postsecondary educational opportunities, including, but not limited to:

- *The Minnesota State Grant Program* - provides more than $215.2 million in need-based aid to Minnesota students annually.
- *Postsecondary Child Care Grant Program* – provides $7.5 million for students with demonstrated financial need to pay for child care while students attend classes.
- *Minnesota Indian Scholarship Program* – provides $2.9 million for eligible Minnesota resident students who are one-fourth or more Indian ancestry and demonstrate financial need.
- *Tuition Reciprocity* – allows Minnesota residents (and residents of participating states) to be treated as a resident for the purposes of admission and tuition.
- *Student Educational Loan Fund ("SELF")* – provides long-term, low-interest rate student loans for Minnesota residents attending a participating postsecondary institution as well as non-residents attending a Minnesota postsecondary institution.
- *SELF Refi* – provides various low-rate loan options for Minnesota residents to refinance their student loans.
- *Minnesota College Savings Plan* – Minnesota's 529 college savings plan that provides tax-advantaged savings accounts for qualified higher education expenses.
- *State Work Study Program* – provides $12.1 million for students with demonstrated financial need through jobs provided through the postsecondary institutions.

Introduction (cont.)

Financial Aid (cont.)

- *Spinal Cord and Traumatic Brain Injury Research Grant* - provides medical research grants to conduct research that would lead to new and innovative treatments and rehabilitative efforts for the functional improvement of people with spinal cord or traumatic brain injuries.
- *Dual Training Competency Grants* - provides grants to institutions or programs that enter into agreements with employers to provide training to their employees.

Communication & Outreach

The Agency's publications, web content, interactive media, and direct contact with students and families enable the Agency to provide outreach to communities of color, low-income families, and families with no previous higher education experience. In addition, Get Ready/GEAR UP, a federally funded college access program, aims to increase high school graduation, participation in postsecondary educational programming, and successful transition into a post-high school pathway of choice among students from low-income backgrounds and communities of color. The program model is designed to improve schools' capacity to deliver college and career readiness programming to students and their families, effectively utilize data to inform postsecondary planning and continuous improvement, and promote practices that reinforce a strong college-going culture.

Research & Information

The Agency's Research, Policy, and Analysis Division provides credible, politically neutral, research-based data, information and analysis on higher education. Research products are used to operate programs, develop and inform policies, and provides assistance to individuals, colleges, communities, and the state.

The Agency's web presence includes information for students, parents, educators, and financial aid administrators, postsecondary enrollment data, information concerning private postsecondary institutions licensed or registered by the Agency, online financial aid applications, and a financial aid estimator.

The Statewide Longitudinal Education Data System (SLEDS) is a tool to connect existing data from pre-kindergarten through completion of postsecondary education and into the workforce. SLEDS is a partnership between the Agency and the Departments of Education (MDE) and Employment and Economic Development (DEED). By bridging existing data with other incoming data, a range of educational programmatic and delivery questions can be answered to gauge the effectiveness of current programs and design targeted improvement strategies to help students.

Consumer Protection

Through state laws, which undergird the registration and licensure of private colleges, universities, career schools, and certain out-of-state public postsecondary institutions, the Agency provides students with consumer protection by assuring that those postsecondary institutions meet state standards in order to operate legally in Minnesota. Minnesota is an approved SARA (State Authorization Reciprocity Agreement) state. An institution authorized under SARA criteria in its home state is considered authorized in all other SARA states.

Financial Highlights

- The Agency's net position increased $23.5 million or 4.2% from fiscal year 2022 to 2023 mainly as a result of student loan financing activities and investment income.
- The Agency received $308.5 million for fiscal year 2023 state appropriations. $27.5 million will be deferred to fiscal year 2024 while $1,694 has been cancelled and returned back to the state.
- The Agency administers the Minnesota College Savings Plan. The assets in that plan have increased to approximately $1.8 billion.
- The Loan Capital Fund issued 5,728 and 5,946 new SELF Loans in fiscal years 2023 and 2022, respectively, with the average student loan amount of $10,007 and $9,598, respectively.
- The Loan Capital Fund disbursed approximately $542,000 in SELF Refi Loans in fiscal year 2023.
- Net Loan Receivables in the Loan Capital Fund shrunk by $6.8 million or 1.6% during fiscal year 2023 and shrunk by $19.3 million or 4.4% during fiscal year 2022.
- The Agency has legislative approval to enter into interest rate exchange or swap agreements, or other comparable interest rate protection agreements. This option is limited to agreements related to bonds and notes with an aggregate value of no more than $20 million. As of June 30, 2023 the Agency has not entered into any interest rate exchange or swap agreements or other comparable interest rate protection agreements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The Agency's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information.

Government-Wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to private-sector business entities. The Statement of Net Position presents information on all of the Agency's assets, liabilities, and deferred inflows/outflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

Government-Wide Financial Statements (cont.)

The *Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 16 and 17 of this report.

In the Statements of Net Position and the Statement of Activities, we divide the Agency into two kinds of activities:

- *Governmental Activities* — General appropriation funds are received by the Agency for the administration of postsecondary educational grant programs, the state work study program, negotiating and administering reciprocity agreements, publishing and distributing financial aid information and materials, collecting and maintaining student enrollment and financial aid data, and administering various federal grant programs that affect students and postsecondary institutions. Licensing and registration fees finance the cost for administering the registration and licensing of private college and career schools and certain out-of-state public postsecondary institutions.
- *Business-Type Activities* — The Agency is designated by statute as the administrative agency for the establishment of one or more loan programs. The purpose of the loan programs is to provide financial assistance for the postsecondary education of students. The loan programs currently being administered by the Agency are the Student Educational Loan Fund ("SELF") Program and the SELF Refi Program.

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds — not the Agency as a whole. Some funds are required to be established by state law, and the Agency established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for certain grants. The Agency's two kinds of funds — governmental and proprietary — use different accounting approaches.

- *Governmental Funds* — Governmental funds are used for primarily the same functions reported as governmental activities. The governmental fund financial statements are used to analyze resources available in the near-term to manage the Agency's near-term financial obligations. These funds are reported using the modified accrual basis of accounting. The differences are illustrated between governmental activities and governmental funds in a statement following each governmental fund financial statement.
- *Proprietary Funds* — When the Agency charges customers for the services it provides — whether to outside customers or to other units of the Agency — these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. In fact, the Agency's proprietary funds are the same as the business-type activities the Agency reports in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 25 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (RSI), including the management's discussion and analysis and other RSI which contains the Agency's budget and actual results of its major governmental fund and schedules for the state employees' retirement fund. This information can be found beginning on page 48 of this report.

Additional Supplemental Information

Following the required supplemental information are combining statements for the non-major governmental funds.

The Agency as a Whole

The Agency's combined net position increased by $23.5 million or 4.2%. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Agency's governmental and business-type activities.

The Agency as a Whole (cont.)

Table 1
Net Position

	2023			2022		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Assets						
Current and other assets	$ 58,803,993	$ 883,083,159	$ 941,887,152	$ 69,903,615	$ 983,810,664	$ 1,053,714,279
Capital assets—net	783,309	20,020	803,329	915,073	21,927	937,000
Total assets	59,587,302	883,103,179	942,690,481	70,818,688	983,832,591	1,054,651,279
Deferred Outflows of Resources						
OPEB related amounts	81,000	27,000	108,000	55,500	18,500	74,000
Pension related amounts	1,707,095	474,905	2,182,000	1,945,109	537,891	2,483,000
Total deferred outflows of resources	1,788,095	501,905	2,290,000	2,000,609	556,391	2,557,000
Liabilities						
Current liabilities	15,505,944	4,662,927	20,168,871	36,962,581	9,599,477	46,562,058
Non-current liabilities	2,814,853	313,477,684	316,292,537	892,040	430,310,391	431,202,431
Total liabilities	18,320,797	318,140,611	336,461,408	37,854,621	439,909,868	477,764,489
Deferred Inflows of Resources						
Unearned revenue	27,532,124	-	27,532,124	18,217,031	-	18,217,031
OPEB related amounts	69,750	23,250	93,000	44,250	14,750	59,000
Pension related amounts	692,396	197,604	890,000	3,612,654	1,019,346	4,632,000
Total deferred inflows of resources	28,294,270	220,854	28,515,124	21,873,935	1,034,096	22,908,031
Net position						
Invested in capital assets	783,309	20,020	803,329	915,073	21,927	937,000
Restricted for administration and financial aid programs	14,771,279	-	14,771,279	13,674,497	-	13,674,497
Restricted for debt service	-	565,223,599	565,223,599	-	543,423,091	543,423,091
Unrestricted (deficit)	(794,258)	-	(794,258)	(1,498,829)	-	(1,498,829)
Total net position	$ 14,760,330	$ 565,243,619	$ 580,003,949	$ 13,090,741	$ 543,445,018	$ 556,535,759

Net position of the Agency's governmental activities increased by $1,669,589 during the current fiscal year. State appropriations are retained for the portion of severance liability and retired employees insurance benefits liability that the Agency has at fiscal year-end. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased from a deficit of ($1,498,829) at June 30, 2022 to ($794,258) at the end of this year.

