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

Financial Statements and
Supplementary Information

June 30, 2025

Supplementary Information

Other Reports

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 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, 2025, 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 accompanying 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 remaining fund information of the Agency as of June 30, 2025 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 (*Government Auditing Standards).* 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, changes in the presentation of funds within the financial statements had occurred and adjustments were made to the reporting periods beginning fund balance. Our opinions are not modified with respect to this matter.

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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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 27, 2025 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 27, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025.

Introduction

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

The Minnesota Office of Higher Education (OHE) is a cabinet-level state agency that makes postsecondary education accessible and affordable to all Minnesotans and foster best practices to ensure completion. OHE does this by administering financial aid programs that serve low- to moderate-income students, providing outreach programming to support populations that are historically underrepresented in postsecondary education, and collaborating with higher education institutions who provide high-quality options and are also committed to student success. Data drives OHE's work and is collected and transparently shared to ensure that all stakeholders are clear on the successes and challenges of higher education in Minnesota.

OHE accomplishes its mission through numerous programs and services, including:

- **Financial Aid Administration:** OHE administers numerous financial aid programs, including the State Grant, North Star Promise, Child Care Grants, Work Study, American Indian Scholarships and Fostering Independence Grants. OHE works closely with approved postsecondary institutions to manage and disburse funds to students, which allow them to enroll, persist, and complete postsecondary education. In FY25 alone, OHE awarded $224.6M to postsecondary students through the Minnesota State Grant program, OHE's largest financial aid program

- **Grants Administration**: OHE administers competitive and legislatively-named grant programs that support training, outreach, information and resource sharing, basic needs support, postsecondary institutions' operations and maintenance, and other programs and services offered at postsecondary institutions, middle and high schools, school districts, employers, non-profit organizations, and other organizations.

- **Postsecondary Access and Outreach**: OHE provides a variety of resources to future students, families, community stakeholders, and institutions of higher education to ensure that all Minnesotans are aware of and have access to quality postsecondary education options. The Get Ready program provides targeted college and career preparation support to participating middle school and high schools that is designed to improve academic preparedness, academic tenacity, college knowledge, and college enrollment rates for low-income students. OHE also provides direct support to campuses through our Sexual Violence/Misconduct Prevention and Response program and partners with high schools and postsecondary institutions to increase college access through the Direct Admissions program.

- **Research and Policy Analysis:** OHE conducts original, independent research to provide lawmakers, educators, community stakeholders, and other policy leaders with objective information about postsecondary enrollment, attainment, finance, and accountability. Additionally, OHE provides leadership and staffing for the Statewide Longitudinal Education Data System (SLEDS) and facilitate sustainability of the Early Childhood Longitudinal Education Data System (ECLDS), which leverages data from birth/early childhood, K-12 education, postsecondary education, workforce training and employment. SLEDS and ECLDS provide data to inform early care, education, and workforce policy and practice in Minnesota.

- **Consumer Protection:** OHE registers or exempts from registration approximately 145 institutions, licenses or exempts from licensure 243 institutions, and oversees 62 institutions participating in state authorization reciprocity. OHE fulfilled over 2,300 transcript requests in 2025. The division also monitors institutions for financial and administrative capability that may result in a closure of colleges in Minnesota to avoid national trends of abrupt closures.

- **SELF Loans:** OHE offers the Student Educational Loan Fund (SELF) program to help students finance their postsecondary education with low-interest loans. The SELF program contributes to the Agency's mission of supporting students in earning a higher education credential by providing low-cost loan funds to attend a postsecondary institution. SELF Loans are not limited to people with certain income levels, and the interest rates are the same for everyone regardless of credit score. In FY25, SELF disbursed $74.4M in low-interest student loans.

- **Minnesota 529 College Savings Plan:** OHE works closely with the State Board of Investment and our third-party plan manager, Tuition Financing Inc. (TFI), to administer a program allowing families to save for future postsecondary education expenses in tax-advantaged accounts.

Financial Highlights

- The Agency's net position increased $39.3 million or 6.3% from fiscal year 2024 to 2025 driven by student loan financing activities and investment income.
- The Agency received $420.3 million for fiscal year 2025 state appropriations, of which $25.7 million will be deferred to fiscal year 2026 and $8,579 has been cancelled back to the state.
- The Agency administers the Minnesota College Savings Plan. The plan's assets increased to approximately $2.2 billion in fiscal year 2025.
- The Loan Capital Fund issued 6,323 new SELF Loans in fiscal year 2025 with an average student loan amount of $11,760, increases of 6.2% and 13.3%, respectively.
- Net Loan Receivables in the Loan Capital Fund increased by $14.8M or 3.6% during fiscal year 2025.
- 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, 2025, 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 serves as an introduction to the basic financial statements which 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.

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 1 and 2 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 financial aid programs, grant programs, negotiating and administering reciprocity agreements, publishing and distributing financial aid information and materials, 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 low-cost educational loans for postsecondary 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 3 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 9 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 33 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 $39.3 million or 6.3%. 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.

Table 1
Net Position

Table 1
Net Position

	2025 Governmental Activities	2025 Business-Type Activities	2025 Totals	2024 Governmental Activities	2024 Business-Type Activities	2024 Totals
Assets						
Current and other assets	$ 86,676,389	$ 981,553,107	$ 1,068,229,496	$ 72,363,227	$ 914,283,347	$ 986,646,574
Capital assets—net	519,779	16,207	535,986	651,544	18,114	669,658
Total assets	87,196,168	981,569,314	1,068,765,482	73,014,771	914,301,461	987,316,232
Deferred Outflows of Resources						
OPEB related amounts	103,500	34,500	138,000	77,250	25,750	103,000
Pension related amounts	1,190,789	318,209	1,508,998	1,393,899	385,101	1,779,000
Total deferred outflows of resources	1,294,289	352,709	1,646,998	1,471,149	410,851	1,882,000
Liabilities						
Current liabilities	25,674,973	7,977,412	33,652,385	5,807,070	7,562,447	13,369,517
Non-current liabilities	1,201,378	347,557,004	348,758,382	2,287,748	308,363,575	310,651,323
Total liabilities	26,876,351	355,534,416	382,410,767	8,094,818	315,926,022	324,020,840
Deferred Inflows of Resources						
Unearned revenue	25,745,738	-	25,745,738	42,800,043	-	42,800,043
OPEB related amounts	51,000	17,000	68,000	50,250	16,750	67,000
Pension related amounts	1,564,025	449,975	2,014,000	1,090,568	321,432	1,412,000
Total deferred inflows of resources	27,360,763	466,975	27,827,738	43,940,861	338,182	44,279,043
Net position						
Invested in capital assets	519,779	16,207	535,986	651,544	18,114	669,658
Restricted for administration and financial aid programs	34,959,067	-	34,959,067	22,941,147	-	22,941,147
Restricted for debt service	-	625,904,425	625,904,425	-	598,429,994	598,429,994
Unrestricted (deficit)	(1,225,503)	-	(1,225,503)	(1,142,450)	-	(1,142,450)
Total net position	$ 34,253,343	$ 625,920,632	$ 660,173,975	$ 22,450,241	$ 598,448,108	$ 620,898,349

Net position of the Agency's governmental activities increased by $11.8M during the current fiscal year. Net position of the Agency's business-type activities increased by $27.5M during the current fiscal year. Total net position for the Agency increased by $39.3M.

