

# Alaska Student Loan Corporation

---

November 2, 2023

**ALASKA STUDENT LOAN CORPORATION  
BOARD MEETING**

[Zoom link](#)

Meeting #: 943 8236 9624

Password: ASLC

Teleconference: (888) 788-0099; Code: 943 8236 9624#

**AGENDA**

**Thursday, November 2, 2023**

1. 1:30 p.m. Convene/Roll Call
- 2.\* Adoption of Agenda
  - *Suggested Motion: Move to adopt the agenda of the November 2, 2023 Corporation meeting.*
3. Ethics Disclosure Relative to Adopted Agenda
- 4.\* Approval of Meeting Minutes from May 11, 2023
  - *Suggested Motion: Move approval of the meeting minutes from the May 11, 2023 Corporation meeting.*
5. 1:35 p.m. Public Testimony: Individuals 3-minute limit  
Group Representative 5-minute limit
6. 1:40 p.m. Executive Officer Report – Executive Director Sana Efird
- 7.\* 2:00 p.m. Presentation on Financial Statements – Chief Finance Officer Julie Pierce, CPA, and Karen Tarver, CPA, Partner, Elgee Rehfeld, LLC
  - *Suggested Motion: Move to accept the annual Financial Statements of the Alaska Student Loan Corporation for the year ending June 30, 2023.*
- 8.\* 2:30 p.m. Dividend Recommendation – Chief Finance Office Julie Pierce
  - *Suggested Motion: In accordance with AS 14.42.295 and the Corporation's income before return of capital loss for the year ending June 30, 2023, move to accept management's recommendation that no ASLC dividend be declared for fiscal year 2025.*
9. 2:45 p.m. Default Management Team Presentation – Adam Weed
- 10.\* 3:30 p.m. Adjournment

**\*Action Required – motion, second, and roll call vote**

ALASKA STUDENT LOAN CORPORATION

- *Suggested Motion: Move the Corporation adjourn the November 2, 2023 meeting.*

**\*Action Required – motion, second, and roll call vote**

4. May 11, 2023 ASLC Meeting Minutes

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

A meeting of the Board of Directors of the Alaska Student Loan Corporation (ASLC), conducted via distance delivery, originated from the offices of the Corporation at 3030 Vintage Boulevard, Juneau, Alaska on Thursday, May 11, 2023. Chair Adams called the meeting to order at approximately 1:30 p.m.

**ROLL CALL**

Members of the board present for all or portions of the meeting: Genevieve Wojtusik, Dr. Barbara Adams, Donald Handeland, Dave Donley and Micaela Fowler.

Staff present for all or portions of the meeting: Sana Efird, Executive Officer; Julie Pierce, CPA, Chief Finance Officer; Kate Hillenbrand, Director of Communications and Outreach; Andrew Bocanumenth, Assistant Attorney General; and Danni Erickson, Executive Secretary.

Guests in attendance: Lee Donner, Regional Managing Director, and Tim Webb with Hilltop Securities, Zach Hanna, Chief Investment Officer with the Department of Revenue.

**ADOPTION OF AGENDA**

**Dave Donley moved to adopt the agenda of the May 11, 2023, board meeting. Micaela Fowler seconded the motion. By roll call vote, all members present voted aye. The motion carried.**

**ETHICS DISCLOSURE**

Relative to the adopted agenda, no potential violations were disclosed by board members.

**ELECTION OF OFFICERS**

**Micaela Fowler nominated Barbara Adams to Chair. Genevieve Wojtusik seconded. By roll call vote, all members present voted aye. The motion carried.**

**Barbara Adams nominated Micaela Fowler as Vice Chair. Donald Handeland seconded. By roll call vote, all members present voted aye. The motion carried.**

**APPROVAL OF MINUTES**

**Dave Donley moved to approve the minutes of the February 9, 2023, board meeting. Micaela Fowler seconded the motion. By roll call vote, all members present voted aye. The motion carried.**

**PUBLIC TESTIMONY**

Chair Adams opened the public comment period to accept public testimony. Ms. Malan Paquette provided public testimony. There being no other members of the public wishing to speak, Chair Adams closed the public comment period.

**ANNUAL INVESTMENT POLICY REVIEW**

Julie Pierce, Chief Finance Officer for ACPE, referenced her memo beginning on page 10 of the packet. She explained that in accordance with the Corporations Investment Policy and Procedures, the board is required to review the investment policy annually to determine the policy's effectiveness and to make adjustments to reflect changes in investment strategy and goals. Next she explained that the current investment policy was included with her memo and was outlined on page 8 of the policy. She continued by explaining that the proposed revised Investment Policy for Board review and approval is included in Zach Hanna, Chief Investment Officer with the Department of Revenue's presentation on page 36.

She concluded by stating that if there were no questions then they could move on to CIO Hanna's presentation.

**INVESTMENT PORTFOLIO MANAGEMENT, PERFORMANCE, ASSET ALLOCATION AND POLICY REVIEW PRESENTATION, ZACH HANNA, CHIEF INVESTMENT OFFICER WITH DEPARTMENT OF REVENUE**

Zach Hanna, Chief Investment Officer with the Department of Revenue began his presentation by explaining that his team is a group of roughly 40 professionals who manage \$49 billion for the State, which includes some \$49 billion in funds directly for State programs, like the Student Loan Corporation. They spend all of their time assisting State Fiduciaries by managing risks and focusing on investment objectives. He explained that he would provide a brief update on the market, performance of the corporation's fund, and then the recommended asset allocation for FY24.

First, he touched on inflation, as that has been driving markets for the past year or so. CPI had come down from a peak of 9.1 last June on annualized basis. It went down to five in March, and then yesterday was announced at 4.9%. It is coming down, but coming down slowly. He added that it has been a challenging time in the market for the past year and a half. Inflation does remain high, and undoubtedly will continue to be a source of volatility and a headwind for growth.

Next, he explained that the Federal Government increased interest rates in an attempt to control inflation. He clarified that inflation in his presentation refers to small movements and percentages and that about one basis point is one hundredth of a percent. Therefore, in this case, rates increased from zero to 5.25, and so that is 525 basis points. Currently, the market does not anticipate any further rate increases but does anticipate potential rate decreases. This will likely be determined by the impact of all these increases on growth and the potential for the recession either this year or perhaps early next year. He continued by stating that because of the Federal Government's actions, they have increased the yield dramatically. He explained that Pre-Covid interest rates were at zero at the front end of the curve and very stimulating low interest rates across the curve. Then at the end of 2022 there was a massive increase in interest rates at the front and strong interest rate increases across the curve. It has been coming down a little bit since then, but nonetheless very dramatic increases in interest rates. This has been a challenge for performance of bonds last year, so it is kind of a double-edged sword. He added that bond yields are always vulnerable to sharp rises in interest rates. However, with the high starting yields that vulnerability is cushioned.

Next, he explained that he would discuss a little bit about equity markets. Equity markets did

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

go through a significant correction in 2022 as well. This has brought valuations back to levels that are more normal. We have had a bit of a rebound this year slightly in excess of normal levels, but still a lot lower than where they had ended up through the COVID period. International equities have trailed U.S. equities throughout. The COVID pandemic and the Ukraine crisis certainly did not help, and despite the current rebound, they remain relatively cheap compared to U.S. equities. In addition, stocks have always been quite volatile historically, with lots of positive years, certainly, but also lots of negative years, some being pretty substantial negative years. He stated that with some bonds, it is infrequent to see even a negative return and, usually, it is quite mild.

He then transitioned to the performance discussion. First, he stated that 2022 was a very challenging year. He explained that ASLC performance has rebounded since the first half of 2022 with fiscal-year-to-date performance of 4.3% through March 2023, 64 bps in excess of the benchmark. The calendar year 2022 performance was challenging at -8.12%. The inception track record, which is still short at 20 months, has generated an annualized loss of 2.69%. The State's asset class building blocks have all performed within exceptions with most providing excess returns. This was roughly the performance that the Student Loan Corporation would have seen had they fully adopted the asset allocation rather than the more gradual approach. However, most of the damage in 2022 actually occurred during the first half. There was actually a positive performance on most equities, which outperformed bonds. He added that he would be talking mostly about the first calendar quarter and fiscal year to date returns, and those have been strong, led by mostly by equities.