The Agency as a Whole (cont.)

Net loans receivable have decreased by approximately $6.8 million, or 1.6%, to $416.0 million. In May 2015 the state legislature passed language allowing the maximum amount of the SELF Loan to be determined annually by the Agency, not to exceed cost of attendance less all other financial aid. The Agency has set the maximum SELF Loan amount at $20,000 for four-year postsecondary and graduate programs, $10,000 for non-four year degree programs, and $3,500 for programs less than one year.

U.S. Treasury regulations limit the student loan revenue yield over bond expenses to 2% on tax exempt student loan bond issues (bond expenses are limited to the bond interest paid to bondholders, cost of defaulted loans, and credit liquidity). Excess earnings generated from the student loans must either be paid back to the IRS every 10 years or reduced through a decrease in the student loan interest rate charged, loan forgiveness programs, and/or borrower benefits. The Agency has no current arbitrage or excess yield liability.

Table 2
Changes in Net Position

	2023			2022		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	$ 847,689	$ 23,183,195	$ 24,030,884	$ 1,068,121	$ 18,235,592	$ 19,303,713
State appropriations	308,483,881	-	308,483,881	265,781,169	-	265,781,169
Federal grants	5,453,625	-	5,453,625	4,797,261	-	4,797,261
Investment Income	-	15,853,386	15,853,386	-	1,131,094	1,131,094
Total revenues	314,785,195	39,036,581	353,821,776	271,646,551	19,366,686	291,013,237
EXPENSES						
Program expenses						
Loan Capital Fund	-	17,237,980	17,237,980	-	11,905,538	11,905,538
Administration and financial aid programs	307,975,970	-	307,975,970	263,693,585	-	263,693,585
Federal grants	5,139,636	-	5,139,636	3,905,998	-	3,905,998
Total expenses	313,115,606	17,237,980	330,353,586	267,599,583	11,905,538	279,505,121
CHANGE IN NET POSITION	$ 1,669,589	$ 21,798,601	$ 23,468,190	$ 4,046,968	$ 7,461,148	$ 11,508,116

Governmental Activities

Revenues for the Agency's governmental activities (see Table 2) increased by $43.1 million (or 15.9%) to $314.8 million, while total expenses increased by $45.5 million (or 17.0%). The increase in revenue is mainly attributed to state appropriations which increased by $42.7 million to $308.5 million. In addition to state appropriations there was an increase of $656,364 in federal grants, and by a decrease of $220,432 in revenue in our licensing and registration department and through small grant funding.

The Agency as a Whole (cont.)

Governmental Activities (cont.)

The Agency currently receives recurring federal grants from four different programs within the U.S. Department of Education and the U.S. Department of Justice. These federal grants are designed to assist students in meeting their postsecondary education financial obligations and increase college attendance and success of low-income students. The Agency also manages the SLEDS data system that merges data from preschool to college to workforce. The data is used in developing public reports and producing original research. Additionally, as part of the federal response to COVID-19, the Agency received federal funding through the US Department of Education to provide financial relief and services to eligible individuals impacted by COVID. Specifically, the Agency is a subgrantee under the Minnesota Department of Education for Governor's Emergency Education Relief (GEER) funding appropriated through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Business-Type Activities

The excess of revenues over expenses of the Agency's business-type activities was $21.80 million in fiscal year 2023, which was 126.5% of expenses. See the discussion under *Proprietary Fund* below for an analysis of business-type activities.

Financial Analysis of the Agency's Major Funds

Governmental Funds

The General Fund is the chief governmental fund of the Agency representing approximately 96.54% of the Agency's governmental spending. At the end of fiscal year 2023, the fund balance was $0. Since the state operates on a biennial budget, every other year all appropriation resources not expended are returned to the state's General Fund. At the end of the first fiscal year, unused appropriations are deferred to the second fiscal year in the biennium.

For the General Fund, student grant payments were $255.2 million, an increase from $234.28 million in fiscal year 2022. Grant aid to postsecondary institutions and organizations increased by $22.4 million to $41.2 million. Employee salaries and benefits increased 2% to $3.54 million over the prior fiscal year, due to staffing changes, cost of living and performance increases, and increase in cost of health insurance.

Proprietary Fund

The Agency's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in greater detail. Revenues of the Agency's proprietary fund (see Table 2) increased by 101.6% and expenses increased by 44.8%. Student loan interest income increased by $4.95 million in FY2023 as a result of increases in the 1 month and 3 month LIBOR and SOFR indexes. Increases in interest rates on investments resulted in an increase in investment income of $14.72 million. Increasing interest rates also resulted in increased bond interest expense of $3.3 million.

Financial Analysis of the Agency's Major Funds (cont.)

Proprietary Fund (cont.)

The current rate for SELF III, SELF IV and SELF V program variable rate student loans is 5.5%, an increase of 3.0% from fiscal year 2022. The SELF III, SELF IV and SELF V variable rate loans use the same method to calculate the variable interest rate which is equal to the three month average of the three month London InterBank Offered Rate (LIBOR) plus a margin currently set at 2.5%. New loans are no longer offered under SELF III, SELF IV, and SELF V. Beginning in April 2022 loans were offered under SELF VI. SELF VI variable rate loans have an interest rate equal to the three month term Secured Overnight Financing Rate (SOFR) plus a margin currently set at 2.5%. SELF VI current variable rate is 6.0% and the fixed rate is 6.35% Under the SELF III, SELF IV, SELF V, and SELF VI programs, loans have a repayment period depending upon the aggregate SELF student loan balance.

The interest rate for the SELF V fixed rate program changes periodically. Rate changes are as follows:

Effective Date	Rate
10/2010	7.25%
05/2013	6.90%
04/2015	6.50%
08/2016	6.00%
07/2019	5.75%
04/2020	4.85%

The interest rate for the SELF VI fixed rate program changes periodically. Rate changes are as follows:

Effective Date	Rate
04/2022	6.35%

The SELF Refi loan has a variety of rate and repayment term options.

SELF Refi Loan current rates			
Repayment Term	**5 years**	**10 years**	**15 years**
Fixed rate	6.0%	6.5%	7.0%
Variable rate	7.3%	8.05%	8.55%

General Fund Budgetary Highlights

The Agency receives biennial appropriations in the General Fund. We budget the full amount of the appropriation and adjust the budget over the course of the year dependent upon demand for our programs. In the first year of the biennium, unspent appropriations are reduced from the budget and deferred and added to the budget for the second year of the biennium. Unobligated appropriations after the second year of the biennium are returned to the State. In fiscal year 2023, the second year of the biennium, the Agency deferred $27.5 million to fiscal year 2024. The schedule on page 48, indicates variances between appropriated revenues or Original Budgeted amounts versus actual expenditures or Final Budgeted amounts.

Cash Management

Unexpended general appropriated funds are invested pursuant to Minnesota Statutes 11A under the State Board of Investment. Monies in the Loan Capital Fund are managed by the Agency and invested in instruments allowed by state statute, such as U.S. Treasury bills and notes, general obligation municipals, collateralized certificates of deposit, repurchase agreements, federal agency notes, bankers' acceptances, and commercial paper. The Agency's investment policy prohibits the Agency from investing in instruments with maturities in excess of three years. The total investment income, including change in the fair value of investments, was up from 2022 by $14.72 million. The Agency's policy is to hold all securities until maturity; therefore, it is highly unlikely that any differences between cost and market in investments would be realized.

Capital Assets

At year-end, the Agency had $803,329 of net capital assets as shown in Table 3:

Table 3
Capital Assets at Year-End
(net of accumulated depreciation)

	2023			2022		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Office Improvements	$ 660,245	$ -	$ 660,245	$ 780,287	$ -	$ 780,287
Furniture and equipment	123,064	20,020	143,084	134,786	21,927	156,713
Total capital assets	$ 783,309	$ 20,020	$ 803,329	$ 915,073	$ 21,927	$ 937,000

Additional information about the Agency's capital assets can be found in Note 2 to the financial statements.

Debt Administration

At year-end, the Agency had $313,800,000 in bonds outstanding — as shown in Table 4:

Table 4
Outstanding Debt at Year-End
(in millions)

	2023			2022		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenue bonds	$ -	$ 313.8	$ 313.8	$ -	$ 436.4	$ 436.4

The 2012B & 2017B and 2017C supplemental revenue bonds are currently held as private placement bonds and do not require a rating.

Debt Administration (cont.)

The 2018, 2020 and 2023 supplemental revenue bonds have a rating of AA by S&P Global rating agency.

Other obligations of the Agency include accrued compensated absences, total OPEB liability, and net pension liability. More detailed information about the Agency's long-term liabilities is presented in Note 2 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Agency's management considered many factors when setting future fiscal year budgets, rates, and fees that will be charged for the business-type activities. Careful consideration was given to legislative goals and the Agency's mission when adopting the General Fund budget for fiscal year 2024. The Agency's biennial budget request submitted to the Governor and Legislature takes into account the overall costs of administering the programs, salary costs, inflationary costs, as well as new agency priorities. If an appropriation for either year of the biennium is insufficient, the appropriation for the other year is available for it.

