

State of Minnesota
Comprehensive Annual
Financial Report



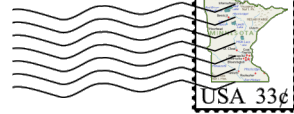
For the Year Ended June 30, 2015

Dear Friend,

Having a wonderful time in
Minnesota, Land of 10,000
Lakes. The weather is great
for fishing and traveling to all
of the places we want to see.
Lots to do in Minnesota.

Wish you were here!

Your friend



A. B. Johnson
123 Any Street NW
Anyplace, Anystate
35464



State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by Minnesota
Management and Budget
Myron Frans,
Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155



State of Minnesota

2015
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The State of Minnesota Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Comprehensive Annual Financial Report is available at the following website:

<http://www.mn.gov/mmb/accounting/reports/>



2015 Comprehensive Annual Financial Report
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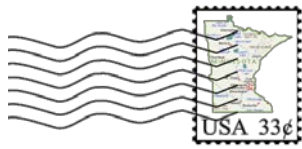
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State of Minnesota

Introduction

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State of Minnesota

2015 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 11, 2015



400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

The Honorable Mark Dayton, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2015. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the fiscal year. We prepared the report in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

1. Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.
2. Financial Section – Includes the auditor's opinion, management's discussion and analysis, basic financial statements, combining and individual fund statements for nonmajor funds, and the general obligation debt schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.
3. Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2015. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2016.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Financial Reporting Entity and Responsibilities

The financial reporting entity consists of all the funds of the primary government, as well as its discretely presented component units. Component units are legally separate organizations for which the state is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading. Component units meeting this criteria are considered discretely presented unless the boards are substantially the same as the state or the component unit provides services or benefits entirely, or almost entirely, to the state.

The Housing Finance Agency, Metropolitan Council, University of Minnesota, Agricultural and Economic Development Board, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, Workers' Compensation Assigned Risk Plan, and Minnesota Sports Facilities Authority are component units reported discretely. The state has the ability to either impose its will over these agencies, or provides, or will provide, substantial funding.

Minnesota Management and Budget is responsible for the Statewide Integrated Financial Tools (SWIFT), an Oracle PeopleSoft Enterprise Resource Planning System. The majority of the information related to these financial statements was prepared from information provided by SWIFT. SWIFT maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting basis for the financial statements. As SWIFT does not maintain all accrual information, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. The second ledger tracks information on a budgetary basis and recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

Minnesota Management and Budget is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

Budget Process

The state's fiscal period is a biennium. The Governor's biennial budget is presented to the Legislature in January, or February after a gubernatorial transition, of odd numbered years for the upcoming biennium. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Petroleum Tank Cleanup, Natural Resources, Game and Fish, Environmental and Remediation, Heritage, Special Compensation, Health Care Access, and Workforce Development funds.

Budgetary control is provided primarily through SWIFT. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

Economic Condition and Outlook

Minnesota's labor market performance since the end of the Great Recession has been impressive. The state has added more than 50,000 jobs since employment surpassed its pre-recession peak more than two years ago, and most indicators suggest the labor market continues to tighten considerably. The number of available jobs in Minnesota has soared to unprecedented levels and the state's jobless rate was down to 3.7 percent in October, matching the low that has prevailed since mid-2014. With the excess supply of workers rapidly diminishing, a tighter labor market is leading to some long-awaited wage acceleration. It increasingly appears that Minnesota is near its full employment potential.

The latest employment data suggests a slower pace of job growth this year. This is partly attributable to low commodity prices and the strong dollar, which are taking a toll on employment in Minnesota's mining and manufacturing industries. These factors may tamp down growth for several years. Some of the broader slowdown, however, likely has to do with the state nearing its full employment potential, as job growth is being increasingly constrained by slower labor force growth and demographic trends. Total non-farm employment is forecast to grow 1.1 percent in fiscal year 2016 and accelerate slightly to 1.2 percent in fiscal year 2017, followed by 1.0 percent growth in fiscal year 2018.

Information from the Bureau of Economic Analysis, Quarterly Census of Employment and Wages (QCEW), and income tax withholding collections suggests Minnesota's nominal wage and salary disbursements grew 5.0 percent in fiscal year 2015. Wage income is now expected to decelerate to 4.7 percent growth in fiscal year 2016, followed by 4.8 percent and 4.7 percent growth in fiscal year 2017 and 2018, respectively. Minnesota personal income is forecast to grow 4.7 percent in fiscal year 2016 and 4.9 percent in fiscal year 2017, followed by an acceleration to 5.1 percent in fiscal year 2018.

From 2011 to 2014, the U.S. Census Bureau estimates the number of households being formed in Minnesota averaged just 9,000 per annum, far fewer than the 24,000 formations expected each year given the growth and age distribution of the population, and only a modest rebound considering the sizeable deficit caused by the severe recession. Because household formation is a key demographic driver of the demand for housing, abnormally slow formations helps explain why housing sales and starts in Minnesota have been restrained in recent years, despite a fast improving labor market. In the Twin Cities area, for instance, the Minneapolis Area Association of Realtors (MAAR) reports closed sales abruptly fell 6.9 percent in calendar year 2014, following 9.0 percent growth in 2013. Likewise, the Census Bureau reports the total number of authorized residential building permits in Minnesota was just 16,800 in calendar 2014, the same as the year before. Nonetheless, there are encouraging signs that household formations are poised for improvement. The demand for housing appears to have returned in 2015. Closed sales in the Twin Cities area have rebounded a solid 14.2 percent during the first 10 months of the calendar year relative to the same period last year. Building permits are on pace to improve to 21,100 in 2015, a nine-year high, as builders have ramped up construction of single-family homes.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2015 with an unassigned fund balance of \$657 million. This balance resulted primarily from a \$531 million increase in General Fund non-dedicated revenues over prior estimates. Actual spending and encumbrance for fiscal year 2015 was \$118 million below previous estimates.

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual

basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a GAAP basis, the General Fund reported a balance of \$2.1 billion for fiscal year 2015, a difference of \$1.5 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of \$1.4 billion. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was \$69 million. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

TransparencyMN Website Launch

Minnesota Management and Budget launched a new website called [TransparencyMN](http://mn.gov/mmb/transparency-mn/) (<http://mn.gov/mmb/transparency-mn/>) during fiscal year 2015. This website is part of ongoing efforts to improve transparency and accountability in state government. It provides real time information about state government finances and operations.

TransparencyMN was recognized by United States Public Interest Research Group for providing transparency in government spending in a user friendly format. The group gave Minnesota a “B” rating, an increase from a “D” rating the previous year, making Minnesota one of the most improved states in the nation.

Increased Budget Reserves

In the 2014 Legislative Session, Governor Dayton signed a law requiring up to thirty-three percent of any projected current biennium surplus in the yearly November *Budget and Economic Forecast* automatically be credited to the state’s budget reserve account until it reaches a target recommended by Minnesota Management and Budget. The target is based on the volatility of General Fund revenue sources and is updated each September. The September 2015 report set the target at 4.8 percent of FY 2016-17 revenues, or \$2.032 billion. This is an important step in strengthening the state’s long-term fiscal health. At the end of the 2015 fiscal year, Minnesota’s budget reserve was \$994 million and the cash flow reserve was \$350 million. As part of the November 2015 *Budget and Economic Forecast*, released December 3, 2015, \$594 million was automatically added to the budget reserve account in FY 2016.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirtieth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Although Minnesota Management and Budget accepts final responsibility for this report, staff in many other state agencies and component units provided much of the data. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements. I appreciate the dedication of the people in Minnesota Management and Budget and in other agencies who helped in the preparation of this report. Without the efforts of all involved, this report would not have been possible.

Sincerely,



Myron Frans
Commissioner



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Minnesota

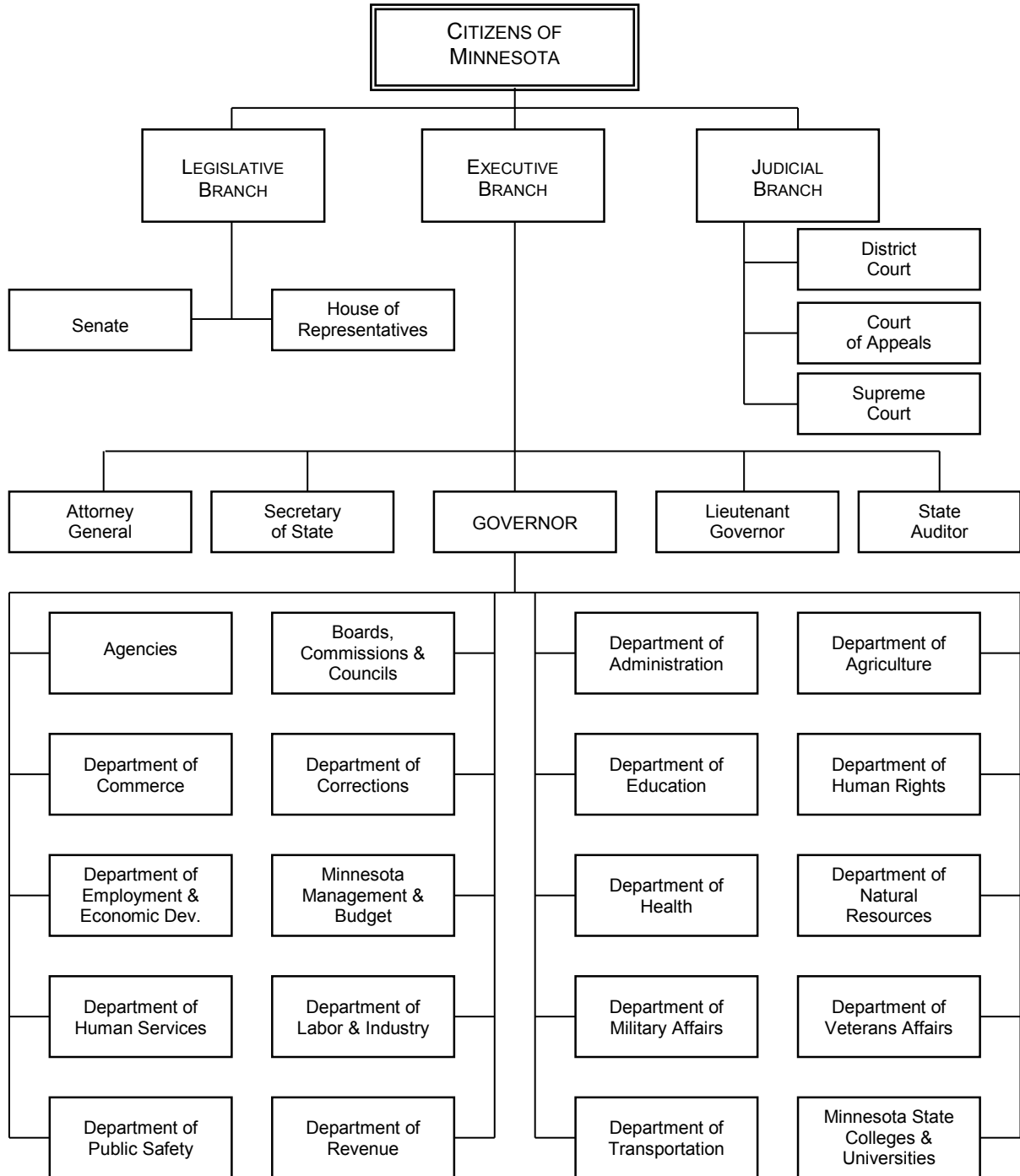
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



2015 Comprehensive Annual Financial Report State Organization Chart





State of Minnesota

2015 Comprehensive Annual Financial Report
State Principal Officials

Executive Branch

Governor
Lieutenant Governor
Attorney General
Secretary of State
State Auditor

Mark Dayton
Tina Smith
Lori Swanson
Steve Simon
Rebecca Otto

Legislative Branch

Speaker of the House of Representatives
President of the Senate

Kurt Daudt
Sandra Pappas

Judicial Branch

Chief Justice of the Supreme Court

Lorie Skjerven Gildea



State of Minnesota

Financial Section

2015
Comprehensive
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Financial Report



Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. Myron Frans, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2015, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The State of Minnesota's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 60 percent, 48 percent, and 31 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 97 percent, 96 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the Housing Finance Agency, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the State of Minnesota adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement Number 27* and the related GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement Number 68*. As a result, the State of Minnesota restated the beginning net position balances as a change in accounting principle. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

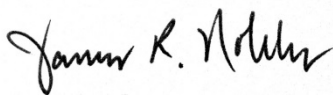
or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are 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 financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 11, 2015



2015 Comprehensive Annual Financial Report Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2015, and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position, and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information.

Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the statement of net position and the statement of activities that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The statement of net position presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. Net position is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net position from one year to the next indicates whether the financial position of the state is improving or deteriorating.
- Other indicators of the state's financial condition include the condition of its infrastructure and economic events and trends that affect future revenues and expenses.

The statement of activities presents the changes in net position and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government, and includes all current year revenues and expenses.

The statement of net position and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance Fund, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's ten component units are reported as discretely presented component units and reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's seven nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan
- Minnesota Sports Facilities Authority

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial

information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 23 individual state governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 18 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net position and in the proprietary funds statement of revenues, expenses, and changes in net position. Information from the ten nonmajor enterprise funds and the six internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must ensure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 20 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the discretely presented component units in a single column on the statement of net position. Also, some information on the statement of changes in net position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits funding progress, and public employees insurance program development information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Financial Highlights

Implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions"

Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68, were implemented during fiscal year 2015. GASB 68 and 71 require the state to recognize a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. As sufficient information was not available to restate the statement of activities for the prior year for this change, the beginning net position in fiscal year 2015 was restated by \$4.9 billion. Net position for Governmental Activities was decreased by \$4.2 billion and Business-type Activities was decreased by \$705 million. The state recorded a deferred outflow of resources, net pension liability, and deferred inflow of resources of \$368 million, \$3.1 billion, and \$2.0 billion, respectively for fiscal year 2015. See Note 8 – Pension and Investment Trust Funds for more information.

Government-wide

The assets of the state exceeded liabilities at June 30, 2015, by \$14.9 billion (presented as net position). Of this amount, a deficit of \$5.6 billion was reported as unrestricted net position. For discussion on the variances from the prior year, see the Government-wide Financial Analysis section.

The state's total net position increased by \$2.0 billion (15.6 percent) during fiscal year 2015. Net position of governmental activities increased by \$1.7 billion (17.1 percent), while net position of the business-type

activities showed an increase of \$328 million (10.7 percent). For discussion on the variances from the prior year, see the Government-wide Financial Analysis section.

Fund Level

At the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$8.6 billion, an increase of \$813 million compared to the prior year. Included in the ending fund balance is a General Fund unassigned balance of \$749 million. For discussion on the variances from the prior year, see the State Funds Financial Analysis section.

Long-Term Liabilities

The state's total long-term liabilities, restated at the beginning of the fiscal year due to the implementation of GASB 68, decreased by \$1.9 billion (12.0 percent) during the current fiscal year. The decrease is primarily attributable to a reduction in the net pension liability. This decrease was partially offset by an increase due to the state issuing general obligation bonds for trunk highway projects and other various state purposes. In addition, the state issued revenue bonds for capital projects for the State Colleges and Universities and certificates of participation for the design and construction of a legislative office building.

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled \$14.9 billion at the end of fiscal year 2015, compared to \$12.9 billion at the beginning of the year, after being restated for the implementation of GASB 68.

Net Position
June 30, 2015, and 2014
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 15,176,708	\$ 13,752,537	\$ 2,991,505	\$ 2,767,200	\$ 18,168,213	\$ 16,519,737
Noncurrent Assets:						
Capital Assets	15,030,016	14,102,687	2,187,896	2,168,250	17,217,912	16,270,937
Other Assets	937,693	867,669	178,296	120,109	1,115,989	987,778
Total Assets	\$ 31,144,417	\$ 28,722,893	\$ 5,357,697	\$ 5,055,559	\$ 36,502,114	\$ 33,778,452
Deferred Outflows of Resources	\$ 310,456	\$ -	\$ 57,932	\$ -	\$ 368,388	\$ -
Current Liabilities	\$ 6,229,901	\$ 5,515,574	\$ 420,722	\$ 417,361	\$ 6,650,623	\$ 5,932,935
Noncurrent Liabilities	11,510,440	8,703,497	1,297,892	877,600	12,808,332	9,581,097
Total Liabilities	\$ 17,740,341	\$ 14,219,071	\$ 1,718,614	\$ 1,294,961	\$ 19,458,955	\$ 15,514,032
Deferred Inflows of Resources	\$ 2,244,784	\$ 549,392	\$ 313,835	\$ -	\$ 2,558,619	\$ 549,392
Net Position:						
Net Investment in Capital						
Assets	\$ 11,580,102	\$ 10,969,710	\$ 1,510,882	\$ 1,489,631	\$ 13,090,984	\$ 12,459,341
Restricted	5,392,483	5,508,417	1,992,311	2,279,417	7,384,794	7,787,834
Unrestricted ⁽¹⁾	(5,502,837)	(2,523,697)	(120,013)	(8,450)	(5,622,850)	(2,532,147)
Total Net Position	\$ 11,469,748	\$ 13,954,430	\$ 3,383,180	\$ 3,760,598	\$ 14,852,928	\$ 17,715,028

⁽¹⁾ The 2015 net position has been restated to reflect the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" during fiscal year 2015.

The largest portion, \$13.1 billion of \$14.9 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$7.4 billion of the state's net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of \$5.6 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. Rather, this deficit primarily reflects three significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This

practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted. Third, due to the implementation of GASB 68, the state recognized a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. This liability is long-term in nature and is being managed by the retirement systems and the state Legislature.

The state's combined net position for governmental and business-type activities increased \$2.0 billion (15.6 percent) over the course of this fiscal year. This resulted from a \$1.7 billion (17.1 percent) increase in net position of governmental activities, and a \$328 million (10.7 percent) increase in net position of business-type activities.

Changes in Net Position
Fiscal Years Ended June 30, 2015, and 2014
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,396,550	\$ 1,308,638	\$ 2,651,833	\$ 2,877,379	\$ 4,048,383	\$ 4,186,017
Operating Grants and Contributions	10,546,846	9,759,375	525,297	551,820	11,072,143	10,311,195
Capital Grants	170,102	249,144	-	-	170,102	249,144
General Revenues:						
Individual Income Taxes	10,607,930	9,915,021	-	-	10,607,930	9,915,021
Corporate Income Taxes	1,553,297	1,308,578	-	-	1,553,297	1,308,578
Sales Taxes	5,469,773	5,283,785	-	-	5,469,773	5,283,785
Property Taxes	839,939	823,949	-	-	839,939	823,949
Motor Vehicle Taxes	1,395,872	1,312,982	-	-	1,395,872	1,312,982
Fuel Taxes	908,278	883,619	-	-	908,278	883,619
Other Taxes	2,651,969	2,489,475	-	-	2,651,969	2,489,475
Tobacco Settlement	170,424	175,386	-	-	170,424	175,386
Investment/Interest Income	25,378	26,728	40,583	33,688	65,961	60,416
Other Revenues	63,101	27,339	7,028	9,107	70,129	36,446
Total Revenues	\$ 35,799,459	\$ 33,564,019	\$ 3,224,741	\$ 3,471,994	\$ 39,024,200	\$ 37,036,013
Expenses:						
Agricultural, Environmental and Energy Resources	\$ 963,432	\$ 984,197	\$ -	\$ -	\$ 963,432	\$ 984,197
Economic and Workforce						
Development	677,044	641,424	-	-	677,044	641,424
General Education	9,087,613	9,048,212	-	-	9,087,613	9,048,212
General Government	1,153,921	1,013,415	-	-	1,153,921	1,013,415
Health and Human Services	15,016,278	13,647,672	-	-	15,016,278	13,647,672
Higher Education	912,909	912,083	-	-	912,909	912,083
Intergovernmental Aid	1,583,636	1,291,075	-	-	1,583,636	1,291,075
Public Safety and Corrections	985,399	998,054	-	-	985,399	998,054
Transportation	2,898,752	2,685,688	-	-	2,898,752	2,685,688
Interest	291,983	177,244	-	-	291,983	177,244
State Colleges and Universities	-	-	1,905,845	1,936,061	1,905,845	1,936,061
Unemployment Insurance	-	-	726,529	888,665	726,529	888,665
Lottery	-	-	410,237	404,705	410,237	404,705
Other	-	-	408,408	350,729	408,408	350,729
Total Expenses	\$ 33,570,967	\$ 31,399,064	\$ 3,451,019	\$ 3,580,160	\$ 37,021,986	\$ 34,979,224
Excess (Deficiency) Before						
Transfers	\$ 2,228,492	\$ 2,164,955	\$ (226,278)	\$ (108,166)	\$ 2,002,214	\$ 2,056,789
Transfers	(554,346)	(520,134)	554,346	520,134	-	-
Change in Net Position	\$ 1,674,146	\$ 1,644,821	\$ 328,068	\$ 411,968	\$ 2,002,214	\$ 2,056,789
Net Position, Beginning⁽¹⁾	\$ 9,795,602	\$ 12,309,609	\$ 3,055,112	\$ 3,348,630	\$ 12,850,714	\$ 15,658,239
Net Position, Ending	\$ 11,469,748	\$ 13,954,430	\$ 3,383,180	\$ 3,760,598	\$ 14,852,928	\$ 17,715,028

⁽¹⁾ The 2015 beginning net position has been restated to reflect the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" during fiscal year 2015.

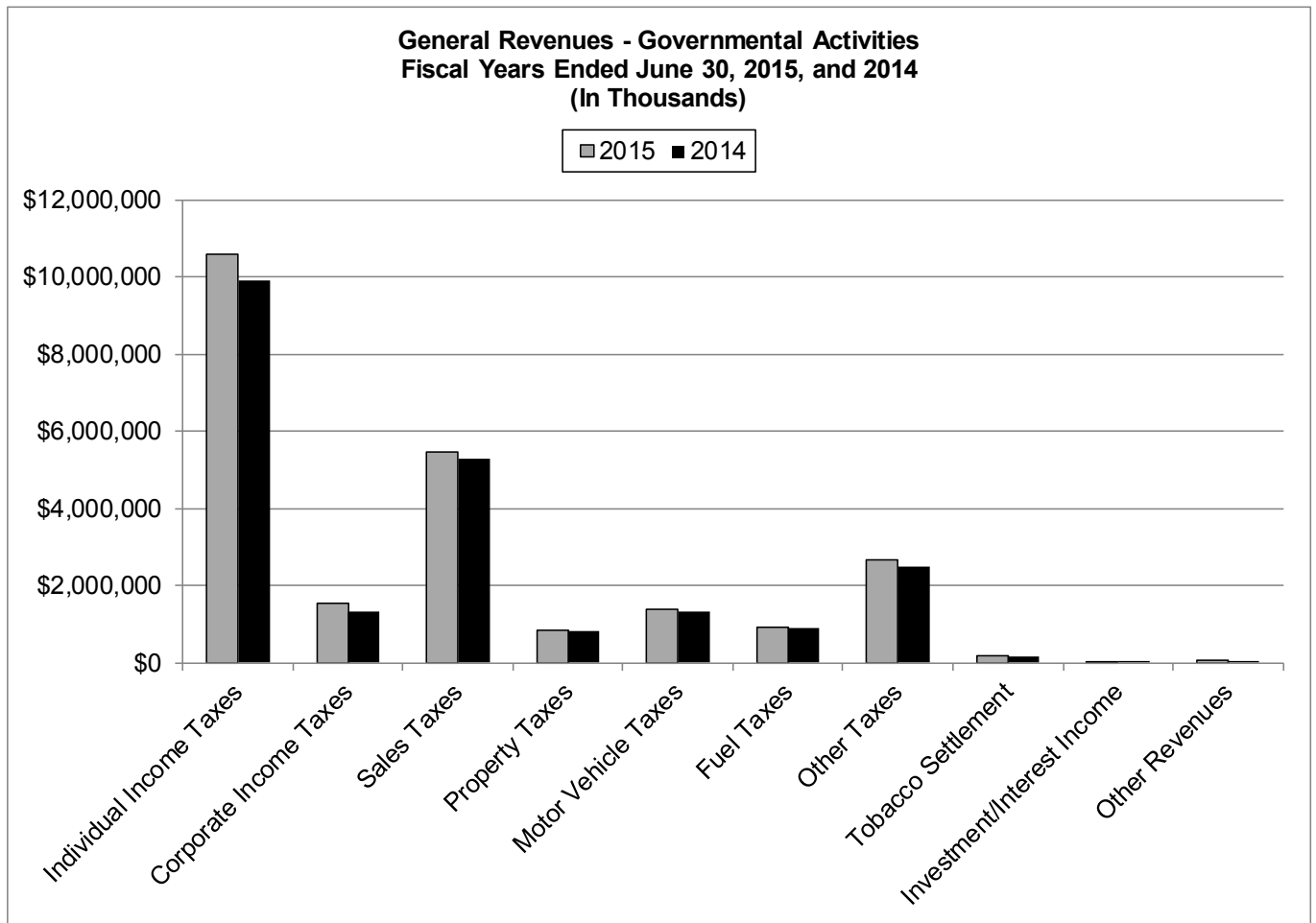
Approximately 60 percent of the state’s total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 10 percent of the total revenues. The remaining 1 percent came from other general revenues.

The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

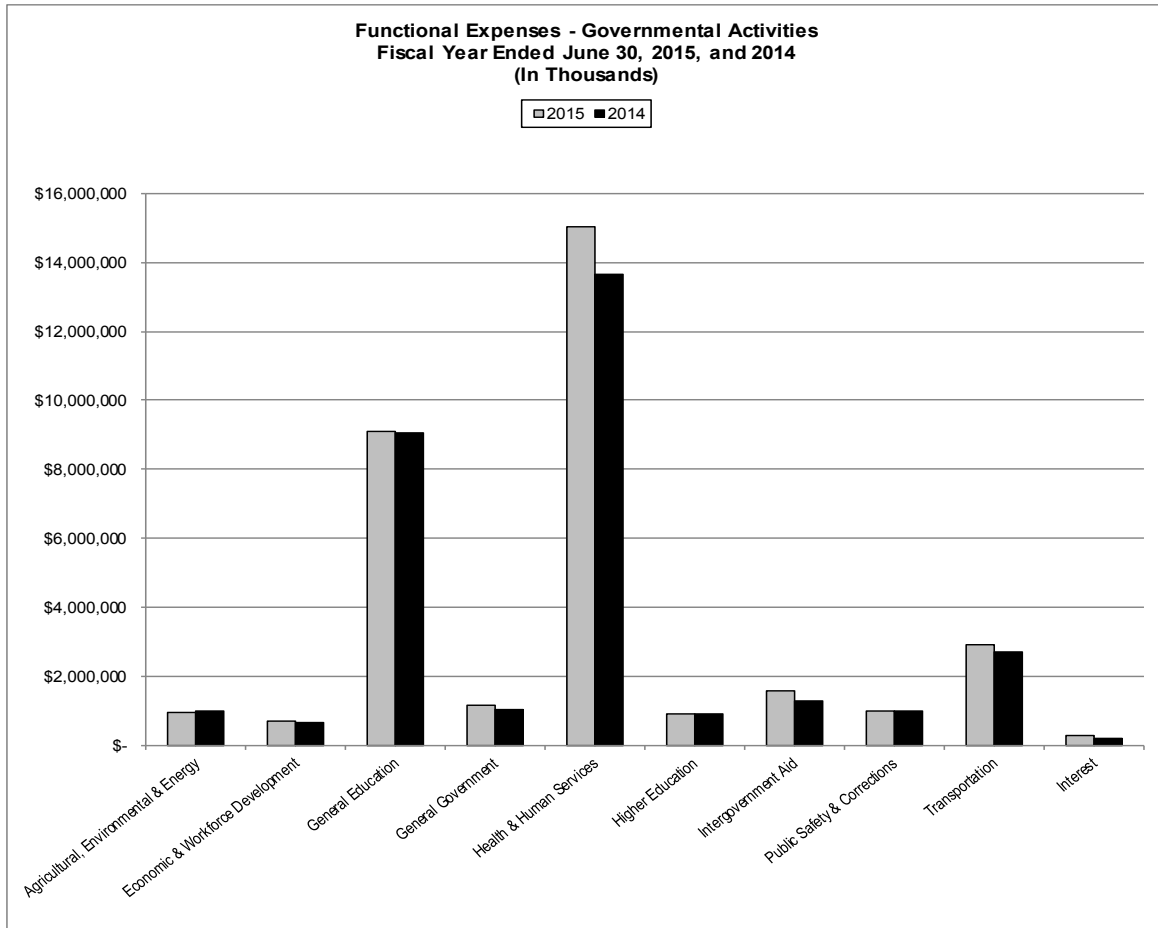
Governmental activities increased the state’s net position by \$1.7 billion in the current year compared to an increase of \$1.6 billion in the prior year.

There was a \$2.2 billion net increase in revenues from the prior year. Several factors contribute to this increase. First, income and sales taxes increased as a result of a strengthening economy. Second, the operating grants and contributions increase was primarily due to revenue from the federal government related to the federal share of the eligibility expansion of medical assistance. This increase was partially offset by a reduction in both the federal government’s and other governmental entities’ share of bridge and pavement projects during the current year due to several large projects in the prior year. Third, other revenues increased as a result of significant outreach and education efforts by the Department of Commerce to identify owners of unclaimed property in the prior year. As a result, the amounts paid to claimants in the prior year increased significantly on a one-time basis, resulting in a significant reduction in the amounts the state recognized as revenue in the prior year.



There was a \$2.2 billion increase in expenses compared to the prior year. The largest increase related to health and human services expense which resulted from the eligibility expansion of medical assistance. The increase in these expenses was partially offset by an increase in federal revenue for the federal government's share, as noted previously. The increase in intergovernmental aid was primarily a result of an increase in grants to cities and counties for general aid, while the increase in transportation and general government expenses was due to an increase in grants to local units of governments for transportation infrastructure and other capital projects.

Most functional expenses slightly increased over the prior year; however, these increases were slightly reduced by pension expense gains, except higher education and intergovernmental aid. As previously stated, the net impact of implementing GASB 68 related to pensions was not reflected on the prior year statement of activities because sufficient information was not available.