Net loans receivables increased by approximately $14.8M, or 3.6%, to $430.0 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 $40,000 for four-year postsecondary and graduate programs, $20,000 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 bonds (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

	2025			2024		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	$ 1,258,440	$ 28,200,852	$ 29,459,292	$ 1,280,079	$ 27,689,767	$ 28,969,846
State appropriations	420,312,922	-	420,312,922	324,398,421	-	324,398,421
Federal grants	4,179,402	-	4,179,402	5,401,302	-	5,401,302
Investment income	-	22,547,379	22,547,379	-	23,388,777	23,388,777
Total revenues	425,750,764	50,748,231	476,498,995	331,079,802	51,078,544	382,158,346
EXPENSES						
Program expenses						
Loan Capital Fund	-	23,275,707	23,275,707	-	17,874,055	17,874,055
Administration and financial aid programs	409,822,332	-	409,822,332	317,949,063	-	317,949,063
Federal grants	4,125,330	-	4,125,330	5,440,828	-	5,440,828
Total expenses	413,947,662	23,275,707	437,223,369	323,389,891	17,874,055	341,263,946
CHANGE IN NET POSITION	$ 11,803,102	$ 27,472,524	$ 39,275,626	$ 7,689,911	$ 33,204,489	$ 40,894,400

Governmental Activities

Revenues for the Agency's governmental activities (see Table 2) increased by $94.7 million (or 28.6%) to $425.8 million, while total expenses increased by $90.6 million (or 28.0%). The increase in revenue is mainly attributed to state appropriations which increased by $95.9 million to $420.3 million. During the same period, there was a decrease of $1.2 million in federal grant expenditures and $21,639 in licensing and registration fee revenue.

The Agency currently receives recurring federal grants from two 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.

Business-Type Activities

The excess of revenues over expenses of the Agency's business-type activities was $27.5 million in fiscal year 2025. Net revenue covered total expenses of $23.3M by 118%. 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 71.9% of the Agency's governmental spending. At the end of fiscal year 2025, the fund balance was $0. The state operates on a biennial budget. At the end of the first fiscal year, unused appropriations are deferred to the second fiscal year in the biennium. At the end of the second fiscal year, appropriations not expended are returned to the state's General Fund. In fiscal year 2025, the Agency was given temporary statutory authority to carryforward certain funds past the biennium. Specifically, unexpended and unencumbered non-grant operating balances can be deferred from one fiscal year to the next, until fiscal year 2030.This provides the Agency with valuable flexibility in administrating and operating our programs.

For the General Fund, student grant payments were $267.0 million, a decrease from $287.1 million in fiscal year 2024. Grant aid to postsecondary institutions and organizations increased by $2.1 million to $11.6 million. Employee salaries and benefits increased 2.4% to $5.79 million over the prior fiscal year due to staffing changes, cost of living and performance increases, and increase in cost of health insurance.

The Special Revenue Fund is a governmental fund that consists of state appropriations, fee revenue collected from the Agency's consumer protection activities, small grants and gifts, and indirect cost recoveries. Appropriations in the Special Revenue Fund are permitted to be carried over across biennia until the funds are expended. Only state appropriations designated by law or statute are transferred into the Special Revenue Fund. In prior fiscal years, the special revenue fund was not classified as a major fund. In fiscal year 2025, however, OHE received a $112.2M appropriation for a new scholarship program (North Star Promise) in the Special Revenue Fund. This new appropriation resulted in the Special Revenue Fund being classified as a major fund. In fiscal year 2025, the North Star Promise Program awarded $103.8M in financial aid to qualified students.

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) decreased by 0.65% and expenses increased by 30.2%. Student loan interest income increased by $511,085 in FY2025 as a result of an increase in total loans receivables. Decreases in interest rates on investments resulted in a decrease in investment income of $841,398. Bond interest expense increased by $384,058 mostly as a result of a combination of bond refunding and new bond issuance.

The variable rate for SELF 3, SELF 4, and SELF 5 program student loans is 6.85% as of June 30, 2025, versus 7.85% on June 30, 2024. The SELF 3, SELF 4, and SELF 5 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 IBOR Fallback Rate plus a margin currently set at 2.25%. New loans are no longer offered under SELF 3, SELF 4, and SELF 5. Beginning in April 2022 and ending in fiscal 2024, loans were offered under SELF 6. SELF 6 variable-rate loans have an interest rate equal to the three-month term Secured Overnight Financing Rate (SOFR) plus a margin currently set at 2.25%. The SELF 6 variable rate is 6.55% as of June 30, 2025.

Beginning in February 2024, loans were offered under SELF 7. SELF 7 variable-rate loans have an interest rate equal to the three-month term Secured Overnight Financing Rate (SOFR) plus a margin currently set at 2.00-2.50%. The SELF 7 variable rate is 6.30-6.80% as of June 30, 2025 and the fixed rate is 5.95-6.45%, with the range for both rates dependent upon the selection of a 10, 15, or 20-year term.

The interest rate for the SELF 5 fixed rate program changed periodically. Historical 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 6 fixed rate program changed periodically. Historical rate changes are as follows:

Effective Date	Rate
04/2022	6.35%

The interest rate for the SELF 7 fixed rate program may change periodically. Historical rate changes are as follows:

SELF 7 Loan fixed rates			
Repayment Term	10 years	15 years	20 years
02/2024	6.35%	6.60%	6.85%
12/2024	5.95%	6.20%	6.45%

The SELF Refi loan has a variety of rate and repayment term options. The SELF Refi program is temporarily paused for new applications.

SELF Refi Loan rates, June 30, 2025			
Repayment Term	5 years	10 years	15 years
Fixed rate	6.0%	6.5%	7.0%
Variable rate	6.80%	7.55%	8.05%

General Fund Budgetary Highlights

The Agency receives biennial appropriations in the General Fund. We budget the full amount of the appropriation and, where permitted, adjust the budget over the course of the year depending on program demand. In the first year of the biennium, unspent appropriations are reduced from the budget and deferred to the second year of the biennium. In the second year of the biennium, we budget the full amount of the appropriation along with deferred appropriations from the prior year. At the end of the second fiscal year, appropriation resources not expended are returned to the state's General Fund. In fiscal year 2025, the Agency was given temporary statutory authority to carryforward certain funds past the biennium. Specifically, unexpended and unencumbered non-grant operating balances can be deferred from one fiscal year to the next until fiscal year 2030. In fiscal year 2025, the second year of the biennium, the Agency deferred $25.7 million to fiscal year 2026. The schedule on page 33, 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. Money in the Loan Capital Fund is 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, except for money invested in bond Debt Service Reserve Funds, which may be invested to the bond maturity date. The total investment income, including change in the fair value of investments, is down from 2024 by $841,398. 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 $535,986 of net capital assets as shown in Table 3:

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

	2025			2024		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Office Improvements	$ 420,155	$ -	$ 420,155	$ 540,199	$ -	$ 540,199
Furniture and equipment	99,624	16,207	115,831	111,345	18,114	129,459
Total capital assets	$ 519,779	$ 16,207	$ 535,986	$ 651,544	$ 18,114	$ 669,658

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 $352,370,000 in bonds outstanding — as shown in Table 4:

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

	2025			2024		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenue bonds	$ -	$ 352.4	$ 352.4	$ -	$ 311.0	$ 311.0

The 2017B and 2017C supplemental revenue bonds are currently held as private placement bonds and do not require a rating. In fiscal year 2025, the Agency issued the 2025A and 2025B supplemental revenue bonds. The 2025A bonds were a refunding of the Agency's 2012B bonds for $100M, and the 2025B bonds were a new issuance of $45.6M. Both 2025A and 2025B supplemental revenue bonds are private placement bonds that do not require a rating.

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 next year's budget, 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 2026. 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.

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, investment vehicles, and establishing loan interest rates. The management team also considers current and anticipated future economic and market conditions. Out of an abundance of caution, the management team increased the SELF program's bad debt reserve from 1.6% to 2.0% for fiscal year 2026. Our decision to increase the bad debt reserve was informed by larger student loan default trends, which have been increasing at the national level, even though the same trends are not reflected in our own loan portfolio.

SELF Loan

The SELF Loan program has several phases based on changes in the calculation of interest and other loan terms. In fiscal year 2002, the Agency received approval for the SELF 3 phase of the loan program, which based 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 4 phase of the loan program began in July 2006 with minor changes. The SELF 5, 6, and 7 phases of the loan program began respectively in October 2010, April 2022, and February 2024 with fixed and variable interest rate options. The SELF 3, SELF 4, SELF 5, and SELF 6 current margins are 2.25% for variable rate loans, while SELF 7 current margin ranges from 2.00% to 2.50% dependent on term. For the fixed rate option of the SELF 7 phase of the loan program, effective December 2024, the rate is set at 5.95-6.45% for new loans, dependent on selection of a 10-, 15-, or 20-year term.

The Agency has set the maximum SELF Loan amount at $40,000 for four-year postsecondary and graduate programs, $20,000 for non-four-year degree programs, and $3,500 for programs less than one year.

The Agency's Loan Capital Fund cash and investment balance increased by $37.1 million, the restricted cash and investment balance increased by $12.4 million, and the loans receivable – net balance increased by $14.8M. Current outstanding bonds rely on the Loan Capital Fund for the payment of various bond fees, student loan servicing costs, and administrative expenses; however, the agency is permitted to pay the servicing and administrative costs out of each of the trusts.

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.

BASIC FINANCIAL STATEMENTS

Minnesota Office of Higher Education

Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Current assets:			
Cash and investments	$ 85,507,164	$ 311,855,398	$ 397,362,562
Receivables:			
Accounts	352,185	750,247	1,102,432
Interest	-	10,403,789	10,403,789
Loans receivable, net	-	55,739,717	55,739,717
Due from other governments	817,040	-	817,040
Total current assets	86,676,389	378,749,151	465,425,540
Noncurrent assets:			
Restricted cash and investments	-	228,631,308	228,631,308
Loans receivable, net	-	374,172,648	374,172,648
Capital assets (net of accumulated depreciation)	519,779	16,207	535,986
Total noncurrent assets	519,779	602,820,163	603,339,942
Total assets	87,196,168	981,569,314	1,068,765,482
Deferred Outflows of Resources			
Pension related amounts	1,190,789	318,209	1,508,998
OPEB related amounts	103,500	34,500	138,000
Total deferred outflows of resources	1,294,289	352,709	1,646,998
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	9,036,125	251,773	9,287,898
Accrued liabilities	315,552	98,759	414,311
Accrued interest	-	1,860,130	1,860,130
Due to other governments	19,946	-	19,946
Due to primary government, unspent appropriations	15,416,100	-	15,416,100
Deposits	105,000	-	105,000
OPEB liability	32,250	10,750	43,000
Compensated absences payable	750,000	216,000	966,000
Revenue bonds payable	-	5,540,000	5,540,000
Total current liabilities	25,674,973	7,977,412	33,652,385
Noncurrent liabilities:			
Revenue bonds payable and unamortized premiums	-	347,107,382	347,107,382
Compensated absences payable	639,000	245,000	884,000
Net pension liability	27,628	26,372	54,000
OPEB liability	534,750	178,250	713,000
Total noncurrent liabilities	1,201,378	347,557,004	348,758,382
Total liabilities	26,876,351	355,534,416	382,410,767
Deferred Inflows of Resources			
Unearned revenue	25,745,738	-	25,745,738
Pension related amounts	1,564,025	449,975	2,014,000
OPEB related amounts	51,000	17,000	68,000
Total deferred inflows of resources	27,360,763	466,975	27,827,738
Net Position			
Net investment capital assets	519,779	16,207	535,986
Restricted for administration and financial aid programs	34,959,067	-	34,959,067
Restricted for debt service	-	625,904,425	625,904,425
Unrestricted (deficit)	(1,225,503)	-	(1,225,503)
Total net position	34,253,343	$ 625,920,632	$ 660,173,975

See notes to financial statements

Minnesota Office of Higher Education

Statement of Activities
Year Ended June 30, 2025

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	$ 409,822,332	$ 1,258,440	$ 420,312,922	$ 11,749,030	$ -	$ 11,749,030
Federal grants	4,125,330	-	4,179,402	54,072	-	54,072
Total governmental activities	413,947,662	1,258,440	424,492,324	11,803,102	-	11,803,102
Business-Type Activities						
Loan capital fund	23,275,707	28,200,852	-	-	4,925,145	4,925,145
Total	$ 437,223,369	$ 29,459,292	$ 424,492,324			
General Revenues						
Investment income				-	22,547,379	22,547,379
Change in net position				11,803,102	27,472,524	39,275,626
Net Position, Beginning				22,450,241	598,448,108	620,898,349
Net Position, Ending				$ 34,253,343	$ 625,920,632	$ 660,173,975