The management team for the SELF and SELF Refi programs consult with their financial advisors and bond partners when considering and evaluating bond financing options for the programs. In addition, when establishing loan interest rates the management team takes into account current and anticipated future economic and market conditions.

SELF Loan

The SELF Loan program has several phases based on changes in calculating interest and other loan terms. In fiscal year 2002, the Agency received approval for the SELF III phase of the loan program, which bases the interest rate charged to borrowers on the average of the three-month LIBOR during the calendar quarter immediately preceding the interest rate adjustment date plus a margin. The SELF IV phase of the loan program began in July 2006 with minor changes. The SELF V phase of the loan program began in October 2010 with a fixed and variable interest rate option. The SELF III, SELF IV, SELF V and SELF VI current margin is 2.5% for variable rate loans. For the fixed rate option of the SELF VI phase of the loan program, effective April 1, 2022 the rate is set at 6.35% for new loans.

The Agency has set the maximum SELF Loan amount at $20,000 for four year postsecondary and graduate programs, $10,000 for non four year degree programs, and $3,000 for programs less than one year.

The Agency's Loan Capital Fund cash and investment balance decreased by $495,173, the restricted cash and investment balance decreased by $95.9 million, and the loans receivable – net balance decreased $6.8 million. Current outstanding bonds rely on the Loan Capital Fund for the payment of various bond fees, student loan servicing costs, reimbursement of defaulted loans, and administrative expenses.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency at (651) 259-3951.

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Current assets:			
Cash and investments	$ 57,604,835	$ 256,324,661	$ 313,929,496
Receivables:			
Accounts	95,368	492,997	588,365
Interest	-	4,340,117	4,340,117
Loans receivable, net	-	56,770,061	56,770,061
Due from other governments	1,103,790	-	1,103,790
Total current assets	58,803,993	317,927,836	376,731,829
Noncurrent assets:			
Restricted cash and investments	-	205,926,540	205,926,540
Loans receivable, net	-	359,228,783	359,228,783
Capital assets (net of accumulated depreciation)	783,309	20,020	803,329
Total noncurrent assets	783,309	565,175,343	565,958,652
Total assets	59,587,302	883,103,179	942,690,481
Deferred Outflows of Resources			
Pension related amounts	1,707,095	474,905	2,182,000
OPEB related amounts	81,000	27,000	108,000
Total deferred outflows of resources	1,788,095	501,905	2,290,000
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	4,363,551	324,122	4,687,673
Accrued liabilities	200,381	57,036	257,417
Accrued interest	-	1,465,769	1,465,769
Due to other governments	19,946	-	19,946
Due to primary government, unspent appropriations	10,791,846	-	10,791,846
Unearned revenue	5,222	-	5,222
Deposits	77,000	-	77,000
Compensated absences payable	47,998	26,000	73,998
Revenue bonds payable	-	2,790,000	2,790,000
Total current liabilities	15,505,944	4,662,927	20,168,871
Noncurrent liabilities:			
Revenue bonds payable	-	312,565,537	312,565,537
Compensated absences payable	544,000	223,000	767,000
Net pension liability	1,844,103	546,897	2,391,000
Total OPEB liability	426,750	142,250	569,000
Total noncurrent liabilities	2,814,853	313,477,684	316,292,537
Total liabilities	18,320,797	318,140,611	336,461,408
Deferred Inflows of Resources			
Unearned revenue	27,532,124	-	27,532,124
Pension related amounts	692,396	197,604	890,000
OPEB related amounts	69,750	23,250	93,000
Total deferred inflows of resources	28,294,270	220,854	28,515,124
Net Position			
Net investment capital assets	783,309	20,020	803,329
Restricted for administration and financial aid programs	14,771,279	-	14,771,279
Restricted for debt service	-	565,223,599	565,223,599
Unrestricted (deficit)	(794,258)	-	(794,258)
Total net position	$ 14,760,330	$ 565,243,619	$ 580,003,949

See notes to financial statements

Minnesota Office of Higher Education

Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Total
Governmental Activities						
Administration and financial aid programs	$ 307,975,970	$ 847,689	$ 308,483,881	$ 1,355,600	$ -	$ 1,355,600
Federal grants	5,139,636	-	5,453,625	313,989	-	313,989
Total governmental activities	313,115,606	847,689	313,937,506	1,669,589	-	1,669,589
Business-Type Activities						
Loan capital fund	17,237,980	23,183,195	-	-	5,945,215	5,945,215
Total	$ 330,353,586	$ 24,030,884	$ 313,937,506			
General Revenues						
Investment Income				-	15,853,386	15,853,386
Change in net position				1,669,589	21,798,601	23,468,190
Net Position, Beginning				13,090,741	543,445,018	556,535,759
Net Position, Ending				$ 14,760,330	$ 565,243,619	$ 580,003,949

See notes to financial statements

Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	$ 41,289,779	$ 16,315,056	$ 57,604,835
Accounts receivable	43,011	52,357	95,368
Due from other governments	440,039	663,751	1,103,790
Due from other funds	408,001	-	408,001
Total assets	$ 42,180,830	$ 17,031,164	$ 59,211,994
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	$ 3,742,228	$ 621,323	$ 4,363,551
Accrued liabilities	114,632	85,749	200,381
Due to other governments	-	19,946	19,946
Due to primary government, unspent appropriations	10,791,846	-	10,791,846
Due to other funds	-	408,001	408,001
Unearned revenue	-	5,222	5,222
Deposits	-	77,000	77,000
Total liabilities	14,648,706	1,217,241	15,865,947
Deferred Inflows of Resources			
Unearned revenue	27,532,124	-	27,532,124
Total deferred inflows of resources	27,532,124	-	27,532,124
Fund Balances			
Restricted for administration and financial aid programs	-	14,771,279	14,771,279
Assigned for agency programs	-	43,265	43,265
Assigned for indirect costs	-	972,787	972,787
Assigned for financial aid information	-	26,592	26,592
Total fund balances	-	15,813,923	15,813,923
Total liabilities, deferred inflows of resources and fund balances	$ 42,180,830	$ 17,031,164	$ 59,211,994

See notes to financial statements

Minnesota Office of Higher Education

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balances, Governmental Funds	$ 15,813,923
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year-end consist of:	
Capital assets	1,376,250
Less accumulated depreciation	(592,941)
Some deferred outflows of resources and deferred inflows of resources do not relate to current financial resources and are not reported in the fund statements. These consist of:	
Deferred outflows, pension related amounts	1,707,095
Deferred inflows, pension related amounts	(692,396)
Deferred outflows, OPEB related amounts	81,000
Deferred inflows, OPEB related amounts	(69,750)
Certain liabilities are not due in the current period and, therefore, are not reported in the fund statements. These liabilities at year-end consist of:	
Compensated absences payable	(591,998)
Net pension liability	(1,844,103)
Total OPEB liability	(426,750)
Net Position of Governmental Activities	$ 14,760,330

See notes to financial statements

Minnesota Office of Higher Education

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total
Revenues			
State appropriations	$ 302,871,425	$ 5,612,456	$ 308,483,881
Federal grants	-	5,453,625	5,453,625
Registration and licensing fees	-	466,500	466,500
Other revenue	-	381,189	381,189
Total revenues	302,871,425	11,913,770	314,785,195
Expenditures			
Administration and financial aid programs	302,871,425	5,406,222	308,277,647
Federal grants	-	5,453,625	5,453,625
Total expenditures	302,871,425	10,859,847	313,731,272
Net change in fund balances	-	1,053,923	1,053,923
Fund Balances, Beginning	-	14,760,000	14,760,000
Fund Balances, Ending	$ -	$ 15,813,923	$ 15,813,923

See notes to financial statements

Minnesota Office of Higher Education

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances, Total Governmental Funds	$ 1,053,923
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Depreciation is reported in the government-wide statements	(131,764)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following did not require the use of current financial resources:	
Compensated absences payable	(91,001)
Net pension liability	(1,779,313)
Deferred outflows of resources related to pensions	(238,014)
Deferred inflows of resources related to pensions	2,920,258
Total OPEB liability	(64,500)
Deferred outflows of resources related to OPEB	25,500
Deferred inflows of resources related to OPEB	(25,500)
Change in Net Position of Governmental Activities	$ 1,669,589

See notes to financial statements

Minnesota Office of Higher Education

Statement of Revenues, Expenses and Changes in Net Position - Proprietary (Enterprise) Fund
Loan Capital Fund
Year Ended June 30, 2023

Operating Revenues	
Interest on student loans	$ 23,183,195
Operating Expenses	
General and administrative	7,254,370
Depreciation	1,907
Provision for loans losses, net	(274,898)
Total operating expenses	6,981,379
Operating income	16,201,816
Nonoperating Revenues (Expenses)	
Investment income	15,853,386
Interest and fiscal charges	(10,256,601)
Total nonoperating revenues (expenses)	5,596,785
Change in net position	21,798,601
Net Position, Beginning	543,445,018
Net Position, Ending	$ 565,243,619