Next, he provided some background on the Corporation's past actions. The Corporation hired the Treasury to start managing investments in July of 2021. They initially managed a combination of fixed income and cash equivalent investments that had an intermediate bond risk profile. They then worked with management and with the Board on risk profiles that could better meet the needs of the Corporation. In addition, they suggested some asset allocation alternatives to the Board. Ultimately, the Board elected to pursue a risk profile that was roughly 40% equity and 60% fixed income. The Board elected to ease into that eventual portfolio over roughly a 2-year period. He then began discussing the Student Loan core performance. ASLC performance rebounded since the first half of 2022 with fiscal-year-to-date performance at 4.3% through March 2023. Recommendation usually is to be somewhat gradual in terms of how you go about achieving that eventual asset allocation that you do not subject yourself to significant market timing risk. The performance has rebounded considerably since that first half of last year. Additionally, fiscal year-to-date performance for the portfolio is a positive 4.3 again, with very strong asset performance. Therefore, benchmark performance was 3.66, and so about 64 basis points of asset performance over that 9-month period. Some modest out-performance at 29 basis points ahead of its benchmark, but still early.

He explained that this is a young portfolio, and that he would talk a bit more about that further on in his presentation. Most of these asset classes, for the period they have managed money for the Corporation, provided some reasonable positive performance. However, he pointed out the last three. The bond, fixed income, and short-term fixed income are all actively managed. Provided the lion's share of that asset return, which is what is expected now, in general we really look to provide pretty predictable returns to state investors, and try to skew that predictability towards a modestly positive asset return, but again generally fairly close to the benchmark. No one likes to go through periods of negative performance. However, he added, it is certainly good that the portfolio is providing access to terms that moderates that to a certain extent and managing through this sort of downside risk is expected with the risk profile of the portfolio. Investing began at a challenging

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

time, it was done in appropriate fashion, easing into the risk, and over the long term. They think this portfolio is positioned ultimately to achieve the Corporation's risk and return objectives. He paused here for any questions regarding any aspects of this performance, or the component performance. There were no questions at the time.

Moving on, he explained he would next discuss asset allocation. He began by explaining the State investment policy and asset allocation process. Annually, staff reviews each investment policy that they manage for the State (including the Corporation's) to make recommendations, take into account the number of factors, investment objectives, risk tolerance, time, and horizon needs capacity for loss. They use a very transparent process, which is documented in their investment policy manual that is publicly available online on their website, along with their investment results and many other materials. In addition, an important part of their process is meeting Quarterly with an independent investment advisory committee and that is a process. They review all of the portfolios, including the Corporation's, and test with that independent advisory committee. This is really an important resource for the Commission and Corporation. This was the third year they had followed that process. The asset allocation process kicks off each year with the release of capital market assumptions. Callan is an investment consultant that annually develops 10-year capital market assumptions for clients including the Alaska Retirement Management Board and the Alaska Permanent Fund Corporation. DOR uses these assumptions for independence and consistency. He explained that return expectations have generally fallen over the past 30 years as interest rates, growth, and inflation expectations declined. He added that forward return expectations have now increased due to inflation, higher starting interest rates and the pullback in equity markets. Treasury staff evaluates Callan's capital market assumptions and current market conditions to develop an asset allocation approach for each state fund. The goal is to maximize return and minimize risk consistent with investment objectives and risk tolerance using a combination of Modern Portfolio Theory and account specific constraints and characteristics.

He then explained that he would summarize the 2023 Capital Market Assumptions. He started by explaining that equities are up roughly 75 basis points again, largely because they contracted last year. Forward expectations have now reset a little bit higher and fixed income was up dramatically 150 to 250 basis points depending on which piece of the fixed income universe you are focused on. Part of their process annually is to review each asset class for potential addition or potential deletion from State portfolios. They select those that fit best based on a number of attributes. He continued by explaining that in FY24 they are continuing to recommend no change and using U.S. equities, international equities short-term, fixed income broad market fixed income for most of their portfolios. They do not recommend liquid alternative investments for State portfolios as they do for retirement funds, and because, ultimately, the legislature can make wholesale changes to many of the funds that they manage on an annual, or perhaps more frequent basis. He added that they feel they really need to invest these funds.

Next he stated that he would start the discussion about investment policy, and ultimately provide DOR's recommendation, which remains the same as it was last year. Their assessment was that the corporation still has a long time horizon and relatively low investment liquidity needs. Those are large determinants of whether it can adopt a higher risk profile, if it chooses to. The Corporation's assets are currently projected to continue to grow from an investment objective perspective. The goal of earning a minimum of 4% was established last year to provide for operational needs and some potential downside loan experience. They think that is still a reasonable goal. It is certainly not bad to earn more than four, but targeting returns below 4% is sub optimal. He added that everyone could benefit from inflation protection. They view portfolios like this to have

4. May 11, 2023 ASLC Meeting Minutes

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

some component of intergenerational equity. So managing to grow assets over time, and providing some protection of future purchasing power is certainly positive, but is not always possible. He added that from a loss perspective, their assessment is that the Corporation's time horizon and liquidity needs should tolerate short to medium-term losses for the potential longer-term returns. From a conclusionary perspective, they think it has a time horizon coupled with investment objectives and other attributes that are consistent with adopting a high-risk tolerance over time. Clearly, the needs of the corporation may change. They are always happy to work with management and the Board to further evaluate changes to investment policy.

Next, he provided a chart that compared last year's portfolio with this year's. Since they are not recommending any asset allocation change, right now they think this is actually a reasonable time to take a pause since there has been a steady increase in risk over the past couple of years. This will allow time to assess the needs of the corporation and allow this volatility to set in and the Corporation to become familiar with how to manage around this sort of volatility. Therefore, they were not recommending a change in policy at that time, but at some point in the future, it may be advisable to think about.

Continuing on, he explained that expected earnings have increased by 175 basis points to 5.85 from 4.1% last year and the downside risk statistics have improved as well. It is not that the standard deviation has changed. It is that the central tendency has moved higher. Therefore, it shifted that downside risk to some degree. Ultimately, the recommended domestic policy for FY24 is unchanged. It's just the numbers that have changed while the expected returns are quite a bit higher. The downside risk is a little bit lower. They think this is probably a good place, at least for the next year for the portfolio. Equities are always much more difficult to forecast, and certainly, they do not make any attempt on a one-year or a short-term basis to forecast equity returns over the longer term horizon. Their expectation for those returns will be in that 6 and a half to 7% range. He added that it's really nice to have at this point in time a material portion of the Corporation's risk profile in a part of the market, if it has high yields, and is probably less likely to see anything like the volatility seen last year.

Next, he touched on historical risk of a 40% Equity/60% Fixed Income Portfolio. He stated there is nothing like looking at what the market is to triangulate how to think about risk. He provided a chart that reviewed a long period of historical performance for a portfolio similar to the Corporation's to help provide context and show how portfolios can be impacted during a financial crisis. He added that it is better to have eyes open, because experiencing market volatility like in 2022 is far different than a collection of risk statistics on a piece of paper. It is always good to be thoughtful in how you manage a corporation, and how you manage a board through bold periods, especially as you think about different risk profiles. He concluded by asking for any questions.

*Discussion: None*

### **INVESTMENT POLICY TOPIC DISCUSSION**

Lee Donner, Senior Managing Director with Hilltop Securities the Financial Advisor to the Alaska Student Loan Corporation for over 10 years, explained that they did a full disclosure review of Mr. Hanna's report and have no issues with how Mr. Hanna presented it. He added that 2022 was a breathtaking experience for all and that negative 8.12% left everyone somewhat rattled. However, when you compare it with what it could have been, if it had been fully invested in the new policy, the losses were roughly half. The Board's decision to ease into reallocation was a huge part of



4. May 11, 2023 ASLC Meeting Minutes  
**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

preventing the 2022 results from being dramatically worse than they were, which leaves the Corporation in very good shape compared to many others after that terrible period. He concluded that he agrees with the recommendation and that he believes it gets the Corporation headed down the path toward a better return based on overall expenses and against student loan performance and what is needed to generate from this investment portfolio to prevent continued declines in fund balance.

*Discussion: Chair Adams reminded Commissioners that they have taken a pretty fiscally conservative approach with a two year timeline stretching up to three. She added that it is evident the fund has weathered some of the storm pretty well.*

**Deputy Commissioner Donley moved to accept the Alaska Student Loan Corporation Investment Policy and Procedures with no material changes based on discussion and recommendation from Staff, DOR Investment Management Team, and Financial Advisor. Genevieve Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.**

**ADOPTION OF LOAN PROGRAM VARIABLE INTEREST RATES FY2023-2024**

Julie Pierce, Chief Finance Officer for ACPE, referenced her memo beginning on page 41 of the packet. She stated that the Corporation sets annual interest rates for variable rate Alaska Supplemental Education Loans on or after May 1 of each year. These rates will be in effect for the 12-month period beginning July 1, 2023 and ending June 30, 2024.