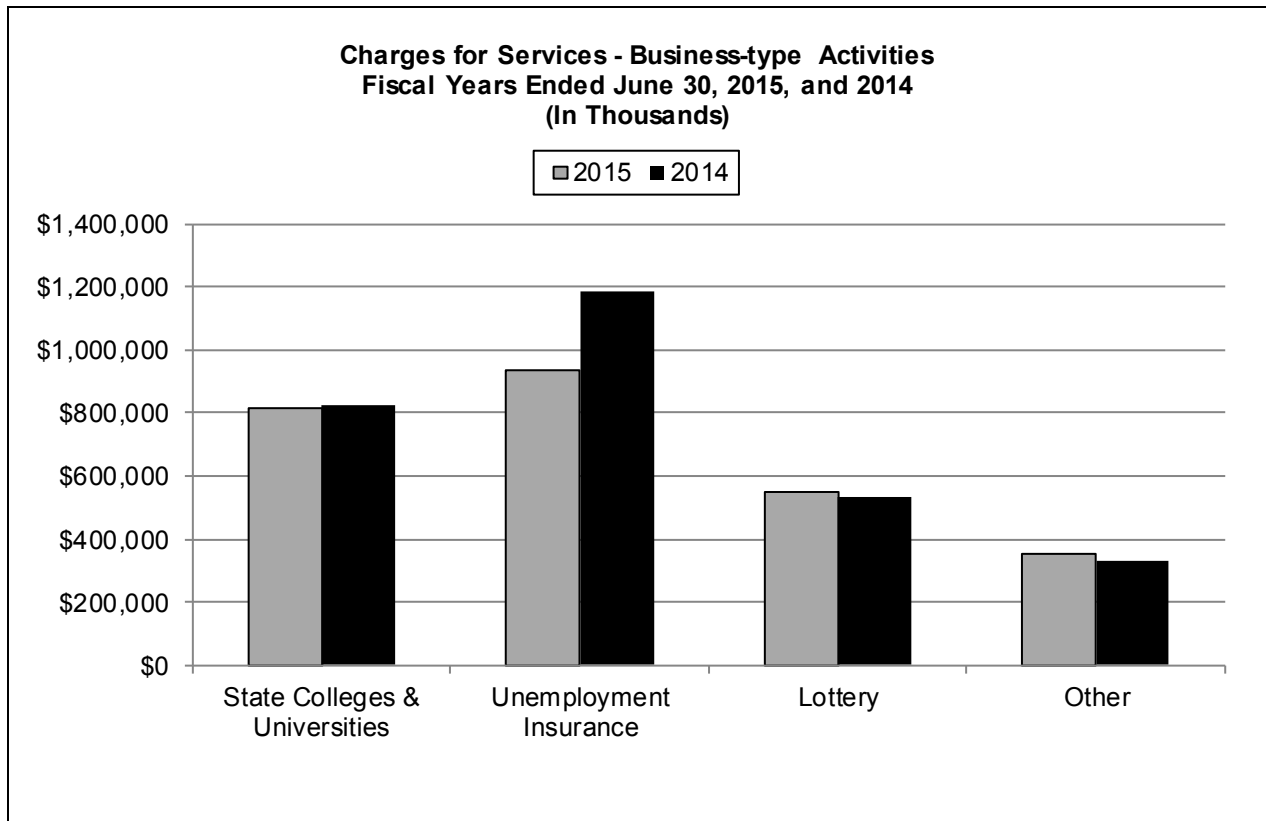


Business-type Activities

Net position for the state's proprietary funds increased by \$328 million during the current year compared to a \$412 million increase in the prior year. This resulted primarily from a \$68 million increase in net position in the State Colleges and Universities Fund and a \$242 million increase in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund's net position increase was consistent with the prior year. Tuition and fee revenue decreased due to a slight decrease in student enrollment which also caused a decrease in federal grants as students received less financial aid. Operating expenses decreased slightly due to pension expense gain as a result of change in assumptions gains and actual investment returns higher than expected. The Unemployment Insurance Fund had continued reductions in benefits paid during the current year as applicants transitioned to other programs or found employment, a result of the continued strengthening economy. Reductions in grants and subsidies also continued as the state no

longer qualified for federal programs during the current year since the unemployment rate continued to decrease. A corresponding decrease occurred in insurance premiums because of a tax rate decrease with slight increase in the taxable wage base over the prior year.



State Funds Financial Analysis

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$8.6 billion, an increase of \$813 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$749 million, an increase in the unassigned fund balance of \$244 million during the current year.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, the increase in income and sales taxes was the result of a strengthening economy. The increase in other revenue resulted from the additional outreach to identify owners of unclaimed property in the prior year resulting in a decrease in revenue retained by the state for the prior year. The net increases in revenues were offset by increases in

health and human services expenditures due to the expansion of eligibility for medical assistance and intergovernmental aid due to an increase in grants to cities and counties.

The expansion of eligibility for medical assistance also impacted the Federal Fund because the federal government's share of the health and human services expenditures is reported in this fund. The increase in transportation expenditures is a result of an increase in grants to cities and counties for transportation infrastructure projects in the Municipal State-Aid Street and County State-Aid Highway funds (special revenue funds) and the increase in general government expenditures is a result of an increase in grants to local units of governments for capital projects in the Building Fund (capital project fund).

Proprietary Funds – Enterprise and Internal Service Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position increased by \$328 million during the current year. This primarily resulted from a \$68 million increase in net position of the State Colleges and Universities Fund and a \$242 million increase in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

The state's internal service funds are included in the Governmental Activities column of the Statement of Activities; however, eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. Internal service funds reported a decrease in beginning net position of \$264 million for the implementation of GASB 68.

The implementation of GASB 68, which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused many of the nonmajor enterprise and internal services funds to end fiscal year 2015 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and state Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the state Legislature.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2015. These are material to understanding changes in General Fund balances that occurred in fiscal year 2015. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following highlights material actions taken by the state Legislature and the Governor affecting fiscal year 2015.

Actions Establishing the Fiscal Year 2015 Budget

The budget for state fiscal year 2015 was adopted in May 2013. During the 2013 legislative session, the February 2013 Budget and Economic Forecast reduced the projected budget shortfall for the 2014-15 biennium from \$1.1 billion to \$627 million. General fund revenues for 2014-15 biennium were forecast to be \$36.1 billion and projected current law spending was expected to be \$36.7 billion. Legislative actions

during the 2013 session resolved the \$627 million projected budget deficit, increased net General Fund revenues by \$2.3 billion, and appropriated \$1.6 billion for state and local programs.

Changes to General Fund revenues included the addition of a fourth tier to the income tax, increases to the cigarette excise taxes, increases to the corporate income taxes, and a series of changes to the sales taxes. Medical Assistance surcharges were also increased in the legislative session. In total, General Fund revenues increased \$2.3 billion above February's estimates. The spending increases of \$1.6 billion for the 2014-15 biennium were concentrated in K-12 education (\$606 million), property tax aids and credits (\$305 million), and higher education (\$249 million).

After the 2013 legislative session, the enacted budget for fiscal year 2015 included \$19.467 billion in General Fund revenues, \$19.546 billion in General Fund spending, \$1.007 billion in cash and budgetary reserves, \$27.8 million in a stadium reserve account, and a \$46 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2015

The November 2013 Budget and Economic Forecast improved the budget outlook for the 2014-15 biennium by \$1.038 billion. Forecast revenues were increased \$787 million, primarily from stronger employment and income growth in 2013. Higher income and corporate tax estimates were the sources of 95 percent of the increase in tax revenue. Spending was reduced \$247 million, primarily due to savings in health and human services spending resulting from cost growth in the community alternatives for disabled individuals waiver program and the recognition of inter-governmental reimbursements. Savings in other spending areas was modest. From the forecast balance, \$246 million was automatically allocated by state law to complete repayment of the K-12 school property tax recognition shift, thereby increasing education aid spending in fiscal year 2014. Additionally, \$15 million was transferred to the state airports fund, restoring money originally borrowed in 2008. The November 2013 Budget and Economic Forecast completed repayment of accounting shifts from prior budget solutions and reduced the 2014-15 biennium forecast balance to \$825 million.

The February 2014 Budget and Economic Forecast increased General Fund revenues by \$366 million and spending was reduced by \$48 million. Those changes, offset by a \$6 million increase in stadium reserves, increased the 2014-15 biennium forecast balance by \$408 million. The February forecast for fiscal year 2015 reflected \$20.132 billion in General Fund revenue, \$19.561 billion in General Fund spending, \$1.011 billion in cash and budget reserves, \$23 million in the stadium reserve, and a \$1.233 billion budgetary balance.

The 2014 legislative session ended in May 2014. Changes enacted in the session included \$483 million in tax reductions and other revenue changes and \$568 million in supplemental spending for 2014-15 biennium. A number of the changes impacted the fiscal year 2015 budget. The changes in revenues primarily occurred in income, sales, and corporate taxes, as well as gift and estate taxes. The majority of spending changes were made in K-12 education, property tax aids and credits, health and human services, capital projects, and economic development. After the legislative changes, fiscal year 2015 General Fund revenues were estimated to be \$19.788 billion, down \$344 million from February's forecast. Fiscal year 2015 General Fund expenditures were projected to be \$19.910 billion, up \$349 million from February's forecast. The Legislature added \$150 million to 2015 reserve levels, leaving a \$32 million budgetary balance for fiscal year 2015.

The November 2014 Budget and Economic Forecast increased General Fund revenues by \$279 million and spending was reduced by \$249 million in the fiscal year 2014-15 biennium. Those changes, offset by a \$5 million increase to the stadium reserve, left a forecast balance of \$556 million. The forecast reflected \$19.849 billion in revenues and \$19.989 billion in spending. New law enacted in the 2014 Legislative session directed Minnesota Management & Budget to credit 33 percent of any November forecast balance to the budget reserve account until a statutory target was met; \$183 million was credited to the budget reserve, increasing the balance to \$994 million. The cash flow account balance was unchanged at \$350 million. These forecast and statutory changes resulted in a revised unrestricted budgetary balance of \$373 million, up \$340 million from the end of the 2014 legislative session.

The February 2015 Budget and Economic Forecast increased General Fund revenues by \$67 million and spending was reduced by \$39 million for fiscal year 2015. Revenues in fiscal year 2015 were forecast to be \$19.916 billion with projected spending set at \$19.952 billion. The budget reserve and cash flow account were unchanged, with a total combined balance of \$1.344 billion. A small increase of \$2 million in the stadium reserve left a budgetary balance of \$478 million in fiscal year 2015, up \$105 million from the November 2014 forecast.

The 2015 regular and special legislative sessions ended in June 2015. Changes enacted in those sessions for fiscal year 2015 included a \$30 million increase in revenues and \$399 million in increased spending and transfers out. Spending changes included a \$455 million transfer out to the Health Care Access Fund (special revenue fund) to provide resources for a one-time health care payment shift to that fund, offset by slightly reduced spending in E-12 education, higher education and transportation. After the legislative changes, fiscal year 2015 revenues were estimated to be \$19.946 billion and expenditures were projected to be \$20.411 billion. No changes were made to the budget reserve, cash flow or stadium reserve account leaving a budgetary balance of \$47 million.

Fiscal year 2015 officially closed in August 2015. Actual revenues for fiscal year 2015 were \$20.510 billion, \$564 million higher than end of session estimates, including \$516 million in higher tax collections. Spending for fiscal year 2015 was \$20.293 billion, \$118 million below previous estimates; however, \$94 million of unspent appropriations in fiscal year 2015 were authorized to carryforward into fiscal year 2016. The budgetary balance for fiscal year 2015 was \$632 million, \$585 million higher than end of session estimates.

Since the budget was initially adopted in May 2013, total General Fund resources for fiscal year 2015 increased by \$1.769 billion. Of that total change, \$726 million was attributable to changes in fiscal year 2014 and nearly 60 percent, \$1.003 billion, was the result of higher tax revenues in fiscal year 2015. Total spending in fiscal year 2015 increased \$747 million since the budget was initially adopted in May 2013. Higher spending in health and human services, E-12 education, and higher education were partially offset by reduced spending in property tax aids and credits.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measureable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2015 with a balance of \$657 million. On a GAAP basis, the General Fund reported a balance of \$2.122 billion for fiscal year 2015, a difference of \$1.465 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of \$1.396 billion. The difference between the GAAP basis and budgetary basis fund balance of the General Fund, excluding these additional funds not reported in the budgetary fund balance, was \$69 million. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

In the November 2015 forecast, Minnesota's budget outlook improved from previous estimates despite a weaker economic outlook. The fiscal year 2016-17 forecast balance is \$1.871 billion, an increase of \$1.006 billion from the end of session. Forecast revenues increased \$90 million (0.2 percent), while forecast spending decreased \$249 million (0.6 percent). A net increase in the General Fund reserves

reduced the bottom line by an additional \$15 million. In addition, changes in revenues and expenditures in fiscal year 2015, provided \$682 million of additional resources. Current law allocates \$71 million to the Closed Landfill Investment Account (\$63 million) and the Metropolitan Landfill Contingency Action Trust Account (\$8 million) in the Environmental and Remediation Fund (special revenue fund) and \$594 million to the budget reserve, leaving an available balance of \$1.206 billion.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2015, was \$20.7 billion, less accumulated depreciation of \$3.5 billion, resulting in a net book value of \$17.2 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets						
June 30, 2015, and 2014						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Capital Assets not Depreciated:						
Land	\$ 2,389,980	\$ 2,222,072	\$ 92,020	\$ 90,848	\$ 2,482,000	\$ 2,312,920
Buildings, Structures, Improvements	41,443	40,051	-	-	41,443	40,051
Construction in Progress	323,523	347,513	223,113	173,687	546,636	521,200
Development in Progress	124,708	98,011	-	-	124,708	98,011
Infrastructure	9,552,323	8,985,905	-	-	9,552,323	8,985,905
Easements	284,543	345,088	-	-	284,543	345,088
Art and Historical Treasures	7,223	6,756	-	-	7,223	6,756
Total Capital Assets not Depreciated	<u>\$ 12,723,743</u>	<u>\$ 12,045,396</u>	<u>\$ 315,133</u>	<u>\$ 264,535</u>	<u>\$ 13,038,876</u>	<u>\$ 12,309,931</u>
Capital Assets Depreciated:						
Buildings, Structures, Improvements	\$ 2,939,505	\$ 2,695,503	\$ 3,264,430	\$ 3,190,347	\$ 6,203,935	\$ 5,885,850
Infrastructure	284,274	229,525	95	-	284,369	229,525
Internally Generated Computer Software	98,370	76,647	12,244	12,928	110,614	89,575
Easements	5,433	5,363	-	-	5,433	5,363
Library Collections	-	-	42,519	43,880	42,519	43,880
Equipment, Furniture, Fixtures	700,685	668,485	358,600	353,340	1,059,285	1,021,825
Total Capital Assets Depreciated	<u>\$ 4,028,267</u>	<u>\$ 3,675,523</u>	<u>\$ 3,677,888</u>	<u>\$ 3,600,495</u>	<u>\$ 7,706,155</u>	<u>\$ 7,276,018</u>
Less: Accumulated Depreciation	1,721,994	1,618,232	1,805,125	1,696,780	3,527,119	3,315,012
Capital Assets Net of Depreciation	<u>\$ 2,306,273</u>	<u>\$ 2,057,291</u>	<u>\$ 1,872,763</u>	<u>\$ 1,903,715</u>	<u>\$ 4,179,036</u>	<u>\$ 3,961,006</u>
Total	<u><u>\$ 15,030,016</u></u>	<u><u>\$ 14,102,687</u></u>	<u><u>\$ 2,187,896</u></u>	<u><u>\$ 2,168,250</u></u>	<u><u>\$ 17,217,912</u></u>	<u><u>\$ 16,270,937</u></u>

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2014, indicated that the average PQI for principal arterial pavement was 3.4 and 3.4 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2014, indicated that 95 percent of principal arterial system bridges and 94 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, the overall expenditures were higher than budget due primarily to a significant number of projects for pavement, both capital and maintenance, getting back on schedule because of delays in previous years due to poor weather conditions.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2015, as follows:

- Aa1 by Moody's Investors Service
- AA+ by Standard & Poor's
- AA+ by Fitch Ratings

The Legislature also statutorily authorizes other types of debt.

The state issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the state and City of Minneapolis shares of the costs of a professional football stadium project.

The Certificates of Participation were issued by the state to finance the statewide systems, integrated tax system, and the legislative office facility.

**Outstanding Bonded Debt and Unamortized Premium
June 30, 2015, and 2014
(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation	\$ 6,196,548	\$ 6,008,352	\$ 242,467	\$ 239,123	\$ 6,439,015	\$ 6,247,475
Revenue	44,260	47,135	441,760	423,575	486,020	470,710
State General Fund						
Appropriation Bonds	1,038,635	1,084,355	-	-	1,038,635	1,084,355
Certificate of Participation	111,930	38,960	-	-	111,930	38,960
Total	<u>\$ 7,391,373</u>	<u>\$ 7,178,802</u>	<u>\$ 684,227</u>	<u>\$ 662,698</u>	<u>\$ 8,075,600</u>	<u>\$ 7,841,500</u>

During fiscal year 2015, the state issued the following bonds:

- \$429.7 million in general obligation state various purpose bonds
- \$288.0 million in general obligation state trunk highway bonds
- \$26.0 million in general obligation Rural Finance Authority bonds
- \$28.2 million in general obligation state various purpose refunding bonds
- \$123.3 million in general obligation state trunk highway refunding bonds
- \$76.6 million in revenue bonds for capital assets for State Colleges and Universities
- \$7.9 million in revenue bonds for refunding the educational grant bonds for the Iron Range Resource and Rehabilitation
- \$80.1 million in Certificates of Participation for the design and construction of a legislative office facility

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Please contact us if you have questions about this report or to request additional financial information.

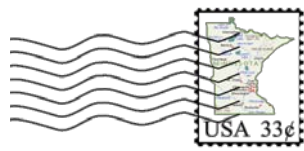
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota, 55155-1489
651-201-8000



State of Minnesota

Basic Financial Statements

2015
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State of Minnesota

Government-wide Financial Statements

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STATE OF MINNESOTA

STATEMENT OF NET POSITION
 JUNE 30, 2015
 (IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 8,781,682	\$ 2,513,804	\$ 11,295,486	\$ 1,089,364
Investments.....	2,268,908	26,824	2,295,732	616,762
Accounts Receivable.....	2,699,210	443,003	3,142,213	512,124
Due from Component Units.....	22,148	-	22,148	-
Due from Primary Government.....	-	-	-	114,302
Accrued Investment/Interest Income.....	25,288	-	25,288	33,544
Federal Aid Receivable.....	1,262,535	22,241	1,284,776	5,887
Inventories.....	40,671	24,717	65,388	52,914
Loans and Notes Receivable.....	15,811	4,831	20,642	223,596
Internal Balances.....	46,711	(46,711)	-	-
Other Assets.....	13,744	2,796	16,540	29,134
Total Current Assets.....	\$ 15,176,708	\$ 2,991,505	\$ 18,168,213	\$ 2,677,627
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 153,438	\$ 153,438	\$ 936,555
Investments-Restricted.....	-	-	-	1,718,633
Accounts Receivable-Restricted.....	-	-	-	101,359
Due from Primary Government-Restricted.....	-	-	-	2,189
Other Assets-Restricted.....	-	296	296	-
Due from Primary Government.....	-	-	-	7,817
Due from Component Units.....	63,918	-	63,918	-
Investments.....	-	-	-	4,865,611
Accounts Receivable.....	655,759	-	655,759	476,604
Loans and Notes Receivable.....	216,694	24,562	241,256	3,697,485
Depreciable Capital Assets (Net).....	2,306,273	1,872,763	4,179,036	6,079,806
Nondepreciable Capital Assets.....	3,171,420	315,133	3,486,553	1,339,707
Infrastructure (Not depreciated).....	9,552,323	-	9,552,323	-
Other Assets.....	1,322	-	1,322	11,691
Total Noncurrent Assets.....	\$ 15,967,709	\$ 2,366,192	\$ 18,333,901	\$ 19,237,457
Total Assets.....	\$ 31,144,417	\$ 5,357,697	\$ 36,502,114	\$ 21,915,084
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Interest Rate Swap Agreements.....	\$ -	\$ -	\$ -	\$ 12,649
Bond Refunding.....	-	261	261	15,048
Deferred Pension Outflows.....	310,456	57,671	368,127	46,466
Deferred Derivative Outflows.....	-	-	-	10,010
Total Deferred Outflows of Resources.....	\$ 310,456	\$ 57,932	\$ 368,388	\$ 84,173
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 5,047,998	\$ 267,670	\$ 5,315,668	\$ 432,969
Due to Component Units.....	76,038	6	76,044	-
Due to Primary Government.....	-	-	-	62,208
Unearned Revenue.....	242,338	65,240	307,578	117,994
Accrued Interest Payable.....	112,262	450	112,712	62,637
Bonds and Notes Payable.....	599,359	48,867	648,226	912,795
Capital Leases Payable.....	8,658	4,335	12,993	4,807
Certificates of Participation Payable.....	8,910	-	8,910	-
Claims Payable.....	95,446	1,708	97,154	85,475
Compensated Absences Payable.....	38,892	18,488	57,380	170,444
Other Liabilities.....	-	13,958	13,958	1,114
Total Current Liabilities.....	\$ 6,229,901	\$ 420,722	\$ 6,650,623	\$ 1,850,443
Noncurrent Liabilities:				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 92,759
Unearned Revenue-Restricted.....	-	-	-	84,542
Accrued Interest Payable-Restricted.....	-	-	-	13,601
Due to Primary Government.....	-	-	-	63,918
Unearned Revenue.....	-	-	-	54
Bonds and Notes Payable.....	7,531,817	675,842	8,207,659	5,727,853
Due to Component Units.....	7,817	-	7,817	-
Capital Leases Payable.....	89,854	21,633	111,487	25,007
Certificates of Participation Payable.....	116,965	-	116,965	-
Claims Payable.....	586,917	1,778	588,695	555,723
Compensated Absences Payable.....	257,305	132,414	389,719	57,014
Other Postemployment Benefits.....	258,946	37,860	296,806	204,128
Net Pension Liability.....	2,660,819	398,011	3,058,830	434,591
Funds Held in Trust.....	-	-	-	380,479
Other Liabilities.....	-	30,354	30,354	94,512
Total Noncurrent Liabilities.....	\$ 11,510,440	\$ 1,297,892	\$ 12,808,332	\$ 7,734,181
Total Liabilities.....	\$ 17,740,341	\$ 1,718,614	\$ 19,458,955	\$ 9,584,624

STATE OF MINNESOTA

STATEMENT OF NET POSITION
 JUNE 30, 2015
 (IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
DEFERRED INFLOWS OF RESOURCES				
Interest Rate Swap Agreements.....	\$ -	\$ -	\$ -	\$ 12,649
Bond Refunding.....	39,013	-	39,013	-
Capital Lease Restructuring.....	17,772	-	17,772	-
Deferred Revenue.....	507,383	-	507,383	9,489
Deferred Pension Inflows.....	1,680,616	313,835	1,994,451	573,991
Total Deferred Inflows of Resources.....	\$ 2,244,784	\$ 313,835	\$ 2,558,619	\$ 596,129
NET POSITION				
Net Investment in Capital Assets.....	\$ 11,580,102	\$ 1,510,882	\$ 13,090,984	\$ 4,712,627
Restricted	5,392,483	1,992,311	7,384,794	6,981,720
Unrestricted	(5,502,837)	(120,013)	(5,622,850)	124,157
Total Net Position.....	\$ 11,469,748	\$ 3,383,180	\$ 14,852,928	\$ 11,818,504

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

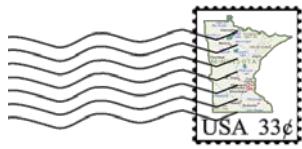
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources....	\$ 963,432	\$ 401,687	\$ 276,186	\$ 10,897
Economic and Workforce Development.....	677,044	57,819	244,326	-
General Education.....	9,087,613	22,136	782,699	10,060
General Government.....	1,153,921	305,057	53,416	337
Health and Human Services.....	15,016,278	424,520	8,340,962	-
Higher Education.....	912,909	315	-	-
Intergovernment Aid.....	1,583,636	-	-	-
Public Safety and Corrections.....	985,399	161,205	197,098	-
Transportation.....	2,898,752	23,811	652,159	148,808
Interest.....	291,983	-	-	-
Total Governmental Activities.....	<u>\$ 33,570,967</u>	<u>\$ 1,396,550</u>	<u>\$ 10,546,846</u>	<u>\$ 170,102</u>
Business-type Activities:				
State Colleges and Universities.....	\$ 1,905,845	\$ 815,508	\$ 474,168	\$ -
Unemployment Insurance.....	726,529	937,851	5,815	-
Lottery.....	410,237	546,812	-	-
Other.....	408,408	351,662	45,314	-
Total Business-type Activities.....	<u>\$ 3,451,019</u>	<u>\$ 2,651,833</u>	<u>\$ 525,297</u>	<u>\$ -</u>
Total Primary Government.....	<u>\$ 37,021,986</u>	<u>\$ 4,048,383</u>	<u>\$ 11,072,143</u>	<u>\$ 170,102</u>
Component Units:				
University of Minnesota.....	\$ 3,739,300	\$ 1,483,238	\$ 971,494	\$ 92,601
Metropolitan Council.....	981,717	345,803	478,919	218,188
Housing Finance.....	372,058	154,923	194,819	-
Others.....	429,947	149,872	66,389	334,047
Total Component Units.....	<u>\$ 5,523,022</u>	<u>\$ 2,133,836</u>	<u>\$ 1,711,621</u>	<u>\$ 644,836</u>
General Revenues:				
Taxes:				
Individual Income Taxes.....				
Corporate Income Taxes.....				
Sales Taxes.....				
Property Taxes.....				
Motor Vehicle Taxes.....				
Fuel Taxes.....				
Other Taxes.....				
Tobacco Settlement.....				
Unallocated Investment/Interest Income.....				
Other Revenues.....				
State Grants Not Restricted.....				
Transfers.....				
Total General Revenues and Transfers.....				
Change in Net Position.....				
Net Position, Beginning, as Reported				
Prior Period Adjustments.....				
Change in Accounting Principle.....				
Net Position, Beginning, as Restated.....				
Net Position, Ending.....				

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
\$ (274,662)		\$ (274,662)	
(374,899)		(374,899)	
(8,272,718)		(8,272,718)	
(795,111)		(795,111)	
(6,250,796)		(6,250,796)	
(912,594)		(912,594)	
(1,583,636)		(1,583,636)	
(627,096)		(627,096)	
(2,073,974)		(2,073,974)	
(291,983)		(291,983)	
<u>\$ (21,457,469)</u>		<u>\$ (21,457,469)</u>	
	\$ (616,169)	\$ (616,169)	
	217,137	217,137	
	136,575	136,575	
	(11,432)	(11,432)	
	<u>\$ (273,889)</u>	<u>\$ (273,889)</u>	
<u>\$ (21,457,469)</u>	<u>\$ (273,889)</u>	<u>\$ (21,731,358)</u>	
			\$ (1,191,967)
			61,193
			(22,316)
			<u>120,361</u>
			<u>\$ (1,032,729)</u>
\$ 10,607,930	\$ -	\$ 10,607,930	\$ -
1,553,297	-	1,553,297	-
5,469,773	-	5,469,773	-
839,939	-	839,939	-
1,395,872	-	1,395,872	-
908,278	-	908,278	-
2,651,969	-	2,651,969	81,525
170,424	-	170,424	-
25,378	40,583	65,961	236,583
63,101	7,028	70,129	615,737
-	-	-	952,807
(554,346)	554,346	-	-
<u>\$ 23,131,615</u>	<u>\$ 601,957</u>	<u>\$ 23,733,572</u>	<u>\$ 1,886,652</u>
<u>\$ 1,674,146</u>	<u>\$ 328,068</u>	<u>\$ 2,002,214</u>	<u>\$ 853,923</u>
\$ 13,954,430	\$ 3,760,598	\$ 17,715,028	\$ 12,021,114
-	-	-	14,761
(4,158,828)	(705,486)	(4,864,314)	(1,071,294)
<u>\$ 9,795,602</u>	<u>\$ 3,055,112</u>	<u>\$ 12,850,714</u>	<u>\$ 10,964,581</u>
<u>\$ 11,469,748</u>	<u>\$ 3,383,180</u>	<u>\$ 14,852,928</u>	<u>\$ 11,818,504</u>

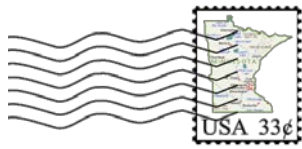




State of Minnesota

Fund Financial Statements

2015
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Financial Report





State of Minnesota

Major Governmental Funds

General Fund

The fund accounts for all financial resources except those required to be accounted for in another fund.

Federal Fund

The fund receives and disburses federal government grants and reimbursements. The fund is administered in accordance with grant agreements between the state and federal agencies.