See notes to financial statements

Minnesota Office of Higher Education

Statement of Cash Flows - Proprietary (Enterprise) Fund - Loan Capital Fund
Year Ended June 30, 2023

Cash Flows From Operating Activities	
Cash received from loan holders	$ 86,805,294
Cash paid for loan origination	(57,648,998)
Cash paid to employees and suppliers	(7,549,749)
Net cash flows from operating activities	21,606,547
Cash Flows From Investing Activities	
Interest received from investments	14,504,523
Net cash flows from investing activities	14,504,523
Cash Flows From Noncapital Financing Activities	
Bond redemption	(177,390,000)
Proceeds from bonds issued	55,401,655
Interest paid on bonds	(10,500,607)
Net cash flows from noncapital financing activities	(132,488,952)
Net change in cash and cash equivalents	(96,377,882)
Cash and Cash Equivalents, Beginning	558,629,083
Cash and Cash Equivalents, Ending	$ 462,251,201
Reconciliation of Cash and Cash Equivalents	
Cash and investments per statement of net position	$ 256,324,661
Restricted cash and investments per statement of net position	205,926,540
Cash and cash equivalents per statement of cash flows	$ 462,251,201
Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income	$ 16,201,816
Adjustments to reconcile operating income to net cash flows from operating activities:	
Noncash items included in income/expense:	
Depreciation	1,907
Provision for loan losses	4,348,967
Write-off of loans	(4,454,727)
Origination of student loans	(57,648,998)
Principal payments on student loans	64,568,269
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Interest receivable	(1,003,899)
Other receivables	(111,125)
Accounts payable and accruals	(59,094)
Net pension liability and related deferred outflows and inflows	(258,069)
Total OPEB liability and related deferred outflows and inflows	21,500
Net cash flows from operating activities	$ 21,606,547

Noncash Capital, Investing and Financing Activities

None

See notes to financial statements

1. Summary of Significant Accounting Policies

The accounting policies of the Minnesota Office of Higher Education conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

Effective July 1, 1995, the Minnesota Office of Higher Education (formerly known as Minnesota Higher Education Services Office) (the Agency) was created in accordance with laws of Minnesota for 1995 as a component unit of the State of Minnesota. The Agency is responsible for the administration of State of Minnesota financial aid programs to students enrolled in eligible postsecondary institutions. In addition, the Agency is also responsible for administrating federal financial aid programs that affect eligible students and institutions on a statewide basis. The Commissioner, who is appointed by the governor, oversees the performance of the Agency.

The Agency's financial statements are presented discretely in the State of Minnesota's Annual Comprehensive Financial Report as a component unit.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity since the reporting entity has no fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through state appropriations and federal grants. Business-type activities are generally financed by fees and charges from student loans.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Fund Financial Statements

Financial statements of the Agency are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type and

b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the Agency believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Minnesota Office of Higher Education reports the following major governmental funds:

General Fund

General Fund accounts for the Agency's primary operating activities. It is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund is used to account and report for the funds received and disbursed for the State of Minnesota's research and financial aid programs.

The Minnesota Office of Higher Education reports the following major enterprise funds:

Loan Capital Fund

Loan Capital Fund accounts for the Agency's student loan activities including the Supplemental Loan programs (SELF III, SELF IV, SELF V, SELF VI and SELF Refi) and payment of expenses of administering such programs. In addition, the Loan Capital Fund is used to account for related long-term debt payable and interest expense.

The Minnesota Office of Higher Education reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Special Revenues and Gifts Fund – Federal grants passed through other entities, certain state appropriations, gifts and licensing

Federal Grant Fund – Direct federal grants

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Agency's funds for indirect costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State appropriations are recognized in the year designated by Minnesota Statutes. Federal grants are recognized in the year during which the eligible expenditures are made. If the amounts of federal grants cannot be reasonably estimated or realization is not reasonably assured, they are not recognized as revenue in the current year. Amounts owed to the Agency which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include federal grants and interest on investments. Other general revenues such as registration and licensing fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary Funds

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Loan Capital Fund is payment of interest on student loans. Operating expenses for the proprietary fund include administrative expenses and provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota Statutes 136A.16 Subd. 8 and 11A.24 describe the investments the Agency is authorized to have.

The Agency has adopted an investment policy that addresses investment risks; that policy follows the state statute for allowable investments. The Agency may only invest in obligations maturing within three years of the date of purchase except those invested in the debt service reserve funds which can be invested to the bond maturity date. In addition, the Agency's investment policy outlines the maximum percentage of any type of deposit or investment it may have at one time and the maximum percentage of investment securities to be held at one bank or bank investment subsidiary.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note 2 for further information.

Receivables

Loans receivable have been shown net of an allowance for uncollectible accounts.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Restricted assets will be used for issuing new student loans and retirement of related long-term debt.

Capital Assets

Government-Wide Statements

Capital assets, which include office improvements and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial cost of more than $300,000 for buildings and improvements and $30,000 for equipment and an estimated useful life of two or more years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Office improvements	10 years
Furniture and equipment	15 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacation time in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested sick leave and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are payable with expendable available resources.

Employees are not compensated for unused sick leave upon termination; however, unused sick leave enters into the computation of severance pay. All employees who have provided 5 to 20 years or more of continuous State of Minnesota service (depending on employment contract terms) are entitled to receive severance pay upon any separation, except discharge for just cause from service. Severance is calculated based upon a formula using an employee's unused sick leave balance.

All eligible employees accrue vacation at a rate that varies with length of service. Any employee who has been employed more than six months and who has separated from State of Minnesota service is compensated in cash at his or her current rate at the time of separation. However, no payment shall exceed 275 to 280 hours (depending on employment contract terms), except in the case of death.

Payments for sick leave and vacation will be made at rates in effect when the benefits are used. Accumulated sick leave and vacation liabilities at June 30, 2023 are determined on the basis of current salary rates.

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist of bonds payable, accrued compensated absences, net pension liability and total other post-employment benefits (OPEB) liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face values of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year-end is shown as an increase or decrease in the liability section of the statement of net position.

The Agency is restricted on the amount of interest that can be earned on loans pledged as collateral to nontaxable bonds compared to interest expense. This limit is 2% and in the current year, the yield did not exceed this limit. An arbitrage liability was not recorded.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority. Fund balance amounts are committed through a formal action of the Commissioner. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Commissioner that originally created the commitment.

d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Commissioner may take official action to assign amounts. Assignments may take place after the end of the reporting period.

e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The Agency considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Agency would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note 2 for further information.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS' fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, the Agency is part of the State's single employer defined benefit retiree healthcare plan. The Agency recognizes benefit payments when due and payable in accordance with the benefit terms. As the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense are immaterial to the Agency's financial statements, additional disclosures regarding the plan description, benefits provided, employees covered, assumptions and other inputs, details of changes in the total OPEB liability, sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates and covered payroll are intentionally omitted from these financial statements.

2. Detailed Notes on All Funds

Deposits and Investments

The Agency's deposits and investments at year-end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Money market mutual fund investments	$ 203,967,864	$ 203,977,309	None
Demand deposits	317,525	317,525	Custodial credit risk
Pooled cash held by state treasury	315,570,647	315,570,647	N/A
Total deposits and investments	$ 519,856,036	$ 519,865,481	

Reconciliation to financial statements

Per statement of net position:	
Cash and investments	$ 313,929,496
Restricted cash and investments	205,926,540
Total deposits and investments	$ 519,856,036

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $100,000 may be in cash.

Deposits in accounts at U.S. Bank are also secured by a $2,000,000 Federal Home Loan Bank letter of credit.

Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Agency's deposits may not be returned to the Agency.

The Agency does not have any deposits exposed to custodial credit risk.

Receivables

Receivables as of year-end for the Agency's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Fund	Gross Receivables	Allowance for Uncollectibles	Net Receivables	Amounts not Expected to Be Collected Within One Year
General	$ 483,050	$ -	$ 483,050	$ -
Loan Capital	427,604,425	6,772,467	420,831,958	359,228,783
Nonmajor Funds	716,108	-	716,108	-

Loans receivable include amounts due within one year and amounts due in more than one year, based upon loan schedules with each student (loan holder). Approximately 15.03% of the balance is expected to be collected during fiscal year 2024, based on collections in fiscal year 2023.

SELF III, IV and V loans are no longer being issued by the Agency. SELF III and IV loans are only variable rate, while SELF V loans can be variable or fixed rate. The variable interest rate on outstanding SELF III, IV and V loans is equal to the three-month average of the three-month London InterBank Offered Rate (LIBOR) plus a current margin of 2.5%. The variable interest rate cannot change more than three percentage points in any four consecutive calendar quarters. The variable rate was 5.5% as of June 30, 2023.

Repayment of interest for SELF III, IV and V loans begins within 90 days after disbursement and is due quarterly thereafter. Principal payments begin no later than 36 months after graduation or when the borrower drops below less than half time enrollment.