She explained that the Corporation issued variable rate ASEL loans from July 1, 2002, through June 30, 2006. The Corporation no longer originates variable rate ASEL loans. She added that Corporation regulations specify the ASEL variable rates be based on “the bond equivalent rate of the 91-day U.S. Treasury bills auctioned at the final auction held before May 1 of the loan year plus up to 2.8 percent.” The final auction held before May 1<sup>st</sup> issuance date was April 27, 2023.

She then explained that staff recommended the interest variable rates for ASEL loans be set as follows for the 12-month period beginning July 1, 2023:

1. During the in-school period and applicable grace and deferment periods, 7.70% 1 (91-day U.S. Treasury Bill rate set April 27th of 5.02% plus 2.70 %.)
2. During the repayment period and applicable forbearance periods, 7.80% 1, (91-day U.S. Treasury bill rate set April 27th of 5.02% plus 2.80 %.)

*Discussion: Member Handeland asked if there was anything preventing borrowers from refinancing with us. CFO Pierce explained that the only limitation would be if the borrower meets the eligibility criteria for refinancing. Executive Director Efird added that over the course of the last few years, borrowers have had much lower interest rates than even the refinance rates, so it wasn't advantageous to refinance. Now, as interest rates are increasing, they may be looking at refinancing and would have that opportunity as long as they are eligible.*

*Chair Adams asked if ACPE does any specific outreach on refinancing. Executive Director Efird explained that ACPE does do specific outreach on that topic. She added that staff recently did a mailing to over 19,000 Alaskans to share ACPE's interest rates with them. She also explained that if*

4. May 11, 2023 ASLC Meeting Minutes

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

*borrowers call in, staff would also share the difference in the interest rates and give them information on how to apply for refinancing.*

*Vice Chair Fowler noted that she looked at how these rates compare to the other rates offered through ACPE. She explained that our student loan rates are between 5 and 7.9 while the refinance rates are lower. The Family Loan rates top out at six. She added that everyone on the Board as well as ACPE's staff have a strong commitment to keeping costs for student loans as low as possible. She concluded that while it looks like a large jump for students, it is not as dramatically out of line with where other borrowers are currently priced at. She then asked Executive Director Efird if she would agree with those comments. Executive Director Efird explained that yes, her comments were correct. These rates for the variable interest loans are still lower than some of our current borrowers have had the benefit of because of a nationally low interest rate. She added that the average balance on these loans is less than \$5,000 so the actual dollar increase would be somewhere between \$10 to \$30 per month. It is an increase but unfortunately, with the reality of the interest rate picture facing the Corporation this is the best route.*

**Deputy Commissioner Donley moved to approve the variable interest rates for variable rate ASEL loans as recommended by staff. Donald Handeland seconded the motion. By roll call vote, all members present voted aye. The motion carried.**

### **EXECUTIVE OFFICE REPORT**

Executive Director Efird began her report by thanking Zach Hanna and DOR for their help and support and Lee Donner and Tim Webb for their wisdom and counsel. She added that she wanted to bring to the Corporation's attention that due to some outsourcing projects, the February approved new refinance loan rates, which were an increase for those loans, would actually be implemented on July 1 and not on April 1. She added that the timing change was actually a benefit to borrowers because they had another couple months to take advantage of the former refinance rates. She explained that staff sent out a mailer notifying borrowers of the increase.

Next, she explained that she would highlight a couple things from her report. She spent much of the quarter meeting with legislators individually as there are many new legislators that did not understand what the Commission does and how the Student Loan Corporation supports the work of the Commission and its programs. She added that she has enjoyed having the opportunity to share the mission and what the Commission is doing to help Alaskans. She also explained that HB 148, which is a bill seeking to modernize the Alaska Performance Scholarship, was still moving along, but she was unsure if it would make it through both bodies before session concludes. If not, staff will continue to track it next year.

She then highlighted the completion of the outsourcing project for the servicing of loans. Staff met the April 1<sup>st</sup> deadline as American Education Services took over servicing. She added that she commends staff for working tirelessly on meeting this timeline. There are little pieces that need to be worked through to ensure that borrowers are not being adversely affected by this transition. She clarified that loans themselves were not outsourced, just the servicing of them. ACPE/State of Alaska is still the owner.

She concluded by stating that the Commission is working hard to ensure that students have access to State Financial Aid programs and is also prioritizing helping Alaskans complete their \_\_\_\_\_

4. May 11, 2023 ASLC Meeting Minutes

**MEETING MINUTES OF THE  
ALASKA STUDENT LOAN CORPORATION BOARD  
May 11, 2023**

FAFSA to help offset those financial needs as much as possible.

*Discussion: Chair Adams wanted to make sure everyone was comfortable with the idea that instead of implementing in April, increased rates would be implemented in July. She asked if anyone had any concerns to express them now. There were no concerns.*

*Chair Adams then thanked Executive Director Efird for her leadership, for all her time she spent with the Legislature and for her support in trying to move forward bills that can benefit students.*

**FUTURE MEETING DATES**

- **Thursday, November 2 2023 at 1:30 p.m.**
- **Thursday, February 8, 2024 at 1:30 p.m.**
- **Thursday, May 9, 2024 at 1:30 p.m.**
- **Thursday, November 7, 2024 at 1:30 p.m.**

**ADJOURN**

**Deputy Commissioner Donley moved to adjourn. Ms. Wojtusik seconded the motion. By roll call vote, all members present voted aye. There being no objection, and no further business to discuss, the motion carried.**

The meeting adjourned at approximately 2:20 p.m.

Approved by:

\_\_\_\_\_  
Dr. Barbara Adams, Chair

\_\_\_\_\_  
Date



## Alaska Commission on Postsecondary Education

P.O. Box 110505  
Juneau, Alaska 99811-0505

Customer Service Center  
Toll Free: (800) 441-2962  
In Juneau: (907) 465-2962  
TDD: (907) 465-3143  
Fax: (907) 465-5316  
[acpe.alaska.gov](http://acpe.alaska.gov)

### MEMORANDUM

**TO:** Members, Alaska Commission on Postsecondary Education  
**FROM:** Sana Efird, Executive Director  
**DATE:** October 3, 2023  
**SUBJECT:** Executive Director Report

During this quarter, the Executive Director's Office has supported staff with the transition to third party contractors, worked with senior and general managers to outline projects to support implementation of our new strategic priorities and goals, held an all-staff retreat to build relationships and connect all staff to current projects, presented to various groups, attended multiple national conferences with other similar state organizations, and started FY2025 budget preparation.

#### **Budget Update:**

Senior Managers and I are in the budget planning and proposal process for the FY2025 Governor's Proposed Budget. Chief Finance Officer Julie Pierce and I met with the Office of Management and Budget and the Governor's Office staff in September to present ACPE's FY2025 budget proposal. This information is confidential and deliberative until the Governor releases his budget in December.

ACPE's FY2023 Budget has been closed out successfully and management is finalizing line item budgets/authorization for each Division's FY2024 budget.

#### **Upcoming Legislative Session Preparation:**

One of the Commission's top priorities is to modernize the current Alaska Performance Scholarship program to increase eligibility and usage. ACPE has been working over the past three years to provide data and information to the Administration and legislative committees to support changes in the APS program. During the upcoming legislative session, we will continue to support efforts to pass APS legislation. Currently, HB148 and SB56 have passed from their respective Education Committees and we are hopeful one of these bills will pass this session. APS eligibility as a percent of the total number of public high school graduates over the last five years shows the class of 2023 has the lowest eligibility rate of 15% since inception of the program in 2011, followed by 16% for the class of 2022. We are concerned about this decline in eligibility and are working with schools and families to ensure the program requirements are

understood, and are hopeful that the pending legislation is adopted to address some of the known program challenges.

### **Outsourcing Projects Update:**

With outsourcing complete, ACPE's focus has shifted to oversight and monitoring for compliance of our third-party contractors. I am focused on meeting with contractor management to ensure concerns are addressed timely and resolved to the benefit of our customers. Staff are working through this transition to update and implement new policies and procedures to outline new processes.

### **Human Resources Update:**

Staff changes over the last quarter resulted in the separation of one employee, Student Intern, Krishna Sanguni, and the placement of one employee, Suzann Phillips, into temporary acting status to fill the role of Accountant V, Loan Portfolio Accountant. Our records indicate there are a total of four (4) employees eligible to retire in calendar year 2023.

Currently, there are eleven vacant positions: one (1) in the Executive Office, two (2) in Finance, one (1) Outreach, one (1) in Information Support Services, and six (6) in Program Operations. Recruitment efforts have begun for an Administrative Assistant and a Program Coordinator in Program Operations. Management continues to review all vacant positions for future need including possible deletion or reclassification to retain the flexibility required to provide support for agency initiatives. At present, ACPE has 44 positions filled: 10 in Anchorage, 34 in Juneau. The breakdown of those positions by divisions is as follows: ISS-10, Finance-12, Program Operations-13, Outreach-6, and Executive Office-3.