See notes to financial statements

Minnesota Office of Higher Education

Balance Sheet -
Governmental Funds
June 30, 2025

	General Fund	Special Revenues and Gifts Fund	Nonmajor Governmental Fund - Federal Grant Fund	Total
Assets				
Cash and investments	$ 46,590,972	$ 38,916,192	$ -	$ 85,507,164
Accounts receivable	203,746	128,493	19,946	352,185
Due from other governments	-	-	817,040	817,040
Due from other funds	344,526	-	-	344,526
Total assets	$ 47,139,244	$ 39,044,685	$ 836,986	$ 87,020,915
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 5,739,457	$ 2,891,117	$ 405,551	$ 9,036,125
Accrued liabilities	237,949	10,640	66,963	315,552
Due to other governments	-	-	19,946	19,946
Due to primary government, unspent appropriations	15,416,100	-	-	15,416,100
Due to other funds	-	-	344,526	344,526
Deposits	-	105,000	-	105,000
Total liabilities	21,393,506	3,006,757	836,986	25,237,249
Deferred Inflows of Resources				
Unearned revenue	25,745,738	-	-	25,745,738
Total deferred inflows of resources	25,745,738	-	-	25,745,738
Fund Balances				
Restricted for administration and financial aid programs	-	34,959,067	-	34,959,067
Assigned for agency programs	-	10,772	-	10,772
Assigned for indirect costs	-	1,041,497	-	1,041,497
Assigned for financial aid information	-	26,592	-	26,592
Total fund balances	-	36,037,928	-	36,037,928
Total liabilities, deferred inflows of resources and fund balances	$ 47,139,244	$ 39,044,685	$ 836,986	$ 87,020,915

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, 2025

Total Fund Balances, Governmental Funds	$ 36,037,928
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	(856,471)
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	1,190,789
Deferred inflows, pension related amounts	(1,564,025)
Deferred outflows, OPEB related amounts	103,500
Deferred inflows, OPEB related amounts	(51,000)
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	(1,389,000)
Net pension liability	(27,628)
Total OPEB liability	(567,000)
Net Position of Governmental Activities	$ 34,253,343

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, 2025

	General Fund	Special Revenues and Gifts Fund	Nonmajor Governmental Funds	Total
Revenues				
State appropriations	$ 297,426,922	$ 122,886,000	$ -	$ 420,312,922
Federal grants	-	-	4,179,402	4,179,402
Registration and licensing fees	-	479,200	-	479,200
Other revenue	-	779,240	-	779,240
Total revenues	297,426,922	124,144,440	4,179,402	425,750,764
Expenditures				
Administration and financial aid programs	297,426,922	111,919,626	-	409,346,548
Federal grants	-	-	4,179,402	4,179,402
Total expenditures	297,426,922	111,919,626	4,179,402	413,525,950
Net change in fund balances	-	12,224,814	-	12,224,814
Fund Balances, Beginning, as Previously Reported	-	-	23,813,114	23,813,114
Accounting changes (see note disclosure)	-	23,813,114	(23,813,114)	-
Fund Balances, Beginning, as Adjusted	-	23,813,114	-	23,813,114
Fund Balances, Ending	$ -	$ 36,037,928	$ -	$ 36,037,928

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, 2025

Net Change in Fund Balances, Total Governmental Funds	$ 12,224,814
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	(131,765)
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	(645,000)
Net pension liability	1,123,870
Deferred outflows of resources related to pensions	(203,110)
Deferred inflows of resources related to pensions	(473,457)
Total OPEB liability	(117,750)
Deferred outflows of resources related to OPEB	26,250
Deferred inflows of resources related to OPEB	(750)
Change in Net Position of Governmental Activities	$ 11,803,102

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, 2025

Operating Revenues	
Interest on student loans	$ 28,200,852
Operating Expenses	
General and administrative	7,897,213
Depreciation	1,907
Provision for loans losses, net	3,864,856
Total operating expenses	11,763,976
Operating income	16,436,876
Nonoperating Revenues (Expenses)	
Investment income	22,547,379
Interest and fiscal charges	(11,511,731)
Total nonoperating revenues (expenses)	11,035,648
Change in net position	27,472,524
Net Position, Beginning	598,448,108
Net Position, Ending	$ 625,920,632

See notes to financial statements

Statement of Cash Flows - Proprietary (Enterprise) Fund -
Loan Capital Fund
Year Ended June 30, 2025

Cash Flows From Operating Activities	
Cash received from loan holders	$ 81,833,453
Cash paid for loan origination	(75,597,213)
Cash paid to employees and suppliers	(8,290,605)
Net cash flows from operating activities	(2,054,365)
Cash Flows From Investing Activities	
Purchases of investments	(99,901,303)
Interest received from investments	22,885,543
Net cash flows from investing activities	(77,015,760)
Cash Flows From Noncapital Financing Activities	
Bond redemption	(104,240,000)
Proceeds from bonds issued	145,600,000
Interest paid on bonds	(12,683,009)
Net cash flows from noncapital financing activities	28,676,991
Net change in cash and cash equivalents	(50,393,134)
Cash and Cash Equivalents, Beginning	490,978,537
Cash and Cash Equivalents, Ending	$ 440,585,403
Reconciliation of Cash and Cash Equivalents	
Cash and investments per statement of net position	$ 311,855,398
Restricted cash and investments per statement of net position	228,631,308
Less noncash equivalents	(99,901,303)
Cash and cash equivalents per statement of cash flows	$ 440,585,403
Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income	$ 16,436,876
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	8,843,421
Write-off of loans	(8,596,977)
Origination of student loans	(75,597,213)
Principal payments on student loans	60,580,600
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Interest receivable	(2,985,806)
Other receivables	(343,781)
Accounts payable and accruals	(314,447)
Net pension liability and related deferred outflows and inflows	(109,695)
Total OPEB liability and related deferred outflows and inflows	30,750
Net cash flows from operating activities	$ (2,054,365)
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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024. The impact of implementation was not material.

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 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.

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

Nonmajor Governmental Fund - Federal Grant Fund – Direct federal grants

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

Loan Capital Fund

Loan Capital Fund accounts for the Agency's student loan activities including the Supplemental Loan programs (SELF 3, SELF 4, SELF 5, SELF 6, SELF 7 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.

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.

All 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, 2025 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 postemployment 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	$ 264,370,957	$ 264,325,373	None
U.S. treasuries	99,901,303	100,010,004	Custodial credit risk, interest rate risk
Demand deposits	158,285	198,448	Custodial credit risk
Pooled cash held by state treasury	261,563,325	261,563,325	N/A
Total deposits and investments	$ 625,993,870	$ 626,097,150	

Reconciliation to financial statements

Per statement of net position:	
Cash and investments	$ 397,362,562
Restricted cash and investments	228,631,308
Total deposits and investments	$ 625,993,870

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 $250,000 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. As of June 30, 2025, the Agency's investments consisted of U.S. treasuries with a fair market value of $100,010,004 and a maturity date of less than one year.

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	$ 203,746	$ -	$ 203,746	$ -
Loan Capital	448,067,450	7,001,049	441,066,401	374,172,648
Special Revenues and Gift Fund	128,493	-	128,493	-
Federal Grant Fund	836,986	-	836,986	-

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 14.36% of the balance is expected to be collected during fiscal year 2026, based on collections in fiscal year 2025.

SELF 3, 4 and 5 loans are no longer being issued by the Agency. SELF 3 and 4 loans are only variable rate, while SELF 5 loans can be variable or fixed rate. The variable interest rate on outstanding SELF 3, 4 and 5 loans is equal to the three-month average of the three-month InterBank Offered Rate (IBOR) plus a current margin of 2.25%. The variable interest rate cannot change more than three percentage points in any four consecutive calendar quarters. The variable rate was 6.85% as of June 30, 2025.