SELF VI loans started in April 2022 with both fixed and variable rate loans available. The variable interest rate for loans originated prior to April 25, 2022 is equal to the three-month average of the three-month London InterBank Offered Rate (LIBOR) plus a current margin of 2.5%. The variable rate for loans originated on or after April 25, 2022 is equal to the three-month term Secured Overnight Financing Rate (SOFR) plus a current margin of 2.5%. The LIBOR indexed rate as of June 30, 2023 was 5.5%, while the SOFR indexed rate was 6.0%. The fixed rate as of June 30, 2023 was 6.35%. The Agency has the option to offer a different fixed rate to future borrowers.

Monthly payments of up to $25 (currently set at $15) per SELF VI loan are required during School and Transition periods. Any unpaid interest from the School and Transition periods are capitalized at the end of the Transition period. The Transition period begins upon; graduation, if enrollment drops below half-time, or if the student transfers to a school which does not qualify. Repayment terms for SELF VI are 10, 15, and 20 years depending on how much the student borrows from the SELF program.

SELF Refi variable and fixed rate loans were offered for the first time in January 2016 to Minnesota residents who have earned a postsecondary credential and meet other eligibility requirements set forth by the Agency. Multiple fixed and variable interest rate options are available based on the repayment term of 5, 10 or 15 years. All SELF Refi Loans enter immediate repayment. The LIBOR indexed SELF Refi variable rates ranged from 7.0% - 8.35%. The interest rate is equal to the three-month average of the one-month LIBOR, plus a current margin ranging from 2.40% - 3.75%. The Secured Overnight Financing Rate (SOFR) indexed SELF Refi variable rates ranged from 7.30% - 8.55%. The interest rate is equal to the three-month term SOFR, plus a current margin ranging from 2.50% - 3.75%. Fixed rates ranged from 6.0% - 7.0% on June 30, 2023. The interest rate on fixed rate loans will not change over the life of the loan. The Agency has the option to offer different fixed rates to future borrowers.

All SELF and SELF Refi loans are unsecured. The Agency requires a credit worthy cosigner on each SELF III, IV, V and VI loan. For SELF Refi loans, if a borrower meets the minimum credit score and maximum debt-to-income ratio, a cosigner is not required. For all SELF and SELF Refi loans, the Agency is able to intercept state tax refunds for both borrower and cosigner (where applicable) in the event of default in addition to other collection methods. The balance of all SELF loans at June 30, 2023 was $422,771,311.

An allowance for uncollectible SELF III, SELF IV, SELF V and SELF Refi loans is provided for in the financial statements and an equal amount of the allowance is maintained as restricted cash in the Loan Capital Fund. The Loan Capital Fund provides for loan losses sufficient to maintain the total balance in the allowance at a level equal to 1.6% of the total outstanding loan balance and also designates restricted cash equal to the balance of the allowance. Recoveries on defaulted SELF loans are credited to the Loan Capital Fund as revenue in the year received.

The activity for the allowance for uncollectible loans on all loan types for the year ended June 30, 2023 is as follows:

Beginning balance	$ 6,878,227
Provision for loan losses	4,348,966
Write-off of loans	(4,454,726)
Ending balance	$ 6,772,467

Recovery on defaulted loans of $4,623,741 for the year ended June 30, 2023 is recognized as a reduction in the provision for loan losses.

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Revenue - Used to deposit student loan payments of principal and interest. Payments from this account are made to investors for bond interest and to finance additional student loans.

Surplus - Used to deposit excess funds from the revenue account and to finance additional student loans.

Acquisition - Used to deposit initial funds at bond issuance and used to finance student loans.

Debt Service Reserve - Used to reserve funds based on bond indenture requirements for potential deficiencies in the revenue account or the surplus account.

Bad Debt Reserve Account

The Loan Capital Fund established a bad debt reserve account to purchase uncollectible student loans. This account equals the allowance for uncollectible SELF loans and SELF Refi loans. This fund is replenished quarterly.

Following is a list of restricted assets (long term debt and bad debt reserve accounts) at June 30, 2023:

	Restricted Assets
Revenue account	$ 63,308,113
Surplus account	93,839,872
Acquisition account	36,613,277
Redemption account	76,870
Debt service reserve account	5,313,387
Capitalized interest account	2,554
Bad debt reserve account	6,772,467
Total restricted assets	$ 205,926,540

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Grant Fund	$ 408,001
Less fund eliminations		(408,001)
Total, government-wide statement of net position		$ -

The interfund payable is expected to be paid within one year. The purpose of the interfund is to cover an overdraft of pooled cash.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Office improvements	$ 1,200,443	$ -	$ -	$ 1,200,443
Furniture and equipment	175,807	-	-	175,807
Total capital assets being depreciated	1,376,250	-	-	1,376,250
Less accumulated depreciation for:				
Office improvements	(420,154)	(120,044)	-	(540,198)
Furniture and equipment	(41,023)	(11,720)	-	(52,743)
Total accumulated depreciation	(461,177)	(131,764)	-	(592,941)
Total capital assets, net of accumulated depreciation	$ 915,073	$ (131,764)	$ -	$ 783,309

$131,764 of depreciation expense was charged to the governmental activities function of administration expense.

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	$ 28,601	$ -	$ -	$ 28,601
Total capital assets being depreciated	28,601	-	-	28,601
Less accumulated depreciation for:				
Furniture and equipment	(6,674)	(1,907)	-	(8,581)
Total accumulated depreciation	(6,674)	(1,907)	-	(8,581)
Total capital assets, being depreciated, net	$ 21,927	$ (1,907)	$	$ 20,020

$1,907 of depreciation expense was charged to the loan capital fund.

Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Other liabilities:					
Vested compensated absences	$ 500,997	$ 740,001	$ 649,000	$ 591,998	$ 47,998
Total OPEB liability	362,250	64,500	-	426,750	-
Net pension liability	64,790	1,779,313	-	1,844,103	-
Total governmental activities, long-term liabilities	$ 928,037	$ 2,583,814	$ 649,000	$ 2,862,851	$ 47,998
Business-Type Activities					
Bonds payable:					
Revenue bonds	$ 80,015,000	$ 54,775,000	$ 20,990,000	$ 113,800,000	$ 2,790,000
Revenue bonds, direct placement	356,400,000	-	156,400,000	200,000,000	-
Add/(subtract) amounts for:					
(Discounts)/premiums	1,448,431	626,655	519,549	1,555,537	-
Total bonds payable	437,863,431	55,401,655	177,909,549	315,355,537	2,790,000
Other liabilities:					
Vested compensated absences	247,000	207,000	205,000	249,000	26,000
Total OPEB liability	120,750	21,500	-	142,250	-
Net pension liability	46,210	500,687	-	546,897	-
Total other liabilities	413,960	729,187	205,000	938,147	26,000
Total business-type activities, long-term liabilities	$ 438,277,391	$ 56,130,842	$ 178,114,549	$ 316,293,684	$ 2,816,000

The issued revenue bonds and direct placement revenue bonds do not constitute debt of the State of Minnesota.

In accordance with Minnesota Statutes, the aggregate amount of revenue bonds and direct placement revenue bonds, issued directly by the Agency, outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000. Revenue bonds and direct placement revenue bonds outstanding at year-end were $313,800,000.

All of the revenue and direct placement revenue bonds were issued to provide SELF student loans to borrowers.

	Date of Issue	Final Maturity	Interest Rate as of June 30, 2023	Interest Rates Reset (Days)	Original Indebtedness	Balance, June 30, 2023
Revenue Bonds						
Supplemental Student Loan Program Fixed Rate Revenue Bonds:						
Series 2023 revenue bonds	June 2023	November 2042	4.39%	N/A	$ 54,775,000	$ 54,775,000
Series 2020 revenue bonds	March 2020	November 2038	4.33	N/A	57,690,000	41,280,000
Series 2018 revenue bonds	November 2018	November 2038	3.20	N/A	54,535,000	17,745,000
Total revenue bonds						$ 113,800,000
Revenue Bonds, Direct Placement						
Supplemental Student Loan Program Variable Rate Revenue Bonds:						
Series 2017C revenue bonds	July 2017	October 2046	1.39%	30	$ 58,300,000	$ 40,000,000
Series 2012B-2 revenue bonds	September 2012	August 2047	4.57	7	270,800,000	100,000,000
Supplemental Student Loan Program Fixed Rate Revenue Bonds:						
Series 2017B revenue bonds	July 2017	October 2046	1.57	N/A	60,000,000	60,000,000
Total revenue bonds, direct placement						$ 200,000,000

Annual debt service requirements to maturity for revenue bonds and direct placement revenue bonds, including interest at June 30, 2023 rates for variable rate bonds, are as follows:

	Business-Type Activities			
	Revenue Bonds		Revenue Bonds, Direct Placement	
	Principal	Interest	Principal	Interest
Years ending June 30:				
2024	$ 2,790,000	$ 5,321,622	$ -	$ 5,841,590
2025	4,240,000	4,569,545	-	6,454,167
2026	5,540,000	4,430,045	-	6,381,667
2027	5,305,000	4,218,045	-	6,316,667
2028	8,195,000	3,941,045	-	6,275,685
2029-2033	38,785,000	14,614,214	-	31,319,938
2034-2038	32,770,000	6,898,669	-	31,673,260
2039-2043	16,175,000	1,971,800	78,000,000	24,265,967
2044-2048	-	-	122,000,000	12,511,203
Total	$ 113,800,000	$ 45,964,985	$ 200,000,000	$ 131,040,144

All the bond series, including direct placement bonds, are secured by the revenues derived by the Agency from student loans financed by the proceeds of the bonds. There is no additional collateral maintained for any of the bonds.