With the deletion of ACPE's Human Resources Officer, DEED's Human Resources Officer, Bobi Jo Grimes, is providing advising and support on any human resource matters and is working closely with Grace Newman, Administrative Assistant to ensure ACPE's HR matters are addressed appropriately and timely.

As of September 12, staff are teleworking three days a week and in office on Tuesdays and Wednesdays.

### **Strategic Planning/All Staff Retreat:**

All ACPE staff gathered in person at the State Library, Archives, Museum building in downtown Juneau on September 29. The goal of this time together was to build connections between Anchorage and Juneau staff as well as share new strategic priorities and the projects that will help meet new identified goals. It was a fun and productive opportunity to have everyone together in one space!

**Juneau and Anchorage Lease/Space Update:**

As a result of position reductions and the current hybrid in-office/telework structure, we have been working to reduce our footprint in both Juneau and Anchorage. I am pleased to share both moves have been completed and staff are settling in to their new spaces. Even though there are still boxes to unpack, old files to archive or shred, and other various projects to complete to help the new spaces feel comfortable, we are finally getting there!

**Alaska Student Loan Corporation Meeting:**

The Alaska Student Loan Corporation (ASLC) Board held its regularly scheduled meeting on May 11, 2023. The Corporation Board is required to review the investment policy annually to determine the policy's effectiveness and consider adjustments to reflect changes in investment strategy and goals. Mr. Zach Hanna, Chief Investment Officer Department of Revenue provided a review of the Alaska Student Loan Corporation investment policy and current portfolio performance. Pursuant to the review, the Corporation Board voted to accept the ASLC Investment Policy and Procedures with no material changes. Additionally, the Board approved interest rates for variable rate Alaska Student Education Loans.

**Professional Organization Meetings/Conference Attendance:**

I attended regular monthly and semi-monthly meetings with the Education Finance Council (EFC), State Higher Education Officers Association, Western Interstate Commission for Higher Education (WICHE), and the Alaska Business Education Compact.

In July, I attended the State Higher Education Executive Officers Association (SHEEO) Annual Meeting in Portland. This meeting gathers CEO's of state higher education boards and commissions and leaders of national and regional organizations to encourage discussion and sharing of key state and national higher education policy issues and relationship building.

Julie Pierce, Chief Finance Officer and I attended the in-person EFC Conference in Washington, DC in September. This is always a productive conference providing an opportunity to meet with peers from other similar state organizations across the country to hear about their current successes. Keynote speakers included Richard Cordray, Chief Operating Officer, Federal Student Aid and the Honorable J. C. Watts, Jr., former U.S. Representative from Oklahoma. I was also able to meet in person with leadership from our new contractors CampusDoor (CD) and American Education Services (AES) to share information on our conversion and with our financial advisors, Lee Donner and Tim Webb of Hilltop Securities.

During my time in Washington, I also met with Senator Murkowski's staff to update them on the work of ACPE. Unfortunately, I was unable to meet with Representative Peltola or Senator Sullivan.

**Other Meetings/Activities:**

- Met with Governor’s Chief of Staff, Deputy Chief of Staff, and DEED Commissioner Bishop on education matters
- Alaska FAFSA Summit planning meetings
- Orientation presentations for new commissioners
- Alaska Statewide Education Leaders Collaboration meeting
- ADN Interview on Loan Forgiveness
- Meetings with Financial Aid Officers
- Met with new UAS Chancellor, Dr. Aparna Palmer
- Check in meetings with contractors, CampusDoor (CD), American Education Services (AES), and Transworld Systems, Inc. (TSI)
- Provided a presentation to Superintendents at the annual DEED Superintendent summer Juneau Fly-In
- Participated in Tribal Workforce Roundtable monthly meetings
- Working with representative from Complete College America to determine what efforts might work to help encourage Alaskans to complete their education/training programs
- Elgee-Rehfeld ASLC Audit exit conference

It is exciting to have the major outsourcing projects completed. I cannot emphasize the heavy lift this was for ACPE staff. They worked tirelessly to meet the multiple deadlines to achieve this success. Even though we are over the finish line for the initial conversion to our contractors, there is still a large body of work to ensure we transition successfully to our new roles of oversight and monitoring to continue supporting our borrowers.

As always, it is my pleasure and I am humbled to serve the Commission. I am proud to lead such a dedicated team of individuals to support Alaskans and their access to higher education opportunities.

Thank you!

**Attachments:**

1. August 11, 2023 Alaska Performance Scholarship Press Release
2. [Alaska College and Career Guidance Report](#)



**To:** Alaska Student Loan Corporation Members  
**Thru:** Sana Efird, Executive Officer  
**From:** Julie Pierce, Chief Finance Officer  
**Date:** November 2, 2023  
**Re:** Annual Financial Reports

---

The Alaska Student Loan Corporation's (Corporation) annual financial reports for the year ended June 30, 2023 have been finalized.

Reports included herein:

Management's Discussion and Analysis and Financial Statements (Financial Statements);  
Expenditures of Federal Awards Reports; and,  
Letter to the Board.

### **Management's Discussion and Analysis and Financial Statements**

The Statements of Revenues, Expenses and Changes in Net Position are on page 10 of the Financial Statements. These statements reflect the Corporation's income of \$9.8 million and loss of \$9.9 million for the years ended June 30, 2023 and 2022, respectively.

Following is a brief summary of the significant items that contributed to the income for fiscal year 2023.

The income, or change in net position, is the difference between income and expense for the year.

Operating income consists primarily of interest income on education loans, loan-related provision for loss and earnings on investments. Total net operating income was \$18.6 million for fiscal year 2023, a \$20.1 million increase from total net operating loss of \$1.5 million for fiscal year 2022.

Interest income on loans declined approximately \$0.2 million to \$8.6 million from \$8.8 million, primarily due to an \$18.1 million decrease in loans receivable.

The provision for loan related loss is an adjustment to income for the annual change in estimated allowances for uncollectible loans and related accrued interest. The annual provision decreased by \$6.2 million to income of \$3.5 million in fiscal year 2023, compared with an expense for loss of \$2.7 million in



## 7. Presentation on Financial Statements

fiscal year 2022. This decrease was primarily due to an overall decline in loan receivable balances and a reduction in non-performing loans.

Investment income increased \$14.2 million to \$6.6 million in fiscal year 2023, compared with a loss of \$7.6 million in fiscal year 2022. The increase is due to an increase in invested balances and a higher rate of return on investments.

Operating expense for administrative costs, increased approximately \$0.5 million in fiscal year 2023 compared to fiscal year 2022 due to an increase in personal service and contractual costs.

The Alaska Commission on Postsecondary Education (ACPE) originates loans for the Corporation and services the Corporation's loan portfolio so the majority of administrative costs reported on the Corporation's financial statements represent reimbursements to ACPE. The increase in administrative costs was primarily due to an increase in personal service costs from annual salary increases on employee positions that did not vary significantly year over year. Contractual costs also increased year over year due an increase in costs associated with the implementation of outsourcing services and interagency cost increases.

The Statements of Net Position reflecting asset, liability and net position balances, at June 30 is on page 9.

Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. The increase in total assets is due to the increase in investments offset with a decrease in loans receivable. Loan principal repayments continue to be greater than originations and capitalized interest, a trend expected to occur for several years.

Current liabilities are those expected to be satisfied in the next fiscal year. The increase in current liabilities is due to an increase in amounts due to the State of Alaska.

Unrestricted net position increased in fiscal year 2023 attributable to net operating income.

### **Expenditures of Federal Awards Reports**

The second report enclosed is required by the Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). The federal award subject to the Uniform Guidance is the federal guarantee of the Corporation's Federal Family Education Loan (FFELP) portfolio. Page 6 of the report outlines information relative to the Corporation's federally guaranteed loan portfolio.

Beginning loan balance represents the Corporation's federally guaranteed loan portfolio balance at the beginning of the fiscal year.

## 7. Presentation on Financial Statements

Special allowance is received from and excess interest is paid to the federal government depending on the relationship between a prescribed market index and the yield on federal loans as well as when the loans were disbursed. Loans disbursed before April 1, 2006, are not subject to excess interest payments.

Federal interest benefits represent subsidized interest the federal government paid the Corporation for borrowers of federally subsidized loans.

The net paid to or received from the federal government is recorded as an adjustment to interest income on loans on the Corporation's Statements of Revenue, Expense, and Changes in Net Position.

The bottom of page 8 reflects the amount of claim payments received (\$1.8 million) on non-performing federal loans in fiscal year 2023 as well as the amount of the Corporation's federal loans (\$19.7 million) guaranteed by the federal government.