Repayment of interest for SELF 3, 4 and 5 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 6 loans are also no longer being issued by the Agency. SELF 6 loans can be variable or fixed rate. The variable rate is equal to the three-month term Secured Overnight Financing Rate (SOFR) plus a current margin of 2.25%. The SOFR indexed rate was 6.55%, as of June 30, 2025.

SELF 7 loans started in February 2024 with both fixed and variable rate loans available. The variable rate is equal to the three-month term Secured Overnight Financing Rate (SOFR) plus a current margin of 2.00-2.50%, which varies respectively with a term or 10, 15 or 20 years. The fixed rate was 5.95-6.45%. The SOFR indexed rate was 6.30-6.80%, as of June 30, 2025.

Monthly payments currently set at $15 per SELF 7 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.

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 IBOR indexed SELF Refi variable rates ranged from 6.80%-8.15%. The interest rate is equal to the three-month average of the one-month IBOR, plus a current margin ranging from 2.40%-3.75%. The Secured Overnight Financing Rate (SOFR) indexed SELF Refi variable rates ranged from 6.80%-8.05%. The interest rate is equal to the three-month term SOFR, plus a current margin ranging from 2.50%-3.75%. No new fixed rate loans were offered over the past year. 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 3, 4, 5, 6 and 7 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 for all SELF loans at June 30, 2025 was $436,913,414.

An allowance for uncollectible SELF 3, SELF 4, SELF 5, SELF 6, SELF 7 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, 2025 is as follows:

Beginning balance	$ 6,754,605
Provision for loan losses	8,843,421
Write-off of loans	(8,596,977)
Ending balance	$ 7,001,049

Recovery on defaulted loans of $4,978,565 for the year ended June 30, 2025 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.

Loan Fund Accounts

Surplus/Loan Account – Used to deposit excess funds transferred from the revenue account to finance additional student loans, to pay debt service or permitted program expenses.

Proceeds Account – 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, 2025:

	Restricted Assets
Revenue account	$ 108,816,691
Surplus account	8,036,420
Acquisition account	711
Redemption account	84,574
Debt service reserve account	5,031,370
Loan account	1,366,472
Bond proceeds	97,792,206
Payment fund	499,005
Capitalized interest account	2,810
Bad debt reserve account	7,001,049
Total restricted assets	$ 228,631,308

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	$ 344,526
Less fund eliminations		(344,526)
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, 2025 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	(660,243)	(120,045)	-	(780,288)
Furniture and equipment	(64,463)	(11,720)	-	(76,183)
Total accumulated depreciation	(724,706)	(131,765)	-	(856,471)
Total capital assets, net of accumulated depreciation	$ 651,544	$ (131,765)	$ -	$ 519,779

$131,765 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	(10,487)	(1,907)	-	(12,394)
Total accumulated depreciation	(10,487)	(1,907)	-	(12,394)
Total capital assets, being depreciated, net	$ 18,144	$ (1,907)	$	$ 16,207

$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, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Other liabilities:					
Compensated absences*	$ 744,000	$ 645,000	$ -	$ 1,389,000	$ 750,000
Total OPEB liability	449,250	117,750	-	567,000	32,250
Net pension liability	1,151,498	-	1,123,870	27,628	-
Total governmental activities, long-term liabilities	$ 2,344,748	$ 762,750	$ 1,123,870	$ 1,983,628	$ 782,250
Business-Type Activities					
Bonds payable:					
Revenue bonds	$ 111,010,000	$ -	$ 4,240,000	$ 106,770,000	$ 5,540,000
Revenue bonds, direct placement	200,000,000	145,600,000	100,000,000	245,600,000	-
Add/(subtract) amounts for:					
(Discounts)/premiums	884,323	-	606,941	277,382	-
Total bonds payable	311,894,323	145,600,000	104,846,941	352,647,382	5,540,000
Other liabilities:					
Compensated absences*	253,000	208,000	-	461,000	216,000
Total OPEB liability	149,750	39,250	-	189,000	10,750
Net pension liability	331,502	-	305,130	26,372	-
Total other liabilities	734,252	247,250	305,130	676,372	226,750
Total business-type activities, long-term liabilities	$ 312,628,575	$ 145,847,250	$ 105,152,071	$ 353,323,754	$ 5,766,750

*The change in compensated absences is reported as a net change.

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 $352,370,000.

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, 2025	Interest Rates Reset (Days)	Original Indebtedness	Balance, June 30, 2025
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 2036	3.24	N/A	57,690,000	38,180,000
Series 2018 revenue bonds	November 2018	November 2028	4.47	N/A	54,535,000	13,815,000
Total revenue bonds						$ 106,770,000
Revenue Bonds, Direct Placement						
Supplemental Student Loan Program Variable Rate Revenue Bonds:						
Series 2017C revenue bonds	July 2017	October 2046	4.44%	30	$ 58,300,000	$ 40,000,000
Supplemental Student Loan Program Fixed Rate Revenue Bonds:						
Series 2025A revenue bonds	March 2025	July 2046	3.98	N/A	100,000,000	100,000,000
Series 2025B revenue bonds	March 2025	July 2064	3.98	N/A	45,600,000	45,600,000
Series 2017B revenue bonds	July 2017	October 2046	1.57	N/A	60,000,000	60,000,000
Total revenue bonds, direct placement						$ 245,600,000

Annual debt service requirements to maturity for revenue bonds and direct placement revenue bonds, including interest at June 30, 2025 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:				
2026	$ 5,540,000	$ 4,218,045	$ -	$ 7,728,880
2027	5,305,000	3,941,045	-	7,728,880
2028	8,195,000	3,623,063	-	7,728,880
2029	9,725,000	3,249,164	-	7,728,880
2030	6,000,000	2,874,212	-	7,728,880
2031-2035	38,610,000	9,860,714	-	38,644,400
2036-2040	23,765,000	3,475,725	-	38,644,400
2041-2045	9,630,000	434,400	33,300,000	38,121,590
2046-2050	-	-	166,700,000	19,856,780
2051-2055	-	-	-	9,074,000
2056-2060	-	-	-	9,074,400
2061-2065	-	-	45,600,000	9,074,400
Total	$ 106,770,000	$ 31,676,368	$ 245,600,000	$ 201,134,770

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 from November 2027 through November 2028 that will result in the bonds being fully paid off on November 1, 2028.

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 from November 2028 through November 2036 that will result in the bonds being fully paid off on November 1, 2036.

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 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, 2025 interest payment date has been determined and a special mandatory redemption is not required for the year ending 2025. The debt service table above does not include potential special mandatory redemptions for the years ending 2026 and thereafter as the amounts cannot be calculated as of June 30, 2025.