Rates on Revenue Bonds

The rates on the tax-exempt Series 2018 bonds are fixed and range from 4% - 5%. The serial bonds have a rate of 5% and maturity dates that range from November 2022 through November 2026. The term bond has a rate of 4% and a maturity date of 2037, but has mandatory sinking fund payments and mandatory redemption from November 2027 through November 2037.

The rates on the tax-exempt Series 2020 bonds are fixed and range from 2.65% - 5%. The serial bonds have a rate of 5% and maturity dates that range from November 2023 through November 2027. The term bond has a rate of 2.65% and a maturity date of 2038, but has mandatory sinking fund payments and mandatory redemption from November 2028 through November 2038.

The rates on the tax-exempt Series 2023 bonds are fixed and range from 4% - 5%. The serial bonds have a rate of 5% and maturity dates that range from November 2027 through November 2033. The term bond has a rate of 4% and a maturity date of 2042, but has mandatory sinking fund payments and mandatory redemption from November 2034 through November 2042.

In addition to the sinking fund payments and mandatory redemptions discussed above, the Series 2018, Series 2020 and Series 2023 term bonds are subject to potential special mandatory redemption on each interest payment date. The special mandatory redemption is calculated from excess revenues that do not constitute excess coverage. The interest payment dates occur on May 1 and November 1. Excess revenues that do not constitute excess coverage for the November 1, 2024 interest payment date has been determined and a special mandatory redemption is included in the debt service table above for the year ending 2024. The debt service table above does not include potential special mandatory redemptions for the years ending 2025 and thereafter as the amounts cannot be calculated as of June 30, 2023.

Rates on Revenue Bonds, Direct Placement

The rates on the tax-exempt Series 2012B-2 bonds are variable rate. For the variable rate bonds, the rate is a percentage of the weekly Securities Industry and Financial Markets Association (SIFMA) rate plus a set margin and the rate changes weekly. The rate is adjusted by the margin rate factor if the maximum corporate tax rate changes. The bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

The rates on the tax-exempt Series 2017B bonds are fixed rate. For the fixed rate bonds, the rate is set at 2.32%. The bonds have a mandatory redemption date in 2043 and a balloon payment due at final maturity.

The rates on the tax-exempt Series 2017C bonds are variable rate. For the variable rate bonds, the rate is a percentage of the one-month LIBOR plus a set margin and the rate changes monthly. The bonds have a mandatory balloon payment due at final maturity.

Bond Indentures - Revenue Bonds and Direct Placement Revenue Bonds

The Series 2023 bonds require the Agency to maintain a debt service account equal to the greater of 2% of the outstanding revenue bond balance or $547,750. The amount required to be on deposit at year-end is $1,095,500 and the Agency met this requirement. The Series 2020 bonds require the Agency to maintain a debt service account equal to the greater of 2% of the outstanding revenue bond balance or $572,250. The amount required to be on deposit at year-end is $825,600 and the Agency met this requirement. The Series 2018 bonds require the Agency to maintain a debt service account equal to the greater of 2% of the outstanding revenue bond balance or $550,000. The amount required to be on deposit at year-end is $550,000 and the Agency met this requirement. The Series 2017B and 2017C bonds require the Agency to maintain a debt service account equal to 1% of the outstanding revenue bond balance, subject to a minimum of $500,000. The amount required to be on deposit at year-end is $1,000,000 and the Agency met this requirement. The Series 2012B bonds require the Agency to maintain a debt service account equal to 1% of the outstanding revenue bond balance. The amount required to be on deposit at year-end is $1,000,000 and the Agency met this requirement. There are a number of other limitations and restrictions contained in the various bond indentures (see also Note 2. Restricted Assets). The Agency believes it is in compliance with all significant limitations and restrictions.

The Agency's outstanding debt related to business-type activities of $113,800,000 and outstanding debt from direct placements related to business-type activities of $200,000,000 contain provisions that in an event of default the Agency may pursue remedies to cure the default. Bondholders may further pursue the default including, but not limited to, declaring the entire outstanding balance of the debt immediately due and payable.

All bond series, including direct placement bonds, are to be repaid solely from the money and investments held by the trustees.

For all bonds, including direct placement bonds, an early repayment provision exists. For the Series 2012B bonds, the Agency must receive the written consent of the credit provider or bank purchaser, as applicable, prior to an optional redemption. The Agency must also pay a fee to the bank purchaser in connection with each optional redemption prior to the second anniversary of the effective date of the Continuing Covenant Agreement. While in variable mode, any Series 2017 bonds may be redeemed in whole or in part on any business day at the option of the issuer, with the prior written consent of the credit provider or bank purchaser, as applicable, at the redemption price. If only part of the Series 2017 bonds is to be redeemed, the part to be redeemed must be in the minimum amount of $1,000,000 and integral multiples of $1,000 thereafter. The foregoing sentence does not apply if the aggregate outstanding principal balance of a Series 2017 bonds to be redeemed is less than $1,000,000. The Series 2018 bonds maturing on November 1, 2037 are subject to optional redemptions on any date occurring on or after November 1, 2026 at the option of the issuer. The Series 2018 Bonds maturing on November 1, 2037, are subject to optional redemptions prior to their stated maturity, in whole or in part, on each interest payment date that is a potential special optional excess revenues redemption date, in such amounts as directed by the issuer, but solely from excess revenues derived from or allocable to the Series 2018 bonds. The Series 2020 bonds maturing on November 1, 2038 are subject to optional redemptions on any date occurring on or after November 1, 2027 at the option of the issuer. The Series 2020 Bonds maturing on November 1, 2038, are subject to optional redemptions prior to their stated maturity, in whole or in part, on each interest payment date that is a potential special optional excess revenues redemption date, in such amounts as directed by the issuer, but solely from excess revenues derived from or allocable to the Series 2020 bonds. The Series 2023 bonds maturing on November 1, 2042 are subject to optional redemptions on any date occurring on or after November 1, 2033 at the option of the issuer. The Series 2023 Bonds maturing on November 1, 2042, are subject to optional redemptions prior to their stated maturity, in whole or in part, on each interest payment date that is a potential special optional excess revenues redemption date, in such amounts as directed by the issuer, but solely from excess revenues derived from or allocable to the Series 2023 bonds.

Arbitrage Regulations

The $313,800,000 of tax-exempt bonds issued by the Agency are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. Any earnings in excess of the bond yield plus 2% must be remitted to the U.S. government not more than five years following the issue date of the bonds. As of June 30, 2023, the Agency accrued no liability resulting from the excess yield on interest rates.

Other Debt Information

Estimated payments of vested compensated absences, total OPEB liability and net pension liability are not included in the debt service requirement schedules. These liabilities that are attributable to governmental activities will be liquidated by the general, special revenue and gifts and federal grant funds. See Note 3 for additional disclosures related to the net pension liability.

Net Position

Certain net positions are classified in the statement of net position as restricted because their use is limited. The business-type activities report restricted net position for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of June 30, 2023, the business-type activities restricted net position is restricted for debt service.

The Agency's business-type activities net position (up to a certain level) is restricted for debt service according to bond financial covenants. The amount subject to the restriction increases each year and is as follows:

Years ending June 30:	
2023	$ 725,000,000
2024 and thereafter	750,000,000

As the Agency's net position is less than the required minimum per the bond covenants, the net position is shown first as invested in capital assets and then as restricted for loan capital fund use, as required in the bond financial covenants.

3. Other Information

Pension

Plan Description

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS) and is established and administered in accordance with Minnesota Statutes, Chapter 352. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/annual-reports-fy-2022; by writing to MSRS at 60 Empire Drive, Suite 300, St. Paul, Minnesota, 55103; or by calling 651.296.2761 or 800.657.5757.

Benefits Provided

MSRS provides retirement, disability and death benefits to plan members and their beneficiaries through the SERF. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January. Annuitants receive post-retirement benefit increases of 1.0% through 2023 and 1.5% thereafter.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). Members hired on or after July 1, 1989, must use the Level formula (not Rule of 90 eligible). Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2% of the high-five average salary for each of the first 10 years of covered service, then 1.7% for each year thereafter. Under the Level formula, members receive 1.7% of the high-five average salary for all years of covered service and full benefits are available at normal retirement age.

Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 6.00% and 6.25%, respectively, of their annual covered salary in fiscal year 2023. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2023 was $337,999. These contributions were equal to the contractually required contributions as set by state statute.

Actuarial Assumptions

The Agency's 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 that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per year
Active member payroll growth	3.00% per year
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on Pub-2010 mortality tables using projection scale MP-2018, adjusted by a multiplier to match fund experience. Benefit increases for retirees are assumed to be 1.0% through 2023 and 1.5% thereafter.