### **Letter to the Board**

This letter is a required communication between the external auditor and the board. It is designed to communicate information about the auditor's responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as information related to the scope and timing of the audit.

If you have any questions or wish to discuss any of these reports, please do not hesitate to give me a call at 907-465-6757 or send me an email at [julie.pierce@alaska.gov](mailto:julie.pierce@alaska.gov).

Thank you

## 7. Presentation on Financial Statements

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis and  
Financial Statements

June 30, 2023 and 2022

Together with Independent Auditor's Report

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)  
Years Ended June 30, 2023 and 2022

**Table of Contents**

	<b>Pages</b>
Management’s Discussion and Analysis	1 – 5
Independent Auditor’s Report	6 - 8
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11 – 12
Notes to Financial Statements	13 – 22

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2023 and 2022

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2023 and 2022 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues.

This information is required supplementary information and should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes, all of which follow.

History

The State of Alaska (State) established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a primary government function and financial reporting was included in the governmental fund section of the State's annual comprehensive financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development for budgetary purposes but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a primary government function and financial activity is included in the governmental fund section of the State's annual comprehensive financial report.

The Corporation was created in 1987 as a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's annual comprehensive financial report.

The Corporation was created to raise alternative financing for education loans through the issuance of debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. By statute the Corporation has one employee, the Executive Officer. The employees of the Commission serve as staff for the Corporation. In 1987, the Corporation entered into an agreement with the Commission for administrative services related to its loan programs. In April of 1988, the assets and liabilities of the State's existing education loan programs were transferred to the Corporation effective December 1987.

The Corporation cannot be terminated as long as it has debt outstanding. Upon termination, the Corporation's rights and property pass to the State.

Under contract with the Corporation, the Commission awards and originates the Corporation's education loans and services the Corporation's education loan portfolio. Additional information is available at [acpe.alaska.gov](http://acpe.alaska.gov). The Corporation funds the Commission's expenditures that relate to loan program administration.

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2023 and 2022

The loan program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State Education loans (State loans) governed by State statutes. Loans are both fixed and variable rate loans.

The loan program was structured to provide eligible borrowers with low-cost financial aid options. Students are encouraged to maximize their grant and lowest cost loan options prior to tapping into alternative sources.

#### Program Highlights

- The Corporation continues to hold and administer its FFELP portfolio. Loans in that portfolio are guaranteed by Ascendium Education Solutions, Inc.
- The Corporation continues to originate State loans, as well as administer its State loan portfolio. State loans are not supported by collateral nor are they guaranteed.
- The loan portfolio is changing because Federal loans are no longer being originated. At June 30, 2023, the Corporation's gross loan portfolio was 85% State loans and 15% Federal loans.
- State loans were made to borrowers meeting FICO score requirements of at least 650, implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009. Refinance borrowers must also meet minimum FICO score requirements.
- All State Consolidation Loans were made subject to credit criteria which included good repayment histories on the underlying loans for the eighteen months preceding consolidation or a FICO score of at least 680.
- Credit-ready loans disbursed on or after July 1, 1998 and before July 1, 2009 were made to borrowers with no adverse credit history.

#### Financial Highlights

- Financing education loans

The Corporation last issued bonds, for the purpose of financing new education loans, in June 2007. From July 2007 through 2011, the Corporation used non-pledged loan payments and proceeds from a State loan to finance education loans. Since 2011, loan originations have been funded with non-pledged loan receipts.

- Loan Volume

Annual loan originations decreased 5% and decreased 7% in fiscal years 2023 and 2022, respectively. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates continuing to meet loan demand with non-pledged loan payments for the next several years. When non-pledged loan payments are no longer sufficient, the Corporation anticipates issuing debt to meet loan demand.

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2023 and 2022

#### Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized when earned and expenses when incurred. The basic financial statements of the Corporation are as follows:

Statement of Net Position – This statement presents information regarding the Corporation's assets, liabilities and net position at a point in time. Net position represents the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net position serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Statements of Net Position. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be due in the next fiscal year. Assets and net position are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short-lived (less than a year).

Statement of Revenues, Expenses, and Changes in Net Position – This statement measures the activities of the Corporation's operations over the past year and presents the change in net position for the year. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

Statement of Cash Flows – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year.

Notes to Financial Statements – This section provides information that is essential to a full understanding of the basic financial statements described above.

#### Financial Analysis

- The Corporation's total assets at June 30, 2023, and 2022, were \$214, and \$203 million, respectively. The change in assets from fiscal year 2022 to 2023 was an increase of \$11 million or 5 %.
- The Corporation's net education loans receivable were \$93, and \$101 million, at June 30, 2023, and 2022, respectively. These balances represent a decrease in fiscal year 2023 of \$8 million or 8 %.
- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2023, and 2022 by \$212, and \$202 million, respectively. These balances represent an increase in fiscal year 2023 of \$10 million or 5 %.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
Years Ended June 30, 2023 and 2022

- The Corporation’s net operating income was \$19 million, compared with net operating loss of \$2 million, for fiscal year ended June 30, 2023, and 2022, respectively. These balances represent an increase in net operating income in fiscal year 2023 of \$21 million.
- The Corporation’s operating administration expense was \$9 million and \$8 million during fiscal years 2023, and 2022, respectively. These balances represent an increase of \$1 million in fiscal year 2023.

The following condensed financial information reflects changes during the fiscal year:

Statement of Net Position (in thousands)				
	2023	2022	\$ Change	% Change
Assets:				
Current	\$ 25,278	25,682	(404)	(2)
Noncurrent	188,336	177,588	10,748	6
Total assets	\$ 213,614	203,270	10,344	5
Liabilities:				
Current	\$ 1,383	801	582	73
Total liabilities	1,383	801	582	73
Net position:				
Unrestricted	212,231	202,469	9,762	5
Total net position	212,231	202,469	9,762	5
Total liabilities and net position	\$ 213,614	203,270	10,344	5

The fiscal year 2023 decrease in current assets was due to a decrease in current receivable on loans and current interest receivable on loans. Loan balances classified as current are those expected to be paid in the next twelve months. Net interest receivable on loans overall is declining due to the decline in the loan portfolio for the last several years. Investment balances classified as current are those expected to be consumed in the next twelve months. There were no investment balances classified as current as of June 30, 2023 or 2022.

The fiscal year 2023 increase in noncurrent assets was due to the increase in noncurrent investments offset with a decrease in noncurrent loans receivable. The decrease in noncurrent loans receivable is the result of loan payments continuing to exceed loan originations. Noncurrent investments increased due to collections on loans exceeding investments utilized for loan originations and administrative costs. Current liabilities increased in fiscal year 2023 due to an increase in amounts due to the State of Alaska. Unrestricted net position increased in fiscal year 2023 because net operating income exceeded other operating expenses.



## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2023 and 2022

##### Statements of Revenue, Expenses and Changes in Net Position (in thousands)

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Net operating income (loss)	\$ 18,610	(1,520)	20,130	(1324)
Operating expense	<u>(8,848)</u>	<u>(8,343)</u>	<u>(505)</u>	6
Change in net position	9,762	(9,863)	19,625	(199)
Net position - beginning	<u>202,469</u>	<u>212,332</u>	<u>(9,863)</u>	(5)
Net position - ending	<u>\$ 212,231</u>	<u>202,469</u>	<u>9,762</u>	5

Net operating income (loss) represents interest on education loans, loan-related provisions, earnings (loss) on investments and other revenue. Interest on education loans continues to decline due to the decline in the loan portfolio. The gross loan portfolio decreased 12% in fiscal year 2023. Yield on loans was 6%, and 6% for fiscal years 2023 and 2022, respectively. The provision represents the current year change in estimated principal losses and interest losses on that principal. The provisions change as performance and balance of the portfolio changes. The investment portfolio balance increased in fiscal year 2023. Yield on investments was 6%, and (8.3) % in fiscal years 2023 and 2022, respectively.

Operating expense represents interest on debt, as well as administrative expenses. In fiscal year 2023, administrative expense increased due to an increase in personnel service costs associated with annual salary increases and an increase in contractual expenses.

##### Rate Discounts

Borrower benefits are intended to lower borrowers' interest costs. Rate discounts awarded in fiscal years 2023, and 2022 resulted in forgone interest on loans of approximately \$37, and \$119, respectively. The impact of these discounts is recorded as a reduction to interest on loans. Information related to borrower benefits can be found at [acpe.alaska.gov/myrate](http://acpe.alaska.gov/myrate).

##### Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation's finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Alaska Student Loan Corporation  
Juneau, Alaska

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 opinion.

#### *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 Corporation'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.