Rates on Revenue Bonds, Direct Placement

The rates on the tax-exempt Series 2017B bonds are fixed rate. For the fixed rate bonds, the rate is set at 1.57%. The bonds have a mandatory sinking fund payment in 2043 with a balloon payment due at final maturity in 2046. Additionally, the bonds have a Mandatory Tender Date of December 15, 2026. The Mandatory Tender Date requires the Office to renegotiate the terms of the bonds with a direct placement provider, or the bonds are subject to a mandatory tender equal to the full amount of the outstanding principal plus accrued interest as of the Mandatory Tender Date.

The rates on the tax-exempt Series 2017C bonds are variable rate. For the variable rate bonds, the rate is SIFMA plus a set margin and the rate changes monthly. The bonds have a mandatory balloon payment due at final maturity in 2046. Additionally, the bonds have a Mandatory Tender Date of December 15, 2026. The Mandatory Tender Date requires the Office to renegotiate the terms of the bonds with a direct placement provider, or the bonds are subject to a mandatory tender equal to the full amount of the outstanding principal plus accrued interest as of the Mandatory Tender Date.

The rates on the tax-exempt Series 2025A and 2025B bonds are fixed rate. For the fixed rate bonds, the rate is set at 3.98%. The bonds each have a balloon payment due at final maturity in 2046 and 2064, respectively. Additionally, the bonds have a Mandatory Tender Date of March 18, 2030. The Mandatory Tender Date requires the Office to renegotiate the terms of the bonds with a direct placement provider, or the bonds are subject to a mandatory tender equal to the full amount of the outstanding principal plus accrued interest as of the Mandatory Tender Date.

Bond Indentures - Revenue Bonds and Direct Placement Revenue Bonds

The Series 2025A and 2025B bonds require the Agency to maintain a debt service account equal to the greater of 1% of the outstanding revenue bond balance or $500,000. The amount required to be on deposit at year-end is $1,000,000 and $500,000 respectively and the Agency met this requirement. 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 $763,600 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. 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 $106,770,000 and outstanding debt from direct placements related to business-type activities of $245,600,000 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. The 2017B bonds are not subject to optional redemptions. The 2017C bonds are subject to optional redemption on any Interest Payment Date. 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. Additionally, the Series 2018 Bonds maturing on November 1, 2028, 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. Additionally, the Series 2020 Bonds maturing on November 1, 2036, 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. Additionally, 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. The Series 2025 bonds maturing on July 1, 2046 and the Series 2025 bonds maturing on July 1, 2064, are not subject to optional redemptions prior to their stated maturity, while in the Initial Bank Fixed Rate Period.

Arbitrage Regulations

The $352,370,000 of tax-exempt bonds issued by the Agency are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. The applicable portion of earnings on student loans after applying the Universal Cap Rule in excess of the bond yield plus 2% must be remitted to the U.S. government not more than 10 years following the issue date of the bonds. The applicable portion of earnings after applying the Universal Cap Rule on non-purpose investments in excess of the bond yield must be remitted to the U.S. government not more than 5 years following the issue date of the bonds. As of June 30, 2025, the Agency has no accrued liability resulting from the excess interest and arbitrage yield.

Current Refunding

On March 1, 2025, the Agency issued $100 million in revenue bonds with a fixed coupon rate of 3.98% to refund $100 million of outstanding bonds with a variable coupon rate of 4.81% as of the refunding date. The net proceeds were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding were an estimated $201 million from 2025 through 2046 based on a 4.81% variable interest rate. The cash flow requirements on the 2025A refunding bonds are $185 million from 2025 through 2046, subject to renegotiation at the Mandatory Tender Date. The economic gain/loss on the current refunding has not been determined.

Other Debt Information

Estimated payments of 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, 2025, 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 is $775,000,000 as of June 30, 2025.

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.

Accounting Changes

Changes to or within the Financial Reporting Entity (See Adjustments Below)

The special revenues and gifts fund previously reported as a non-major fund, is reported as a major fund for 2025.

Adjustments to Beginning Balances

During fiscal year 2025, changes to or within the financial reporting entity resulted in adjustments to beginning fund balance as follows:

	June 30, 2024 as Previously Reported	Change to or Within the Financial Reporting Entity	June 30, 2025 as Adjusted
Governmental Funds			
Major funds:			
Special revenues and gifts fund	$ -	$ 23,813,114	$ 23,813,114
Nonmajor funds	23,813,114	(23,813,114)	-

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-2023; 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 postretirement benefit increases of 1.5% annually. Additionally, in fiscal year 2024, retirees who had been receiving benefits for at least 12 full months also received a one-time, non-compounding benefit increase of 1.0%.

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 5.50% and 6.25%, respectively, of their annual covered salary in fiscal year 2025. The Agency's contribution to the General Plan for the fiscal year ending June 30, 2025 was $543,136. 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, 2024 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	7.00%

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-2021, adjusted by a multiplier to match fund experience. Benefit increases for retirees are assumed to be 1.5% annually.

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies for the period July 1, 2018, through June 30, 2022.

The long-term expected rate of return on pension plan investments is 7.00%. 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, 2024 was 7.00%, the same rate used in fiscal year 2023. 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 2124. 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.

Net Pension Liability

At June 30, 2025, the Agency reported a liability of $54,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2024 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2024, the Agency's proportion was .16234%, which was an increase of .00799% from its proportion measured as of June 30, 2024.

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 2024:

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.

- Assumed rates of salary increases were modified, resulting in a decrease in gross salary increase rates.

- Assumed rates of retirement were changed, resulting in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.

- Assumed rates of withdrawal were changed as recommended, reflecting more assumed terminations for males and fewer terminations for females.

- Assumed rates of disability were lowered.

- Assumed percent married for retirees was changed from 80% to 75% for males and from 60% to 65% for females.

- Minor changes to form of payment assumptions and missing participant data assumptions were made.

The following changes in plan provisions occurred in 2024:

- The actuarial equivalent factors were updated to reflect changes in assumptions.

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 (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Agency's proportionate share of the net pension liability (asset)	$ 3,744,000	$ 54,000	$ (3,010,000)

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-2024).