2015
Comprehensive
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Financial Report

STATE OF MINNESOTA

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 3,326,914	\$ 61,030	\$ 5,095,752	\$ 8,483,696
Investments.....	863,005	-	1,391,287	2,254,292
Accounts Receivable.....	2,535,430	393,528	418,524	3,347,482
Interfund Receivables.....	109,247	3,516	183,799	296,562
Due from Component Unit.....	12,829	-	73,237	86,066
Accrued Investment/Interest Income.....	19,202	-	6,026	25,228
Federal Aid Receivable.....	-	1,198,639	63,896	1,262,535
Inventories.....	-	-	40,433	40,433
Loans and Notes Receivable.....	94,464	5,593	132,448	232,505
Investment in Land.....	-	-	15,960	15,960
Total Assets.....	<u>\$ 6,961,091</u>	<u>\$ 1,662,306</u>	<u>\$ 7,421,362</u>	<u>\$ 16,044,759</u>
LIABILITIES				
Liabilities:				
Accounts Payable.....	\$ 2,801,435	\$ 1,560,141	\$ 643,595	\$ 5,005,171
Interfund Payables.....	88,250	1,204	134,649	224,103
Due to Component Unit.....	27,206	3,612	42,699	73,517
Unearned Revenue.....	110,658	97,225	1,338	209,221
Total Liabilities.....	<u>\$ 3,027,549</u>	<u>\$ 1,662,182</u>	<u>\$ 822,281</u>	<u>\$ 5,512,012</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue.....	\$ 1,811,361	\$ -	\$ 126,300	\$ 1,937,661
Total Deferred Inflows of Resources.....	<u>\$ 1,811,361</u>	<u>\$ -</u>	<u>\$ 126,300</u>	<u>\$ 1,937,661</u>
FUND BALANCES				
Fund Balances:				
Nonspendable.....	\$ 931,595	\$ -	\$ 1,224,853	\$ 2,156,448
Restricted.....	119,108	124	3,708,570	3,827,802
Committed.....	-	-	856,985	856,985
Assigned.....	322,780	-	682,373	1,005,153
Unassigned.....	748,698	-	-	748,698
Total Fund Balances.....	<u>\$ 2,122,181</u>	<u>\$ 124</u>	<u>\$ 6,472,781</u>	<u>\$ 8,595,086</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 6,961,091</u>	<u>\$ 1,662,306</u>	<u>\$ 7,421,362</u>	<u>\$ 16,044,759</u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2015
(IN THOUSANDS)

Total Fund Balance for Governmental Funds \$ 8,595,086

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Infrastructure	\$ 9,552,323	
Nondepreciable Capital Assets	3,154,834	
Depreciable Capital Assets	3,892,628	
Accumulated Depreciation	<u>(1,644,904)</u>	
		14,954,881

Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end. 1,430,278

Deferred Inflows resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position. (56,785)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 5,773

Deferred pension outflows of \$298,290 and inflows of \$(1,540,913) resulting primarily from pension actuarial gains and losses to be amortized are included in the Statement of Net Position. (1,242,623)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest Payable	\$ (112,236)	
General Obligation Bonds Payable	(6,196,548)	
State General Fund Appropriation Bonds Payable	(1,038,635)	
Revenue Bonds Payable	(44,260)	
Bond Premium Payable	(826,767)	
Due to Component Units	(10,338)	
Capital Leases Payable	(98,512)	
Certificate of Participation Payable	(111,930)	
Certificate of Participation Premium Payable	(13,945)	
Claims Payable	(670,612)	
Compensated Absences Payable	(284,211)	
Net Other Post-Employment Benefits	(258,116)	
Net Pension Liability	<u>(2,550,752)</u>	
		<u>(12,216,862)</u>

Net Position of Governmental Activities \$ 11,469,748

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes.....	\$ 10,640,365	\$ -	\$ -	\$ 10,640,365
Corporate Income Taxes.....	1,503,461	-	-	1,503,461
Sales Taxes.....	5,138,575	-	316,506	5,455,081
Property Taxes.....	836,257	-	-	836,257
Motor Vehicle Taxes.....	278,085	-	1,117,874	1,395,959
Fuel Taxes.....	-	-	908,740	908,740
Other Taxes.....	1,811,162	-	870,733	2,681,895
Tobacco Settlement.....	170,747	-	-	170,747
Federal Revenues.....	1,144	9,863,397	456,723	10,321,264
Licenses and Fees.....	215,960	5,007	332,911	553,878
Departmental Services.....	196,884	4,811	207,858	409,553
Investment/Interest Income.....	64,943	85	91,695	156,723
Other Revenues.....	311,969	47,220	328,877	688,066
Net Revenues.....	<u>\$ 21,169,552</u>	<u>\$ 9,920,520</u>	<u>\$ 4,631,917</u>	<u>\$ 35,721,989</u>
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources.....	\$ 238,032	\$ 178,046	\$ 567,020	\$ 983,098
Economic and Workforce Development.....	184,236	215,403	294,377	694,016
General Education.....	8,275,184	740,852	72,427	9,088,463
General Government.....	748,208	15,303	302,597	1,066,108
Health and Human Services.....	6,053,433	8,241,633	762,640	15,057,706
Higher Education.....	850,649	1,734	60,564	912,947
Intergovernmental Aid.....	1,583,093	-	543	1,583,636
Public Safety and Corrections.....	631,140	137,889	196,479	965,508
Transportation.....	363,266	252,950	2,267,464	2,883,680
Total Current Expenditures.....	<u>\$ 18,927,241</u>	<u>\$ 9,783,810</u>	<u>\$ 4,524,111</u>	<u>\$ 33,235,162</u>
Capital Outlay.....	31,384	83,091	944,002	1,058,477
Debt Service.....	28,124	-	935,697	963,821
Total Expenditures.....	<u>\$ 18,986,749</u>	<u>\$ 9,866,901</u>	<u>\$ 6,403,810</u>	<u>\$ 35,257,460</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 2,182,803</u>	<u>\$ 53,619</u>	<u>\$ (1,771,893)</u>	<u>\$ 464,529</u>
Other Financing Sources (Uses):				
Bond Issuance.....	\$ -	\$ -	\$ 720,300	\$ 720,300
Certificate of Participation Issuance.....	-	-	80,100	80,100
Issuance of Refunding Bonds.....	3,930	-	149,975	153,905
Payment to Refunded Bonds Escrow Agent.....	(3,930)	-	(149,975)	(153,905)
Bond and Certificate of Participation Issue Premium.....	248	-	123,418	123,666
Transfers-In.....	273,990	1,845	1,678,818	1,954,653
Transfers-Out.....	(2,112,030)	(55,464)	(362,974)	(2,530,468)
Net Other Financing Sources (Uses).....	<u>\$ (1,837,792)</u>	<u>\$ (53,619)</u>	<u>\$ 2,239,662</u>	<u>\$ 348,251</u>
Net Change in Fund Balances.....	<u>\$ 345,011</u>	<u>\$ -</u>	<u>\$ 467,769</u>	<u>\$ 812,780</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 1,777,170</u>	<u>\$ 124</u>	<u>\$ 6,005,012</u>	<u>\$ 7,782,306</u>
Fund Balances, Ending.....	<u>\$ 2,122,181</u>	<u>\$ 124</u>	<u>\$ 6,472,781</u>	<u>\$ 8,595,086</u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	\$ 812,780
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of \$126,129 in the current period.	932,348
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.	(18,227)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities is reported in governmental activities, but not included in governmental funds.	(10,621)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	2,421
Bond and loan proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Position.	(1,077,971)
Net changes due to the additions and amortization of deferred inflows related to the refunding of debt and restructuring of capital leases reported in the Statement of Activities.	5,152
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions in the Statement of Activities.	239,606
Repayment of bonds, loans, and capital leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	826,199
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.	(37,541)
Change in Net Position of Governmental Activities	\$ 1,674,146

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 9,860,175	\$ 10,045,497	\$ 10,403,481
Corporate Income Taxes.....	1,371,599	1,317,112	1,455,275
Sales Taxes.....	5,101,155	5,161,701	5,109,324
Property Taxes.....	833,304	824,287	838,080
Motor Vehicle Taxes.....	650	650	682
Other Taxes.....	1,784,907	1,721,772	1,779,813
Tobacco Settlements.....	163,016	162,823	170,747
Licenses and Fees.....	207,656	202,398	210,996
Departmental Services.....	84,562	89,698	87,422
Investment/Interest Income.....	5,249	10,051	13,695
Other Revenues.....	315,551	322,453	325,613
Net Revenues.....	<u>\$ 19,727,824</u>	<u>\$ 19,858,442</u>	<u>\$ 20,395,128</u>
Expenditures:			
Agricultural, Environmental and Energy Resources.....	\$ 188,604	\$ 194,952	\$ 190,459
Economic and Workforce Development.....	155,552	155,738	154,063
General Education.....	8,099,118	8,235,149	8,232,121
General Government.....	818,153	822,343	808,008
Health and Human Services.....	5,274,892	5,783,175	5,599,133
Higher Education.....	837,095	837,095	828,228
Intergovernmental Aid.....	1,592,751	1,592,751	1,592,751
Public Safety and Corrections.....	617,948	631,272	628,137
Transportation.....	102,242	112,075	109,379
Total Expenditures.....	<u>\$ 17,686,355</u>	<u>\$ 18,364,550</u>	<u>\$ 18,142,279</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 2,041,469</u>	<u>\$ 1,493,892</u>	<u>\$ 2,252,849</u>
Other Financing Sources (Uses):			
Transfers-In.....	\$ 113,222	\$ 99,525	\$ 100,890
Transfers-Out.....	(2,225,644)	(2,225,644)	(2,225,644)
Net Other Financing Sources (Uses).....	<u>\$ (2,112,422)</u>	<u>\$ (2,126,119)</u>	<u>\$ (2,124,754)</u>
Net Change in Fund Balances.....	<u>\$ (70,953)</u>	<u>\$ (632,227)</u>	<u>\$ 128,095</u>
Fund Balances, Beginning, as Reported.....	\$ 1,919,683	\$ 1,919,683	\$ 1,919,683
Prior Period Adjustments.....	-	-	87,133
Fund Balances, Beginning, as Restated.....	<u>\$ 1,919,683</u>	<u>\$ 1,919,683</u>	<u>\$ 2,006,816</u>
Budgetary Fund Balances, Ending.....	\$ 1,848,730	\$ 1,287,456	\$ 2,134,911
Less: Appropriation Carryover.....	-	-	95,608
Less: Reserved for Long-Term Receivables.....	-	-	5,384
Less: Budgetary Reserve.....	-	-	1,376,973
Unassigned Fund Balance, Ending.....	<u>\$ 1,848,730</u>	<u>\$ 1,287,456</u>	<u>\$ 656,946</u>

The notes are an integral part of the financial statements.



State of Minnesota

2015
Comprehensive
Annual
Financial Report

Major Proprietary Funds

State Colleges and Universities Fund

The fund accounts for the activities of Minnesota State Colleges and Universities (MnSCU). MnSCU is a system of public state universities and two-year colleges and is the largest system of higher education in the state. While the primary activity of MnSCU is to provide educational services, the fund also includes scholarships, student loans, bookstores, student living activities, research, and long-term debt.

Unemployment Insurance Fund

The fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 851,592	\$ 1,502,750	\$ 159,462	\$ 2,513,804	\$ 297,986
Investments.....	26,824	-	-	26,824	14,616
Accounts Receivable.....	59,501	342,806	40,696	443,003	86,117
Interfund Receivables.....	28,622	-	5,072	33,694	-
Accrued Investment/Interest Income.....	-	-	-	-	60
Federal Aid Receivable.....	17,752	301	4,188	22,241	-
Inventories.....	15,178	-	9,539	24,717	238
Loans and Notes Receivable.....	4,831	-	-	4,831	-
Prepaid Expenses.....	1,256	-	1,302	2,558	13,744
Other Assets.....	-	-	238	238	-
Total Current Assets.....	\$ 1,005,556	\$ 1,845,857	\$ 220,497	\$ 3,071,910	\$ 412,761
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 153,438	\$ -	\$ -	\$ 153,438	\$ -
Other Assets-Restricted.....	296	-	-	296	-
Loans and Notes Receivable.....	24,562	-	-	24,562	-
Depreciable Capital Assets (Net).....	1,735,466	-	137,297	1,872,763	58,549
Nondepreciable Capital Assets.....	297,744	-	17,389	315,133	626
Prepaid Expenses.....	-	-	-	-	1,322
Total Noncurrent Assets.....	\$ 2,211,506	\$ -	\$ 154,686	\$ 2,366,192	\$ 60,497
Total Assets.....	\$ 3,217,062	\$ 1,845,857	\$ 375,183	\$ 5,438,102	\$ 473,258
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding.....	\$ 261	\$ -	\$ -	\$ 261	\$ -
Deferred Pension Outflows.....	50,740	-	6,931	57,671	12,166
Total Deferred Outflows of Resources.....	\$ 51,001	\$ -	\$ 6,931	\$ 57,932	\$ 12,166
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 175,942	\$ 21,637	\$ 70,091	\$ 267,670	\$ 122,205
Interfund Payables.....	26,688	21,846	31,871	80,405	25,000
Due to Component Unit.....	-	-	6	6	-
Unearned Revenue.....	39,188	23,071	2,981	65,240	33,117
Accrued Interest Payable.....	-	-	450	450	26
Bonds and Notes Payable.....	35,678	-	13,189	48,867	12,015
Capital Leases Payable.....	4,297	-	38	4,335	-
Claims Payable.....	1,708	-	-	1,708	11,751
Compensated Absences Payable.....	16,472	-	2,016	18,488	1,330
Other Liabilities.....	13,958	-	-	13,958	-
Total Current Liabilities.....	\$ 313,931	\$ 66,554	\$ 120,642	\$ 501,127	\$ 205,444
Noncurrent Liabilities:					
Bonds and Notes Payable.....	\$ 564,322	\$ -	\$ 111,520	\$ 675,842	\$ 12,951
Capital Leases Payable.....	21,633	-	-	21,633	-
Claims Payable.....	1,778	-	-	1,778	-
Compensated Absences Payable.....	120,641	-	11,773	132,414	10,656
Other Postemployment Benefits.....	36,139	-	1,721	37,860	830
Net Pension Liability.....	330,626	-	67,385	398,011	110,067
Other Liabilities.....	30,354	-	-	30,354	-
Total Noncurrent Liabilities.....	\$ 1,105,493	\$ -	\$ 192,399	\$ 1,297,892	\$ 134,504
Total Liabilities.....	\$ 1,419,424	\$ 66,554	\$ 313,041	\$ 1,799,019	\$ 339,948
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Inflows.....	\$ 239,274	\$ -	\$ 74,561	\$ 313,835	\$ 139,703
Total Deferred Inflows of Resources.....	\$ 239,274	\$ -	\$ 74,561	\$ 313,835	\$ 139,703
NET POSITION					
Net Investment in Capital Assets.....	\$ 1,486,372	\$ -	\$ 24,510	\$ 1,510,882	\$ 34,209
Restricted for:					
Bond Covenants.....	\$ 66,484	\$ -	\$ -	\$ 66,484	\$ -
Capital Projects.....	419	-	-	419	-
Debt Service.....	50,394	-	-	50,394	-
Economic and Workforce Development.....	-	-	6,564	6,564	-
Higher Education.....	5,696	-	-	5,696	-
Public Safety and Corrections.....	-	-	41,883	41,883	-
Unemployment Benefits.....	-	1,779,303	-	1,779,303	-
Other Purposes.....	-	-	41,568	41,568	-
Total Restricted.....	\$ 122,993	\$ 1,779,303	\$ 90,015	\$ 1,992,311	\$ -
Unrestricted.....	\$ -	\$ -	\$ (120,013)	\$ (120,013)	\$ (28,436)
Total Net Position.....	\$ 1,609,365	\$ 1,779,303	\$ (5,488)	\$ 3,383,180	\$ 5,773

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 694,621	\$ -	\$ -	\$ 694,621	\$ -
Restricted Student Payments, Net.....	107,067	-	-	107,067	-
Net Sales.....	-	-	786,666	786,666	295,000
Insurance Premiums.....	-	921,702	95,291	1,016,993	811,107
Other Income.....	13,820	16,149	16,517	46,486	9,085
Total Operating Revenues.....	\$ 815,508	\$ 937,851	\$ 898,474	\$ 2,651,833	\$ 1,115,192
Less: Cost of Goods Sold.....	-	-	406,733	406,733	-
Gross Margin.....	\$ 815,508	\$ 937,851	\$ 491,741	\$ 2,245,100	\$ 1,115,192
Operating Expenses:					
Purchased Services.....	\$ 231,830	\$ -	\$ 104,599	\$ 336,429	\$ 215,932
Salaries and Fringe Benefits.....	1,268,526	-	149,849	1,418,375	75,879
Student Financial Aid.....	42,088	-	-	42,088	-
Unemployment Benefits.....	-	717,323	-	717,323	-
Claims.....	-	-	79,256	79,256	744,556
Depreciation and Amortization.....	115,814	-	15,894	131,708	13,738
Supplies and Materials.....	142,937	-	8,294	151,231	18,411
Repairs and Maintenance.....	27,056	-	2,599	29,655	12,125
Indirect Costs.....	-	-	3,938	3,938	2,756
Other Expenses.....	43,539	-	9,924	53,463	7,593
Total Operating Expenses.....	\$ 1,871,790	\$ 717,323	\$ 374,353	\$ 2,963,466	\$ 1,090,990
Operating Income (Loss).....	\$ (1,056,282)	\$ 220,528	\$ 117,388	\$ (718,366)	\$ 24,202
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 6,304	\$ 33,832	\$ 447	\$ 40,583	\$ 1,722
Federal Grants.....	338,865	-	45,314	384,179	-
Private Grants.....	29,671	-	-	29,671	-
Grants and Subsidies.....	105,632	5,815	-	111,447	3
Other Nonoperating Revenues.....	-	-	6,972	6,972	-
Interest and Financing Costs.....	(22,619)	-	(4,716)	(27,335)	(518)
Grants, Aids and Subsidies.....	(11,436)	(9,206)	(15,247)	(35,889)	(2)
Other Nonoperating Expenses.....	-	-	(17,596)	(17,596)	(8,345)
Gain (Loss) on Disposal of Capital Assets.....	148	-	(92)	56	534
Total Nonoperating Revenues (Expenses).....	\$ 446,565	\$ 30,441	\$ 15,082	\$ 492,088	\$ (6,606)
Income (Loss) Before Transfers and Contributions.....	\$ (609,717)	\$ 250,969	\$ 132,470	\$ (226,278)	\$ 17,596
Capital Contributions.....	52,283	-	-	52,283	-
Transfers-In.....	624,988	-	24,028	649,016	2
Transfers-Out.....	-	(9,426)	(137,527)	(146,953)	(28,219)
Change in Net Position.....	\$ 67,554	\$ 241,543	\$ 18,971	\$ 328,068	\$ (10,621)
Net Position, Beginning, as Reported.....	\$ 2,098,711	\$ 1,537,760	\$ 124,127	\$ 3,760,598	\$ 280,868
Change in Accounting Principle.....	(556,900)	-	(148,586)	(705,486)	(264,474)
Net Position, Beginning, as Restated.....	\$ 1,541,811	\$ 1,537,760	\$ (24,459)	\$ 3,055,112	\$ 16,394
Net Position, Ending.....	\$ 1,609,365	\$ 1,779,303	\$ (5,488)	\$ 3,383,180	\$ 5,773

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

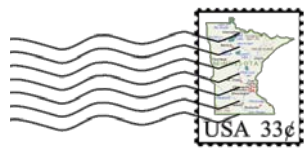
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Cash Flows from Operating Activities:					
Receipts from Customers.....	\$ 813,435	\$ 970,844	\$ 888,328	\$ 2,672,607	\$ 1,095,129
Receipts from Other Revenues.....	-	-	16,488	16,488	7,479
Receipts from Repayment of Program Loans.....	5,164	-	-	5,164	-
Financial Aid Disbursements.....	(42,571)	-	-	(42,571)	-
Payments to Claimants.....	-	(713,082)	(418,442)	(1,131,524)	(734,511)
Payments to Suppliers.....	(438,542)	-	(168,284)	(606,826)	(239,644)
Payments to Employees.....	(1,315,356)	-	(162,160)	(1,477,516)	(101,317)
Payments to Others.....	-	-	(43,710)	(43,710)	(15,257)
Payments of Program Loans.....	(4,850)	-	-	(4,850)	-
Net Cash Flows from Operating Activities.....	\$ (982,720)	\$ 257,762	\$ 112,220	\$ (612,738)	\$ 11,879
Cash Flows from Noncapital Financing Activities:					
Grant Receipts.....	\$ 461,984	\$ 6,060	\$ 41,126	\$ 509,170	\$ -
Grant Disbursements.....	(11,756)	(9,417)	(13,117)	(34,290)	-
Transfers-In.....	624,988	-	21,428	646,416	2
Transfers-Out.....	-	(7,397)	(134,357)	(141,754)	(28,220)
Advances from Other Funds.....	-	-	9,319	9,319	25,000
Repayment Receipts of Advances to Other Funds.....	-	-	225	225	-
Repayment of Advances from Other Funds.....	-	-	(789)	(789)	(2,000)
Repayment of Bond Principal.....	-	-	(12,310)	(12,310)	-
Interest Paid.....	-	-	(5,997)	(5,997)	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 1,075,216	\$ (10,754)	\$ (94,472)	\$ 969,990	\$ (5,218)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions.....	\$ 71,104	\$ -	\$ -	\$ 71,104	\$ -
Investment in Capital Assets.....	(120,376)	-	(17,962)	(138,338)	(29,344)
Proceeds from Disposal of Capital Assets.....	217	-	182	399	3,086
Proceeds from Capital Bonds.....	108,342	-	-	108,342	-
Proceeds from Loans.....	700	-	-	700	9,243
Capital Lease Payments.....	(4,396)	-	(155)	(4,551)	-
Repayment of Loan Principal.....	(541)	-	-	(541)	(12,887)
Repayment of Bond Principal.....	(71,276)	-	(395)	(71,671)	-
Interest Paid.....	(24,439)	-	-	(24,439)	(510)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (40,665)	\$ -	\$ (18,330)	\$ (58,995)	\$ (30,412)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments.....	\$ 1,804	\$ -	\$ -	\$ 1,804	\$ -
Purchase of Investments.....	(1,531)	-	-	(1,531)	-
Investment Earnings.....	2,774	33,832	447	37,053	1,902
Net Cash Flows from Investing Activities.....	\$ 3,047	\$ 33,832	\$ 447	\$ 37,326	\$ 1,902
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 54,878	\$ 280,840	\$ (135)	\$ 335,583	\$ (21,849)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 950,152	\$ 1,221,910	\$ 159,597	\$ 2,331,659	\$ 319,835
Cash and Cash Equivalents, Ending.....	\$ 1,005,030	\$ 1,502,750	\$ 159,462	\$ 2,667,242	\$ 297,986

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss).....	\$ (1,056,282)	\$ 220,528	\$ 117,388	\$ (718,366)	\$ 24,202
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization.....	\$ 115,814	\$ -	\$ 15,894	\$ 131,708	\$ 13,738
Miscellaneous Nonoperating Revenues.....	-	-	6,933	6,933	-
Miscellaneous Nonoperating Expenses.....	-	-	(19,727)	(19,727)	(8,800)
Loan Principal Repayments.....	5,164	-	-	5,164	-
Loans Issued.....	(4,850)	-	-	(4,850)	-
Provision for Loan Defaults.....	(44)	-	-	(44)	-
Loans Forgiven.....	403	-	-	403	-
Change in Valuation of Assets.....	5,055	-	-	5,055	-
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable.....	624	38,353	(3,673)	35,304	(36,339)
Inventories.....	1,624	-	(1,285)	339	42
Other Assets.....	-	-	(545)	(545)	(3,466)
Deferred Pension Outflows.....	(26,384)	-	(1,901)	(28,285)	(3,475)
Accounts Payable.....	(17,876)	2,598	9,592	(5,686)	26,337
Compensated Absences Payable.....	4,269	-	759	5,028	1,529
Unearned Revenues.....	(2,698)	(3,760)	44	(6,414)	21,270
Net Pension Liability.....	(250,631)	-	(86,230)	(336,861)	(163,098)
Other Liabilities.....	3,818	43	410	4,271	236
Deferred Pension Inflows.....	239,274	-	74,561	313,835	139,703
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 73,562	\$ 37,234	\$ (5,168)	\$ 105,628	\$ (12,323)
Net Cash Flows from Operating Activities.....	\$ (982,720)	\$ 257,762	\$ 112,220	\$ (612,738)	\$ 11,879
Noncash Investing, Capital and Financing Activities:					
Capital Assets Purchased on Account.....	\$ 13,203	\$ -	\$ -	\$ 13,203	\$ -
Bond Premium Amortization.....	3,323	-	1,240	4,563	-

The notes are an integral part of the financial statements.





State of Minnesota

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Fiduciary Funds

Pension Trust Funds

The funds are retirement funds administered by independent boards for which the state performs a fiduciary role.

Investment Trust Funds

The funds account for the external portion of the state's investment pools.

Agency Fund

This fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

STATE OF MINNESOTA

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	AGENCY
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalent Investments.....	\$ 38,292	\$ -	\$ 117,048
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 2,958,166	\$ 64,493	\$ -
Investments.....	67,131,142	799,706	-
Accrued Interest and Dividends.....	134,498	1,848	-
Securities Trades Receivables (Payables).....	(1,313,394)	(5,433)	-
Total Investment Pool Participation.....	<u>\$ 68,910,412</u>	<u>\$ 860,614</u>	<u>\$ -</u>
Receivables:			
Accounts Receivable.....	\$ -	\$ -	\$ 30,257
Interfund Receivables.....	6,262	-	-
Other Receivables.....	113,663	-	-
Total Receivables.....	<u>\$ 119,925</u>	<u>\$ -</u>	<u>\$ 30,257</u>
Securities Lending Collateral.....	\$ 6,242,935	\$ 69,271	\$ -
Depreciable Capital Assets (Net).....	45,628	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	<u>\$ 75,357,621</u>	<u>\$ 929,885</u>	<u>\$ 147,305</u>
LIABILITIES			
Accounts Payable.....	\$ 21,574	\$ -	\$ 147,305
Interfund Payables.....	7,010	-	-
Accrued Expense.....	3	-	-
Revenue Bonds Payable.....	18,209	-	-
Bond Interest.....	13	-	-
Compensated Absences Payable.....	2,613	-	-
Securities Lending Liabilities.....	6,242,935	69,271	-
Other Liabilities.....	1,835	-	-
Total Liabilities.....	<u>\$ 6,294,192</u>	<u>\$ 69,271</u>	<u>\$ 147,305</u>
Net Position Held in Trust for Pension Benefits and Pool Participants.....	<u>\$ 69,063,429</u>	<u>\$ 860,614</u>	<u>\$ -</u>

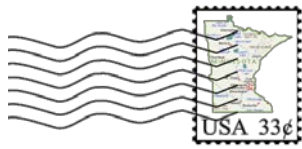
The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2015 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 1,187,877	\$ -
Member.....	1,393,054	-
Contributions From Other Sources.....	7,548	-
Participating Plans.....	-	18,677
Total Contributions.....	<u>\$ 2,588,479</u>	<u>\$ 18,677</u>
Net Investment Income:		
Investment Income.....	\$ 3,011,933	\$ 36,458
Less: Investment Expense.....	(89,255)	-
Net Investment Income.....	<u>\$ 2,922,678</u>	<u>\$ 36,458</u>
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 46,067	\$ 515
Securities Lending Rebates and Fees.....	(14,638)	(159)
Net Securities Lending Revenue.....	<u>\$ 31,429</u>	<u>\$ 356</u>
Total Investment Income.....	<u>\$ 2,954,107</u>	<u>\$ 36,814</u>
Transfers From Other Funds.....	\$ 80,820	\$ -
Other Additions.....	13,976	-
Total Additions.....	<u>\$ 5,637,382</u>	<u>\$ 55,491</u>
Deductions:		
Benefits.....	\$ 4,437,462	\$ -
Refunds and Withdrawals.....	342,382	28,273
Administrative Expenses.....	48,555	559
Transfers To Other Funds.....	31,134	-
Total Deductions.....	<u>\$ 4,859,533</u>	<u>\$ 28,832</u>
Net Increase (Decrease).....	<u>\$ 777,849</u>	<u>\$ 26,659</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....		
	\$ 68,055,375	\$ 816,606
Change in Reporting Entity.....	228,702	18,852
Change in Fund Structure.....	1,503	(1,503)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	<u>\$ 68,285,580</u>	<u>\$ 833,955</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 69,063,429</u>	<u>\$ 860,614</u>

The notes are an integral part of the financial statements.





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Major Discretely Presented Component Unit Funds

Housing Finance Agency

The agency provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

Metropolitan Council

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system.