## 7. Presentation on Financial Statements

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 5 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

## 7. Presentation on Financial Statements

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the Corporation'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 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 Corporation's internal control over financial reporting and compliance.

*Elgee Rehfeld*

October 2, 2023

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2023 and 2022

(in thousands)

	2023	2022
Assets:		
Current assets:		
Cash (note 3)	\$ 606	644
Other	11	113
Interest receivable on investments	27	4
Interest receivable on loans	2,054	2,211
Loans receivable (note 4)	22,580	22,710
Total current assets	25,278	25,682
Noncurrent assets:		
Interest receivable on loans, net (note 5)	2,007	2,300
Loans receivable, net (notes 4 and 5)	70,239	78,721
Investments (note 3)	116,090	96,567
Total noncurrent assets	188,336	177,588
Total assets	\$ 213,614	203,270
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Due to State of Alaska	\$ 1,413	605
Due to (from) U.S. Dept. of Education (note 6)	(84)	175
Accounts payable	54	21
Total liabilities	1,383	801
Net position:		
Unrestricted (note 2)	212,231	202,469
Total net position	212,231	202,469
Total liabilities and net position	\$ 213,614	203,270

See accompanying Notes to Financial Statements.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Operating income (loss):		
Interest on loans, net (note 2)	\$ 8,553	8,807
Provision (note 5)	3,482	(2,728)
Investment income (loss), net (note 2)	<u>6,575</u>	<u>(7,599)</u>
Total net operating income (loss)	<u>18,610</u>	<u>(1,520)</u>
Operating expense:		
Administration	<u>8,848</u>	<u>8,343</u>
Total operating expense	<u>8,848</u>	<u>8,343</u>
Change in net position	9,762	(9,863)
Total net position - beginning	<u>202,469</u>	<u>212,332</u>
Total net position - ending	<u>\$ 212,231</u>	<u>202,469</u>

See accompanying Notes to Financial Statements.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

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

	2023	2022
Cash flows from operating activities:		
Principal payments received on loans	\$ 21,637	27,917
Interest received on loans	6,155	5,229
Other receipts (payments)	47	(2)
Loans originated	(6,852)	(6,519)
Administration	(8,054)	(9,320)
Net cash provided by operating activities	12,933	17,305
Cash flows from investing activities:		
Income (loss) on investments	6,111	(7,593)
Investments matured or sold	52,475	218,173
Investments purchased	(71,557)	(228,143)
Net cash provided by (used for) investing activities	(12,971)	(17,563)
Net decrease in cash	(38)	(258)
Cash at beginning of period	644	902
Cash at end of period	\$ 606	644

See accompanying Notes to Financial Statements.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

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

	2023	2022
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	\$ 9,762	(9,863)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Provision	(3,482)	2,728
Income received on investments	(6,111)	7,593
Unrealized (gain) loss on investments	(441)	(152)
Change in assets and liabilities:		
Decrease (Increase) in other assets	102	(19)
(Increase) decrease in interest receivable on investments	(23)	158
(Increase) in interest receivable on loans	(245)	(725)
Decrease in loans receivable	12,789	18,731
(Decrease) in due to U.S. Dept. of Education	(259)	(122)
Increase (decrease) in net due to State of Alaska	808	(775)
Increase (decrease) in accounts payable	33	(249)
Total adjustments	3,171	27,168
Net cash provided by operating activities	\$ 12,933	17,305

See accompanying Notes to Financial Statements.



**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

**(1) Authorizing Legislation and Organization**

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue debt necessary to carry out its purpose. The Corporation is governed by a Board of Directors (Board) appointed by the State Governor.

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff for the Corporation. The Commission, a part of the State's general government, is responsible for staff costs; therefore, the Corporation has no pension disclosure.

**(2) Summary of Significant Accounting Policies**

**(a) Fund Accounting**

The financial activities of the Corporation are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation is considered an enterprise type proprietary fund for financial reporting purposes with revenues recognized when earned and expenses when incurred.

**(b) Fiscal Year**

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

**(c) Operating Revenue and Expense**

The Corporation was created with the authority to issue debt in order to finance education loans to qualified borrowers. Operating revenue is derived from interest on education loans and earnings on investments. Operating revenue is offset by the loan and interest related provisions. The cost of financing and servicing education loans is considered operating activity.

**(d) Management Estimates**

To prepare financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(2) Summary of Significant Accounting Policies (cont.)**

**(e) Loans**

Loans represent education loans which include Supplemental Education, Alternative Consolidation, Refinanced (REFI), Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on year of origination and type.

**(f) Interest on Loans**

Interest on loans is accrued when earned at fixed and variable rates ranging from 2.63% to 9.00%.

Non-interest bearing loans were approximately \$63 and \$186 at June 30, 2023 and 2022, respectively.

The impact of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest on loans.

The change in the yield restriction payable, if any, is recorded as an adjustment to interest on loans.

**(g) Allowances and Provision**

The allowances represent management's estimate, based on experience, of loans and related accrued interest that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, total disability, bankruptcy discharge, or when payment activity is no longer anticipated. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off. A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program.

The provision is an income statement expense for the annual change in the allowances for uncollectible loans and related accrued interest.

**(h) Income Taxes**

The Corporation, as a governmental instrumentality, is exempt from Federal and State income taxes.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(2) Summary of Significant Accounting Policies (cont.)**

***(i) Investments and Investment Income***

The Corporation invests in the State's internally managed General Fund and Other Non-segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools. Additional information with regard to the GeFONSI can be found in Treasury's *Invested Assets Under the Investment Authority of the Commissioner of Revenue's Independent Auditors' Report* (GeFONSI Report) at [treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx](https://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx).

The Corporation also invests in money market funds. Money market funds maintain a share price of \$1 and are reported at amortized cost. The Corporation's shares in money market funds fluctuate daily with contributions and withdrawals. Investments in specific securities are reported at fair value.

***(j) Due to State of Alaska***

Amounts due to the State of Alaska represent the net difference between amounts held by the Corporation on behalf of the State, amounts paid by the Corporation on behalf of the Commission and amounts paid by the Commission on behalf of the Corporation.

***(k) Unrestricted Net Position***

Unrestricted net position represents net assets not pledged as collateral to secure payment of debt.

***(l) Recent Accounting Pronouncements***

During fiscal year 2023, the Corporation adopted the provisions of Government Accounting Standards Board (GASB) statement No. 94, that defines public-private and public-public partnerships arrangements (PPP) as well as service concession arrangements (SCA) and availability payment arrangements (APA) and GASB statement No. 96, subscription-based information technology agreements (SBITAs). GASB 94 provides specific criteria for meeting those definitions and the accounting and financial reporting requirements for both sides of the arrangements. GASB 96 establishes a definition for SBITAs and provides guidance on the accounting and financial reporting for such arrangements. These pronouncements did not impact the preparation of these financial statements.

***(m) Reclassifications***

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(3) Cash and Investments**

**(a) Cash**

(1) Cash summarized by classification at June 30 follows:

	2023	2022
Current, unrestricted	\$ 606	644

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2023, the Corporation had no cash exposed to custodial credit risk.

**(b) Investments**

(1) The fair value at June 30, of the Corporation’s investments, by classification, follows:

	2023	2022
Noncurrent, unrestricted	\$ 116,081	96,567
Total	\$ 116,081	96,567

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Unrestricted funds may be invested in the various investment pools managed by the State of Alaska’s Department of Revenue, Treasury Division. Investments in Treasury’s fixed-investment pools are made in accordance with the State’s General Investment Policy. These investments represent an ownership share of the pool’s securities rather than ownership of specific securities. A complete description of the State’s investment policy is at [treasury.dor.alaska.gov/investments](http://treasury.dor.alaska.gov/investments).

Unrestricted funds not managed by Treasury are managed by an external investment manager in compliance with the Corporation’s investment policy which allows investments in:

- Fixed income money or mutual funds if rated, rated “AAA”, and if not rated, underlying holdings must be rated “AAA”.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

The highest rating of a nationally recognized rating agency is the rating used to determine compliance with this policy.

A complete description of the ASLC investment policy & procedure is at [https://acpe.alaska.gov/Investor\\_Relations](https://acpe.alaska.gov/Investor_Relations)

(3) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's ownership share of the GeFONSI was 0.10% and 0.04% at June 30, 2023 and 2022, respectively.

Credit risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider. At June 30, 2023, the Corporation had no investment balances greater than five percent of the Corporation's total investments with a single investment provider.