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies for the period July 1, 2014, through June 30, 2018.

The long-term expected rate of return on pension plan investments is 6.75%. During fiscal year 2016, the State Board of Investment (SBI) hired an outside consultant to perform an asset and liability study. Based on the study, the SBI staff proposed an update to the asset allocation, which yields a lower nominal expected return. Asset allocation studies are typically completed every five years; a new study is expected in the near future.

The SBI's long-term expected rate of return was determined using a building-block method. Best estimates of future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio as summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022, was 6.75%. The projection of cash flows used to determine the single discount rates assumes that plan member and employer contributions will be made at the current statutory contribution rates. Based on the selected assumptions, the fiduciary net position was projected to be available to make all future benefit payments of current plan members through fiscal year 2122. Therefore, the discount rate is the long-term expected rate of return on pension plan investments, which was applied to all periods of projected benefit payments to determine the total pension liability. The single discount rate used to measure the total pension liability was 6.75%, an increase of 0.25% from the single discount rate that was used for the four funds in fiscal year 2021.

Net Pension Liability

At June 30, 2023, the Agency reported a liability of $2,391,000 for its proportionate share of MSRS' 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 that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by MSRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2022, the Agency's proportion was .14550%, which was an increase of .00935% from its proportion measured as of June 30, 2022.

There were no changes of benefit terms for any participating employer in the Minnesota State Retirement System.

The following changes in actuarial assumptions occurred in 2022:

- The investment return and single discount rates increased from 6.50% to 6.75%.

There were no changes in plan provisions since the previous valuation.

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability, calculated using the discount rate disclosed in the discount rate paragraph above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Agency's proportionate share of the net pension liability (asset)	$ 5,612,000	$ 2,391,000	$ (273,000)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Annual Comprehensive Financial Report, available on the MSRS website (www.msrs.state.mn.us/annual-reports-fy-2022).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Agency recognized pension expense (income) of ($981,000). At June 30, 2023, the Agency 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
Difference between expected and actual experience	$ 19,000	$ 15,000
Changes of assumptions	1,637,000	870,000
Net difference between projected and actual earnings on investments	114,000	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	83,000	5,000
Contributions paid to MSRS subsequent to the measurement date	329,000	-
Total	$ 2,182,000	$ 890,000

Amounts reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Years ending June 30:	
2024	$ 172,000
2025	149,000
2026	159,000
2027	483,000

Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Agency is self-insured through the State of Minnesota for all types of losses. A fee is paid annually for property insurance and an administrative fee is paid annually for workers' compensation, but no other premiums are paid.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

From time to time, the Agency is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Agency's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Agency's financial position or results of operations.

The Agency has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the Agency's general fund comes from the State of Minnesota. The Agency's general fund is dependent on continued approval and funding by the Minnesota governor and legislature, through their budget processes. Any changes made by the State to appropriations for the Agency's general fund could have a significant impact on the future operating results of the Agency.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 100*, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*
- Statement No. 101*, Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
General administration	$ 4,504,000	$ 4,272,096	$ 4,272,096	$ -
MN Link Gateway and Minitex Library	5,905,000	5,905,000	5,905,000	-
Student Loan Debt Counsel	200,000	243,764	243,764	-
Black Men Teach Twin Cities	-	431,130	431,130	-
Emergency Assistance	269,000	152,106	152,106	-
American Indian Scholarship	3,500,000	2,973,954	2,973,954	-
Tribal College Grants	150,000	110,558	110,558	-
State Grant Program	210,037,000	215,164,526	215,164,526	-
Child Care Grants	6,694,000	7,500,655	7,500,655	-
Safety Officer Survivors	100,000	45,911	45,911	-
Summer Academic Enrichment	250,000	354,598	354,598	-
Interstate Reciprocity	8,500,000	8,500,000	8,500,000	-
State Work Study	14,502,000	12,108,432	12,108,432	-
Grants to Teacher Candidates	500,000	690,174	690,174	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	200,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	199,828	199,828	-
Loan Repayment Assistance Program	25,000	50,000	50,000	-
Minnesota Life College	1,250,000	1,850,000	1,850,000	-
Student Parent Information	122,000	113,713	113,713	-
MN Education Equity Partnership	45,000	-	-	-
Get Ready	180,000	14,119	14,119	-
Intervention College Attendance	1,142,000	684,242	684,242	-
Statewide Longitudinal Data	1,782,000	1,747,838	1,747,838	-
College Possible	550,000	146,057	146,057	-
Midwest Compact	115,000	230,000	230,000	-
United Family Practice	501,000	501,000	501,000	-
HCMC Program	645,000	483,750	483,750	-
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	1	1	-
Sexual Violence Prevention	100,000	114,583	114,583	-
Sexual Prevention Outreach	50,000	66,782	66,782	-
Dual Training Competency Grants: OHE	2,000,000	-	-	-
Grants for Underrepresented Student Teachers	1,000,000	697,642	697,642	-
Hunger Free Campus Grants	102,000	19,313	19,313	-
Aspiring Teachers of Color	1,500,000	1,598,130	1,598,130	-
Direct Admissions	75,000	180,575	180,575	-
Concurrent Enrollment	340,000	38,587	38,587	-
Fostering Independence Admin	-	126,207	126,207	-
Fostering Independence	3,759,000	4,272,348	4,272,348	-
ALS Research	20,000,000	-	-	-
Next Gen Nursing Initiative	2,445,325	1,611,354	1,611,354	-
Summer Learning SAEP/ICAP	-	473,175	473,175	-
Workforce Stabilization Grants	-	28,289,000	28,289,000	-
Workforce Stabilization Administration	-	420,750	420,750	-
Nursing Assistant Initiative	-	489,527	489,527	-
Total revenues	296,714,325	302,871,425	302,871,425	-

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Expenditures				
General Administration	$ 4,504,000	$ 4,496,388	$ 4,272,097	$ 224,291
MN Link Gateway and Minitex Library	5,905,000	5,905,000	5,905,000	-
Student Loan Debt Counsel	200,000	243,764	243,764	-
Black Men Teach Twin Cities	-	460,196	431,130	29,066
Emergency Assistance	269,000	274,787	152,106	122,681
American Indian Scholarship	3,500,000	4,148,418	2,973,954	1,174,464
Tribal College Grants	150,000	110,558	110,558	-
State Grant Program	210,037,000	215,738,109	215,164,526	573,583
Child Care Grants	6,694,000	7,500,655	7,500,655	-
Safety Officer Survivors	100,000	45,911	45,911	-
Summer Academic Enrichment	250,000	740,564	354,599	385,965
Interstate Reciprocity	8,500,000	8,500,000	8,500,000	-
State Work Study	14,502,000	12,108,432	12,108,432	-
Grants to Teacher Candidates	500,000	690,174	690,174	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	200,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	199,828	199,828	-
Loan Repayment Assistance Program	25,000	50,000	50,000	-
Minnesota Life College	1,250,000	1,875,000	1,850,000	25,000
Student Parent Information	122,000	113,713	113,713	-
MN Education Equity Partnership	45,000	90,000	-	90,000
Get Ready	180,000	43,899	14,119	29,780
Intervention College Attendance	1,142,000	1,356,527	684,241	672,286
Statewide Longitudinal Data	1,782,000	1,780,316	1,747,838	32,478
College Possible	550,000	550,000	146,057	403,943
Midwest Compact	115,000	230,000	230,000	-
United Family Practice	501,000	501,000	501,000	-
HCMC Program	645,000	645,000	483,750	161,250
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	1	1	-
Sexual Violence Prevention	100,000	114,583	114,583	-
Sexual Prevention Outreach	50,000	94,817	66,782	28,035
Dual Training Competency Grants: OHE	2,000,000	-	-	-
Grants for Underrepresented Student Teachers	1,000,000	697,641	697,641	-
Hunger Free Campus Grants	102,000	126,192	19,313	106,879
Aspiring Teachers of Color	1,500,000	1,617,960	1,598,130	19,830
Direct Admissions	-	657,733	180,575	477,158
Concurrent Enrollment	340,000	316,167	38,587	277,580
Fostering Independence Admin	75,000	126,207	126,207	-
Fostering Independence	3,759,000	4,509,000	4,272,348	236,652
ALS Research	20,000,000	96,000	-	96,000
Next Gen Nursing Initiative	2,445,325	2,445,325	1,611,354	833,971
Summer Learning SAEP/ICAP	-	411,612	473,175	(61,563)
Workforce Stabilization Grants	-	28,289,000	28,289,000	-
Workforce Stabilization Administration	-	443,474	420,750	22,724
Nursing Assistant Initiative	-	1,049,053	489,527	559,526
Total expenditures	296,714,325	309,393,004	302,871,425	6,521,579
Net change in fund balance	$ -	$ (6,521,579)	$ -	$ 6,521,579

See notes to required supplementary information

Minnesota Office of Higher Education

Schedule of Agency's Proportionate Share of the Net Pension Liability
State Employees Retirement Fund (SERF)
Year Ended June 30, 2023