University of Minnesota

The multi-campus university provides undergraduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources which benefit the university.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2014 and JUNE 30, 2015
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 62,009	\$ 176,436	\$ 298,658	\$ 552,261	\$ 1,089,364
Investments.....	62,700	48,549	204,055	301,458	616,762
Accounts Receivable.....	5,262	34,897	399,500	72,465	512,124
Due from Primary Government.....	-	76,410	6,278	31,614	114,302
Accrued Investment/Interest Income.....	12,134	1,923	2,390	17,097	33,544
Federal Aid Receivable.....	3,922	-	-	1,965	5,887
Inventories.....	-	29,956	22,895	63	52,914
Loans and Notes Receivable.....	-	4	11,509	212,083	223,596
Prepaid Expenses.....	-	-	-	5,746	5,746
Other Assets.....	4,002	1,217	18,155	14	23,388
Total Current Assets.....	\$ 150,029	\$ 369,392	\$ 963,440	\$ 1,194,766	\$ 2,677,627
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 321,429	\$ 226,835	\$ 148,276	\$ 240,015	\$ 936,555
Investments-Restricted.....	1,341,552	223,369	133,863	19,849	1,718,633
Accounts Receivable-Restricted.....	-	101,359	-	-	101,359
Due from Primary Government-Restricted.....	-	2,189	-	-	2,189
Due from Primary Government.....	-	-	-	7,817	7,817
Investments.....	-	434,548	4,397,892	33,171	4,865,611
Accounts Receivable.....	-	-	137,611	338,993	476,604
Loans and Notes Receivable.....	1,348,525	48,364	72,424	2,228,172	3,697,485
Depreciable Capital Assets (Net).....	2,449	3,438,851	2,622,940	15,566	6,079,806
Nondepreciable Capital Assets.....	-	554,295	403,701	381,711	1,339,707
Prepaid Expenses.....	-	-	-	8,063	8,063
Other Assets.....	-	-	3,554	74	3,628
Total Noncurrent Assets.....	\$ 3,013,955	\$ 5,029,810	\$ 7,920,261	\$ 3,273,431	\$ 19,237,457
Total Assets.....	\$ 3,163,984	\$ 5,399,202	\$ 8,883,701	\$ 4,468,197	\$ 21,915,084
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Interest Swap Agreements.....	\$ 12,649	\$ -	\$ -	\$ -	\$ 12,649
Bond Refunding.....	267	-	-	14,781	15,048
Deferred Pension Outflows.....	1,042	19,993	25,100	331	46,466
Deferred Derivative Outflows.....	-	10,010	-	-	10,010
Total Deferred Outflows of Resources.....	\$ 13,958	\$ 30,003	\$ 25,100	\$ 15,112	\$ 84,173
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 6,102	\$ 102,797	\$ 268,929	\$ 55,141	\$ 432,969
Due to Primary Government.....	-	-	3,110	59,098	62,208
Unearned Revenue.....	-	10,541	73,561	33,892	117,994
Accrued Interest Payable.....	29,980	3,259	14,658	14,740	62,637
Bonds and Notes Payable.....	95,523	358,195	296,425	162,652	912,795
Capital Leases Payable.....	-	695	4,112	-	4,807
Claims Payable.....	-	4,605	28,387	52,483	85,475
Compensated Absences Payable.....	257	21,996	147,915	276	170,444
Other Liabilities.....	-	-	940	174	1,114
Total Current Liabilities.....	\$ 131,862	\$ 502,088	\$ 838,037	\$ 378,456	\$ 1,850,443
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ 39,079	\$ 53,680	\$ -	\$ 92,759
Unearned Revenue-Restricted.....	-	84,542	-	-	84,542
Accrued Interest Payable-Restricted.....	-	13,601	-	-	13,601
Due to Primary Government.....	-	-	14,734	49,184	63,918
Unearned Revenue.....	-	-	54	-	54
Bonds and Notes Payable.....	1,937,809	1,423,246	1,067,720	1,299,078	5,727,853
Capital Leases Payable.....	-	7,875	17,132	-	25,007
Claims Payable.....	-	12,361	12,520	530,842	555,723
Compensated Absences Payable.....	1,834	7,465	46,821	894	57,014
Other Postemployment Benefits.....	260	83,577	120,227	64	204,128
Net Pension Liability.....	9,313	155,999	266,521	2,758	434,591
Funds Held in Trust.....	117,060	-	252,901	10,518	380,479
Other Liabilities.....	-	-	93,406	1,106	94,512
Total Noncurrent Liabilities.....	\$ 2,066,276	\$ 1,827,745	\$ 1,945,716	\$ 1,894,444	\$ 7,734,181
Total Liabilities.....	\$ 2,198,138	\$ 2,329,833	\$ 2,783,753	\$ 2,272,900	\$ 9,584,624
DEFERRED INFLOWS OF RESOURCES					
Interest Rate Swap Agreements.....	\$ 12,649	\$ -	\$ -	\$ -	\$ 12,649
Deferred Revenue.....	9,122	-	-	367	9,489
Deferred Pension Inflows.....	11,821	190,448	368,220	3,502	573,991
Total Deferred Inflows of Resources.....	\$ 33,592	\$ 190,448	\$ 368,220	\$ 3,869	\$ 596,129
NET POSITION					
Net Investment in Capital Assets.....	\$ 2,449	\$ 2,619,060	\$ 1,694,150	\$ 396,968	\$ 4,712,627
Restricted-Expendable.....	943,763	758,961	2,257,518	1,715,214	5,675,456
Restricted-Nonexpendable.....	-	-	1,306,264	-	1,306,264
Unrestricted.....	-	(469,097)	498,896	94,358	124,157
Total Net Position.....	\$ 946,212	\$ 2,908,924	\$ 5,756,828	\$ 2,206,540	\$ 11,818,504

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS

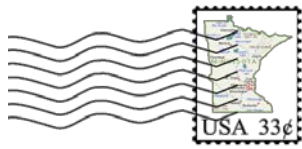
STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 and JUNE 30, 2015

(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 372,058	\$ 981,717	\$ 3,739,300	\$ 429,947	\$ 5,523,022
Program Revenues:					
Charges for Services.....	\$ 154,923	\$ 345,803	\$ 1,483,238	\$ 149,872	\$ 2,133,836
Operating Grants and Contributions.....	194,819	478,919	971,494	66,389	1,711,621
Capital Grants and Contributions.....	-	218,188	92,601	334,047	644,836
Net (Expense) Revenue.....	\$ (22,316)	\$ 61,193	\$ (1,191,967)	\$ 120,361	\$ (1,032,729)
General Revenues:					
Taxes.....	\$ -	\$ 80,164	\$ -	\$ 1,361	\$ 81,525
Investment Income.....	-	50,182	181,698	4,703	236,583
Other Revenues.....	674	-	607,822	7,241	615,737
Total General Revenues before Grants.....	\$ 674	\$ 130,346	\$ 789,520	\$ 13,305	\$ 933,845
State Grants Not Restricted.....	\$ 50,318	\$ -	\$ 642,069	\$ 260,420	\$ 952,807
Total General Revenues.....	\$ 50,992	\$ 130,346	\$ 1,431,589	\$ 273,725	\$ 1,886,652
Change in Net Position.....	\$ 28,676	\$ 191,539	\$ 239,622	\$ 394,086	\$ 853,923
Net Position, Beginning, as Reported.....	\$ 939,916	\$ 3,062,433	\$ 6,199,751	\$ 1,819,014	\$ 12,021,114
Prior Period Adjustment.....	-	14,761	-	-	14,761
Change in Accounting Principle.....	(22,380)	(359,809)	(682,545)	(6,560)	(1,071,294)
Net Position, Beginning, as Restated.....	\$ 917,536	\$ 2,717,385	\$ 5,517,206	\$ 1,812,454	\$ 10,964,581
Net Position, Ending.....	\$ 946,212	\$ 2,908,924	\$ 5,756,828	\$ 2,206,540	\$ 11,818,504

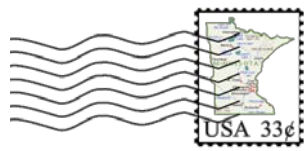
The notes are an integral part of the financial statements.





2015 Comprehensive Annual Financial Report
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2015 Comprehensive Annual Financial Report
Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2015:

GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” was issued in June 2012. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. The statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. It also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. The beginning balance was reported as a change in accounting principle in the Statement of Activities of \$4.159 billion for Governmental Activities and \$705 million for Business-type Activities. See Note 8 – Pension and Investment Trust Funds and Required Supplementary Information for Defined Benefit Plans – State Participating for more information.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date” was issued November 2013. The statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The beginning balance is reported as a change in accounting principle.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota Legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization’s relationship with the state are such that exclusion would cause the state’s financial statements to be misleading. These criteria include the state’s ability to appoint a voting majority of an organization’s governing body, and either the state’s ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. All of the state's component units are discretely presented component units that are shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Discretely Presented Component Units

The following provides a description of the state's discretely presented component units. Additional information is available from the component unit's separately issued financial statements.

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. The fiscal year for MC ends December 31.
- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The Minnesota Legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.
- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the Minnesota Legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.

- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.
- Minnesota Sports Facilities Authority (MSFA) – MSFA's mission is to provide for the construction, financing, and long-term use of a new multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. MSFA has five members, including a chair and two members who are appointed by the governor. The state will provide administrative funding to MSFA. The fiscal year for MSFA ends December 31.

A discretely presented component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Housing Finance Agency 400 Sibley Street, Suite 300 St. Paul, Minnesota 55101-1998	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108-5227
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Building 332 Minnesota Street, Suite W820 St. Paul, Minnesota 55101-1378
National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 5600 West 83 rd Street 8200 Tower, Suite 1100 Minneapolis, Minnesota 55437
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101-1805	Minnesota Sports Facilities Authority 511 11 th Avenue South, Suite 401 Minneapolis, Minnesota 55415

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority (HEFA) – The governor appoints a majority of the board. HEFA can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of HEFA.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

Minnesota State Lottery 2645 Long Lake Road Roseville, Minnesota 55113	Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul, Minnesota 55103
Public Employees Retirement Association 60 Empire Drive, Suite 200 St. Paul, Minnesota 55103	Teachers Retirement Association 60 Empire Drive, Suite 400 St. Paul, Minnesota 55103
State Board of Investment 60 Empire Drive, Suite 355 St. Paul, Minnesota 55103	Minnesota State Colleges and Universities Financial Reporting Unit 500 Wells Fargo Place, 30 East 7 th Street St. Paul, Minnesota 55101

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and bond covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state's fiduciary funds are presented in the fund financial statements by type (pension trust, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental, enterprise, and internal service funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- General Fund, which accounts for all financial resources not accounted for and reported in another fund. The Environment and Natural Resources account is one account within the General Fund. It is a permanent trust fund that was established by Minnesota Constitution, Art. XI, Sec. 14. The Constitution outlines the amount that can be appropriated each biennium. Amounts that can be authorized for expenditure are classified as restricted on the face of the statements.
- Special revenue funds, which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Capital project funds, which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- Debt Service Fund, which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.
- Permanent Fund, which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs. Minnesota Constitution, Art. XI, Sec. 8 allows for the distribution of net interest and dividends to school districts. The change in investment value is recorded on the face of the financial statements as "Investment/Interest Income." Amounts that can be authorized for expenditure are classified as restricted on the face of the statements.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) System. MnSCU, the largest higher education system in the state, is a system of public colleges and universities. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Funds Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension trust, investment trust, and agency fund types are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Receivables not collected by the close of the books in late August are reported as deferred revenue. In addition, revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are also reported as deferred revenue until the related commitment arises, at which time revenue is recognized. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, capital leases, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial/industrial and seasonal residential recreational properties. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and

January 25, for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues.

Proprietary, pension trust, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Cash Equivalents and Investments

Cash Equivalents – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

Investments – Investments are reported at fair value. The basis for determining the fair value of investments that is not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals. Investments in derivatives are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Position or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Position; or the Statement of Changes in Net Position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Position. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, intangible assets, and art and historical treasures, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than \$300,000 for buildings, \$30,000 for equipment, \$300,000 for infrastructure, \$30,000 to \$2,000,000 for internally generated computer software depending on the fund type, and \$30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, 3-12 years for equipment, 8-12 years for internally generated computer software, and 20-50 years for easements. Transportation infrastructure assets using the modified approach, land, construction and development in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information Modified Approach for Infrastructure. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Deferred Outflows of Resources

Contributions to pension plans subsequent to the measurement date of the net pension liability and before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and differences between projected and actual investment earnings are reported as deferred outflows of resources. These amounts are amortized as pension expense over the average of the expected remaining service lives of all employees of the applicable pension plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, capital leases, net pension and other postemployment benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities – Primary Government for further information.

Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the government-wide statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding general obligation bonds as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the government-wide financial statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. Amounts related to the decreases in the net pension liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and differences between projected and actual investment earnings are reported as deferred inflows of resources. These amounts are amortized as pension expense over the average of the expected remaining service lives of all employees of the applicable pension plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The State Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represents the portion of net position that is constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenues in the fund. When both

restricted and unrestricted net position are available for use, the state policy is to use restricted resources first.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Minnesota Legislature by passing a bill, which is signed by the Governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Minnesota Legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by agency heads to whom the Governor has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state's policy is that restricted amounts are spent first when expenditures are incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the Minnesota Legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established

in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

Change in Reporting Entity related to Pension and Investment Trust Funds

2014 Laws of Minnesota, Chapter 296, Article 6, Section 46, transferred all members of the Duluth Teachers Retirement Fund Association to the Teachers Retirement Association as of June 30, 2015. Investment balances of \$226.1 million were reported as a change in reporting entity in the Teachers Retirement Fund (pension trust fund).

Minnesota Statutes, Section 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2015, seven firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. Investment balances of \$2.6 million were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Minnesota Statutes, Chapter 11A, Section 235, allows the State Board of Investment to invest the funds or assets of the city of Duluth's community investment trust fund in the state's Investment Trust Fund. During fiscal year 2015, investment balances of \$18.9 million transferred from the city of Duluth's Community Investment Trust Fund to the Investment Trust Fund and were reported as a change in reporting entity in the Investment Trust Fund.

Change in Fund Structure related to Investment and Pension Trust Funds

2015 Laws of Minnesota, Chapter 68, Article 14, Sections 1-31, merged the Minneapolis Employees Retirement Fund into the Public Employees Retirement Association. The transfer was reported as a change in fund structure of \$891.6 million in the Minneapolis Employees Retirement Fund (pension trust fund) and the General Employees Retirement Fund (pension trust fund).

Minnesota Statutes, Chapter 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2015, five firefighter groups moved from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure of \$1.5 million in the Supplemental Retirement Fund (investment trust fund) and the Volunteer Firefighter Retirement Fund (pension trust fund).

IRS Settlement

In the fourth quarter of 2012, the state became aware that the State Board of Investment had purchased some of the state's general obligation bonds as investments. These purchases violated Internal Revenue Service (IRS) regulations and caused those bonds to be extinguished for purposes of section 103 of the Code pursuant to Notice 88-130, 1988-52 I.R.B. 12 (December 27, 1988). The purchase of these bonds was inadvertent and was made without the intent to redeem those bonds. The state informed the IRS of the violations and worked with the IRS to resolve the violations. The state negotiated a settlement in the amount of \$537,025, which was paid to the IRS in September 2014 from the state's General Fund. The state has adopted post-issuance compliance procedures that are designed to prevent future purchases of its tax exempt bonds and has issued a directive to the State Board Investment to refrain from doing so.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Funds not invested by SBI are primarily Minnesota State Colleges and Universities' funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds may not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analyses of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Investment Derivative Instruments

Minnesota Statutes, Section 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange traded. The purpose of the SBI derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2015, fair value of investment derivatives is reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the pension trust and investment trust funds' portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2015, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$1,370,701,000 that is \$24,336,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of \$146,929,000.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2015:

Primary Government Derivative Activity for the Year Ended June 30, 2015 By Derivative Type (In Thousands)			
	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	\$ 6,518	\$ -	\$ -
Fiduciary Activities:			
Futures	\$ 12,213	\$ (861,966)	\$ -
Futures Options Bought	(2,039)	5,448	64
Futures Options Written	3,722	(6,589)	(576)
FX Forwards	8,360	389,330	5,329
Warrants/Stock Rights	(338)	991	1,561
	<u>\$ 21,918</u>	<u>\$ (472,786)</u>	<u>\$ 6,378</u>

Credit Risk: Minnesota is exposed to credit risk through eight counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of \$7,799,000 should these counter parties fail to perform. These counter parties have Standard & Poor's (S&P) credit ratings of BBB+ or better. The primary government, excluding pension and investment trust funds, had no exposure to counter party risk.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the investment Foreign Currency Risk schedule of this note.

Component Unit Derivative Activity: Derivative activity of the state's component units is disclosed in the last section of this note.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of the investment. Minnesota Statutes limit investments in debt securities to the top four quality ratings categories by a nationally recognized rating agency. SBI may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

Unrated Corporate Obligations

- Aggregate value of these obligations may not exceed 5 percent of the fund for which the state board is investing;
- SBI's participation is limited to 50 percent of a single offering; and
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the market or book value, whichever is less, of a fund.
- Generally, investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation.

The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk. The exposure to credit risk is based on the lower of S&P or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable S&P rating.

Primary Government Governmental, Proprietary, and Agency Funds Investments and Cash Equivalent Investments Credit Risk Exposure Year Ended June 30, 2015 (In Thousands)	
Quality Rating	Fair Value
AAA	\$ 431,172
AA	221,531
A	2,253,345
BBB	517,332
BB	73,813
B	2,577
CCC	1,016
CC	3,638
Unrated	3,406,048
Agencies	1,883,013
U.S. Governments	<u>2,308,009</u>
Total Debt Securities	<u>\$ 11,101,494</u>

**Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
Year Ended June 30, 2015
(In Thousands)**

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
U.S. Treasury	\$ 2,007,567	2.06
U.S. Agencies	1,165,674	1.27
Mortgage-backed Securities	160,069	11.04
State or Local Government Bonds	114,564	3.36
Corporate Bonds	2,204,780	2.28
Yankee Bonds	620,326	1.03
Short Term Notes	<u>4,828,514</u>	0.25
Total Debt Securities	\$ 11,101,494	
Equity Investments:		
Corporate Stock	\$ 1,343,091	
Other Investments:		
Escheat Property	\$ 17,726	
Money Market Accounts	<u>10,873</u>	
Total Other Investments	<u>\$ 28,599</u>	
Total Investments	<u>\$ 12,473,184⁽¹⁾</u>	

⁽¹⁾Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

**Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
Year Ended June 30, 2015
(In Thousands)**

Quality Rating	Fair Value
AAA	\$ 1,125,090
AA	246,047
A	1,137,322
BBB	2,755,665
BB	1,327,637
B	250,368
CCC	63,797
CC	45,605
C	3,017
D	20,101
Unrated	2,696,009
Agencies	4,369,641
U.S. Governments	3,449,407
Total Debt Securities	<u>\$ 17,489,706</u>

**Primary Government
Pension Trust and Investment Trust Funds
Investment Pools - Investments and Cash Equivalent Investments
Interest Rate Risk
Year Ended June 30, 2015
(In Thousands)**

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
U.S. Treasury	\$ 3,447,480	9.24
U.S. Agencies	774,254	4.76
Mortgage-backed Securities	5,234,385	4.73
State or Local Government Bonds	164,766	15.88
Corporate Bonds	3,922,430	9.39
Yankee Bonds	1,114,272	8.03
Foreign Country Bonds	70,324	14.86
Asset-backed Securities	843,663	2.89
Short Term Notes	<u>1,918,132</u>	0.23
Total Debt Securities	<u>\$ 17,489,706</u>	
 <u>Other Investments</u>		
Guaranteed Investment Account		
Synthetic Guaranteed Investment Contract (GIC)	\$ 1,346,364	
Short Term Investment Pool	<u>146,929</u>	
Total Guaranteed Investment Account	\$ 1,493,293	
Futures Options	(512)	
Mutual Funds	<u>6,452,596</u>	
Total Other Investments	<u>\$ 7,945,377</u>	
Equity Investments:		
Corporate Stock	\$ 38,165,434	
Alternative Equities	7,346,306	
Stock Rights/Warrants	<u>1,561</u>	
Total Equity Investments	<u>\$ 45,513,301</u>	
Total Investments	<u>\$ 70,948,384⁽¹⁾</u>	

⁽¹⁾Total Investments do not include \$5,123 of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes, Section 11A.24, established investment parameters which are outlined in the "Credit Risk of Debt Security Investments" section of this note. SBI determined the concentration of credit risk based on security identification number.

The state did not have exposure to a single issuer that equals or exceeds five percent of the overall portfolio as of June 30, 2015, and therefore, there is no concentration of credit risk.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country's legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2015.

**Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2015
(In Thousands)**

Currency	Cash	Debt	Equity
Australian Dollar	\$ 2,350	\$ -	\$ 398,668
Brazilian Real	55	-	97,460
Canadian Dollar	3,204	534	549,077
Danish Krone	73	-	153,167
Euro Currency	6,176	49,709	2,337,584
Hong Kong Dollar	3,713	-	689,867
Indian Rupee	60	-	187,763
Japanese Yen	33,650	-	1,596,016
New Taiwan Dollar	284	-	160,483
New Zealand Dollar	577	-	9,130
Norwegian Dollar	1,291	-	41,637
Pound Sterling	13,561	15,767	1,396,289
Singapore Dollar	1,939	-	82,846
South African Rand	235	-	108,324
South Korean Won	2	-	177,433
Swedish Krona	130	-	184,795
Swiss Franc	38	-	592,454
Other	356	-	296,201
Total	<u>\$ 67,694</u>	<u>\$ 66,010</u>	<u>\$ 9,059,194</u>

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2015, such investment pool had an average duration of 11.29 days and an average weighted maturity of 84.73 days for USD collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2015, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2015, were \$12,516,561,000 and \$11,945,527,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Cash collateral of \$6,312,206,000 is reported in the Fiduciary Funds Statement of Net Position as an asset and correspondingly on the statement as a liability. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

Housing Finance Agency

As of June 30, 2015, Housing Finance Agency (HFA) had \$383,438,000 of cash and cash equivalents and \$1,404,252,000 of investments. As of June 30, 2015, \$376,990,000 of deposits and \$1,342,723,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 2.1 – 28.2 years.

HFA cash equivalents included \$6,448,000 of investment agreements, which are generally uncollateralized interest-bearing contracts.

HFA investments had an estimated fair market value of \$1,404,252,000 as of June 30, 2015. Included in these investments were \$10,683,000 in U.S. Treasuries (not rated), and \$1,305,850,000 in U.S. Agencies having an S&P rating of 'AA+' and Moody's Investors Services rating of 'Aaa.' An additional \$34,165,000 in municipal debt investments had an S&P rating of 'AA' and Moody's Investors Services rating of 'Aa2.'

HFA had investments in single issuers as of June 30, 2015, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of \$305,874,000 were issued by Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA's cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA's consultant and are reported at fair value as of June 30, 2015, as Interest Rate Swap Agreements deferred inflows of resources. The change in fair value for fiscal year 2015 is reported in "Deferred Loss on Interest Swap Agreements" deferred outflows of resources.

As of June 30, 2015, HFA had five and six interest rate swap agreements with counterparties the Bank of New York Mellon and Royal Bank of Canada for total notional amounts of \$73,735,000 and \$124,885,000

having fair values of (\$4,316,000) and (\$8,333,000), respectively. For these counterparties, respectively, the increases in fair values for fiscal year ended June 30, 2015, were \$1,647,000 and \$5,290,000.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon and Royal Bank of Canada, have been rated by Moody's as 'AA,' and 'Aa3,' respectively, and by S&P as 'Aa2,' and 'AA-', respectively.

All swaps are pay-fixed/receive-variable with initial notional amounts that matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the right, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one month taxable LIBOR rate or the SIFMA index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

Metropolitan Council

As of December 31, 2014, Metropolitan Council (MC), had \$403,271,000 in cash and cash equivalents and \$706,466,000 in investments. Of this amount, \$840,040,000 was subject to rating. Using the Moody's Investors Services rating scale, \$633,813,000 of these investments were rated 'Aaa,' while \$206,227,000 were not rated. U.S. Treasury State and Local Government Securities (SLGS) of \$223,369,000 and net outstanding checks of \$46,328,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the \$138,529,000 U.S. agency investments, MC has a custodial credit risk exposure of \$2,014,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2014. The investment portfolio has an average yield of 1.15 percent, modified duration of 2.68 years, effective duration of 1.83 years, and convexity of -0.36.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

Major Component Unit Metropolitan Council Fair Value of Investments As of December 31, 2014 (In Thousands)	
	Estimated Fair Value
Fair Value of Portfolio Before Basis Point Increase	\$ 1,112,087
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	\$ 1,104,033
100 Points	\$ 1,098,159
150 Points	\$ 1,091,998
200 Points	\$ 1,085,913

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100 percent of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption. The hedging transactions are separate from fuel purchase transactions. For 2014, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2014, MC had 283 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.9 million gallons) acquired from May 2, 2013, through December 2, 2014, to terminate on dates from January 30, 2015, through September 30, 2016. As of December 31, 2014, the heating oil futures contracts had a fair value of \$22,522,000.

MC is using NYMEX heating oil futures to hedge diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2015, University of Minnesota (U of M), including its discretely presented component units, had \$446,934,000 of cash and cash equivalents and \$4,735,810,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of \$331,727,000 and investments of \$2,243,803,000.

As of June 30, 2015, U of M's bank balance of \$185,507,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M's investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses S&P ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing

interest rates. As of June 30, 2015, \$1,326,862,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$1,178,251,000 was rated AA or better
- \$136,441,000 was rated BBB to A
- \$12,170,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- \$761,345,000 in government agencies with weighted average maturities of 1.9 to 2.7 years
- \$97,487,000 in mortgage-backed securities with a weighted average maturity of 19.4 years
- \$188,329,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- \$267,531,000 in mutual funds with a weighted average maturity of 5.5 years

As of June 30, 2015, U of M had \$215,239,000 of equity investments subject to foreign currency risk. The two largest components of this amount are \$65,341,000 in Euro Currency and \$37,232,000 in British Pound Sterling.

As of June 30, 2015, the U of M has one pay-fixed, receive-variable swap that is considered ineffective. At June 30, 2015, the total fair value was (\$6,838,000), with changes in fair value reported as investment income.

U of M is exposed to interest rate risk, and termination risk upon default of the other party.

Nonmajor Component Units

Nonmajor Component Units		
Cash, Cash Equivalents, and Investments		
As of December 31, 2014, or June 30, 2015, as applicable		
(In Thousands)		
Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	\$ 2,171	\$ 19,849
National Sports Center Foundation	1,031	-
Office of Higher Education	423,239	-
Public Facilities Authority	327,003	33,579
Rural Finance Authority	16,385	-
Workers' Compensation Assigned Risk Plan	10,267	293,575
Minnesota Sports Facilities Authority	12,180	7,475
Total	<u>\$ 792,276</u>	<u>\$ 354,478</u>

Note 3 – Disaggregation of Receivables

Primary Government Components of Net Receivables Government-wide As of June 30, 2015 (In Thousands)				
	Governmental Activities			Total
	General Fund ⁽²⁾	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	
Taxes:				
Corporate and Individual	\$ 979,827	\$ -	\$ -	\$ 979,827
Sales and Use	453,213	-	24,472	477,685
Property	412,167	-	-	412,167
Health Care Provider	290,937	-	124,611	415,548
Motor Vehicle/Fuel	-	-	71,640	71,640
Child Support	51,657	51,887	348	103,892
Workers' Compensation	-	-	95,433	95,433
Other	348,377	341,641	108,759	798,777
Net Receivables	<u>\$ 2,536,178</u>	<u>\$ 393,528</u>	<u>\$ 425,263</u>	<u>\$ 3,354,969</u>
Business-type Activities				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	\$ -	\$ 342,806	\$ -	\$ 342,806
Tuition and Fees ⁽³⁾	57,263	-	-	57,263
Other	2,238	-	40,696	42,934
Net Receivables	<u>\$ 59,501</u>	<u>\$ 342,806</u>	<u>\$ 40,696</u>	<u>\$ 443,003</u>
Total Government-wide Net Receivables				<u>\$ 3,797,972</u>
⁽¹⁾ Includes \$6,739 for Internal Service Funds.				
⁽²⁾ Includes \$748 Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.				
⁽³⁾ The revenue associated with tuition and fees is reduced by a scholarship allowance of \$338,320.				

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes \$128,247,000
- Sales and Use Taxes \$36,332,000
- Child Support \$220,804,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes \$178,516,000
- Sales and Use Taxes \$80,076,000
- Child Support \$99,465,000
- Health Care Provider \$108,151,000
- Other Receivables \$189,551,000

Note 4 – Loans and Notes Receivable

Primary Government Loans and Notes Receivable, Net of Allowance As of June 30, 2015 (In Thousands)						
	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	\$ -	\$ -	\$ -	\$ -	\$ 29,393	\$ 29,393
Economic Development	41,045	5,593	59,720	-	-	106,358
School Districts	48,311	-	-	-	-	48,311
Agricultural, Environmental and Energy Resources	-	-	57,786	-	-	57,786
Transportation	-	-	14,151	93	-	14,244
Other	5,108	-	698	-	-	5,806
Total	<u>\$ 94,464</u>	<u>\$ 5,593</u>	<u>\$ 132,355</u>	<u>\$ 93</u>	<u>\$ 29,393</u>	<u>\$ 261,898</u>

Component Units Loans and Notes Receivable As of December 31, 2014, or June 30, 2015, as applicable (In Thousands)	
Housing Finance Authority	\$ 1,348,525
Metropolitan Council	48,368
University of Minnesota	83,933
Agricultural and Economic Development Board	228
Office of Higher Education	569,200
Public Facilities Authority	1,820,500
Rural Finance Authority	50,327
Total	<u>\$ 3,921,081</u>

Note 5 – Interfund Transactions

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates.

In the fund financial statements, these transactions are generally recorded as transfers in/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government Interfund Receivables and Payables As of June 30, 2015 (In Thousands)	
Due to the General Fund From:	
Federal Fund	\$ 1,204
Nonmajor Governmental Funds	54,667
Nonmajor Enterprise Funds	27,628
Internal Service Funds	25,000
Fiduciary Funds	748
Total Due to General Fund From Other Funds	<u>\$ 109,247</u>
Due to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 3,230
Unemployment Insurance Fund	286
Total Due to Federal Fund From Other Funds	<u>\$ 3,516</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 28,622
Total Due to State Colleges and Universities Fund From Other Funds	<u>\$ 28,622</u>
Due to the Nonmajor Enterprise Funds From:	
General Fund	\$ 1,299
Nonmajor Governmental Funds	2,000
Nonmajor Enterprise Funds	1,773
Total Due to Nonmajor Enterprise Funds From Other Funds	<u>\$ 5,072</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 6,262
Total Due to Fiduciary Funds From Other Funds	<u>\$ 6,262</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 86,951
State Colleges and Universities Fund	26,688
Unemployment Insurance Fund	21,560
Nonmajor Governmental Funds	46,130
Nonmajor Enterprise Funds	2,470
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 183,799</u>

**Primary Government
Interfund Transfers
Year Ended June 30, 2015
(In Thousands)**

Transfers to the General Fund From:	
Federal Fund	\$ 55,364
Nonmajor Governmental Funds	79,928
Nonmajor Enterprise Funds	111,781
Internal Service Funds	<u>26,917</u>
Total Transfers to General Fund From Other Funds	<u>\$ 273,990</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	\$ 282
Nonmajor Governmental Funds	<u>1,563</u>
Total Transfers to Federal Fund From Other Funds	<u>\$ 1,845</u>
Transfers and Capital Contributions to the State Colleges and Universities Fund From:	
General Fund	\$ 622,237
Nonmajor Governmental Funds	<u>55,034</u>
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	<u>\$ 677,271</u>
Transfers to Fiduciary Funds From:	
General Fund	\$ 49,686
Fiduciary Funds	<u>31,134</u>
Total Transfers to Fiduciary Funds From Other Funds	<u>\$ 80,820</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 1,431,469 ⁽¹⁾
Federal Fund	100
Unemployment Insurance Fund	9,144
Nonmajor Governmental Funds	211,057
Nonmajor Enterprise Funds	25,746
Internal Service Funds	<u>1,302</u>
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 1,678,818</u>
Transfers to the Nonmajor Enterprise Funds From:	
General Fund	\$ 8,638
Nonmajor Governmental Funds	<u>15,390</u>
Total Transfers to Nonmajor Enterprise Funds From Other Funds	<u>\$ 24,028</u>
Transfers to Internal Service Funds From:	
Nonmajor Governmental Funds	<u>\$ 2</u>
Total Transfers to Internal Service Funds From Other Funds	<u>\$ 2</u>

⁽¹⁾ During the fiscal year ended June 30, 2015, \$455,000 was transferred from the General Fund to the Health Care Access Fund (special revenue fund) to cover a one-time shift of Medical Assistance expenditures from the General Fund to the Health Care Access Fund. The one-time shift of Medical Assistance expenditures will occur in Fiscal Year 2016.

Component Units

Primary Government and Component Units Receivables and Payables As of June 30, 2015 (In Thousands)		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
Component Units		
Major Component Units:		
Metropolitan Council	\$ 78,599	\$ -
University of Minnesota	6,278	17,844
Total Major Component Units	<u>\$ 84,877</u>	<u>\$ 17,844</u>
Nonmajor Component Units	\$ 39,431	\$ 108,282
Total Component Units	<u>\$ 124,308</u>	<u>\$ 126,126</u>
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
Primary Government		
Major Governmental Funds:		
General Fund	\$ 12,829	\$ 27,206
Federal Fund	-	3,612
Total Major Governmental Funds	<u>\$ 12,829</u>	<u>30,818</u>
Nonmajor Governmental Funds	\$ 73,237	\$ 42,699
Nonmajor Enterprise Funds	-	6
Total Primary Government	<u>\$ 86,066</u>	<u>\$ 73,523⁽¹⁾</u>
⁽¹⁾ Due to Component Units on the Government-wide Statement of Net Position totals \$83,861 and includes \$10,338 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.		