Concentration risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Interest rate risk information relative to the Corporation's investment in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(6) Fair Value Measurements

Fair value measurements relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(c) *Other*

Unrestricted cash and unrestricted investments specifically designated for financing education loans include \$2,291 and \$1,439 at June 30, 2023 and 2022, respectively.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(4) Loans Receivable**

(a) The loan portfolio summarized by classification at June 30 follows:

	<u>2023</u>	<u>2022</u>
State loans:		
Current, unrestricted	\$ 15,358	15,488
Noncurrent:		
Unrestricted	<u>96,483</u>	<u>107,611</u>
Total, gross State loans	111,841	123,099
Federal loans:		
Current, unrestricted	7,222	7,222
Noncurrent:		
Unrestricted	<u>12,516</u>	<u>19,404</u>
Total, gross Federal loans	<u>19,738</u>	<u>26,626</u>
Total, gross loans	<u>131,579</u>	<u>149,725</u>
Allowance for doubtful loans	38,580	48,114
Allowance for principal forgiveness	<u>180</u>	<u>180</u>
Total allowance	<u>38,760</u>	<u>48,294</u>
Total, net loans	<u>\$ 92,819</u>	<u>101,431</u>
Current, unrestricted	\$ 22,580	22,710
Noncurrent:		
Unrestricted	<u>70,239</u>	<u>78,721</u>
Total, net loans	<u>\$ 92,819</u>	<u>101,431</u>

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(4) Loans receivable (cont.)**

**(b)** The loan portfolio summarized by program at June 30 follows:

	2023	2022
State Education Loans		
Supplemental	\$ 84,889	95,062
Consolidation	5,951	7,261
Refinanced	17,840	17,046
Teacher Education	1,579	1,985
Family Education	1,582	1,745
Total State Loans	111,841	123,099
Federal Family Education Loans		
Stafford	15,722	21,348
Consolidation	3,493	4,614
PLUS	523	664
Total Federal Loans	19,738	26,626
Total, gross loans	\$ 131,579	149,725

**(c)** The loan portfolio summarized by status at June 30 follows:

	2023		2022	
	State	Federal	State	Federal
Enrollment	\$ 7,851	43	8,479	87
Grace	3,306	17	3,880	-
Repayment	94,349	16,313	102,825	22,668
Deferment	5,361	1,436	6,372	2,011
Forbearance	974	1,929	1,543	1,860
Total	\$ 111,841	19,738	123,099	26,626

**(d)** Loans awarded not disbursed at June 30 follows:

	2023	2022
State Education Loans		
Supplemental	\$ 1,420	1,255
Refinanced	845	126
Family Education	26	58
Total State Loans	\$ 2,291	1,439

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(5) Allowances and Provision**

A summary of activity in the allowances at June 30 follows:

	2023	2022
Balance, beginning of period	\$ 65,703	64,022
Provision	(3,482)	2,728
Balances charged off	(8,080)	(1,047)
Balance, end of period	\$ 54,141	65,703

	2023	2022
Allowance for:		
Doubtful loans	\$ 38,580	48,114
Principal forgiveness	180	180
Doubtful interest	15,363	17,386
Interest forgiveness	18	23
Total	\$ 54,141	65,703

**(6) Federal Family Education Loan Program**

Ascendium Education Solutions, Inc. is the guarantor for the Corporation's FFELP portfolio.

As a holder of Federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest and rebate fees on federally guaranteed loans as specified in the Higher Education Act (HEA).

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The Corporation is eligible for these payments provided compliance with servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if the loan was first originated prior to July 1, 2006, and 97% if the loan was first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.



**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(6) Federal Family Education Loan Program (cont.)**

Special allowance payment rates are calculated quarterly, by the Department, based on the quarter's daily average one-month LIBOR, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive, special allowance payments are received from the Department; when the calculated rate is negative, the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of qualified subsidized Stafford or subsidized Consolidation loan borrowers during enrollment, grace, deferment and eligible income-based repayment periods.

A rebate fee, equal to 0.09% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

**(7) Commitments and Contingencies**

***(a) Operations***

As of June 30, 2023, the Corporation is committed to fund approximately \$9,800 and \$19 of the Commission's fiscal year 2024 and 2023 operating budgets, respectively, for loan servicing and staff support. The Corporation's and the Commission's budgets are subject to review and approval from both the executive and legislative branches of the State. The Commission's costs funded by the Corporation are based on expenditures incurred by the Commission.

***(b) Return of Capital***

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend based on net income. If the Board elects to pay a dividend, the amount may not be less than 10%, or greater than 35%, of the Corporation's net income when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

Net income (change in net position) in fiscal year 2022 and 2021 did not exceed \$2,000; therefore, no capital will be returned to the State in fiscal year 2024 and 2023.

**7. Presentation on Financial Statements**  
**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(7) Commitments and Contingencies (cont.)**

**(c) State Permanent Fund Dividend Garnishment**

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately \$2,536 and \$966 for the years ended June 30, 2023 and 2022, respectively.

**(d) Legislation**

The Corporation's State education loan programs have been the subject of legislative action by the State legislature. The laws governing the programs have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Corporation's State programs cannot be determined.

**(e) LIBOR**

Loans in the Corporation's Federal portfolio are subject to excess interest provisions when certain conditions are met. During 2023 and 2022, the special allowance payment rate was indexed to one-month London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, and passage of The LIBOR Act by Congress, FFELP lenders are allowed to transition from use of LIBOR to Secured Overnight Financing Rate, or SOFR, for purposes of special allowance payments. Transition to SOFR will occur effective July 1, 2023. The effect of this transition is not considered to have a material impact on the Corporation's Financial Statements.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)

Expenditures of Federal Awards Reports

Year Ended June 30, 2023



Elgee Rehfeld  
Alaska's CPA Firm

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Founders: George Elgee, CPA & Robert Rehfeld, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Alaska Student Loan Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the net position, statement of revenues, expenses and changes in net position and cash flows of Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 2, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elgee Rehfeld*

October 2, 2023



Elgee Rehfeld  
Alaska's CPA Firm

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Founders: George Elgee, CPA & Robert Rehfeld, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE

The Board of Directors  
Alaska Student Loan Corporation

**Report on Compliance for Each Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Alaska Student Loan Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, excluding Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions requirements, as described below, that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2023. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As permitted by U.S. Office of Management and Budget's 2023 Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information – Use of Third Party Servicers section, we did not audit the Corporation's compliance with the following compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions. Third party servicer Pennsylvania Higher Education Assistance Agency (PHEAA) performed these compliance requirements for the Corporation and has obtained an attestation examination performed under the Lender Servicer Financial Statement Audit and Compliance Attestation Guide (September 2020), issued by the U.S. Department of Education. PHEAA's attestation examination covered the period of July 1, 2021 through June 30, 2022, and they have entered into agreement for an attestation examination for the period of July 1, 2022 through June 30, 2023 to be performed under the Lender Servicer Financial Statement Audit and Compliance Attestation Guide (September 2020). Our report does not include the results of the other accountant's examination of the third-party servicer's compliance with such requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above and audited by us, that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

*Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the Corporation's major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit, excluding the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions requirements, as allowed in the Assistance Listing Number 84-032L program, Other Information – Use of Third Party Servicers section. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance

with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the Corporation, a component unit of the State of Alaska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements. We issued our report thereon, dated October 2, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Elgee Rehfeld*

October 2, 2023

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION (A Component Unit of the State of Alaska)

#### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing Number (ALN)</u>	<u>Federal Expenditures</u>
U.S. Department of Education Direct Programs: Federal Family Education Loan Program		
Beginning loan balance (guaranteed)	84.032L	\$ 26,623,695
Special allowance	84.032L	201,224
Less: excess interest	84.032L	(139,893)
Federal interest benefits	84.032L	49,823
		<u>\$ 26,734,849</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION (A Component Unit of the State of Alaska)

#### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

#### General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Alaska Student Loan Corporation (the Corporation).

Federal awards to the Corporation, received directly from federal agencies, as well as federal awards passed through other governmental agencies, if any, are included in the schedule. The Corporation did not pass through any federal awards to other entities. Federal awards for special allowances and interest benefits are presented in interest on loans in the Corporation's Statements of Revenue, Expenses and Changes in Net Position.

#### Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The 10-percent de minimis indirect cost rate allowed under the Uniform Guidance is not applicable to the federal award programs of the Corporation.

#### Loan Programs

The Corporation participates in the federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loan programs. The following table provides loan guarantees outstanding at June 30, 2023, as well as claim payments received during the fiscal year ended June 30, 2023.

<u>Program Title</u>	<u>ALN</u>	<u>Guarantees Outstanding</u>	<u>Claim Payments</u>
Federal Family Education Loan Program (FFELP)	84.032L	\$ 19,734,872	\$ 1,811,381

#### Reconciliation to the Financial Statements

Federal Loan Balance per Financial Statements	\$ 19,737,525
Less – Loss of guarantee	<u>(2,653)</u>
Guarantees Outstanding	<u>\$ 19,734,872</u>

#### Subrecipients

The Corporation does not award any federal funds as sub-awards to other organizations.