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Agency recognized pension expense (income) of $(25,000). At June 30, 2025, 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	$ 399,000	$ 4,000
Changes of assumptions	612,998	995,000
Net difference between projected and actual earnings on investments	-	1,012,000
Changes in proportion and differences between actual contributions and proportionate share of contributions	35,000	3,000
Contributions paid to MSRS subsequent to the measurement date	462,000	-
Total	$ 1,508,998	$ 2,014,000

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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

	Pension Expense (Income) Amount
Years ending June 30:	
2026	$ (294,000)
2027	64,000
2028	(482,000)
2029	(255,000)

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. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

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

REQUIRED SUPPLEMENTARY INFORMATION

Minnesota Office of Higher Education

Budgetary Comparison Schedule -
General Fund
Year Ended June 30, 2025

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
General Administration	$ 6,724,000	$ 7,401,534	$ 7,401,534	$ -
MN Link Gateway and Minitex Library	6,605,000	6,605,000	6,605,000	-
Student Loan Debt Counsel	200,000	184,300	184,300	-
Emergency Assistance	3,579,000	4,094,515	4,094,515	-
American Indian Scholarship	3,500,000	3,595,399	3,595,399	-
Tribal College Grants	3,150,000	1,492,092	1,492,092	-
State Grant Program	212,167,000	223,219,832	223,219,832	-
Child Care Grants	6,694,000	6,669,073	6,669,073	-
Safety Officer Survivors	100,000	133,108	133,108	-
Summer Academic Enrichment	250,000	240,696	240,696	-
Interstate Reciprocity	8,500,000	8,500,000	8,500,000	-
State Work Study	14,502,000	10,874,345	10,874,345	-
Grants to Teacher Candidates	1,300,000	1,342,025	1,342,025	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	1,000,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	203,127	203,127	-
Loan Repayment Assistance Program	55,000	-	-	-
Minnesota Life College	2,000,000	288,069	288,069	-
MN Independence College Com MDE	-	1,250,000	1,250,000	-
Student Parent Information	122,000	73,790	73,790	-
MN Education Equity Partnership	45,000	-	-	-
Get Ready	180,000	75,330	75,330	-
Intervention College Attendance	1,142,000	1,330,551	1,330,551	-
Statewide Longitudinal Data	2,550,000	2,483,311	2,483,311	-
College Possible	550,000	569,363	569,363	-
Midwest Compact	115,000	115,000	115,000	-
United Family Practice	501,000	-	-	-
HCMC Program	645,000	645,000	645,000	-
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	25,665	25,665	-
Sexual Violence Prevention	100,000	91,443	91,443	-
Sexual Prevention Outreach	50,000	49,347	49,347	-
Dual Training Competency Grants: OHE	4,632,000	-	-	-
Grants for Underrepresented Student Teachers	1,925,000	861,894	861,894	-
Hunger Free Campus Grants	1,000,000	547,590	547,590	-
Hunger Free Campus Equipment	-	(465,247)	(465,247)	-
Aspiring Teachers of Color	-	2,770	2,770	-
Direct Admissions	650,000	522,304	522,304	-
Concurrent Enrollment	340,000	12,077	12,077	-
Fostering Independence	9,456,000	7,911,139	7,911,139	-
ALS Research	-	9,888	9,888	-
Student Parent Support	3,000,000	769,281	769,281	-
Director Tribal Relations	143,000	140,398	140,398	-
American Indian Scholars	8,500,000	-	-	-
Higher Ed Pub Serv Feasibility	-	20,330	20,330	-
Inclusive Higher Education	1,000,000	327,996	327,996	-
Paramedic Scholarship Program	-	1,779,020	1,779,020	-
Addiction Medicine Grad Fellow	270,000	226,140	226,140	-
Unemployment Insurance Aid	158,000	23,786	23,786	-
Foster Care Grant	500,000	466,394	466,394	-
North Star Promise	112,186,000	-	-	-
North Star Promise Admin	202,000	485,362	485,362	-
Student Basic Needs Work Group	-	28,251	28,251	-
MNSCU Course Placement Prac	-	115,773	115,773	-
EC Fam Ed Teacher Shortage	-	240,191	240,191	-
ALS Research B	-	849,950	849,950	-
Aspiring Teachers of Color	-	999,720	999,720	-
Total revenues	423,963,000	297,426,922	297,426,922	-

See notes to required supplementary information

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Expenditures				
General Administration	$ 6,724,000	$ 7,672,671	$ 7,401,534	$ 271,137
MN Link Gateway and Minitex Library	6,605,000	6,605,000	6,605,000	-
Student Loan Debt Counsel	200,000	200,204	184,300	15,904
Emergency Assistance	3,525,352	3,982,542	4,094,515	(111,973)
American Indian Scholarship	3,490,078	3,648,864	3,595,399	53,465
Tribal College Grants	3,150,000	6,073,089	1,492,092	4,580,997
State Grant Program	212,167,000	222,116,396	223,219,832	(1,103,436)
Child Care Grants	6,694,000	6,669,073	6,669,073	-
Safety Officer Survivors	100,000	143,103	133,108	9,995
Summer Academic Enrichment	246,706	248,076	240,696	7,380
Summer Academic Enrichment Administration	3,294	-	-	-
Interstate Reciprocity	8,500,000	8,500,000	8,500,000	-
State Work Study	14,502,000	10,874,345	10,874,345	-
Grants to Teacher Candidates	1,300,000	1,342,025	1,342,025	-
Large Animal Veterinarian Loan Forgiveness	375,000	-	-	-
Teacher Shortage Loan Forgiveness	1,000,000	-	-	-
Agriculture Loan Forgiveness	50,000	-	-	-
Aviation Loan Forgiveness	25,000	-	-	-
Intellectual and Developmental Disabilities Grant	200,000	203,127	203,127	-
Loan Repayment Assistance Program	55,000	110,000	-	110,000
Minnesota Life College	2,000,000	2,452,533	288,069	2,164,464
MN Independence College Com MDE	-	1,250,000	1,250,000	-
Student Parent Information	122,000	70,226	73,790	(3,564)
MN Education Equity Partnership	45,000	90,000	-	90,000
Get Ready	180,000	77,168	75,330	1,838
Intervention College Attendance	1,114,992	1,960,841	1,330,551	630,290
Statewide Longitudinal Data	2,550,000	2,687,413	2,483,311	204,102
College Possible	550,000	828,962	569,363	259,599
Midwest Compact	115,000	115,000	115,000	-
United Family Practice	501,000	501,000	-	501,000
HCMC Program	645,000	645,000	645,000	-
Spinal Cord & Traumatic Brain Injury Research Grants	3,000,000	-	-	-
Campus Sexual Assault Reporting	25,000	25,665	25,665	-
Sexual Violence Prevention	100,000	91,443	91,443	-
Sexual Prevention Outreach	50,000	49,347	49,347	-
Dual Training Competency Grants: OHE	4,632,000	-	-	-
Grants for Underrepresented Student Teachers	1,925,000	861,894	861,894	-
Hunger Free Campus Grants	1,000,000	322,519	47,590	274,929
Hunger Free Campus Equipment	-	111,585	34,753	76,832
Aspiring Teachers of Color	-	2,770	2,770	-
Direct Admissions	650,000	523,566	522,304	1,262
Concurrent Enrollment	340,000	462,809	12,077	450,732
Fostering Independence	9,456,000	8,219,335	7,911,139	308,196
ALS Research	-	9,888	9,888	-
Student Parent Support	2,937,714	5,687,591	769,281	4,918,310
Director Tribal Relations	143,000	140,398	140,398	-
American Indian Scholars	8,500,000	-	-	-
Higher Ed Pub Serv Feasibility	-	20,330	20,330	-
Inclusive Higher Education	1,000,000	340,158	327,996	12,162
Paramedic Scholarship Program	-	3,060,520	1,779,020	1,281,500
Addiction Medicine Grad Fellow	270,000	270,000	226,140	43,860
Unemployment Insurance Aid	133,786	291,786	23,786	268,000
Foster Care Grant	500,000	790,573	466,394	324,179
North Star Promise	112,186,000	-	-	-
North Star Promise Admin	202,000	491,613	485,362	6,251
Student Basic Needs Work Group	-	899	899	-
MNSCU Course Placement Prac	-	143,500	143,125	375
EC Fam Ed Teacher Shortage	-	999,501	240,191	759,310
ALS Research B	-	3,866,825	849,950	3,016,875
Aspiring Teachers of Color	-	999,720	999,720	-
Emergency Assistance ADM	53,648	-	-	-
American Indian Schlship ADM	9,922	-	-	-