SERF Fiscal Year End Date (Measurement Date)	Agency's Proportion of the Net Pension Liability	Agency's Proportionate Share of the Net Pension Liability	Agency's Covered Payroll	Agency's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/22	0.14550%	$ 2,391,000	$ 4,947,565	48.33%	90.60%
6/30/21	0.13615%	111,000	4,966,382	2.24%	99.53%
6/30/20	0.13387%	1,778,000	4,738,043	37.53%	91.25%
6/30/19	0.13477%	1,896,000	4,407,947	43.01%	90.73%
6/30/18	0.12777%	1,771,000	4,081,578	43.39%	90.56%
6/30/17	0.13412%	9,949,000	4,064,510	244.78%	62.73%
6/30/16	0.12541%	15,549,000	3,674,811	423.12%	47.51%
6/30/15	0.12233%	1,883,000	3,365,517	55.95%	88.32%
6/30/14	0.11911%	1,930,000	3,847,610	50.16%	87.64%

Schedule of Contributions
State Employees Retirement Fund (SERF)
Year Ended June 30, 2023

Agency Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/23	$ 337,999	$ 337,999	$ -	$ 5,570,793	6.07%
6/30/22	302,813	302,813	-	4,947,565	6.12%
6/30/21	302,532	302,532	-	4,966,382	6.09%
6/30/20	294,721	294,721	-	4,738,043	6.22%
6/30/19	261,562	261,562	-	4,407,947	5.93%
6/30/18	225,299	225,299	-	4,081,578	5.52%
6/30/17	215,688	215,688	-	4,064,510	5.31%
6/30/16	198,648	198,648	-	3,674,811	5.41%
6/30/15	182,084	182,084	-	3,365,517	5.41%

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

The State of Minnesota operates on a biennial budget. Every other year Agency appropriations must be approved by the Senate and the House of Representatives and signed by the governor for the upcoming two-year period, which begins in July of odd numbered years. Budgets for each appropriation awarded to the Agency are prepared by the Agency and submitted to the Minnesota Management and Budget Agency and set up in the state's accounting system.

Expenditures cannot legally exceed the total initially appropriated unless supplemental appropriations are enacted into law.

The budget is prepared in accordance with generally accepted accounting principles. Budgetary control is at the appropriation level. Unexpended appropriations from the first year (year ended June 30, 2022) of the biennium are carried over and are available for operations in the second year (year ended June 30, 2023) of the biennium.

Unspent appropriations at the end of a biennium shall be returned to the fund from which appropriated. The Agency's expenditures are classified according to the State administrative guidelines. Agency funds are disbursed by the Minnesota Management and Budget Agency.

A budget has been legally adopted for the Agency's general fund. The budgeted amounts presented include any amendments made. The chief financial officer may authorize transfers of budgeted amounts between appropriations as allowable by state statutes.

Minnesota State Retirement System

The amounts determined for each fiscal year were determined as of June 30 of the prior fiscal year.

The Agency is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

Changes in benefit terms: There were no changes of benefit terms for any participating employer in the Minnesota State Retirement System.

Changes in Actuarial Assumptions and Plan Provisions

2022 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates increased from 6.50% to 6.75%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates decreased from 7.50% to 6.50%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changes, resulting in proposed rates that average 0.25% less than the previous rates.
- Assumed rates of retirement were changed, resulting in more unreduced (normal) retirement, fewer Rule of 90 retirements and fewer early retirements.
- Assumed rates of termination were changed, resulting in new rates which are generally lower than the previous rates for years 1 – 5 and slightly higher thereafter.
- Assumed rates of disability were changed, resulting in fewer predicted disability retirements.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2015 to Scale MP-2018. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2015) to the Pub-2010 General/Teacher disabled annuitant mortality table (with future mortality improvement according to Scale MP-2018), with adjustments.
- The percent married assumption for female members was changed from 65% to 60%.
- The assumed age difference was changed from three years younger for males to 2 years younger.
- The assumed number of married male new retirees electing the 50% and 100% Joint & Survivor options changed from 15% to 10% and from 30% to 65%, respectively. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 30% to 40%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the previous valuation.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

2018 Changes

Changes in Actuarial Assumptions

- The single discount rate changed from 5.42% to 7.50%.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Member contributions increased from 5.50% to 5.75% of pay, effective July 1, 2018 and 6.00% of pay effective July 1, 2019.
- Employer contributions increased from 5.50% to 5.875% of pay, effective July 1, 2018 and 6.25% of pay effective July 1, 2019.
- Interest credited on member contributions will decrease from 4.0 to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0% for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from a 2.0 to 2.5% per year increase based upon funded ratio, to a fixed rate of 1.0% for five years beginning January 1, 2019 and 1.5% per year thereafter.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity loads were changed from 1.2% for active members and 40.0% for deferred members, to 0.0% for active members, 4.0% for vested deferred members and 5.0% for nonvested deferred members.
- The single discount rate changed from 4.17% to 5.42%.

Changes in Plan Provisions

- Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

2016 Changes

Changes in Actuarial Assumptions

- Assumed salary increase rates were changed to rates that average 0.2% greater than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (Early) retirements were adopted for members hired prior to July 1, 1989 and members hired after June 30, 1989.
- Assumed rates of termination were changed, with new rates generally greater than the previous rates for years 3 through 9 and less than the previous rates after 15 years.
- Assumed rates of disability for females were reduced to 75.0% of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2014), white collar adjustments, with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table (no projection for future mortality improvement) to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2015), with age adjustments.
- The percent married assumption was changed from 85% of active male members and 70% of female members to 80% of active male members and 65% of active female members.
- The assumed number of married male new retirees electing the 75% Joint & Survivor option changed from 10% to 15%. The assumed number of married female new retirees electing the 75% and 100% Joint & Survivor options changed from 0% to 10% and from 25% to 30%, respectively. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2043 and 2.5% per year thereafter, to 2.0% per year for all future years.
- The long-term expected rate of return on pension plan investments was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 4.17%.
- The inflation assumption was changed from 2.75% to 2.50%.
- The payroll growth assumption was changed from 3.50% to 3.25%.

Changes in Plan Provisions

- There were no changes in plan provisions in 2016.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2015 and 2.5% per year thereafter, to 2.0% per year through 2043 and 2.5% per year thereafter.

Changes in Plan Provisions

- The Contribution Stabilizer statutes were revised to make changes to contribution rates less prescriptive and more flexible.

- Effective July 1, 2015, if the 2.5% post-retirement benefit increase is triggered and the funded ratio subsequently drops below 80.0% for the most recent valuation year or 85.0% for two consecutive years, the post-retirement benefit increase will change to 2.0% until the plan again reaches a 90.0% funded ratio for two consecutive years.

2014 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 2.0% per year indefinitely, to 2.0% per year through 2015 and 2.5% per year thereafter.

- The long-term expected rate of return on pension plan investments changed from 6.63% to 7.90%.

Changes in Plan Provisions

- The member and employer contribution rates increased from 5.0% to 5.5% of pay.

- The funded ratio threshold that must be attained to pay a 2.5% post-retirement benefit increase to benefit recipients was changed from 90.0% for one year to 90.0% for two consecutive years.

SUPPLEMENTARY INFORMATION

Minnesota Office of Higher Education

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	Special Revenues and Gifts Fund	Federal Grant Fund	Total
Assets			
Cash and investments	$ 16,315,056	$ -	$ 16,315,056
Accounts receivable	32,411	19,946	52,357
Due from other governments	-	663,751	663,751
Total assets	$ 16,347,467	$ 683,697	$ 17,031,164
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 428,373	$ 192,950	$ 621,323
Accrued liabilities	28,171	57,578	85,749
Due to other governments	-	19,946	19,946
Due to other funds	-	408,001	408,001
Unearned revenue	-	5,222	5,222
Deposits	77,000	-	77,000
Total liabilities	533,544	683,697	1,217,241
Fund Balances			
Restricted for administration and financial aid programs	14,771,279	-	14,771,279
Assigned for agency programs	43,265	-	43,265
Assigned for indirect costs	972,787	-	972,787
Assigned financial aid information	26,592	-	26,592
Total fund balances	15,813,923	-	15,813,923
Total liabilities and fund balances	$ 16,347,467	$ 683,697	$ 17,031,164

Minnesota Office of Higher Education

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenues and Gifts Fund	Federal Grant Fund	Total
Revenues			
State appropriations	$ 5,612,456	$ -	$ 5,612,456
Federal grants	-	5,453,625	5,453,625
Registration and licensing fees	466,500	-	466,500
Other revenue	381,189	-	381,189
Total revenues	6,460,145	5,453,625	11,913,770
Expenditures			
Administration and financial aid programs	5,406,222	-	5,406,222
Federal grants	-	5,453,625	5,453,625
Total expenditures	5,406,222	5,453,625	10,859,847
Net change in fund balances	1,053,923	-	1,053,923
Fund Balance, Beginning	14,760,000	-	14,760,000
Fund Balance, Ending	$ 15,813,923	$ -	$ 15,813,923