The Due To Primary Government balance exceeds the Due From Component Units balance by \$40,060,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, National Sports Center Foundation, and Minnesota Sports Facilities Authority use a different fiscal year end than the primary government. The \$50,785,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the \$10,338,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government Capital Asset Activity Government-wide Governmental Activities Year Ended June 30, 2015 (In Thousands)				
	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 2,222,072	\$ 175,722	\$ (7,814)	\$ 2,389,980
Buildings, Structures, Improvements	40,051	1,392	-	41,443
Construction in Progress	347,513	268,796	(292,786)	323,523
Development in Progress	98,011	35,075	(8,378)	124,708
Infrastructure	8,985,905	582,195	(15,777)	9,552,323
Easements	345,088	18,453	(78,998)	284,543
Art and Historical Treasures	6,756	1,012	(545)	7,223
Total Capital Assets not Depreciated	\$ 12,045,396	\$ 1,082,645	\$ (404,298)	\$ 12,723,743
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 2,695,503	\$ 247,996	\$ (3,994)	\$ 2,939,505
Infrastructure	229,525	55,830	(1,081)	284,274
Internally Generated Computer Software	76,647	21,746	(23)	98,370
Easements	5,363	102	(32)	5,433
Equipment, Furniture, Fixtures	668,485	72,737	(40,537)	700,685
Total Capital Assets Depreciated	\$ 3,675,523	\$ 398,411	\$ (45,667)	\$ 4,028,267
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (1,091,705)	\$ (69,756)	\$ 251	\$ (1,161,210)
Infrastructure	(61,213)	(7,091)	279	(68,025)
Easements	(1,116)	(361)	1	(1,476)
Internally Generated Computer Software	(29,664)	(10,385)	-	(40,049)
Equipment, Furniture, Fixtures	(434,534)	(52,326)	35,626	(451,234)
Total Accumulated Depreciation	\$ (1,618,232)	\$ (139,919)	\$ 36,157	\$ (1,721,994)
Total Capital Assets Depreciated, Net	\$ 2,057,291	\$ 258,492	\$ (9,510)	\$ 2,306,273
Governmental Act. Capital Assets, Net	\$ 14,102,687	\$ 1,341,137	\$ (413,808)	\$ 15,030,016

Capital outlay expenditures in the governmental funds totaled \$1,058,477,000 for fiscal year 2015. Donations of general capital assets received during fiscal year 2015 were valued at \$21,535,000. Transfers of \$371,542,000 were primarily from construction in progress for completed projects. Internal service funds transfers of cost totaling \$158,000 and accumulated depreciation of \$52,000 occurred between buildings, structures, and improvements and infrastructure. Additions in internal service funds were \$29,344,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2015, consisted of buildings with a cost of \$180,050,000.

**Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2015
(In Thousands)**

	Beginning	Additions	Deductions	Ending
Business-type Activities				
Capital Assets not Depreciated:				
Land	\$ 90,848	\$ 1,172	\$ -	\$ 92,020
Construction in Progress	173,687	118,746	(69,320)	223,113
Total Capital Assets not Depreciated	<u>\$ 264,535</u>	<u>\$ 119,918</u>	<u>\$ (69,320)</u>	<u>\$ 315,133</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 3,190,347	\$ 74,869	\$ (786)	\$ 3,264,430
Infrastructure	-	95	-	95
Library Collections	43,880	5,712	(7,073)	42,519
Internally Generated Computer Software	12,928	1,306	(1,990)	12,244
Equipment, Furniture, Fixtures	353,340	18,974	(13,714)	358,600
Total Capital Assets Depreciated	<u>\$ 3,600,495</u>	<u>\$ 100,956</u>	<u>\$ (23,563)</u>	<u>\$ 3,677,888</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (1,425,901)	\$ (98,873)	\$ 731	\$ (1,524,043)
Infrastructure	-	(50)	-	(50)
Library Collections	(25,867)	(6,074)	7,073	(24,868)
Internally Generated Computer Software	(6,916)	(1,454)	1,944	(6,426)
Equipment, Furniture, Fixtures	(238,096)	(25,307)	13,665	(249,738)
Total Accumulated Depreciation	<u>\$ (1,696,780)</u>	<u>\$ (131,758)</u>	<u>\$ 23,413</u>	<u>\$ (1,805,125)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,903,715</u>	<u>\$ (30,802)</u>	<u>\$ (150)</u>	<u>\$ 1,872,763</u>
Business-type Act. Capital Assets, Net	<u>\$ 2,168,250</u>	<u>\$ 89,116</u>	<u>\$ (69,470)</u>	<u>\$ 2,187,896</u>
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	\$ 429	\$ -	\$ -	\$ 429
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429</u>
Capital Assets Depreciated:				
Buildings	\$ 29,763	\$ -	\$ -	\$ 29,763
Equipment, Furniture, Fixtures	24,144	8,701	(110)	32,735
Total Capital Assets Depreciated	<u>\$ 53,907</u>	<u>\$ 8,701</u>	<u>\$ (110)</u>	<u>\$ 62,498</u>
Accumulated Depreciation for:				
Buildings	\$ (9,722)	\$ (682)	\$ -	\$ (10,404)
Equipment, Furniture, Fixtures	(4,402)	(2,173)	109	(6,466)
Total Accumulated Depreciation	<u>\$ (14,124)</u>	<u>\$ (2,855)</u>	<u>\$ 109</u>	<u>\$ (16,870)</u>
Total Capital Assets Depreciated, Net	<u>\$ 39,783</u>	<u>\$ 5,846</u>	<u>\$ (1)</u>	<u>\$ 45,628</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 40,212</u>	<u>\$ 5,846</u>	<u>\$ (1)</u>	<u>\$ 46,057</u>

Transfers in Business-type Activities of \$69,333,000 were primarily from construction in progress for completed projects. Transfers of accumulated depreciation of \$50,000 occurred between buildings, structures, and improvements and infrastructure.

**Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2015
(In Thousands)**

Governmental Activities:		
Agricultural, Environmental & Energy Resources	\$	14,351
Economic and Workforce Development		2,999
General Education		5,131
General Government		26,310
Health and Human Services		15,668
Public Safety and Corrections		27,754
Transportation		33,916
Internal Service Funds		13,738
Total Governmental Activities	<u>\$</u>	<u>139,867</u>
Business-type Activities:		
State Colleges and Universities	\$	115,814
Lottery		660
Other		15,234
Total Business-type Activities	<u>\$</u>	<u>131,708</u>

**Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2015
(In Thousands)**

	Administration	Transportation
Authorization	\$ 586,545	\$ 991,504
Less: Expended through June 30, 2015	(217,322)	(588,917)
Less: Unexpended Commitment	(282,874)	(325,259)
Remaining Available Authorization	<u>\$ 86,349</u>	<u>\$ 77,328</u>

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. Total acres on June 30, 2015, were 2,513,335.

Component Units

Component Units					
Capital Assets					
As of December 31, 2014, or June 30, 2015, as applicable					
(In Thousands)					
	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Component Units					
Capital Assets not Depreciated:					
Land	\$ -	\$ 251,219	\$ 111,563	\$ 25,660	\$ 388,442
Construction in Progress	-	303,076	224,866	356,001	883,943
Museums and Collections	-	-	67,269	-	67,269
Easements	-	-	3	50	53
Total Capital Assets not Depreciated	<u>\$ -</u>	<u>\$ 554,295</u>	<u>\$ 403,701</u>	<u>\$ 381,711</u>	<u>\$ 1,339,707</u>
Capital Assets Depreciated:					
Buildings, Structures, Improvements	-	4,088,327	3,841,112	17,945	7,947,384
Infrastructure	-	-	474,045	-	474,045
Equipment, Furniture, Fixtures	1,746	1,332,195	937,122	2,299	2,273,362
Internally Generated Software	7,535	-	161,533	-	169,068
Other Intangibles	-	-	6,904	-	6,904
Total Capital Assets Depreciated	<u>\$ 9,281</u>	<u>\$ 5,420,522</u>	<u>\$ 5,420,716</u>	<u>\$ 20,244</u>	<u>\$ 10,870,763</u>
Total Accumulated Depreciation	<u>\$ (6,832)</u>	<u>\$ (1,981,671)</u>	<u>\$ (2,867,284)</u>	<u>\$ (4,678)</u>	<u>\$ (4,860,465)</u>
Total Capital Assets Depreciated, Net ⁽¹⁾	<u>\$ 2,449</u>	<u>\$ 3,438,851</u>	<u>\$ 2,553,432</u>	<u>\$ 15,566</u>	<u>\$ 6,010,298</u>
Component Units Capital Assets, Net	<u>\$ 2,449</u>	<u>\$ 3,993,146</u>	<u>\$ 2,957,133</u>	<u>\$ 397,277</u>	<u>\$ 7,350,005</u>

⁽¹⁾ In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of \$69,508 as of June 30, 2015.

Note 7 – Disaggregation of Payables

Primary Government Components of Accounts Payable Government-wide As of June 30, 2015 (In Thousands)				
Governmental Activities				
	General Fund	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	Total
School Aid Programs	\$ 890,164	\$ 149,425	\$ 740	\$ 1,040,329
Tax Refunds	719,268	-	-	719,268
Medical Care Programs	631,735	1,110,473	38,500	1,780,708
Grants	238,581	139,847	230,369	608,797
Salaries and Benefits	68,591	12,663	39,487	120,741
Vendors/Service Providers	253,096	147,733	377,326	778,155
Net Payables	<u>\$ 2,801,435</u>	<u>\$ 1,560,141</u>	<u>\$ 686,422</u>	<u>\$ 5,047,998</u>
Business-type Activities				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	\$ 105,457	\$ -	\$ 1,148	\$ 106,605
Vendors/Service Providers	70,485	21,637	68,943	161,065
Net Payables	<u>\$ 175,942</u>	<u>\$ 21,637</u>	<u>\$ 70,091</u>	<u>\$ 267,670</u>
Total Government-wide Net Payables				<u>\$ 5,315,668</u>

⁽¹⁾ Includes \$42,827 for Internal Service Funds.

Note 8 – Pension and Investment Trust Funds

Primary Government Administered Plans

The state performs a fiduciary role for several pension trust funds. For some of these funds, the state contributes as an employer and / or a non-employer contributing entity, and performs only a fiduciary role for other funds. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. The plans implemented GASB Statement No. 67 “Financial Reporting for Pension Plans” for the year ended June 30, 2014, and the state implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” for the year ended June 30, 2015.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Judges Retirement Fund Legislators Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Health Care Savings Fund Unclassified Employees Retirement Fund Minnesota Deferred Compensation Fund
Public Employees Retirement Association (PERA)	General Employees Retirement Fund Minneapolis Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA, and TRA. The address for MnSCU is included in the “Defined Contribution Funds” section of this note.

Basis of Accounting and Valuation of Investments

The plan administrators prepare financial statements using the accrual basis of accounting which is the basis used to determine the fiduciary net position used by the plans. Member and employer contributions are recognized in the period in which they are earned and become due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value, except as described below. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing “units” in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund’s pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2015, this presentation resulted in a negative asset within the total investment pool participation.

Non-Primary Government Administered Plans

The state contributes as a non-employer contributing entity into two pension trust funds, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers’ Retirement Fund Association may be obtained at St. Paul Teachers’ Retirement Association, 1619 Dayton Avenue, Room 309, St. Paul, MN 55104, and the Duluth Teachers’ Retirement Fund Association at Teachers Retirement Association 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103.

Plan Administrator	Plans Covered
St. Paul Teachers’ Retirement Fund Association (SPTRF)	St. Paul Teachers’ Retirement Fund
Duluth Teachers’ Retirement Fund Association (DTRF)	Duluth Teachers’ Retirement Fund

Defined Benefit Plans

Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees. Sixteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity benefit formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates if the employee was first hired before July 1, 1989, are 1.2 percent of the member’s average salary for the first 10 years of allowable service and 1.7 percent for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of high-five average salary for each year of allowable service. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. For the prior measurement period, the annual benefit increase was 2.0 percent with no additional increases.

The Correctional Employees Retirement Fund (CERF) primarily covers state employees who have direct contact with inmates or patients in Minnesota correctional facilities, the state operated forensic service program or the Minnesota Sex Offenders Program. Three employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity benefit formula is 2.4 percent of the member’s high-five average salary for each year of service for employees hired before July 1, 2010, and 2.2 percent for hires after June 30, 2010. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent of full funding for two consecutive years. For the prior measurement period, the annual benefit increase was 2.0 percent with no additional increase.

The General Employees Retirement Fund (GERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity benefit formula for each type of membership is the greater of the step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on the member's high-five average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Annual benefits increase by 1.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. For the prior measurement period, the benefit increase of 2.5 percent was projected to start in 2046 instead of 2031 as in the current measurement period.

The Minneapolis Employees Retirement Fund (MERF) covers employees of primarily the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. Six employers participate in this plan. MERF was closed to new members as of July 1, 1978. The plan provides retirement, survivor, and disability benefits. The annuity benefit formula is 2.0 percent of the member's high-five average salary for each of the first 10 years of service and 2.5 percent each year thereafter. Annual benefits increase by 1.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. For the prior measurement period, the annual benefit increase of 2.5 percent was projected to start in 2046 instead of 2031 as in the current measurement period. On January 1, 2015, this plan was merged with the General Employees Retirement Fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity formula for each member is 3.0 percent of the member's high-five average salary for each year of service in that plan. Annual benefits increase by 1.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity formula for each member is 1.9 percent of the member's high-five average salary for each year of service. Annual benefits increase by 1.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Approximately 590 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The annuity formula for Tier I basic members is 2.2 percent for the first 10 years and 2.7 percent for each subsequent year and Tier II is 2.7 percent of the member's high-five average salary. The annuity formula for Tier I coordinated members for services prior to July 1, 2006, is 1.2 percent for the first 10 years and 1.7 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier I coordinated members for services subsequent to July 1, 2006, is 1.4 percent for the first 10 years and 1.9 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier II coordinated members is 1.7 percent for services prior to July 1, 2006, and 1.9 percent for each year subsequent of the member's high-five average salary. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent of full funding.

**Primary Government Administered Multiple-Employer Cost Sharing Plans
Statutory Contribution Rates
(In Thousands)**

	<u>SERF</u>	<u>CERF</u>	<u>GERF</u>	<u>MERF</u>	<u>TRF</u>
Statutory Authority				353.505,	354.42,
Minnesota Chapter(s)	352.04	352.92	353.27	353.50	354.435,354.436
Required Contribution Rate:					
Active Members	5.0% ⁽¹⁾	8.6% ⁽¹⁾	6.3-9.1% ⁽²⁾	9.8%	7.0-10.5% ⁽¹⁾
Employer(s)	5.0% ⁽¹⁾	12.1% ⁽¹⁾	7.3-11.8% ⁽²⁾	12.4%	7.0-11.0% ⁽¹⁾
Non-Employer Contributing Entity	\$ -	\$ -	\$ -	\$ 24,000 ⁽³⁾	\$ 29,831
Primary Government Contributions – Reporting Period	\$ 107,313	\$ 29,378	\$ 2,655	\$ 24,000 ⁽³⁾	\$ 44,373

⁽¹⁾ Required contribution rates increase to 5.5, 9.1, and 7.5 to 11.0 percent for members and 5.5, 12.9 and 7.5 to 11.5 percent for employers on July 1, 2014, for SERF, CERF, and TRF, respectively.

⁽²⁾ Required contribution rates increase to 6.5 to 9.1 percent for members and 7.5 to 11.8 percent for employers on January 1, 2015.

⁽³⁾ Required contribution decreased to \$6,000 starting in fiscal year 2016.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2015
(In Thousands)

	SERF ⁽¹⁾	CERF ⁽¹⁾	GERF ⁽¹⁾	MERF ⁽¹⁾	TRF ⁽¹⁾	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	\$ 1,189,902	\$ 475,387	\$ 33,103	\$ -	\$ 190,460	\$ 1,888,852
Non-Employer Contributing Entity	-	-	-	95,900	237,958	333,858
Total	\$ 1,189,902	\$ 475,387	\$ 33,103	\$ 95,900	\$ 428,418	\$ 2,222,710
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	73.38%	99.80%	0.70%	43.35%	9.30%	
Prior Year Measurement Date	72.64%	99.83%	0.70%	43.35%	9.51%	
Deferred Outflows of Resources	\$ 131,513	\$ 32,794	\$ 6,575	\$ 24,000	\$ 86,096	\$ 280,978
Deferred Inflows of Resources	\$ 1,510,272	\$ 185,354	\$ 8,945	\$ 27,895	\$ 149,712	\$ 1,882,178
Net Pension Expense	\$ (183,186)	\$ 23,566	\$ 2,458	\$ 4,619	\$ 20,860	\$ (131,683)

⁽¹⁾ Proportionate share was determined based on the primary government's percentage of employer and non-employer contributing entity contributions into the plan.

**Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions**

	SERF ⁽¹⁾	CERF ⁽¹⁾	GERF ⁽¹⁾	MERF ⁽¹⁾	TRF ⁽¹⁾
Actuarial Valuation/ Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Long-Term Expected Rate	7.90%	7.90%	7.90%	7.90%	8.25%
20 Year Municipal Bond Rate ⁽²⁾	4.29%	4.29%	4.29%	4.29%	4.35%
Experience Study Dates	2004-2008	2006-2011	2004-2008	2005-2009	2004-2008
Inflation	2.75%	2.75%	2.75%	2.75%	3.00%
Salary Increases	Service Related Rates	Service Related Rates	3.25-11.78%	3.75%	3.50-12.00%
Payroll Growth	3.50%	3.50%	3.50%	3.50%	3.00%

(1) For mortality rate assumptions, the RP – 2000 Mortality table for males and females was used and adjusted for mortality improvements based on Scale AA. There are various adjustments in each plan to match experience.

(2) Source: Federal Reserve Board for SERF, CERF, GERF, and MERF and the Board of Governors of the Federal Reserve System for TRF.

**Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2015
(In Thousands)**

	SERF	CERF	GERF	MERF	TRF	Total
Difference Between Expected and Actual Experience	\$ -	\$ 3,412	\$ 508	\$ -	\$ 36,555	\$ 40,475
Changes in Assumption	-	-	3,412	-	-	3,412
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	24,200	4	-	-	5,168	29,372
Contributions Subsequent to the Measurement Date	<u>107,313</u>	<u>29,378</u>	<u>2,655</u>	<u>24,000</u>	<u>44,373</u>	<u>207,719</u>
Total	<u>\$ 131,513</u>	<u>\$ 32,794</u>	<u>\$ 6,575</u>	<u>\$ 24,000</u>	<u>\$ 86,096</u>	<u>\$ 280,978</u>

**Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2015
(In Thousands)**

	<u>SERF</u>	<u>CERF</u>	<u>GERF</u>	<u>MERF</u>	<u>TRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 25,843	\$ -	\$ -	\$ -	\$ -	\$ 25,843
Changes in Assumption	867,233	122,313	-	-	-	989,546
Net Difference Between Projected and Actual Earnings on Investment	617,196	62,914	8,945	27,895	134,691	851,641
Change in Proportionate Share of Contributions	-	127	-	-	15,021	15,148
Total	<u>\$ 1,510,272</u>	<u>\$ 185,354</u>	<u>\$ 8,945</u>	<u>\$ 27,895</u>	<u>\$149,712</u>	<u>\$ 1,882,178</u>

**Primary Government Administered Multiple-Employer Cost Sharing Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2015
(In Thousands)**

	<u>SERF</u>	<u>CERF</u>	<u>GERF</u>	<u>MERF</u>	<u>TRF</u>	<u>Total</u>
2016	\$ (371,518)	\$ (39,534)	\$ (930)	\$ (6,974)	\$ (28,098)	\$ (447,054)
2017	(371,518)	(39,534)	(930)	(6,974)	(28,098)	(447,054)
2018	(371,518)	(39,534)	(928)	(6,974)	(28,098)	(447,052)
2019	(371,518)	(39,532)	(2,237)	(6,973)	(28,097)	(448,357)
2020	-	(23,804)	-	-	4,402	(19,402)
Net Pension Expense	<u>\$ (1,486,072)</u>	<u>\$ (181,938)</u>	<u>\$ (5,025)</u>	<u>\$ (27,895)</u>	<u>\$ (107,989)</u>	<u>\$ (1,808,919)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	107,313	29,378	2,655	24,000	44,373	207,719
Net Deferred Outflows (Inflows) of Resources	<u>\$ (1,378,759)</u>	<u>\$ (152,560)</u>	<u>\$ (2,370)</u>	<u>\$ (3,895)</u>	<u>\$ (63,616)</u>	<u>\$ (1,601,200)</u>

Non-Primary Government Administered Multiple-Employer Cost Sharing Plans

The St. Paul Teachers' Retirement Fund (SPTRF) covers teachers and other related professionals employed by St. Paul Public Schools, St. Paul College, charter schools within the City of St. Paul, and SPTRF staff. The plan provides retirement, survivor, and disability benefits. Members hired before July 1, 1981, are eligible for Tier I or II benefits, whichever results in the highest benefits. The benefit formula for Tier I members is 1.2 percent of the members high-five average salary for the first 10 years of service and 1.7 percent for subsequent years of service for services rendered prior to July 1, 2015, when these rates increase to 1.4 percent and 1.9 percent, respectively. The benefit formula for Tier II members is 1.7 percent of the members high-five average salary for years of service rendered prior to July 1, 2015, when this rate increases to 1.9 percent. Annual benefits increase by 1.0 percent each year, 2.0 percent if the plan is funded at least 80 percent, and up to 5.0 percent if the plan is funded at least 90 percent. For the prior measurement period, the benefit increase was projected to start in 2056 instead of 2032 as in the current measurement period.

The Duluth Teachers Retirement Fund (DTRF) covers teachers employed by Independent School District No. 709, members at the Lake Superior College, and the employees of DTRF. The plan provides retirement, survivor, and disability benefits. Members hired before July 1, 1981, are eligible for the Old Plan benefits as well as the New Tier I and II benefits, whichever results in the highest benefits. The annuity for the Old Plan is 1.45 percent of the member's high-five average salary for each year of service. Members hired between July 1, 1981, and before July 1, 1989, are eligible for the highest of Tier I and II. Tier I benefit formula is 1.2 percent of average salary for the first 10 years of service and 1.7 percent for subsequent years of service for services rendered prior to July 1, 2013, when these rates change to 1.4 percent and 1.9 percent, respectively. Members hired after July 1, 1989, are only eligible for Tier II benefits. The benefit formula is 1.7 percent for years of service prior to July 1, 2013, and 1.9 percent for subsequent years of service. Annual benefits increase by 1.0 percent or up to 5.0 percent if the plan exceeds 90 percent of full funding. Effective June 30, 2015, this plan merged with TRF.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Statutory Contribution Rates
(In Thousands)**

	<u>SPTRF</u>	<u>DTRF</u>
Statutory Authority	354A.12	354A.12
Required Contribution Rate:		
Active Members	6.5-9.0% ⁽¹⁾	7.0% ⁽²⁾
Employer(s)	5.5-9.0% ⁽¹⁾	7.3% ⁽²⁾
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	\$ 9,827	\$ 6,346
Primary Government Contributions – Reporting Period	\$ 9,913	\$ 6,402

⁽¹⁾ Required contribution rates increase to 7.0 to 9.5 percent and 6.0 to 9.5 percent for members and employers, respectively on June 30, 2015.

⁽²⁾ Required contribution rates increase to 7.5 percent for both members and employers on July 1, 2014.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2015
(In Thousands)**

	<u>SPTRF⁽¹⁾</u>	<u>DTRF⁽¹⁾</u>	<u>Total</u>
Primary Government's Proportionate Share of the Net Pension Liability as an:			
Employer	\$ 1,666	\$ 1,401	\$ 3,067
Non-Employer Contributing Entity	<u>162,576</u>	<u>166,948</u>	<u>329,524</u>
Total	<u>\$ 164,242</u>	<u>\$ 168,349</u>	<u>\$ 332,591</u>
Primary Government's Total Proportionate Share Percentage as of:			
Current Measurement Date	30.65%	65.53%	
Prior Measurement Date	30.65%	65.53%	
Deferred Outflows of Resources	\$ 19,635	\$ 11,647	\$ 31,282
Deferred Inflows of Resources	\$ 27,469	\$ 10,290	\$ 37,759
Net Pension Expense	\$ 11,876	\$ 9,683	\$ 21,559

⁽¹⁾ Proportionate share was determined based on the Primary Government's percentage of employer and non-employer contributing entity contributions into the plan.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions**

	SPTRF ⁽¹⁾	DTRF ⁽¹⁾
Actuarial Valuation/Measurement Date	June 30, 2014	July 1, 2014
Long-Term Expected Rate	8.00%	8.00%
20 Year Municipal Bond Rate ⁽²⁾	4.29%	4.29%
Experience Study Dates	2006-2011	2007-2011
Inflation	3.00%	3.25%
Salary Increases	4.00-8.90%	3.25-6.00%
Payroll Growth	4.00%	-

(1) For mortality rate assumptions, the RP – 2000 Mortality table for males and females was used and adjusted for mortality improvements based on Scale AA. There are various adjustments in each plan to match experience.

(2) Source: Federal Reserve Board

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2015
(In Thousands)**

	SPTRF	DTRF	Total
Difference Between Expected and Actual Experience	\$ -	\$ 90	\$ 90
Changes in Assumption	9,722	5,155	14,877
Contributions Subsequent to the Measurement Date	9,913	6,402	16,315
Total	\$ 19,635	\$ 11,647	\$ 31,282

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2015
(In Thousands)**

	SPTRF	DTRF	Total
Difference Between Expected and Actual Experience	\$ 3,986	\$ -	\$ 3,986
Net Difference Between Projected and Actual Earnings on Investment	23,483	10,290	33,773
Total	\$ 27,469	\$ 10,290	\$ 37,759

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2015
(In Thousands)**

	SPTRF	DTRF	Total
2016	\$ (4,437)	\$ 50	\$ (4,387)
2017	(4,437)	51	(4,386)
2018	(4,437)	(2,573)	(7,010)
2019	(4,436)	(2,573)	(7,009)
Net Pension Expense	\$ (17,747)	\$ (5,045)	\$ (22,792)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	9,913	6,402	16,315
Net Deferred Outflows (Inflows) of Resources	\$ (7,834)	\$ 1,357	\$ (6,477)

Primary Government Administered Multiple-Employer Agent Plan

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid and covers volunteer firefighters. Members do not contribute to the plan. Employer contributions are determined annually. There are 79 employers participating in this plan. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from 20 possible levels ranging from \$500 to \$7,500 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

Primary Government Administered Single-Employer Plans

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits. The annuity benefit formula for Tier I program judges is 2.7 percent of the high-five average salary for each year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.8 percent. The annuity benefit formula for Tier II program judges is 2.5 percent of the high-five average salary for each year of service. Annual benefits increase by 1.75 percent each year and 2.0 percent if the plan is funded at least 70 percent for two consecutive years, and 2.5 percent if the plan is funded at least 90 percent.

The Legislators Retirement Fund (LRF) covers constitutional officers and certain members of the state's House of Representatives and Senate who were first elected prior to July 1, 1997, and chose to retain coverage under this plan. The plan provides retirement and survivor benefits. The annuity benefit formula ranges from 2.5 percent to 5.0 percent of high-five average salary for each year of service depending on a member's length of service. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. For the prior measurement period, the annual benefit increase was 2.0 percent with no additional increases. This plan is closed to new entrants.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The plan provides retirement, survivor, and disability benefits.

The annuity is 3.0 percent of high five average salary for each year of allowable service up to 33 years; members with at least 28 years of service as of July 1, 2013, are not subject to this limit. Annual benefits increase by 1.0 percent each year and 1.5 percent if the plan is funded at least 85 percent for two consecutive years, and 2.5 percent if the plan is funded at least 90 percent for two consecutive years. For the prior measurement period, the annual benefit increase was 1.0 percent with no additional increases.

Primary Government Administered Single-Employer Plans Statutory Contribution Rates (In Thousands)			
	JRF	LRF	SPRF ⁽¹⁾
Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	12.4%
Employer	22.5%	N/A ⁽²⁾	18.6%
Primary Government Contributions – Reporting Period	\$ 9,776	\$ 3,216	\$ 13,763
⁽¹⁾ Required contribution rates increased to 13.4 percent and 20.1 percent for members and employer respectively on July 1, 2014.			
⁽²⁾ Employer contributions are based on a pay-as-you-go basis.			

Primary Government Administered Single-Employer Plans Membership Statistics			
	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	335	375	985
Members Entitled To, But Not Receiving Benefits	16	63	44
Active Members	316	24	858

Primary Government Administered Single-Employer Plans Summary of Pension Amounts As of June 30, 2015 (In Thousands)				
	JRF	LFR	SPRF	Total
Net Pension Liability	\$ 205,955	\$ 138,241	\$ 159,333	\$ 503,529
Deferred Outflows of Resources	\$ 13,840	\$ 3,216	\$ 38,811	\$ 55,867
Deferred Inflows of Resources	\$ 19,570	\$ 831	\$ 54,113	\$ 74,514
Net Pension Expense	\$ 13,246	\$ 16,555	\$ 13,082	\$ 42,883

**Primary Government Administered Single-Employer Plans
Actuarial Assumptions**

	JRF ⁽¹⁾	LRF ⁽¹⁾	SPRF ⁽¹⁾
Actuarial Valuation/Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Long-Term Expected Rate	7.90%	7.90%	7.90%
20 Year Municipal Bond Rate ⁽²⁾	4.29%	4.29%	4.29%
Experience Study Dates	2007-2011	2012	2006-2011
Inflation	2.75%	2.75%	2.75%
Salary Increases	2.75%	4.75%	Service Related Rates
Payroll Growth	2.75%	N/A	3.50%

⁽¹⁾ For mortality rate assumptions, the RP – 2000 Mortality table for males and females was used and adjusted for mortality improvements based on Scale AA. There are various adjustments in each plan to match experience.