See notes to required supplementary information

Budgetary Comparison Schedule -
General Fund
Year Ended June 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget
Intervention College Atten ADM	$ 27,008	$ -	$ -	$ -
Student Parent Support ADM	62,286	-	-	-
Unemployment Ins. Aid ADM	24,214	-	-	-
Total expenditures	423,963,000	316,850,893	297,426,922	19,423,971
Net change in fund balance	$ -	$ (19,423,971)	$ -	$ 19,423,971

See notes to required supplementary information

Minnesota Office of Higher Education

Budgetary Comparison Schedule -
Special Revenues and Gifts Fund
Year Ended June 30, 2025

	Original and Final Budget	Actual	Variance With Final Budget
Revenues			
College Savings Plan Administration	$ 128,865	$ 128,865	$ -
Grant Funds	342,050	342,050	-
Agriculture Loan Forgiveness	50,000	50,000	-
Aviation Loan Forgiveness	25,000	25,000	-
Large Animal Veterinary Loan Program	375,000	375,000	-
Spinal Cord & Brain Injury	2,910,000	2,910,000	-
Spinal Cord & Brain Injury Administration	90,000	90,000	-
Teacher Shortage Loan Forgiveness	970,000	970,000	-
Teacher Shortage Loan Forgiveness Administration	30,000	30,000	-
North Star Special Account	112,186,000	112,186,000	-
Dual Training Special Account	4,275,000	4,275,000	-
Dual Training Special Account Administration	225,000	225,000	-
Inclusive Higher Education	712,500	712,500	
Inclusive Higher Education Administration	37,500	37,500	-
Dual Training Cannabis	940,000	940,000	-
Dual Training Cannabis Administration	60,000	60,000	-
Indirect Costs	272,985	272,985	-
PIR/PCS Licensure	514,540	514,540	-
Total revenues	124,144,440	124,144,440	-
Expenditures			
Special Agency Program	15,107	15,107	-
College Savings Plan Administration	109,406	109,545	(139)
Grant Funds	329,726	329,726	-
Agriculture Loan Forgiveness	209,588	40,604	168,984
Aviation Loan Forgiveness	85,000	25,000	60,000
Large Animal Veterinary Loan Program	1,230,000	390,000	840,000
Spinal Cord & Brain Injury	6,351,325	1,915,583	4,435,742
Spinal Cord & Brain Injury Administration	114,429	113,599	830
Teacher Shortage Loan Forgiveness	302,000	300,000	2,000
Teacher Shortage Loan Forgiveness Administration	8,710	8,710	-
North Star Special Account	112,186,000	105,639,425	6,546,575
Dual Training Special Account	4,916,880	2,077,081	2,839,799
Dual Training Special Account Administration	206,717	152,952	53,765
Inclusive Higher Education Administration	40,086	40,086	-
Dual Training Cannabis Administration	36,056	19,519	16,537
Indirect Costs	50,348	50,984	(636)
PIR/PCS Licensure	690,904	691,705	(801)
Total expenditures	126,882,282	111,919,626	14,962,656
Net change in fund balance	$ (2,737,842)	$ 12,224,814	$ 14,962,656

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, 2025

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
6/30/24	0.16234%	$ 54,000	$ 7,267,291	0.74%	99.82%
6/30/23	0.15435%	1,483,000	6,065,868	24.45%	94.54%
6/30/22	0.14550%	2,391,000	5,570,793	42.92%	90.60%
6/30/21	0.13615%	111,000	4,947,565	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%

Schedule of Contributions -
State Employees Retirement Fund (SERF)
Year Ended June 30, 2025

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
6/30/25	$ 543,136	$ 543,136	$ -	$ 8,539,738	6.36%
6/30/24	452,496	452,496	-	7,267,291	6.23%
6/30/23	377,815	377,815	-	6,065,868	6.23%
6/30/22	337,999	337,999	-	5,570,793	6.07%
6/30/21	302,813	302,813	-	4,947,565	6.12%
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%

See notes to required supplementary information

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, 2024) of the biennium are carried over and are available for operations in the second year (year ended June 30, 2025) 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 and the special revenues and gifts 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.

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

2024 Changes

Changes in Actuarial Assumptions

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.
- Assumed rates of salary increases were modified, resulting in a decrease in gross salary increase rates.
- Assumed rates of retirement were changed, resulting in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.
- Assumed rates of withdrawal were changed as recommended, reflecting more assumed terminations for males and fewer terminations for females.
- Assumed rates of disability were lowered.

- Assumed percent married for retirees was changed from 80% to 75% for males and from 60% to 65% for females.

- Minor changes to form of payment assumptions and missing participant data assumptions were made.

Changes in Plan Provisions

- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates increased from 6.75% to 7.00%.

Changes in Plan Provisions

- The member contribution rate was changed from 6.00% to 5.50% of pay for two years, effective July 1, 2023.

- A one-time direct state aid contribution of $76.4 million was contributed to the Plan on October 1, 2023.

- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.

- A 1.00% one-time, non-compounding benefit increase will be payable in a lump sum by March 31, 2024.

- The vesting period for members hired after June 30, 2010 was changed from five years to three years.

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.
- Postretirement 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 postretirement 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 postretirement 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% postretirement 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 postretirement benefit increase will change to 2.0% until the plan again reaches a 90.0% funded ratio for two consecutive years.

SUPPLEMENTARY INFORMATION

Minnesota Office of Higher Education

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	(Previous Year Nonmajor Fund) Special Revenues and Gifts Fund	Federal Grant Fund	Total
Revenues			
Federal grants	$ -	$ 4,179,402	$ 4,179,402
Total revenues	-	4,179,402	4,179,402
Expenditures			
Federal grants	-	4,179,402	4,179,402
Total expenditures	-	4,179,402	4,179,402
Net change in fund balances	-	-	-
Fund Balances, Beginning, as Previously Reported	23,813,114	-	23,813,114
Accounting changes (see note disclosure)	(23,813,114)	-	(23,813,114)
Fund Balances, Beginning, as Adjusted	-	-	-
Fund Balance, Ending	$ -	$ -	$ -

OTHER REPORTS

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

Independent Auditors' Report

To the Commissioner of
Minnesota Office of Higher Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund and the 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, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Baker Tilly US, LLP

Eau Claire, Wisconsin
October 27, 2025