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION (A Component Unit of the State of Alaska)

#### Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

#### SUMMARY OF AUDITOR'S RESULTS

##### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

##### *Federal Awards*

Internal control over major federal program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for the major federal program: Unmodified\*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal program:

Assistance  
Listing

Number  
84.032L

Name of Federal Program or Cluster

Federal Family Education Loan Program (FFELP) – Lenders

The dollar threshold used to distinguish between Type A and Type B programs is \$802,045.

Auditee qualified as a low-risk auditee?  Yes  No

\* For compliance requirements audited by us.

#### FINDINGS – FINANCIAL STATEMENT AUDIT

No matters reported.

#### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters reported.

## 7. Presentation on Financial Statements

### ALASKA STUDENT LOAN CORPORATION (A Component Unit of the State of Alaska)

#### Summary Schedule of Prior Year Findings

Year Ended June 30, 2023

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

No findings for the year ended June 30, 2022.

#### **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs for the year ended June 30, 2022.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)

Letter to the Board

October 2, 2023



**Elgee Rehfeld**  
Alaska's CPA Firm

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Founders: George Elgee, CPA & Robert Rehfeld, CPA

October 2, 2023

The Board of Directors  
Alaska Student Loan Corporation  
Juneau, Alaska

We have audited the financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2023, and have issued our report thereon dated October 2, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 28, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

### Significant Risks Identified

Our audit standards require we communicate significant risks identified in the planning phase and that we design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The significant risks identified are consistent with the risks we discussed with you during planning.

### Qualitative Aspects of the Entity's Significant Accounting Practices

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 2 to the financial statements. As described in Note 2 to the financial statements, during the year, the Corporation changed its method of accounting for public-private and public-public partnerships arrangements (PPP), service concession arrangements (SCA) and availability payment arrangements (APA) by adopting Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Corporation also changed its method of accounting for subscription-based information technology arrangements (SBITAs) by adopting GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The changes had no effect on net assets at June 30, 2023 and 2022.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimates of the allowance for doubtful loans and related interest.

Management's estimate of the allowance for doubtful loans and related interest are based on experience and represent the estimate of loans that will ultimately be uncollectible or forgiven. Management also charges off the portion of the federal loan balances not guaranteed and deemed uncollectible. We evaluated the key factors and assumptions used to develop the estimates of the allowance for doubtful loans and related interest and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.



### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

### **Significant Unusual Transactions**

We have not identified any significant unusual transactions as a result of our audit procedures.

### **Identified or Suspected Fraud**

We have not identified or obtained information that indicates fraud may have occurred.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate, and communicate to the appropriate level of management:

- All known and likely misstatements identified during the audit, other than those that we believe are trivial.
- All material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

No such misstatements were identified.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For the purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances have arisen.

### Representations Requested from Management

We have requested certain written representations from management which are included in the attached letter dated October 2, 2023.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

---

This report is intended solely for the use of the State of Alaska, the Board of Directors and management of Alaska Student Loan Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Elgee Rehfeld*



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

## Alaska Student Loan Corporation

FINANCE OFFICE

P.O. Box 110505  
Juneau, Alaska 99811-0505  
Phone: 907.465.6740  
Toll Free: 800.441.2962  
TTY: Dial 711 or 800.770.8973  
Fax: 907.465.3293  
acpe.alaska.gov

October 2, 2023

Elgee Rehfeld, LLC  
Certified Public Accountants  
9309 Glacier Highway, Suite B-200  
Juneau, AK 99801

Dear Alaska Student Loan Corporation,

This representation letter is provided in connection with your audit of the statements of net position, statement of revenues, expenses and changes in net position and cash flows, which collectively comprise the basic financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of June 30, 2023 and 2022, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the Corporation in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 2, 2023:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 28, 2023, for the preparation and fair presentation of the financial statements of the Corporation referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include the properly classified fund, required supplementary information, and notes to the basic financial statements.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
6. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
7. We have a process to track the status of audit findings and recommendations.
8. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. All related party relationships and transaction have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
11. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All related organizations are properly disclosed.
14. All fund activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
18. All revenues within the statement of revenues, expenses and changes in net position have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
19. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
20. All inter-fund and intra-entity transactions and balances have been properly classified and reported.
21. There were no special items or extraordinary items requiring presentation in the financial statements.
22. Deposit and investment risks have been properly and fully disclosed.
23. We have no capital assets, including infrastructure assets.
24. All required supplementary information is measured and presented within the prescribed guidelines.
25. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

26. With respect to non-attest services performed by you, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.
27. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.

### Information Provided

28. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the Corporation referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
29. All transactions have been recorded in the accounting records and are reflected in the financial statements.
30. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
31. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
32. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
33. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
34. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and loan agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
35. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
36. We are not aware of any instances, nor have you reported any instances of fraud, noncompliance with provisions of laws, regulations, contracts, loan agreements, abuse or waste.
37. We have a process to track the status of audit findings and recommendations, if any.
38. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations, if any, have been implemented.
39. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
40. We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.

41. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
42. The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
43. We have disclosed to you that we have made no guarantees, whether written or oral, under which the Corporation is contingently liable.
44. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
45. We have identified and disclosed to you the laws, regulations, and provisions of contracts and loan agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
46. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
47. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
48. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### Single Audit

49. With respect to federal awards, we represent the following to you:
  - a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
  - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
  - d. The methods of measurement or presentation have not changed from those used in the prior period.

## 7. Presentation on Financial Statements

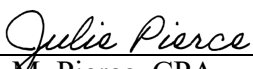
- e. We believe significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- h. We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any) and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- i. When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- j. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of loan guarantees and interest subsidies.
- k. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- l. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
- o. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- p. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports are supported by the books and records from which the basic financial statements have been prepared, and our third party loan servicers records (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency, as applicable.
- s. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We have no prior audit findings to include on a summary schedule of prior audit findings required by the Uniform Guidance.
- v. We have no findings related to previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit,

- including from the end of the period covered by the compliance audit to the date of the auditor's report.
- w. The reporting package does not contain personally identifiable information.
  - x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
  - y. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- z. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and provisions of contracts and loan agreements related to our federal program and have identified and disclosed to you the federal statutes, regulations, and the provisions of contracts and loan agreements that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- aa. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal program. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- bb. We have provided to you our third-party loan servicer's attestation engagement report and have reviewed their SOC1 reports and are responsible for monitoring their internal controls related to the servicing of our FFEL program loans. We understand you did not perform audit procedures over the compliance requirements covered in their attestation engagement report.
- cc. The State of Alaska, Department of Administration, Division of Finance is responsible for completing the Data Collection Form as required by the Uniform Guidance.

Signed:   
Name: Sana Efird  
Title: Chief Executive Officer

Signed:   
Name: Julie M. Pierce, CPA  
Title: Chief Financial Officer





**To:** Alaska Student Loan Corporation Members  
**Thru:** Sana Efird, Executive Officer  
**From:** Julie Pierce, Chief Finance Officer  
**Date:** November 2, 2023  
**Re:** FY25 Dividend to the State

Alaska Statute 14.42.295 states, “The board may elect to pay the state a return of contributed capital, or a dividend, for each base fiscal year that the corporation’s net income equals or exceeds \$2,000,000. The payment may not be less than 10% nor more than 35%...of the corporation’s net income ...”

For the year ending June 30, 2023, which is the year relative to a fiscal year 2025 dividend, the Corporation’s *Change in net position* was \$9,762,000. Therefore, should the Corporation declare a dividend it may be no less than \$976,200 and no more than \$3,416,700.

From 1999 to 2007, management annually recommended and the Corporation declared returns of capital or dividends totaling \$32.4 million. From 2008 to 2011 and again from 2014 to 2016, the Corporation adopted management’s recommendation that no additional dividend be paid to the State but rather conserve that income to support the Corporation’s ability to fund its mission-critical programs. Net income in 2012, 2013 and from 2017 - 2022 was below the threshold (\$2 million) set in statute relative to declaring a dividend to return capital.

In light of the Corporation’s efforts to keep loan interest rates as low as possible and continue to stabilize and offset the past losses to the Alaska Student Loan Corporation Fund, management is recommending that no dividend be declared for the 2025 fiscal year. The Executive Officer met with Office of Management and Budget leadership and staff and apprised them of this recommendation to support the Corporation’s statutory mission.

**Requested Motion:** Move to accept management’s recommendation that no ASLC dividend be declared for fiscal year 2025.