⁽²⁾ Source: Federal Reserve Board

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2015
(In Thousands)

	JRF	LRF	SPRF	Total
Total Pension Liability (TPL)				
Service Cost	\$ 12,075	\$ 398	\$ 14,514	\$ 26,987
Interest on the Total Pension Liability	20,535	6,177	60,183	86,895
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(237)	(5,771)	(928)
Changes in Assumptions	(8,416)	11,201	30,058	32,843
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(8,486)	(53,722)	(83,010)
Net Change in Total Pension Liability	<u>\$ 8,472</u>	<u>\$ 9,053</u>	<u>\$ 45,262</u>	<u>\$ 62,787</u>
Total Pension Liability – Beginning	<u>\$ 373,039</u>	<u>\$ 137,446</u>	<u>\$ 781,411</u>	<u>\$ 1,291,896</u>
Total Pension Liability – Ending	<u>\$ 381,511</u>	<u>\$ 146,499</u>	<u>\$ 826,673</u>	<u>\$ 1,354,683</u>
Fiduciary Net Position (FNP)				
Contributions – Employer	\$ 9,426	\$ 3,436	\$ 12,894	\$ 25,756
Contributions – Member	3,578	101	7,930	11,609
Net Investment Income	28,011	1,750	107,187	136,948
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(8,486)	(53,722)	(83,010)
Pension Plan Administrative Expenses	(55)	(36)	(150)	(241)
Net Change in Plan Fiduciary Net Position	<u>\$ 20,158</u>	<u>\$ (3,235)</u>	<u>\$ 74,139</u>	<u>\$ 91,062</u>
Plan Fiduciary Net Position – Beginning as Restated	<u>\$ 155,398</u>	<u>\$ 11,493</u>	<u>\$ 593,201</u>	<u>\$ 760,092</u>
Plan Fiduciary Net Position – Ending	<u>\$ 175,556</u>	<u>\$ 8,258</u>	<u>\$ 667,340</u>	<u>\$ 851,154</u>
Net Pension Liability (NPL)	<u>\$ 205,955</u>	<u>\$ 138,241</u>	<u>\$ 159,333</u>	<u>\$ 503,529</u>

**Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2015
(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 4,064	\$ -	\$ -	\$ 4,064
Changes in Assumption	-	-	25,048	25,048
Contributions Subsequent to the Measurement Date	<u>9,776</u>	<u>3,216</u>	<u>13,763</u>	<u>26,755</u>
Total	<u>\$ 13,840</u>	<u>\$ 3,216</u>	<u>\$ 38,811</u>	<u>\$ 55,867</u>

**Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2015
(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ -	\$ -	\$ 4,809	\$ 4,809
Changes in Assumption	6,733	-	-	6,733
Net Difference Between Projected and Actual Earnings on Investment	<u>12,837</u>	<u>831</u>	<u>49,304</u>	<u>62,972</u>
Total	<u>\$ 19,570</u>	<u>\$ 831</u>	<u>\$ 54,113</u>	<u>\$ 74,514</u>

**Primary Government Administered Single-Employer Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2015
(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
2016	\$ (3,876)	\$ (208)	\$ (8,278)	\$ (12,362)
2017	(3,876)	(208)	(8,278)	(12,362)
2018	(3,876)	(208)	(8,278)	(12,362)
2019	(3,878)	(207)	(8,278)	(12,363)
2020	<u>-</u>	<u>-</u>	<u>4,047</u>	<u>4,047</u>
Net Pension Expense	<u>\$ (15,506)</u>	<u>\$ (831)</u>	<u>\$ (29,065)</u>	<u>\$ (45,402)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	<u>9,776</u>	<u>3,216</u>	<u>13,763</u>	<u>26,755</u>
Net Deferred Outflows (Inflows) of Resources	<u>\$ (5,730)</u>	<u>\$ 2,385</u>	<u>\$ (15,302)</u>	<u>\$ (18,647)</u>

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans As of June 30, 2015 (In Thousands)				
	Primary Government Administered Multiple- Employer Cost Sharing Plans	Non-Primary Government Administered Multiple- Employer Cost Sharing Plans	Primary Government Administered Single- Employer Plans	Total
Net Pension Liabilities	\$ 2,222,710	\$ 332,591	\$ 503,529	\$ 3,058,830
Deferred Outflows of Resources	\$ 280,978	\$ 31,282	\$ 55,867	\$ 368,127
Deferred Inflows of Resources	\$ 1,882,178	\$ 37,759	\$ 74,514	\$ 1,994,451
Net Pension Expense	\$ (131,683)	\$ 21,559	\$ 42,883	\$ (67,241)

The State Board of Investment, which manages the investments of MSRS, PERA, and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method using both long-term historical returns and long-term capital market expectations from a number of investments management and consulting organizations. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Primary Government Administered Plans Asset Class Target Allocation and Expected Return As of June 30, 2014		
Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Unallocated Cash	2%	0.50%
Total	<u>100%</u>	

The following table presents the net pension liability for each defined benefit plan with a primary government proportionate share of the net pension liability, calculated using the corresponding discount rate as well as what the net pension liability would be if the rate were 1 percentage point higher or lower.

Primary Government Proportionate Share Sensitivity of the Net Pension Liability to Changes in the Discount Rate As of June 30, 2015 (In Thousands)						
	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
	Rate	NPL ⁽¹⁾	Rate	NPL ⁽¹⁾	Rate	NPL ⁽¹⁾
SERF	6.90%	\$ 2,401,428	7.90%	\$ 1,189,902	8.90%	\$ 183,184
CERF ⁽³⁾	5.82%	680,472	6.82% ⁽²⁾	475,387	7.82%	308,537
GERF	6.90%	53,364	7.90%	33,103	8.90%	16,434
MERF	6.90%	133,525	7.90%	95,900	8.90%	63,030
TRF ⁽³⁾	7.25%	708,027	8.25%	428,418	9.25%	195,320
SPTRF	7.00%	220,122	8.00%	164,242	9.00%	118,049
DTRF	4.40%	207,666	5.40% ⁽²⁾	168,349	6.40%	135,527
JRF ⁽³⁾	4.78%	248,832	5.78% ⁽²⁾	205,955	6.78%	169,607
LRF ⁽³⁾	3.29%	155,270	4.29% ⁽²⁾	138,241	5.29%	124,014
SPRF	6.90%	256,433	7.90%	159,333	8.90%	78,388

(1) Net Pension Liability

(2) The long-term projected rate of return was used through 2055, 2034, and 2014 for CERF, JRF, and LRF, respectively. The 20 year municipal bond rate was used subsequent to these years. In addition, the discount rate changed from 6.08, 5.62, 5.57, and 4.63 percent for CERF, DTRF, JRF, and LRF, respectively.

(3) The discount rate that will be used to calculate the net pension liability for fiscal year 2016 for CERF, TRF, JRF, and LRF will change to 6.25, 8.00, 5.25, and 3.80 percent, respectively.

Defined Contribution Plans

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employer (Hennepin County and Hennepin Healthcare System) and employee contribution rate is 1.0 percent of the employee's salary. Benefits are the participant's account balance, which includes investment earnings/losses.

Health Care Savings Fund (HCSF), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. Benefits are the participant's account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. The employee contributions were \$130,894,000 for the fiscal year ended June 30, 2015.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund. Statutory contribution rates are 5.5 percent of employee's salary for employee and 6.0 percent for state. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either participant's account balance withdrawals or an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption.

The Minnesota Deferred Compensation Fund is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The employee contributions were \$246,013,000 for the fiscal year ended June 30, 2015.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee's salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The state and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary for both the state and employees with contribution maximums between \$1,700 and \$2,500 depending on the member group. Minnesota Statutes allow additional state and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

**Primary Government
Defined Contribution Plans Contributions
As of June 30, 2015
(In Thousands)**

	HCSRF	UERF	DCF	CURF	Total
Member Contributions	\$ 235	\$ 6,173	\$ 1,698	\$ 36,818	\$ 44,924
Primary Government Contributions	\$ -	\$ 5,831	\$ -	\$ 44,083	\$ 49,914
Other Employer Contributions	231	425	1,850	-	2,506
Total Employer Contributions	<u>\$ 231</u>	<u>\$ 6,256</u>	<u>\$ 1,850</u>	<u>\$ 44,083</u>	<u>\$ 52,420</u>

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement Funds (UERF):

- Housing Finance Agency (HFA)
- Metropolitan Council (MC)
- University of Minnesota (U of M)
- Office of Higher Education (OHE)
- Minnesota Sports Facilities Authority (MSFA)

**Component Unit
Summary of Pension Amounts
State Employee Retirement Fund
As of June 30, 2015
(In Thousands)**

	Major Component Units			Non-Major Component Units		Total
	HFA	MC	U of M	OHE	MSFA	
Proportionate Share of the Net Pension Liability	\$ 9,313	\$ 146,314	\$ 259,954	\$ 1,931	\$ 827	\$ 418,339
Deferred Outflows of Resources	\$ 1,042	\$ 16,862	\$ 22,565	\$ 213	\$ 118	\$ 40,800
Deferred Inflows of Resources	\$ 11,821	\$ 185,710	\$ 364,980	\$ 2,452	\$ 1,050	\$ 566,013
Net Pension Expense	\$ (1,434)	\$ (33,042)	\$ (50,101)	\$ (297)	\$ (159)	\$ (85,033)

**Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of June 30, 2015
(In Thousands)**

	MC	U of M	Total
Proportionate Share of the Net Pension Liability	\$ 9,685	\$ 6,567	\$ 16,252
Deferred Outflows of Resources	\$ 3,131	\$ 2,535	\$ 5,666
Deferred Inflows of Resources	\$ 4,738	\$ 3,240	\$ 7,978
Net Pension Expense	\$ 311	\$ 701	\$ 1,012

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation or up to age 65, depending on the contract. Approximately 130 former faculty members and staff currently receive this benefit. The cost of the benefits was \$2,236,000 during fiscal year ended June 30, 2015, with a remaining liability as of June 30, 2015, of \$3,583,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes, Section 43A.27, Subdivision 3, and Minnesota Statutes, Section 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2014, there were approximately 2,440 retirees participating in the state's insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age 65. As of July 1, 2014, there were approximately 975 correctional and law enforcement retirees receiving an explicit rate subsidy.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the Minnesota Legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2015, the state contributed \$32,144,000 to the plan. Plan members retirees receiving benefits through the implicit rate subsidy contributed \$22,633,000 through their average required contribution of \$525 per month for retiree-only coverage and \$1,545 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.10 percent discount rate. For year ending June 30, 2015, the state's ARC is \$70,903,000.

The following table shows the components of the state's annual OPEB cost, the amount contributed to the plan, and the changes to the state's net OPEB obligation:

OPEB Disclosures As of June 30, 2015 (In Thousands)	
Annual Required Contributions (ARC) ⁽¹⁾	\$ 70,903
Interest on Net OPEB Obligation (NOO) ⁽¹⁾	10,527
Amortization Adjustment to ARC ⁽¹⁾	<u>(9,365)</u>
Annual OPEB Cost (Expense)	\$ 72,065
Contributions	<u>(32,144)</u>
Increase in NOO	\$ 39,921
NOO, Beginning Balance	<u>\$ 256,979</u>
NOO, Ending ⁽²⁾	<u>\$ 296,900</u>

(1) Components of annual OPEB cost.

(2) Governmental Activities, Business-type Activities, and Fiduciary Funds include \$258,946; \$37,860; and \$94, respectively.

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 are as follows:

OPEB Disclosures (In Thousands)			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 72,065	45%	\$ 296,900
June 30, 2014	\$ 70,803	50%	\$ 256,979
June 30, 2013	\$ 67,300	57%	\$ 221,574

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$666,638,000. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was \$3,243,316,000 and the ratio of the UAAL to the covered payroll was 20.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2014.
- Expected investment return is 4.10 percent based on the estimated long-term investment yield on the general assets of the state.
- Inflation rate is 3.0 percent.

- Projected salary increases are a level 3.75 percent.
- The annual health care cost trend rate is 6.80 percent initially, reduced by increments to an ultimate rate of 4.0 percent by 2074 and later. The annual dental cost trend rate is 5.0 percent.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

See Note 12 – Long-Term Liabilities – Primary Government for the related liability amount accrued at the government-wide level.

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested \$203,679,000 as of December 31, 2014, for this purpose. The annual required contribution for 2014 was \$20,339,000 or 6.10 percent of annual covered payroll. As of December 31, 2014, 2013, and 2012, the net OPEB obligation was \$83,577,000, \$78,825,000, and \$74,516,000, respectively. The actuarial accrued liability (AAL) for benefits was \$209,378,000 as of December 31, 2014, all of which was unfunded. The covered payroll was \$333,215,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 62.8 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents, and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2015, was \$28,984,000 or 2.2 percent of annual covered payroll. As of June 30, 2015, 2014, and 2013, the net OPEB obligation was \$120,227,000, \$101,288,000, and \$82,433,000. The actuarial accrued liability (AAL) for benefits was \$91,276,000 as of June 30, 2015. The covered payroll was \$1,298,697,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.0 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2015, were as follows:

Primary Government Encumbrances As of June 30, 2015 (In Thousands)	
Major Fund: General Fund	\$ 322,660
Non-Major Governmental Funds	<u>1,982,284</u>
Total Encumbrances	<u>\$ 2,304,944</u>

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of July 2015, the Petrofund has reimbursed eligible applicants approximately \$435,000,000 since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2017, are between \$440,000,000 and \$450,000,000 for investigative and cleanup costs.

Environmental and Remediation Fund

The Remediation Account was established in the state treasury as part of the Environmental and Remediation Fund (special revenue fund) to provide a reliable source of public money for response and corrective actions to address releases of hazardous substances, pollutants, contaminants, agricultural chemicals, and petroleum, and for environmental response actions at qualified closed landfills for which the state has assumed responsibility. Money in the general portion of the fund may be spent for remediation actions related to releases of hazardous substances, pollutants, or containments and to provide technical and other assistance. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement, and cost recovery actions.

In addition to the general portion of the fund, two dedicated accounts are held within the fund. Money in the dry cleaner environmental response and reimbursement account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The metropolitan landfill contingency action trust account receives 25 percent of the metropolitan solid waste landfill fee. Money in this dedicated account is appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30-year period after closure if determined that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency.

The Closed Landfill Investment Account consists of money credited to the fund plus interest and other earnings. Money in the fund may be spent only after fiscal year 2020 as determined by the commissioner of the Minnesota Pollution Control Agency on environmental response actions at qualified closed mixed municipal solid waste disposal facilities.

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of \$126,575,000 for construction and renovation of college and university facilities as of June 30, 2015.

Component Units

As of June 30, 2015, the Housing Finance Agency (HFA) had committed approximately \$442,716,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2014, unpaid commitments for Metro Transit Bus services were approximately \$143,960,000. Future commitments for Metro Transit Light Rail were approximately \$189,164,000, while future commitments for Metro Transit Commuter Rail were approximately \$8,839,000. Finally, future commitments for Regional Transit and Environmental Services were approximately \$131,871,000 and \$100,678,000, respectively.

University of Minnesota (U of M) had construction projects in progress with an estimated completion cost of \$362,946,000 as of June 30, 2015. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2015, Public Facilities Authority (PFA) had committed approximately \$111,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$45,000,000 for grants.

As of December 31, 2014, Minnesota Sports Facilities Authority had committed approximately \$571,461,000 for stadium and stadium infrastructure construction projects.

Note 11 – Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures/expenses for the fiscal year ended June 30, 2015, totaled approximately \$85,500,000 and \$19,804,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2014, totaled approximately \$1,706,000 for component units.

Primary Government and Component Units Future Minimum Lease Payments (In Thousands)					
Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2016	\$ 73,710	2016	\$ 10,324	2015	\$ 891
2017	63,943	2017	8,559	2016	778
2018	55,493	2018	5,070	2017	666
2019	43,277	2019	3,505	2018	659
2020	30,645	2020	2,954	2019	656
2021-2025	54,631	2021-2025	9,744	2020-2024	790
2026-2030	5,830	2026-2030	7,941	2025-2029	260
2031-2035	85	2031-2035	6,946	2030-2034	253
2036-2040	-	2036-2040	-	2035-2039	51
Total	<u>\$ 327,614</u>	Total	<u>\$ 55,043</u>	Total	<u>\$ 5,004</u>

Note 12 – Long-Term Liabilities – Primary Government

Primary Government Long-Term Liabilities Year Ended June 30, 2015 (In Thousands)					
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Liabilities For:					
General Obligation Bonds	\$ 6,649,907	\$ 977,741	\$ 741,872	\$ 6,885,776	\$ 546,979
Revenue Bonds	47,255	8,357	10,855	44,757	2,405
State General Fund Appropriation Bonds	1,230,408	-	54,731	1,175,677	37,960
Loans	28,610	9,243	12,887	24,966	12,015
Due to Component Unit	12,791	-	2,453	10,338	2,521
Capital Leases	106,821	-	8,309	98,512	8,658
Certificates of Participation	41,981	91,873	7,979	125,875	8,910
Claims	683,996	84,430	86,063	682,363	95,446
Compensated Absences	293,171	273,662	270,636	296,197	38,892
Net Other Postemployment Benefits	224,584	61,439	27,077	258,946	-
Net Pension Liability ⁽¹⁾	4,488,076	-	1,827,257	2,660,819	-
Total	<u>\$ 13,807,600</u>	<u>\$ 1,506,745</u>	<u>\$ 3,050,119</u>	<u>\$ 12,264,226</u>	<u>\$ 753,786</u>
Business-type Activities					
Liabilities For:					
General Obligation Bonds	\$ 256,886	\$ 31,686	\$ 28,141	\$ 260,431	\$ 20,911
Revenue Bonds	444,231	76,656	60,403	460,484	27,315
Loans	3,635	700	541	3,794	641
Capital Leases	30,519	-	4,551	25,968	4,335
Claims	5,576	1,282	3,372	3,486	1,708
Compensated Absences	145,874	36,176	31,148	150,902	18,488
Net Other Postemployment Benefits	32,325	10,562	5,027	37,860	-
Net Pension Liability ⁽¹⁾	734,872	-	336,861	398,011	-
Total	<u>\$ 1,653,918</u>	<u>\$ 157,062</u>	<u>\$ 470,044</u>	<u>\$ 1,340,936</u>	<u>\$ 73,398</u>
⁽¹⁾ The beginning balance has been restated as a result of implementing GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" for the year ended June 30, 2015.					

**Primary Government
Resources for Repayment of Long-Term Liabilities
(In Thousands)**

	Governmental Activities				Total
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	
Liabilities For:					
General Obligation Bonds	\$ 5,182,686	\$ 1,703,090	\$ -	\$ 260,431	\$ 7,146,207
Revenue Bonds	28,449	16,308	-	460,484	505,241
State General Fund Appropriation Bonds	1,175,677	-	-	-	1,175,677
Loans	-	-	24,966	3,794	28,760
Due to Component Unit	-	10,338	-	-	10,338
Capital Leases	98,357	155	-	25,968	124,480
Certificates of Participation	125,875	-	-	-	125,875
Claims	74,643	595,969	11,751	3,486	685,849
Compensated Absences	151,805	132,406	11,986	150,902	447,099
Net Other Postemployment Benefits	258,116	-	830	37,860	296,806
Net Pension Liability	<u>2,550,752</u>	<u>-</u>	<u>110,067</u>	<u>398,011</u>	<u>3,058,830</u>
Total	<u>\$ 9,646,360</u>	<u>\$ 2,458,266</u>	<u>\$ 159,600</u>	<u>\$ 1,340,936</u>	<u>\$13,605,162</u>

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state General Fund appropriation bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, net other postemployment benefits, and net pension liability.

Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 546,979	\$ 272,626	\$ 20,911	\$ 11,312	\$ 567,890	\$ 283,938
2017	526,486	247,338	20,169	9,790	546,655	257,128
2018	506,745	222,795	20,010	8,819	526,755	231,614
2019	465,060	199,642	19,220	7,877	484,280	207,519
2020	451,996	177,769	18,709	6,974	470,705	184,743
2021-2025	1,896,289	596,375	80,291	22,308	1,976,580	618,683
2026-2030	1,273,712	232,790	47,613	7,553	1,321,325	240,343
2031-2035	529,281	40,103	15,544	1,233	544,825	41,336
Total	\$ 6,196,548	\$ 1,989,438	\$ 242,467	\$ 75,866	\$ 6,439,015	\$ 2,065,304
Bond Premium	689,228	-	17,964	-	707,192	-
Total	<u>\$ 6,885,776</u>	<u>\$ 1,989,438</u>	<u>\$ 260,431</u>	<u>\$ 75,866</u>	<u>\$ 7,146,207</u>	<u>\$ 2,065,304</u>

Primary Government Revenue Bonds Principal and Interest Payments (In Thousands)						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,405	\$ 1,539	\$ 27,315	\$ 17,791	\$ 29,720	\$ 19,330
2017	2,490	1,462	29,815	16,497	32,305	17,959
2018	2,570	1,383	32,170	15,333	34,740	16,716
2019	2,645	1,298	29,355	14,082	32,000	15,380
2020	2,740	1,205	30,385	12,899	33,125	14,104
2021-2025	11,210	4,792	149,085	45,899	160,295	50,691
2026-2030	10,345	3,124	92,690	19,034	103,035	22,158
2031-2035	9,855	865	47,980	3,804	57,835	4,669
2036-2040	-	-	2,965	58	2,965	58
Total	\$ 44,260	\$ 15,668	\$ 441,760	\$ 145,397	\$ 486,020	\$ 161,065
Bond Premium	497	-	18,724	-	19,221	-
Total	<u>\$ 44,757</u>	<u>\$ 15,668</u>	<u>\$ 460,484</u>	<u>\$ 145,397</u>	<u>\$ 505,241</u>	<u>\$ 161,065</u>

**Primary Government
State General Fund Appropriation Bonds
Principal and Interest Payments
(In Thousands)**

Year Ended June 30	Governmental Activities	
	Principal	Interest
2016	\$ 37,960	\$ 49,272
2017	39,420	47,836
2018	40,385	46,041
2019	41,175	44,162
2020	42,930	42,160
2021-2025	244,765	177,471
2026-2030	308,520	112,289
2031-2035	88,645	62,128
2036-2040	112,735	38,031
2041-2045	82,100	8,363
Total	\$ 1,038,635	\$ 627,753
Bond Premium	137,042	-
Total	\$ 1,175,677	\$ 627,753

**Primary Government
Loans Payable and Due to Component Unit
Principal and Interest Payments
(In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 14,536	\$ 545	\$ 641	\$ 142	\$ 15,177	\$ 687
2017	10,656	332	599	123	11,255	455
2018	4,427	181	508	106	4,935	287
2019	1,422	130	375	88	1,797	218
2020	694	107	271	74	965	181
2021-2025	2,247	341	1,148	185	3,395	526
2026-2030	1,322	95	252	10	1,574	105
Total	\$ 35,304	\$ 1,731	\$ 3,794	\$ 728	\$ 39,098	\$ 2,459

**Primary Government
Capital Leases
Principal and Interest Payments
(In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 8,658	\$ 4,764	\$ 4,335	\$ 1,205	\$ 12,993	\$ 5,969
2017	8,973	4,374	4,275	1,295	13,248	5,669
2018	9,305	3,968	4,264	1,389	13,569	5,357
2019	9,712	3,545	4,226	1,480	13,938	5,025
2020	10,162	3,077	4,122	1,575	14,284	4,652
2021-2025	51,433	7,252	3,308	973	54,741	8,225
2026-2030	269	7	1,079	246	1,348	253
2031-2035	-	-	359	14	359	14
Total	<u>\$ 98,512</u>	<u>\$ 26,987</u>	<u>\$ 25,968</u>	<u>\$ 8,177</u>	<u>\$ 124,480</u>	<u>\$ 35,164</u>

**Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)**

Year Ended June 30	Governmental Activities	
	Principal	Interest
2016	\$ 8,910	\$ 5,559
2017	9,900	5,152
2018	10,355	4,656
2019	10,620	4,137
2020	2,180	3,607
2021-2025	12,655	16,288
2026-2030	16,160	12,790
2031-2035	20,620	8,326
2036-2040	20,530	2,629
Total	<u>\$ 111,930</u>	<u>\$ 63,144</u>
Premium on Certificates of Participation	13,945	-
Total	<u>\$ 125,875</u>	<u>\$ 63,144</u>

Debt Service Fund

Minnesota Statutes, Section 16A.641, provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

During fiscal year 2015, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government Transfers to Debt Service Fund Year Ended June 30, 2015 (In Thousands)	
General Fund	\$ 727,953
Special Revenue Funds:	
Trunk Highway Fund	\$ 154,593
Miscellaneous Special Revenue Fund	<u>136</u>
Total Special Revenue Funds	\$ 154,729
Capital Projects Fund:	
Building Fund	<u>\$ 413</u>
Total Transfers to Debt Service Fund	<u>\$ 883,095</u>

General Obligation Bond Issues

In August 2014, the state issued \$895,235,000 general obligation bonds, Series 2014A through Series 2014E:

- Series 2014A for \$429,670,000 in state various purpose bonds were issued at a true interest rate of 2.83 percent.
- Series 2014B for \$288,000,000 in state trunk highway bonds were issued at a true interest rate of 2.71 percent.
- Series 2014C for \$26,040,000 in taxable state bonds were issued at a true interest rate of 3.01 percent.
- Series 2014D for \$28,210,000 in taxable state various purpose refunding bonds were issued at a true interest rate of 2.77 percent.
- Series 2014E for \$123,315,000 in state trunk highway refunding were issued at a true interest rate of 2.01 percent. The aggregate debt service payments decreased by \$16,647,000 and the economic gain (the present value of the debt service savings) for the state was \$14,208,000.

The state remains contingently liable to pay its advance refunded general obligation, revenue, and certificate of participation bonds as shown in the following table.

Primary Government Outstanding Defeased Debt (In Thousands)				
General Obligation Bonds				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2015 Outstanding Amount</u>	<u>Refunded Bond Call/Maturity Date</u>
November 6, 2013	\$ 124,758	\$ 131,450	\$ 131,450	October 1, 2015
November 6, 2013	115,598	121,800	121,800	June 1, 2016
November 6, 2013	133,584	140,750	140,750	November 1, 2016
August 21, 2014	5,449	5,705	5,705	October 1, 2021
August 21, 2014	9,727	10,185	10,185	August 1, 2022
August 21, 2014	58,165	55,800	55,800	October 1, 2015
August 21, 2014	25,070	24,050	24,050	June 1, 2016
August 21, 2014	33,304	31,950	31,950	November 1, 2016
August 21, 2014	6,776	6,500	6,500	August 1, 2017
	<u>\$ 512,431</u>	<u>\$ 528,190</u>	<u>\$ 528,190</u>	
Certificate of Participation				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2015 Outstanding Amount</u>	<u>Refunded Bond Call/Maturity Date</u>
December 18, 2012	<u>N/A</u>	<u>\$ 7,985</u>	<u>\$ 7,985</u>	June 1, 2016

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2015. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government				
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding				
As of June 30, 2015				
(In Thousands)				
Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates	
State Building	\$ 685	\$ 145	5.00%	
State Operated Community Services	-	716	5.00%	
State Transportation	90,522	243,255	3.00-5.00%	
Maximum Effort School Loan	-	12,780	5.00%	
Rural Finance Authority	19,000	33,405	1.35-5.00%	
Various Purpose Refunding Bonds	-	1,299,165	1.39-5.00%	
Trunk Highway Refunding Bonds	-	294,955	1.00-5.00%	
Trunk Highway	877,084	1,408,135	2.00-5.00%	
Various Purpose	<u>970,189</u>	<u>3,146,459</u>	0.50-5.00%	
Total	<u>\$ 1,957,480</u>	<u>\$ 6,439,015</u>		

State General Fund Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit, and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the Minnesota Legislature.

Minnesota Statutes, Section 16A.965, authorizes the state to issue state General Fund appropriation bonds for the purpose of financing up to \$498,000,000 for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit) that was created for that purpose by Minnesota Statutes, Chapter 473J. The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to \$10,000,000 bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

Minnesota Statutes, Section 16A.967, authorizes the state to issue state General Fund appropriation bonds not to exceed \$19,000,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner

of Minnesota Management and Budget determines that a nonstate match of at least \$9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System, Incorporated agreement.

The following table is a schedule of state General Fund appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2015.

Primary Government State General Fund Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding As of June 30, 2015 (In Thousands)			
Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	\$ -	\$ 453,770	0.60-5.00%
Pay-for-Performance	10,000	-	N/A
Refund Tobacco Securitization Authority	-	584,865	3.00-5.00%
Lewis and Clark Regional Water System	<u>19,000</u>	<u>-</u>	N/A
Total	<u>\$ 29,000</u>	<u>\$ 1,038,635</u>	

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). \$10,338,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) was outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans are loans to purchase equipment and loans from energy companies to improve energy efficiencies in the colleges and universities.

Capital Leases

In 2006, the state entered into capital lease agreements, amended in 2013, with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state-owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62. The terms of each agreement provide options to purchase the buildings under a bargain purchase option. In May 2013, the SPPA issued refunding bonds of \$115,760,000. The proceeds of the bonds will be applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds. The state has other capital lease agreements to purchase equipment that meets the above criteria.

Certificates of Participation

In August 2009, the state issued \$74,980,000 of certificates of participation (COPs) at a true interest rate of 2.88 percent to finance the acquisition of computer software development intangible assets. The proceeds are funding two projects for developing a) the state's statewide financial and procurement system and b) the state's integrated tax accounting system. The COPs were issued under a trust agreement with U.S. Bank, NA., trustee, who will collect rental payments according to the principal and

interest schedule pursuant to the Technology Systems Lease Purchase Agreement for remittance to the investors. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of either or both projects and to take whatever legal action may appear necessary to collect rental payment(s).

In August 2014, the state issued \$80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms and parking facilities for a legislative office facility. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of either or both projects and to take whatever legal action may appear necessary to collect rental payment(s).

Revenue Bonds Payable

In October 2013, Iron Range Resources and Rehabilitation issued \$37,830,000 of education facilities revenue bonds at a true interest rate of 3.76 percent. Minnesota Laws of 2013, Chapter 143, Article 11, Section 11; Minnesota Statutes, Section 298.22 through 298.32; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes, Section 273.134. The interest rates for the bonds range from 3.00 percent to 4.30 percent over a 20 year term.

In September 2014, the Iron Range Resources and Rehabilitation issued \$7,860,000 of education facilities refunding revenue bonds at a true interest rate of 1.32 percent. The proceeds of the bonds will be used to effect a current refunding of the commissioner of Iron Range Resources and Rehabilitation's Educational Facilities Revenue Bonds Series 2006. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The interest rates on the bonds range from 2.00 to 3.00 percent over the seven year term of the bonds.

To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling \$3,994,000 for fiscal year 2015, have averaged less than seven percent of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. For fiscal year 2015, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was \$4,331,000. The total principal and interest remaining to be paid as of June 30, 2015, is \$59,928,000 payable through October 2033.

The state is authorized by Minnesota Statutes, Section 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds was issued at a true interest rate of 3.76 percent. On November 13, 2008, \$42,205,000 in revenue bonds was issued at a true interest rate of 4.60 percent. On October 22, 2009, \$60,510,000 in revenue bonds was issued at a true interest rate of 3.17 percent. On August 16, 2011, \$60,380,000 in revenue bonds was issued at a true interest rate of 2.96 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 35 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2015, is \$142,750,000 payable through June 2026. Principal and interest paid during fiscal year 2015 and total 911 fee revenues were \$18,234,000 and \$57,381,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 0.80 percent to 5.75 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$442,345,000. Principal and interest paid for the current year and total customer net revenues were \$25,907,000 and \$112,663,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 37 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,062,000. Principal and interest paid and total customer net revenues during fiscal year 2015 were \$168,000 and \$478,000, respectively. These revenue bonds have a variable interest rate of 0.75 percent to 3.65 percent.

Claims

Municipal solid waste landfill liabilities of \$209,947,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. One of the sites, Freeway Landfill, has a liability of \$52,125,000; approximately 25 percent of the total landfill liability. Funding for the state's ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2015, were \$45,134,000. Of this total, \$33,740,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

The governmental activities' and business-type activities' liability for workers' compensation of \$89,431,000 and \$3,486,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2015, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of \$31,500,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of \$294,600,000 are for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2052 for supplementary benefits and 2042 for second injuries.

The remaining \$11,751,000 is for claims in the Risk Management Fund (internal service fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$296,197,000 and \$150,902,000 respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2015, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling \$29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling \$21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63 percent. Minnesota Statutes, Section 356B.10, authorized the issuance of the revenue bonds for a current refunding of the \$29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds.

The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2015, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was \$2,078,000. The total principal and interest remaining to be paid as of June 30, 2015, is \$19,727,000, payable through 2025.

Long-Term Debt Repayment Schedule Fiduciary Funds Revenue Bonds – SERF, TRF, and GERF (In Thousands)		
Year Ended June 30	Principal	Interest
2016	\$ 1,645	\$ 436
2017	1,675	403
2018	1,710	370
2019	1,760	336
2020	1,785	300
2021-2025	8,470	837
Total	\$ 17,045	\$ 2,682
Bond Premium	1,164	-
Total	<u>\$ 18,209</u>	<u>\$ 2,682</u>

Note 13 – Long-Term Liabilities – Component Units

General Obligation and Revenue Bonds

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had \$1,780,036,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2014, net of unamortized discounts/premiums. During calendar year 2014, MC issued general obligation parks, transit, and wastewater bonds for a total of \$93,000,000. During 2014, MC also issued \$100,800,000 of general obligation grant anticipation notes for the Central Corridor light rail project.

University of Minnesota (U of M) issues general obligation bonds and revenue bonds for capital projects. On June 30, 2015, the principal amount of general obligation bonds and revenue bonds outstanding, net of unamortized discounts/premiums, was \$798,434,000 and \$316,091,000, respectively.

Component Units General Obligation Bonds Major Component Units (In Thousands)					
Year Ended December 31	MC ⁽¹⁾		Year Ended June 30	U of M	
	Principal	Interest ⁽²⁾		Principal	Interest
2015	\$ 358,195	\$ 46,933	2016	\$ 36,640	\$ 34,573
2016	281,453	35,384	2017	40,820	32,928
2017	98,775	30,323	2018	42,750	31,031
2018	98,273	27,667	2019	44,425	29,043
2019	101,689	25,120	2020	32,960	27,310
2020-2024	455,227	82,979	2021-2025	156,785	112,909
2025-2029	251,699	28,284	2026-2030	165,250	72,681
2030-2034	78,692	4,865	2031-2035	121,390	35,785
2035-2039	-	-	2036-2040	66,895	13,694
2040-2044	-	-	2041-2044	32,995	3,364
Total	\$ 1,724,003	\$ 281,555	Total	\$ 740,910	\$ 393,318
Unamortized Discounts/ Premiums and Issuance Costs	56,033	-		57,524	-
Total	<u>\$ 1,780,036</u>	<u>\$ 281,555</u>	Total	<u>\$ 798,434</u>	<u>\$ 393,318</u>

⁽¹⁾ MC general obligation bonds include general obligation grant anticipation notes issued in calendar year 2012 and 2014.

⁽²⁾ MC interest is net of Build America Bonds federal subsidy.

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed \$5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2015, net of unamortized discounts/premiums, was \$2,033,332,000.

Office of Higher Education (OHE) is authorized by Minnesota Statutes, Section 136A.171 through Section 136A.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed \$850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2015, the outstanding principal of revenue bonds was \$519,516,000 net of unamortized discounts/premiums.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed \$1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2015, net of unamortized discounts/premiums, was \$937,228,000.

Component Units Revenue Bonds Major Component Units (In Thousands)				
Year Ended June 30	HFA		U of M	
	Principal	Interest	Principal	Interest
2016	\$ 95,523	\$ 64,261	\$ 10,165	\$ 14,004
2017	48,190	60,485	10,675	13,440
2018	41,265	58,788	11,215	12,958
2019	40,055	57,001	11,790	12,383
2020	41,450	57,762	12,390	11,778
2021-2025	237,215	305,727	71,915	48,950
2026-2030	296,675	342,108	83,645	29,397
2031-2035	329,105	359,831	56,520	13,091
2036-2040	279,920	290,798	23,490	1,458
2041-2045	606,431	85,914	-	-
2046-2050	9,785	5,918	-	-
2051-2055	900	18	-	-
Total	\$ 2,026,514	\$ 1,688,611	\$ 291,805	\$ 157,459
Unamortized Discounts/ Premiums and Issuance Costs	6,818	-	24,286	-
Total	<u>\$ 2,033,332</u>	<u>\$ 1,688,611</u>	<u>\$ 316,091</u>	<u>\$ 157,459</u>

Component Units Revenue Bonds Nonmajor Component Units (In Thousands)				
Year Ended June 30	OHE		PFA	
	Principal	Interest	Principal	Interest
2016	\$ 1,090	\$ 1,537	\$ 160,985	\$ 41,505
2017	3,045	1,505	76,275	35,754
2018	4,255	1,476	72,540	31,972
2019	4,905	1,215	77,285	28,375
2020	4,600	977	77,955	24,530
2021-2025	54,610	2,456	269,395	72,109
2026-2030	-	1,919	150,675	21,677
2031-2035	-	1,919	8,330	408
2036-2040	93,400	1,837	-	-
2041-2045	168,000	1,276	-	-
2046-2048	<u>185,000</u>	<u>376</u>	<u>-</u>	<u>-</u>
Total	\$ 518,905	\$ 16,493	\$ 893,440	\$ 256,330
Unamortized Discounts/Premiums and Issuance Costs	<u>611</u>	<u>-</u>	<u>43,788</u>	<u>-</u>
Total	<u>\$ 519,516</u>	<u>\$ 16,493</u>	<u>\$ 937,228</u>	<u>\$ 256,330</u>

Loans and Notes Payable

Metropolitan Council received loans from the Minnesota Housing Finance Authority in 2002 and 2004 for \$400,000, and \$730,000, respectively. In 2004, MC received a \$275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of \$1,405,000 of loans outstanding on December 31, 2014. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

On December 17, 2014, the University of Minnesota issued taxable commercial paper notes of \$51,620,000. The U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2015, the outstanding commercial paper notes were \$249,620,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

National Sports Center Foundation refinanced a majority of its existing debt with a new bank in 2012. On December 31, 2014, the total outstanding loans and notes payable was \$4,986,000.

Capital Leases

On December 1, 2004, Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term. On December 31, 2014, the present value of the minimum lease payments was \$8,570,000.

University of Minnesota has six distinct capital leases. Three of the six are financed through third-party financing for the purchase of fleet vehicles and other equipment. The remaining three capital leases have payments being paid directly to the lessor and represent leases for buildings. On June 30, 2015, the present value of the minimum lease payments was \$21,244,000.

Variable Rate Debt

University of Minnesota

To protect against future interest rate fluctuations on U of M's general obligation bonds and for budgeting purposes, U of M entered into an interest rate swap. This was a freestanding pay-fixed, receive-variable interest rate swap which changed the variable interest rate bonds to synthetic fixed-rate bonds. At June 30, 2015, this swap was considered an ineffective hedge, where the change in fair value was included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15.0 percent and 12.0 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity.

The rates on the tax-exempt Series 2011A and 2011B bonds are determined by a remarketing agent. The rates on the Series 2011A and 2011B bonds cannot exceed 12.0 percent. Interest payments on the Series 2011A and 2011B bonds were previously payable on a monthly basis. Beginning April 1, 2015, interest payments are payable semi-annually and no principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.34 percent for the year ended June 30, 2015.

The rates on the tax-exempt Series 2012B bonds are determined by a remarketing agent. The rate cannot exceed 12.0 percent and is payable semi-annually. The bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

All bond series are secured by the revenues derived by the Agency from student loans financed by the proceeds of the bonds.

Housing Finance Agency

As of June 30, 2015, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53. The fair value is displayed in the deferred inflows of resources as an interest rate swap agreement, whereas the inception-to-date change in fair value as of June 30, 2015, is included in the deferred outflows of resources as deferred loss on interest rate swap agreements on the Statement of Net Position. See Note 2 – Cash, Investment, and Derivative Instruments for more information.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was \$271,635,000 with \$130,600,000 outstanding as of June 30, 2015. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M's financial statements as of June 30, 2015.

Note 14 – Segment Information

Primary Government Segment Information Financial Data Year Ended June 30, 2015 (In Thousands)			
	Minnesota State Colleges and Universities		
	Revenue Fund	Itasca Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	\$ 87,712	\$ 260	\$ 40,606
Restricted Assets	137,052	296	-
Capital Assets	359,765	2,952	129,422
Total Assets	\$ 584,529	\$ 3,508	\$ 170,028
Deferred Outflows of Resources	\$ 1,012	\$ -	\$ 216
Liabilities:			
Current Liabilities	\$ 30,276	\$ 129	\$ 17,113
Noncurrent Liabilities	332,916	1,600	113,649
Total Liabilities	\$ 363,192	\$ 1,729	\$ 130,762
Deferred Inflows of Resources	\$ 4,771	\$ -	\$ 2,478
Net Position:			
Net Investment in Capital Assets	\$ 130,131	\$ 1,232	\$ -
Restricted	87,447	296	37,004
Unrestricted	-	251	-
Total Net Position	\$ 217,578	\$ 1,779	\$ 37,004
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues - Customer Charges	\$ 112,662	\$ 478	\$ 57,381
Depreciation Expense	(18,371)	(119)	(12,141)
Other Operating Expenses	(78,856)	(203)	(24,741)
Operating Income (Loss)	\$ 15,435	\$ 156	\$ 20,499
Nonoperating Revenues (Expenses):			
Interest Income	\$ 615	\$ 5	\$ 5
Capital Contributions	4,803	-	-
Interest Expense	(10,427)	(48)	(4,640)
Other	20	-	(13,211)
Transfers-In (Out)	-	-	(683)
Change in Net Position	\$ 10,446	\$ 113	\$ 1,970
Beginning Net Position	217,556	1,666	39,726
Change in Accounting Principal	(10,424)	-	(4,692)
Ending Net Position	\$ 217,578	\$ 1,779	\$ 37,004
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	\$ 27,048	\$ 266	\$ 35,357
Noncapital Financing Activities	20	-	(32,034)
Capital and Related Financing Activities	(1,170)	(168)	(15,493)
Investing Activities	(145)	7	5
Net Increase (Decrease)	\$ 25,753	\$ 105	\$ (12,165)
Beginning Cash and Cash Equivalents	\$ 163,973	\$ 136	\$ 51,990
Ending Cash and Cash Equivalents	\$ 189,726	\$ 241	\$ 39,825

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, parking, and wellness purposes.
- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.
- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operations and position.

Note 15 – Contingent Liabilities

University of Minnesota

The University of Minnesota (U of M) (component unit) issued state-secured revenue bonds to finance a football stadium on campus. In 2006, the Minnesota Legislature appropriated from the General Fund \$10,250,000 per year not to exceed 25 years starting in 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of August 2015, there was \$99,220,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from \$850,000 to \$15,550,000 per year not to exceed 25 years starting in 2010 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of August 2015, \$182,420,000 was outstanding on these bonds. All required payments of the bonds are guaranteed by the state.

Housing Finance Agency

The Housing Finance Agency (HFA) (component unit) issued state-secured appropriation bonds to provide funds for rehabilitation, construction and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. In 2008, the Minnesota Legislature appropriated from the General Fund up to \$2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of August 2015, there was \$27,274,000 outstanding on these bonds.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In 2012, the Minnesota Legislature appropriated from the General Fund up to \$2,200,000 per year starting in fiscal year 2014 through 2036 to pay a portion of the bonds. All required payments of the bonds are guaranteed by the state. As of August 2015, there was \$28,360,000 outstanding on these bonds. In 2014, the Minnesota Legislature authorized HFA to issue an additional \$80,000,000 of housing infrastructure bonds and appropriated from the General Fund up to \$6,400,000 per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. HFA issued state-secured appropriation bonds of \$37,570,000 in February of 2015 and an additional \$31,095,000 in September 2015. See Note 20 – Subsequent Events. As of August 2015, \$32,570,000 was outstanding on these bonds.

In 2015, the Minnesota Legislature authorized HFA to issue an additional \$10,000,000 of housing infrastructure bonds and appropriated from the General Fund up to an additional \$800,000 per year beginning in Fiscal year 2018 through 2039.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55, established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program at June 30, 2015, was \$12.2 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program

issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of Public Facility Authority (component unit). As of August, 2015, the total general obligation bonds guaranteed by the state through 2040, was \$533 million.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

Primary Government Restricted Net Position Balances As of June 30, 2015 (In Thousands)				
Restricted For:	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Acquire, Maintain, and Improve Land and Buildings	\$ -	\$ -	\$ 419	\$ 419
Administer Offender Rehabilitation	-	-	4,879	4,879
Clean up Petroleum Contamination	-	10,773	-	10,773
Debt Service	954,917	-	116,878	1,071,795
Develop Economy and Workforce	-	38,582	-	38,582
Develop Northeastern Minnesota Economy	-	52,625	6,564	59,189
Donor-Specified Purposes	-	-	29,125	29,125
Employ and Train Workers	-	49,708	-	49,708
Enhance 911 Services	-	-	37,004	37,004
Enhance Arts and Culture	17,286	-	-	17,286
Enhance Health and Human Services	-	12,018	-	12,018
Enhance Higher Education	-	-	5,696	5,696
Enhance Hunting and Fishing	-	54,336	-	54,336
Enhance K-12 Education	-	3,564	-	3,564
Enhance Natural Resources	-	931,595	-	931,595
Enhance State Government	-	35,557	-	35,557
Finance School District Construction Projects	-	38,046	-	38,046
Improve Agricultural, Environment, and Energy Resources	-	123,248	-	123,248
Improve County Infrastructure	426,799	-	-	426,799
Improve Municipalities' Infrastructure	162,037	-	-	162,037
Improve Transportation	-	16,698	-	16,698
License Vehicles and Increase Safety	-	5,481	-	5,481
Monitor Environment	-	11,516	-	11,516
Other Purposes	-	-	41,568	41,568
Plan, Construct, and Maintain State Highways	809,214	-	-	809,214
Promote Aviation Safety, Planning, and Regulations	-	38,320	-	38,320
Restore, Protect, and Enhance Outdoors	379,578	-	-	379,578
School Aid - Expendable	7,040	-	-	7,040
School Aid - Nonexpendable	1,184,420	-	-	1,184,420
Unemployment Benefits	-	-	1,779,303	1,779,303
Total Restricted Net Position	<u>\$ 3,941,291</u>	<u>\$ 1,422,067</u>	<u>\$ 2,021,436</u>	<u>\$ 7,384,794</u>

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

	Governmental Funds Fund Balances As of June 30, 2015 (In Thousands)			
	General Fund	Major Special Revenue Fund		Total
		Federal Fund	Other Funds	
Fund Balances:				
 Nonspendable:				
Inventory	\$ -	\$ -	\$ 40,433	\$ 40,433
Trust or Permanent Fund Principal	931,595	-	1,184,420	2,116,015
Total Nonspendable Fund Balances	<u>\$ 931,595</u>	<u>\$ -</u>	<u>\$ 1,224,853</u>	<u>\$ 2,156,448</u>
 Restricted for:				
Acquire, Maintain, and Improve Land and Buildings	\$ -	\$ -	\$ 413,987	\$ 413,987
Administer Workers' Compensation	-	-	27,995	27,995
Clean up Petroleum Contamination	-	-	17,620	17,620
Construct/Reconstruct Infrastructure	-	-	37,593	37,593
Debt Service	-	-	913,213	913,213
Develop Economy and Workforce	-	-	37,778	37,778
Develop Northeastern Minnesota Economy	80,826	-	-	80,826
Donor-specified Purposes	-	-	29,124	29,124
Employ and Train Workers	-	-	48,356	48,356
Enhance Arts and Culture	-	-	17,279	17,279
Enhance Health and Human Services	-	-	11,675	11,675
Enhance Hunting and Fishing	-	-	54,336	54,336
Enhance K-12 Education	-	-	3,462	3,462
Enhance State Government	-	-	34,543	34,543
Finance School District Construction Projects	38,046	-	-	38,046
Improve Agriculture, Environment, and Energy Resources	236	124	119,328	119,688
Improve County Infrastructure	-	-	426,104	426,104
Improve Municipalities' Infrastructure	-	-	161,854	161,854
Improve Transportation	-	-	16,222	16,222
Invest in School Districts	-	-	6,734	6,734
License Vehicles and Increase Safety	-	-	5,403	5,403
Monitor Environment	-	-	111,114	111,114
Plan, Construct, and Maintain State Highways	-	-	796,952	796,952
Promote Aviation Safety, Planning, and Regulations	-	-	38,320	38,320
Restore, Protect, and Enhance Outdoors	-	-	379,578	379,578
Total Restricted Fund Balances	<u>\$ 119,108</u>	<u>\$ 124</u>	<u>\$ 3,708,570</u>	<u>\$ 3,827,802</u>

**Governmental Funds
Fund Balances (continued)
As of June 30, 2015
(In Thousands)**

	<u>General Fund</u>	<u>Major Special Revenue Fund Federal Fund</u>	<u>Other Funds</u>	<u>Total</u>
Fund Balances:				
Committed to:				
Develop Economy and Workforce	\$ -	\$ -	\$ 12,231	\$ 12,231
Enhance Health and Human Services	-	-	31,924	31,924
Enhance K-12 Education	-	-	2,143	2,143
Enhance State Government	-	-	34,715	34,715
Improve Agriculture, Environment, and Energy Resources	-	-	2,635	2,635
Improve Public Safety	-	-	185,342	185,342
Improve Transportation	-	-	53,083	53,083
Manage Natural Resources	-	-	55,912	55,912
Provide Health Insurance	-	-	262,004	262,004
Rehabilitate and Diversify Industry near Mining	-	-	216,996	216,996
Total Committed Fund Balances	\$ -	\$ -	\$ 856,985	\$ 856,985
Assigned to:				
Develop Economy and Workforce	\$ 113,534	\$ -	\$ -	\$ 113,534
Enhance Health and Human Services	71,777	-	-	71,777
Enhance K-12 Education	30,780	-	-	30,780
Enhance State Government	16,479	-	-	16,479
Fund Capital Projects	-	-	177,373	177,373
Higher Education	6,506	-	-	6,506
Improve Agriculture, Environment, and Energy Resources	49,607	-	-	49,607
Improve Public Safety	19,191	-	-	19,191
Improve Transportation	14,906	-	-	14,906
Provide Health Insurance	-	-	505,000	505,000
Total Assigned Fund Balances	\$ 322,780	\$ -	\$ 682,373	\$ 1,005,153
Unassigned:	\$ 748,698	\$ -	\$ -	\$ 748,698
Total Fund Balances	\$ 2,122,181	\$ 124	\$ 6,472,781	\$ 8,595,086

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2015.

Net Position Deficits As of June 30, 2015 (In Thousands)		Net Position
Enterprise Funds		
Behavioral Services	\$	(18,549)
MNsure		(6,610)
State Auditor		(4,514)
State Lottery		(11,332)
State Operated Community Services		(74,887)
Internal Service Funds		
Central Services		(778)
MN.IT Services		(201,417)

The implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. This has caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2015 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

Three of these funds also have net position deficits for reasons in addition to the implementation of GASB Statement No. 68. The funds are as follows:

Behavioral Services Fund (enterprise fund) has been experiencing a change in population served and service rates over the past few years which resulted in an annual deficit net position. During the 2015 Legislative Session, the Minnesota Legislature took action to balance the fund through transfer of funds within the Department of Human Services and also passed a supplemental appropriation. Review of the service size and funding levels will continue during fiscal year 2016 to determine additional options to balance this fund.

MNsure (enterprise fund) is still evolving as a new operation of the state and ended the fiscal year in a deficit net position. A three year financial plan has been established to ensure operations are managed on a budgetary and cash basis.

State Operated Community Services Fund (enterprise fund) has seen a steady decline in operating income which resulted in a deficit net position. During the 2015 Legislative Session, the Minnesota Legislature provided for a one-time transfer of existing funds from a dedicated revenue account to help balance the fund at the end of fiscal year 2015. Ongoing operating losses are expected during fiscal year 2016 while the program is redesigned to reduce the number of sites and to focus on a more defined service level for individuals requiring a safety net level of care.

Note 17 – Risk Management

Primary Government

The state is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,000,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach \$2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a \$25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the Minnesota Legislature.

The liability coverage is up to the statutory limit (tort claims cap) of \$500,000 bodily injury and property damage per person, and \$1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides \$10,000,000 excess of a \$1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes, Section 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The Minnesota Legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the Minnesota Legislature. Tort claims brought outside Minnesota state jurisdiction and in federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation-related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including workplace safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of \$1,960,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program

The Minnesota Legislature created the Employee Insurance Fund, an internal service fund dedicated solely for the purpose of this program. The fund is administered by the State Employee Group Insurance Program (SEGIP), to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of \$1,727,316 greater than coverage during the fiscal year ended June 30, 2015.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987, codified as Minnesota Statutes, Section 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2015, was 9,112 members and their dependents. The members of the pool include 69 school districts, 24 cities/townships, 5 counties, and 9 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums. Stop-loss coverage was discontinued effective January 1, 2015.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits the recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

Primary Government Self-Insured Claim Liabilities (In Thousands)					
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>	
Risk Management Fund					
Fiscal Year Ended 6/30/14	\$ 9,669	\$ 4,242	\$ 4,380	\$ 9,531	
Fiscal Year Ended 6/30/15	\$ 9,531	\$ 4,100	\$ 1,880	\$ 11,751	
Tort Claims					
Fiscal Year Ended 6/30/14	\$ -	\$ 270	\$ 270	\$ -	
Fiscal Year Ended 6/30/15	\$ -	\$ 878	\$ 878	\$ -	
Workers' Compensation					
Fiscal Year Ended 6/30/14	\$ 107,633	\$ 12,303	\$ 17,751	\$ 102,185	
Fiscal Year Ended 6/30/15	\$ 102,185	\$ 12,778	\$ 22,046	\$ 92,917	
State Employee Insurance Plans					
Fiscal Year Ended 6/30/14	\$ 61,809	\$ 681,154	\$ 678,994	\$ 63,969	
Fiscal Year Ended 6/30/15	\$ 63,969	\$ 740,456	\$ 733,145	\$ 71,280	

**Primary Government
Public Employee Insurance Program
Medical Claims
(In Thousands)**

	Year Ended June 30	
	2015	2014
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 7,535	\$ 3,606
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	\$ 78,705	\$ 68,028
Increases (Decreases) in Provision for Insured Events of Prior Years	536	561
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 79,241</u>	<u>\$ 68,589</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 70,741	\$ 60,813
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	7,659	3,847
Total Payments	<u>\$ 78,400</u>	<u>\$ 64,660</u>
Total Unpaid Claims and Claim Adjustment Expenses, Ending	<u>\$ 8,376</u>	<u>\$ 7,535</u>

Component Units

Housing Finance Agency

Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort; to theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in the State Employee Group Insurance Plan (SEGIP), which provides life insurance and hospital, medical, and dental coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to torts; to theft of, damage to, and destruction of assets; to errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed above. MC has not experienced significant reduction in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to \$500,000 per claim and \$1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are \$400,000 per claim and \$1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 2.75 percent. The self-insurance retention limit for workers' compensation is \$1,920,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors' and officers' liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 0.83 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M's liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of the U of M's liability for medical claims, including incurred but not reported claims, is recorded.

**Component Units
Claims Liabilities
(In Thousands)**

	Beginning Claims Liability		Net Additions and Changes in Claims		Payment of Claims		Ending Claims Liability
Metropolitan Council - Workers' Compensation							
Fiscal Year Ended 12/31/13	\$ 16,452	\$	5,579	\$	5,389	\$	16,642
Fiscal Year Ended 12/31/14	\$ 16,642	\$	5,722	\$	5,692	\$	16,672
University of Minnesota - RUMINCO, Ltd.							
Fiscal Year Ended 6/30/14	\$ 7,181	\$	2,395	\$	2,034	\$	7,542
Fiscal Year Ended 6/30/15	\$ 7,542	\$	1,522	\$	2,358	\$	6,706
University of Minnesota - Workers' Compensation							
Fiscal Year Ended 6/30/14	\$ 11,760	\$	3,578	\$	2,292	\$	13,046
Fiscal Year Ended 6/30/15	\$ 13,046	\$	3,329	\$	2,401	\$	13,974
University of Minnesota - Medical/Dental							
Fiscal Year Ended 6/30/14	\$ 24,037	\$	259,083	\$	261,075	\$	22,045
Fiscal Year Ended 6/30/15	\$ 22,045	\$	250,460	\$	252,278	\$	20,227

Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. In addition, the GAAP General Fund includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two basis of accounting for the General Fund is provided in the following table.

General Fund Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2015 (In Thousands)	
GAAP Basis Fund Balance:	\$ 2,122,181
Less: Encumbrances ⁽¹⁾	179,341
Unassigned Fund Balance	<u>\$ 1,942,840</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (531,760)
Tax Refunds Payable	573,800
Human Services Receivable	(114,966)
Unearned Revenue	110,658
Escheat Asset	(17,726)
Other Receivables	(33,542)
Permanent School Fund Reimbursement	(1,300)
Investments at Market	8,524
Expenditure Accruals/Adjustments:	
Medical Care Programs	631,735
Human Services Grants Payable	62,611
Education Aids	821,064
Police and Fire Aid	94,410
Other Financial Sources (Uses):	
Transfer-In	(15,842)
Perspective Differences:	
Account with no Legally Adopted Budget	(1,395,595)
Long-Term Receivables	(5,384)
Appropriation Carryover	(95,608)
Budgetary Reserve	<u>(1,376,973)</u>
Budgetary Basis:	
Unassigned Fund Balance	<u>\$ 656,946</u>
⁽¹⁾ Encumbrances related to funds included in the budgetary General Fund.	

Note 19 – Litigation

- 1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2015, 2016, and 2017 are \$761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is \$1,000,000. The maximum limited liability for any one claim is \$300,000 for claims arising before August 1, 2007, and \$400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.
- 2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$15 million in excess of current levels.
 - a. At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).
 - b. *Electric Cooperative Assessment Cases* (Minnesota Tax Court). Electric cooperatives filed a series of 16 separate appeals in Tax Court of the commissioner of Revenue's assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year's end, if the cooperative has charged members in excess of the actual costs, it issues patronage adjustments in the form of "capital credits" to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department of Revenue initially paid the refunds to each appellant, but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to member's capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant's administrative appeal. There are an estimated 44 electric cooperatives in the state that are similarly situated. The Department estimates total financial potential impact to the state of the commissioner losing the legal issue in these cases is approximately \$20.9 million in one-time refunds with an on-going annual impact of \$4.2 million. In June 2014, the Tax Court issued a decision denying the taxpayers' claims. On August 5, 2015, the Supreme Court affirmed the Tax Court in part and remanded in part to the Tax Court.
 - c. *Guggenberger et al. v. State, et al.* (United States District Court, District of Minnesota). In August 2015, Plaintiffs filed suit alleging that the Department of Human Services' operation of the Medicaid Home and Community Based Waiver Services (HCBS) programs violates (1) the reasonable promptness provision of the Medicaid Act; (2) the integration mandate of the Americans with Disabilities Act; (3) the free choice provision of the Medicaid Act; (4) Plaintiffs' right to Due Process; and (5) Section 504 of the Rehabilitation Act. Plaintiffs seek class certification. As part of their requested relief, Plaintiffs seek state funds appropriated for Waiver

Services, but not spent in fiscal year 2015 to be frozen or otherwise encumbered. This amount may exceed \$15 million. Plaintiffs have indicated, however, that they will amend their complaint and remove requests related to freezing or encumbering state funds, but they have not yet done so.

- d. *Kimberly-Clark Corporation & Subsidiaries v. Commissioner of Revenue* (Minnesota Tax Court). The taxpayer filed an appeal in the Minnesota Tax Court challenging the commissioner's denial of the taxpayer's refund claims. The taxpayer alleges it is entitled to elect a corporate tax apportionment formula set forth in the Multistate Tax Compact, even though the Minnesota Legislature repealed that provision of the Compact from the Minnesota Statutes in 1987. Resolution of this case may impact the commissioner's assessments against other multistate tax filers and may impact refund claims corporate taxpayers have and may file with the commissioner. As of February 2015, multiple corporate taxpayers had filed about \$180 million in refund claims, with estimated potential total refunds of \$700 million. On June 19, 2015, the Minnesota Tax Court granted summary judgment to the commissioner of Revenue. The taxpayer appealed to the Minnesota Supreme Court.
- e. *Kiminski v. Hunt et al (formerly Beach/Ness v. Hunt et al.) and similar matters*: In January of 2013, the Department of Natural Resources (DNR) notified approximately 5,000 residents that their drivers' license data may have been improperly viewed by former DNR employee John Hunt. Since the notification, five putative class actions have been filed in federal court against the DNR, the Department of Public Safety, and various state employees in their individual and official capacities alleging violations of federal and state law resulting from Hunt's conduct. The suits have all been consolidated and a consolidated amended complaint has been filed. The suits include claims for relief under the federal Drivers Privacy Protection Act and 42 U.S.C. § 1983. The plaintiffs seek statutory damages, actual damages, punitive damages, injunctive relief, and attorneys' fees. Other similar cases have been filed against other state employees in their individual and official capacities alleging plaintiffs' drivers' license data may have been improperly viewed by state employees. Motions to dismiss have been or will be filed in each case. To date, all such motions that have been resolved by the trial court have resulted in dismissals for the state employees. Several cases are now on appeal. The Eighth Circuit Court of Appeals has affirmed the dismissal of three of the cases. The other cases remain on appeal.
- f. *Minnesota Energy Resources Corp. (MERC) v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation's real, personal, and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008-2012 are consolidated. MERC has also filed separate appeals for the 2013 and 2014 years. The pipeline corporation argues: (1) that the commissioner has failed to correctly determine the market value (as defined in Minnesota Statutes, Section 272.03, Subdivision 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (Art. X, Sec. 1), and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is \$126 million under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. MERC objects to both the old and new rules. Specifically, MERC disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation and the weighting of cost factors and, thus, claim that the property tax assessments are not applied evenly throughout Minnesota. In September 2014, the Tax Court issued a decision in the 2008-2012 consolidated cases. The decision upheld certain of MERC's claims and denied other claims. For all five years combined, the net result of the Tax Court's decision is that MERC would receive a total refund of \$1.35 million, only 30 percent of which would be the state's share. Both sides appealed to the Supreme Court with oral argument held on November 4, 2015. The 2013 and 2014 appeals have been stayed pending final resolution of the 2008-2012 cases.

Note 20 – Subsequent Events

Primary Government

On August 19, 2015, the state sold \$368.2 million of general obligation state various purpose bonds Series 2015A at a true interest rate of 2.93 percent, \$310.0 million of general obligation state trunk highway bonds Series 2015B at a true interest rate of 2.88 percent, \$7.2 million general obligation taxable state various purpose bonds Series 2015C at a true interest rate of 2.43 percent, \$376.7 million of general obligation state various purpose refunding bonds Series 2015D at a true interest rate of 2.18 percent, and \$14.9 million of general obligation state trunk highway refunding bonds Series 2015E at a true interest rate of 2.15 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

Component Units

On August 26, 2015, the Regents of the University of Minnesota (U of M) issued \$90.1 million of special purpose revenue refunding bonds (State Supported Stadium Debt) Series 2015A at a true interest rate of 2.65 percent. The proceeds of the bonds will be used to refund the U of M's special purpose revenue bonds Series 2006 which were issued to finance a portion of the costs of construction of a new football stadium on the U of M's Twin Cities campus. Minnesota Statutes, Sections 137.5 through 137.6, was amended by Minnesota Session Laws 2015, Chapter 69. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.

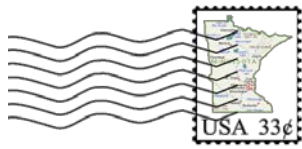
On September 1, 2015, Housing Finance Agency (HFA) issued \$31.1 million of state appropriation bonds (Housing Infrastructure) Series 2015C at a true interest rate of 3.71 percent. The proceeds of the bonds will be used to provide money to fund Housing Infrastructure Loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.



State of Minnesota

Required Supplementary Information

2015
Comprehensive
Annual
Financial Report





2015 Comprehensive Annual Financial Report Required Supplementary Information

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking), and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below:

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI will be used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher, and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2014	3.41	3.35
2013	3.40	3.26
2012	3.36	3.24

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will be maintained at fair to good.

Assessed Conditions

Principal Arterial	2014	2013	2012
Fair to Good	95.2%	94.9%	94.5%

All Other Systems	2014	2013	2012
Fair to Good	93.8%	93.6%	93.0%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the Established Condition Levels cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			Total Construction Program
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	
Budget	2015	\$ 255,033	\$ 230,075	\$ 485,108	\$ 55,789	\$ 403,213	\$ 459,002	\$ 944,110
	2014	251,019	248,841	499,860	78,143	627,255	705,398	1,205,258
	2013	179,581	289,898	469,479	36,480	691,872	728,352	1,197,831
	2012	257,442	288,138	545,580	23,111	504,601	527,712	1,073,292
	2011	241,801	270,378	512,179	25,390	356,957	382,347	894,526
Actual	2015	\$ 197,844	\$ 384,351	\$ 582,195	\$ 71,852	\$ 606,939	\$ 678,791	\$ 1,260,986
	2014	233,201	301,058	534,259	64,837	593,933	658,770	1,193,029
	2013	137,387	190,739	328,126	58,127	615,638	673,765	1,001,891
	2012	105,736	158,438	264,174	64,810	571,693	636,503	900,677
	2011	153,245	156,672	309,917	60,898	566,820	627,718	937,635

Defined Benefit Plans – State Participating

The state of Minnesota contributes as an employer and/or non-employer contributing entity into five primary government administered multiple-employer cost sharing plans, two non-primary government administered multiple-employer cost sharing plans, and three primary government administered single-employer plans. See Note 8 – Pension and Investment Trust Funds for more information on each plan.

Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Minneapolis Employees Retirement Fund (MERF)
- Teachers Retirement Fund (TRF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Duluth Teachers' Retirement Fund (DTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information						
Primary Government Administered Multiple-Employer Cost Sharing Plans						
Schedule of Contributions						
(In Thousands)						
	SERF		CERF		GERF	
	2014	2015	2014	2015	2014	2015
Statutorily Required Contribution as an:						
Employer ⁽¹⁾	\$ 93,957	\$ 107,313	\$ 26,421	\$ 29,378	\$ 2,782	\$ 2,655
Covered-Member Payroll	\$ 1,923,040	\$ 1,991,846	\$ 218,860	\$ 218,148	\$ 37,715	\$ 41,690
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.4%	12.1%	13.5%	7.4%	6.4%

⁽¹⁾ Statutorily required contributions equal actual required contributions.

Note: Data begins in fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015.

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

	MERF		TRF	
	2014	2015	2014	2015
Statutorily Required Contribution as an:				
Employer ⁽¹⁾	\$ -	\$ -	\$ 13,206	\$ 14,542
Non-Employer Contributing Entity ⁽¹⁾	24,000	24,000	16,501	29,831
Total Statutorily Required Contribution	\$ 24,000	\$ 24,000	\$ 29,707	\$ 44,373
Covered-Member Payroll	N/A	N/A	\$ 167,667	\$ 177,998
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A	7.9%	8.2%

⁽¹⁾Statutorily required contributions equal actual required contributions.

Note: Data begins in fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015.

Required Supplementary Information
Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

	SPTRF		DTRF	
	2014	2015	2014	2015
Statutorily Required Contribution as an:				
Employer ⁽¹⁾	\$ 109	\$ 86	\$ 55	\$ 56
Non-Employer Contributing Entity ⁽¹⁾	10,665	9,827	6,555	6,346
Total Statutorily Required Contribution	\$ 10,774	\$ 9,913	\$ 6,610	\$ 6,402
Covered-Member Payroll	\$ 1,749	\$ 1,675	\$ 729	\$ 760
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	5.1%	7.5%	7.4%

⁽¹⁾Statutorily required contributions equal actual required contributions.

Note: Data begins in fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015.

**Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability
(In Thousands)**

	SERF 2015	CERF 2015	GERF 2015	MERF 2015	TRF 2015	SPTRF 2015	DTRF 2015
Primary Government's Proportion of the Net Pension Liability as an:							
Employer	73.38%	99.80%	0.70%	-	4.13%	0.31%	0.55%
Non-Employer Contributing Entity	-	-	-	43.35%	5.17%	30.34%	64.98%
Total Primary Government's Proportion of the Net Pension Liability	<u>73.38%</u>	<u>99.80%</u>	<u>0.70%</u>	<u>43.35%</u>	<u>9.30%</u>	<u>30.65%</u>	<u>65.53%</u>
Primary Government's Proportionate Share of the Net Pension Liability as an:							
Employer	\$ 1,189,902	\$ 475,387	\$ 33,103	\$ -	\$ 190,460	\$ 1,666	\$ 1,401
Non-Employer Contributing Entity	-	-	-	95,900	237,958	162,576	166,948
Total Primary Government's Proportionate Share of the Net Pension Liability	<u>\$ 1,189,902</u>	<u>\$ 475,387</u>	<u>\$ 33,103</u>	<u>\$ 95,900</u>	<u>\$ 428,418</u>	<u>\$ 164,242</u>	<u>\$ 168,349</u>
Primary Government's Covered-Member Payroll-measurement period	\$ 1,923,040	\$ 218,860	\$ 37,715	N/A	\$ 167,667	\$ 1,749	\$ 729
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a percentage of its Covered-Member Payroll	61.9%	217.2%	87.8%	N/A	113.6%	95.3%	192.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	64.8%	78.7%	80.9%	81.5%	66.1%	46.8%

Note: The state implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015 using the most recent actuarial report available of June 30, 2014.

**Required Supplementary Information
Primary Government Administered Single-Employer Plan
Judges Retirement Fund (JRF)
Schedule of Contributions
(In Thousands)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Statutorily Required Contribution ⁽¹⁾	\$ 7,336	\$ 7,572	\$ 7,935	\$ 8,219	\$ 8,283	\$ 8,297	\$ 7,922	\$ 8,177	\$ 9,426	\$ 9,776
Covered-Member Payroll	\$ 36,529	\$ 36,195	\$ 38,296	\$ 39,444	\$ 39,291	\$ 40,473	\$ 38,644	\$ 39,888	\$ 41,893	\$ 41,118
Contributions as a Percentage of Covered-Member Payroll	20.1%	20.9%	20.7%	20.8%	21.1%	20.5%	20.5%	20.5%	22.5%	23.8%

⁽¹⁾Statutorily required contributions equal actual required contributions.

**Required Supplementary Information
Primary Government Administered Single-Employer Plan
Legislators Retirement Fund (LRF)
Schedule of Contributions
(In Thousands)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Statutorily Required Contribution ⁽¹⁾	\$ 5,685	\$ 1,772	\$ 2,217	\$ 1,269	\$ 1,975	\$ 2,805	\$ 3,935	\$ 3,399	\$ 3,436	\$ 3,216
Covered-Member Payroll	\$ 2,894	\$ 2,380	\$ 1,993	\$ 1,963	\$ 1,877	\$ 1,774	\$ 1,378	\$ 1,233	\$ 1,122	\$ 1,697
Contributions as a Percentage of Covered-Member Payroll	196.4%	74.5%	111.2%	64.6%	105.2%	158.1%	285.6%	275.7%	306.2%	189.5%

⁽¹⁾Statutorily required contributions equal actual required contributions.

**Required Supplementary Information
Primary Government Administered Single-Employer Plan
State Patrol Retirement Fund (SPRF)
Schedule of Contributions
(In Thousands)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Statutorily Required Contribution ⁽¹⁾	\$ 7,055	\$ 7,461	\$ 8,279	\$ 9,178	\$ 10,104	\$ 9,873	\$ 11,620	\$ 11,482	\$ 12,894	\$ 13,763
Covered-Member Payroll	\$ 57,765	\$ 61,498	\$ 60,029	\$ 61,511	\$ 63,250	\$ 63,250	\$ 62,524	\$ 62,121	\$ 63,952	\$ 68,465
Contributions as a Percentage of Covered-Member Payroll	12.2%	12.1%	13.8%	14.9%	16.0%	15.6%	18.6%	18.5%	20.2%	20.1%

⁽¹⁾Statutorily required contributions equal actual required contributions.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios
(In Thousands)

	JRF 2015	LRF 2015	SPRF 2015
Total Pension Liability			
Service Cost	\$ 12,075	\$ 398	\$ 14,514
Interest on the Total Pension Liability	20,535	6,177	60,183
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(237)	(5,771)
Changes in Assumptions	(8,416)	11,201	30,058
Benefit Payments, Including Refunds of Member Contributions	<u>(20,802)</u>	<u>(8,486)</u>	<u>(53,722)</u>
Net Change in Total Pension Liability	<u>\$ 8,472</u>	<u>\$ 9,053</u>	<u>\$ 45,262</u>
Total Pension Liability – Beginning	<u>\$ 373,039</u>	<u>\$ 137,446</u>	<u>\$ 781,411</u>
Total Pension Liability - Ending	<u>\$ 381,511</u>	<u>\$ 146,499</u>	<u>\$ 826,673</u>
Fiduciary Net Position			
Contributions – Employer	\$ 9,426	\$ 3,436	\$ 12,894
Contributions – Member	3,578	101	7,930
Net Investment Income	28,011	1,750	107,187
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(8,486)	(53,722)
Pension Plan Administrative Expenses	<u>(55)</u>	<u>(36)</u>	<u>(150)</u>
Net Change in Plan Fiduciary Net Position	<u>\$ 20,158</u>	<u>\$ (3,235)</u>	<u>\$ 74,139</u>
Plan Fiduciary Net Position – Beginning as Restated	<u>\$ 155,398</u>	<u>\$ 11,493</u>	<u>\$ 593,201</u>
Plan Fiduciary Net Position – Ending	<u>\$ 175,556</u>	<u>\$ 8,258</u>	<u>\$ 667,340</u>
Net Pension Liability	<u>\$ 205,955</u>	<u>\$ 138,241</u>	<u>\$ 159,333</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	5.6%	80.7%
Covered-Member Payroll – measurement period	\$ 41,893	\$ 1,122	\$ 63,952
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	12,320.9%	249.1%

Note: The state implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015 using the most recent actuarial report available of June 30, 2014.

Actuarial Measures of Other Postemployment Benefits Funding Progress

The state of Minnesota offers other postemployment benefits to state employees and their dependents through a single-employer defined benefit health care plan.

Required Supplementary Information Schedule of Funding Progress (In Thousands)		
Actuarial Valuation Date		7/1/2014 ⁽¹⁾ 7/1/2012 7/1/2010
Actuarial Value of Plan Assets	7/1/2014	\$ -
	7/1/2012	\$ -
	7/1/2010	\$ -
Actuarial Accrued Liability	7/1/2014	\$ 666,638
	7/1/2012	\$ 651,890
	7/1/2010	\$ 799,321
Total Unfunded Actuarial Liability	7/1/2014	\$ 666,638
	7/1/2012	\$ 651,890
	7/1/2010	\$ 799,321
Funded Ratio ⁽²⁾	7/1/2014	0%
	7/1/2012	0%
	7/1/2010	0%
Annual Covered Payroll	7/1/2014	\$ 3,243,316
	7/1/2012	\$ 2,819,463
	7/1/2010	\$ 3,027,241
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2014	21%
	7/1/2012	23%
	7/1/2010	26%
<p>⁽¹⁾ The July 1, 2014, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.</p> <p>⁽²⁾ Actuarial value of assets as a percent of actuarial accrued liability.</p>		

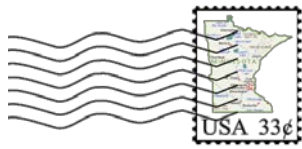
Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claims is a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years (in thousands).

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Required Contribution and Investment Revenue:										
Earned	\$ 14,942	\$ 13,219	\$ 13,439	\$ 12,286	\$ 25,031	\$ 34,161	\$ 45,413	\$ 49,244	\$ 90,110	\$ 96,008
Ceded	(1,491)	(1,347)	(1,298)	(1,218)	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)	(4,607)
Net Earned	\$ 13,451	\$ 11,872	\$ 12,141	\$ 11,068	\$ 22,347	\$ 31,501	\$ 41,911	\$ 44,662	\$ 81,738	\$ 91,401
2. Unallocated Expenses:										
	\$ 1,638	\$ 1,547	\$ 1,505	\$ 1,534	\$ 2,037	\$ 2,411	\$ 3,018	\$ 3,612	\$ 6,390	\$ 7,435
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	\$ 12,551	\$ 11,206	\$ 10,748	\$ 9,473	\$ 19,350	\$ 24,134	\$ 38,173	\$ 41,959	\$ 73,795	\$ 86,276
Ceded	(1,382)	(1,782)	(380)	(667)	(562)	(1,491)	(2,149)	(4,909)	(5,767)	(7,571)
Net Incurred	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643	\$ 36,024	\$ 37,050	\$ 68,028	\$ 78,705
4. Net Paid (Cumulative) as of:										
End of Policy Year	\$ 10,055	\$ 8,226	\$ 9,403	\$ 7,921	\$ 16,848	\$ 20,720	\$ 32,176	\$ 33,836	\$ 60,813	\$ 70,741
One Year Later	11,282	9,352	10,415	8,482	18,828	23,219	35,718	37,353	68,176	
Two Years Later	11,301	9,358	10,413	8,454	18,826	23,200	35,946	37,608		
Three Years Later	11,301	9,358	10,413	8,454	18,826	23,303	35,986			
Four Years Later	11,301	9,358	10,413	8,454	18,826	23,303				
Five Years Later	11,301	9,358	10,413	8,454	18,826					
Six Years Later	11,301	9,358	10,413	8,454						
Seven Years Later	11,301	9,358	10,413							
Eight Years Later	11,301	9,358								
Nine Years Later	11,301									
5. Reestimated Ceded Claims and Expenses:										
	\$ 1,382	\$ 1,782	\$ 380	\$ 667	\$ 562	\$ 1,491	\$ 2,149	\$ 4,909	\$ 5,767	\$ 7,571
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643	\$ 36,024	\$ 37,050	\$ 68,028	\$ 78,705
One Year Later	11,294	9,362	10,425	8,502	18,848	23,249	36,006	37,673	68,588	
Two Years Later	11,301	9,358	10,413	8,454	18,826	23,304	35,946	37,608		
Three Years Later	11,301	9,358	10,413	8,454	18,826	23,303	35,986			
Four Years Later	11,301	9,358	10,413	8,454	18,826	23,303				
Five Years Later	11,301	9,358	10,413	8,454	18,826					
Six Years Later	11,301	9,358	10,413	8,454						
Seven Years Later	11,301	9,358	10,413							
Eight Years Later	11,301	9,358								
Nine Years Later	11,301									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	\$ 132	\$ (66)	\$ 45	\$ (352)	\$ 38	\$ 660	\$ (38)	\$ 558	\$ 560	\$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

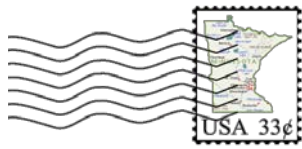




State of Minnesota

Combining and Individual Fund Statements – Nonmajor Funds

2015
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State of Minnesota

2015
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Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

Debt Service Fund

The fund accounts for the accumulation of resources for, and the payment of, most general obligation and state appropriation long-term debt principal and interest as well as lease-purchase financing for technology improvement.

Permanent Fund

Permanent School Fund

The constitutionally established trust fund receives revenue from investments and the sale of state land and timber for distribution to school districts.

STATE OF MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2015
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents.....	\$ 3,487,686	\$ 751,702	\$ 89,877	\$ 766,487	\$ 5,095,752
Investments.....	193,996	115,278	1,082,013	-	1,391,287
Accounts Receivable.....	414,493	-	4,016	15	418,524
Interfund Receivables.....	153,221	415	3,475	26,688	183,799
Due from Component Unit.....	-	73,237	-	-	73,237
Accrued Investment/Interest Income.....	658	1,232	4,136	-	6,026
Federal Aid Receivable.....	63,896	-	-	-	63,896
Inventories.....	40,433	-	-	-	40,433
Loans and Notes Receivable.....	132,355	-	-	93	132,448
Investment in Land.....	-	-	15,960	-	15,960
Total Assets.....	\$ 4,486,738	\$ 941,864	\$ 1,199,477	\$ 793,283	\$ 7,421,362
LIABILITIES					
Liabilities:					
Accounts Payable.....	\$ 545,149	\$ 29	\$ 17	\$ 98,400	\$ 643,595
Interfund Payables.....	73,257	28,622	8,000	24,770	134,649
Due to Component Unit.....	1,539	-	-	41,160	42,699
Unearned Revenue.....	1,338	-	-	-	1,338
Total Liabilities.....	\$ 621,283	\$ 28,651	\$ 8,017	\$ 164,330	\$ 822,281
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue.....	\$ 125,994	\$ -	\$ 306	\$ -	\$ 126,300
Total Deferred Inflows of Resources.....	\$ 125,994	\$ -	\$ 306	\$ -	\$ 126,300
FUND BALANCES					
Fund Balances:					
Nonspendable.....	\$ 40,433	\$ -	\$ 1,184,420	\$ -	\$ 1,224,853
Restricted.....	2,337,043	913,213	6,734	451,580	3,708,570
Committed.....	856,985	-	-	-	856,985
Assigned.....	505,000	-	-	177,373	682,373
Total Fund Balances.....	\$ 3,739,461	\$ 913,213	\$ 1,191,154	\$ 628,953	\$ 6,472,781
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	\$ 4,486,738	\$ 941,864	\$ 1,199,477	\$ 793,283	\$ 7,421,362

STATE OF MINNESOTA

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes.....	\$ 316,506	\$ -	\$ -	\$ -	\$ 316,506
Motor Vehicle Taxes.....	1,117,874	-	-	-	1,117,874
Fuel Taxes.....	908,740	-	-	-	908,740
Other Taxes.....	870,733	-	-	-	870,733
Federal Revenues.....	456,723	-	-	-	456,723
Licenses and Fees.....	332,889	-	22	-	332,911
Departmental Services.....	174,718	-	33,140	-	207,858
Investment/Interest Income.....	25,603	10,598	55,426	68	91,695
Other Revenues.....	327,015	1,626	236	-	328,877
Net Revenues.....	\$ 4,530,801	\$ 12,224	\$ 88,824	\$ 68	\$ 4,631,917
Expenditures:					
Current:					
Agricultural, Environmental and Energy Resources.....	\$ 507,593	\$ -	\$ 9,540	\$ 49,887	\$ 567,020
Economic and Workforce Development.....	179,361	-	-	115,016	294,377
General Education.....	41,018	-	25,639	5,770	72,427
General Government.....	83,817	160	-	218,620	302,597
Health and Human Services.....	761,436	-	-	1,204	762,640
Higher Education.....	24,968	-	-	35,596	60,564
Intergovernmental Aid.....	543	-	-	-	543
Public Safety and Corrections.....	196,479	-	-	-	196,479
Transportation.....	2,163,287	-	-	104,177	2,267,464
Total Current Expenditures.....	\$ 3,958,502	\$ 160	\$ 35,179	\$ 530,270	\$ 4,524,111
Capital Outlay.....	460,056	-	-	483,946	944,002
Debt Service.....	4,899	930,798	-	-	935,697
Total Expenditures.....	\$ 4,423,457	\$ 930,958	\$ 35,179	\$ 1,014,216	\$ 6,403,810
Excess of Revenues Over (Under) Expenditures.....	\$ 107,344	\$ (918,734)	\$ 53,645	\$ (1,014,148)	\$ (1,771,893)
Other Financing Sources (Uses):					
Bond Issuance.....	\$ -	\$ 6,781	\$ -	\$ 713,519	\$ 720,300
Certificate of Participation Issuance.....	-	-	-	80,100	80,100
Issuance of Refunding Bonds.....	3,930	146,045	-	-	149,975
Payment to Refunded Bonds Escrow Agent.....	(3,930)	(146,045)	-	-	(149,975)
Bond and Certificate of Participation Issue Premium.....	249	39,765	-	83,404	123,418
Transfers-In.....	791,843	883,095	3,857	23	1,678,818
Transfers-Out.....	(307,527)	-	-	(55,447)	(362,974)
Net Other Financing Sources (Uses).....	\$ 484,565	\$ 929,641	\$ 3,857	\$ 821,599	\$ 2,239,662
Net Change in Fund Balances.....	\$ 591,909	\$ 10,907	\$ 57,502	\$ (192,549)	\$ 467,769
Fund Balances, Beginning, as Reported.....	\$ 3,147,552	\$ 902,306	\$ 1,133,652	\$ 821,502	\$ 6,005,012
Fund Balances, Ending.....	\$ 3,739,461	\$ 913,213	\$ 1,191,154	\$ 628,953	\$ 6,472,781



State of Minnesota

2015
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Nonmajor Special Revenue Funds

Trunk Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels and federal grants to plan, design, construct, and maintain the state trunk highway system.

Highway User Tax Distribution Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels to administer vehicle licensing services.

State Airports Fund

The fund uses revenue from aviation-related taxes and fees to provide technical and financial assistance to municipal airports and to promote aviation safety, planning, and regulation.

Municipal State-Aid Street Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels primarily for distribution to municipalities for improvement of streets.

County State-Aid Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels for distribution to counties for improvement of county roads.

Petroleum Tank Cleanup Fund

The fund receives funding from a fee imposed on petroleum distributors to reimburse responsible parties for most of their costs to clean up environmental contamination from petroleum tanks.

Nonmajor Special Revenue Funds – Continued

Natural Resources Fund

The fund receives taxes from fuel used in recreational vehicles, and fees and donations that are used to fund management of the related natural resource programs.

Game and Fish Fund

The fund receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes.

Environmental and Remediation Fund

The fund accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems. It also accounts for activities that respond to, and correct releases of, hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

Douglas J. Johnson Economic Protection Trust Fund

The fund receives distribution from taconite production taxes to be held in trust or expended only in economic emergency for the purposes of rehabilitation and diversification of industry in the area largely dependent on the taconite mining industry.

Heritage Fund

The fund receives a portion of sales and use taxes to restore, protect, and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage.

Endowment Fund

The fund receives gifts and donations that may be expended only for those purposes specified by the donors.

Special Compensation Fund

The fund receives assessments on all insurers for administration of the state workers' compensation program, including enforcement, reimbursement of certain supplemental benefits, and payment of claims to employees of uninsured and bankrupt firms.

Health Care Access Fund

The fund receives taxes on health service providers and premiums for programs to help contain the costs of health care, make reforms in health insurance, and provide competitively-priced insurance for people unable to obtain affordable coverage.

Workforce Development Fund

The fund receives special assessments levied on employers for employment and training programs.

Miscellaneous Special Revenue Fund

The fund includes numerous smaller accounts whose revenues are restricted or committed to a variety of specific purposes.

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

**JUNE 30, 2015
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
ASSETS			
Cash and Cash Equivalents.....	\$ 890,765	\$ 2,963	\$ 35,887
Investments.....	-	-	-
Accounts Receivable.....	58,466	8,583	1,432
Interfund Receivables.....	18,950	3,711	2,673
Accrued Investment/Interest Income.....	-	-	-
Federal Aid Receivable.....	57,752	-	-
Inventories.....	40,424	-	-
Loans and Notes Receivable.....	-	-	2,392
Total Assets.....	<u>\$ 1,066,357</u>	<u>\$ 15,257</u>	<u>\$ 42,384</u>
LIABILITIES			
Liabilities:			
Accounts Payable.....	\$ 227,722	\$ 2,193	\$ 4,064
Interfund Payables.....	-	10,319	-
Due to Component Unit.....	-	-	-
Unearned Revenue.....	-	-	-
Total Liabilities.....	<u>\$ 227,722</u>	<u>\$ 12,512</u>	<u>\$ 4,064</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue.....	\$ 1,259	\$ -	\$ -
Total Deferred Inflows of Resources.....	<u>\$ 1,259</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Fund Balances:			
Nonspendable.....	\$ 40,424	\$ -	\$ -
Restricted.....	796,952	2,745	38,320
Committed.....	-	-	-
Assigned.....	-	-	-
Total Fund Balances.....	<u>\$ 837,376</u>	<u>\$ 2,745</u>	<u>\$ 38,320</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 1,066,357</u>	<u>\$ 15,257</u>	<u>\$ 42,384</u>

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDATION
\$ 170,594	\$ 508,214	\$ 21,265	\$ 43,484	\$ 36,423	\$ 34,187
-	-	-	-	17,666	66,419
6,125	23,319	105	2,862	1,649	9,575
-	23,266	-	21,337	1,028	10,729
-	-	-	-	53	203
9	35	-	-	6,100	-
-	-	-	-	-	-
-	-	-	-	-	642
<u>\$ 176,728</u>	<u>\$ 554,834</u>	<u>\$ 21,370</u>	<u>\$ 67,683</u>	<u>\$ 62,919</u>	<u>\$ 121,755</u>
\$ 14,691	\$ 128,035	\$ 1,512	\$ 7,054	\$ 7,026	\$ 7,245
-	-	2,135	4,717	1,557	-
-	-	-	-	-	294
-	-	-	-	-	-
<u>\$ 14,691</u>	<u>\$ 128,035</u>	<u>\$ 3,647</u>	<u>\$ 11,771</u>	<u>\$ 8,583</u>	<u>\$ 7,539</u>
\$ 183	\$ 695	\$ 103	\$ -	\$ -	\$ 3,102
<u>\$ 183</u>	<u>\$ 695</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,102</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161,854	426,104	17,620	-	54,336	111,114
-	-	-	55,912	-	-
-	-	-	-	-	-
<u>\$ 161,854</u>	<u>\$ 426,104</u>	<u>\$ 17,620</u>	<u>\$ 55,912</u>	<u>\$ 54,336</u>	<u>\$ 111,114</u>
<u>\$ 176,728</u>	<u>\$ 554,834</u>	<u>\$ 21,370</u>	<u>\$ 67,683</u>	<u>\$ 62,919</u>	<u>\$ 121,755</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 COMBINING BALANCE SHEET
 JUNE 30, 2015
 (IN THOUSANDS)**

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
ASSETS			
Cash and Cash Equivalents.....	\$ 51,189	\$ 368,780	\$ 27,571
Investments.....	108,555	-	1,356
Accounts Receivable.....	4,084	24,489	725
Interfund Receivables.....	-	23,280	-
Accrued Investment/Interest Income.....	397	-	5
Federal Aid Receivable.....	-	-	-
Inventories.....	-	-	-
Loans and Notes Receivable.....	56,888	-	-
Total Assets.....	<u>\$ 221,113</u>	<u>\$ 416,549</u>	<u>\$ 29,657</u>
LIABILITIES			
Liabilities:			
Accounts Payable.....	\$ 41	\$ 19,200	\$ 532
Interfund Payables.....	-	378	-
Due to Component Unit.....	-	107	-
Unearned Revenue.....	-	-	-
Total Liabilities.....	<u>\$ 41</u>	<u>\$ 19,685</u>	<u>\$ 532</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue.....	\$ 4,076	\$ 7	\$ 1
Total Deferred Inflows of Resources.....	<u>\$ 4,076</u>	<u>\$ 7</u>	<u>\$ 1</u>
FUND BALANCES			
Fund Balances:			
Nonspendable.....	\$ -	\$ -	\$ -
Restricted.....	-	396,857	29,124
Committed.....	216,996	-	-
Assigned.....	-	-	-
Total Fund Balances.....	<u>\$ 216,996</u>	<u>\$ 396,857</u>	<u>\$ 29,124</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 221,113</u>	<u>\$ 416,549</u>	<u>\$ 29,657</u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 50,578	\$ 706,372	\$ 37,815	\$ 501,599	\$ 3,487,686
-	-	-	-	193,996
95,433	124,611	15,821	37,214	414,493
686	7,100	50	40,411	153,221
-	-	-	-	658
-	-	-	-	63,896
-	-	-	9	40,433
-	-	-	72,433	132,355
<u>\$ 146,697</u>	<u>\$ 838,083</u>	<u>\$ 53,686</u>	<u>\$ 651,666</u>	<u>\$ 4,486,738</u>
\$ 21,124	\$ 35,809	\$ 3,978	\$ 64,923	\$ 545,149
1,000	31,051	-	22,100	73,257
-	-	-	1,138	1,539
-	1,338	-	-	1,338
<u>\$ 22,124</u>	<u>\$ 68,198</u>	<u>\$ 3,978</u>	<u>\$ 88,161</u>	<u>\$ 621,283</u>
\$ 96,578	\$ 2,881	\$ 1,352	\$ 15,757	\$ 125,994
<u>\$ 96,578</u>	<u>\$ 2,881</u>	<u>\$ 1,352</u>	<u>\$ 15,757</u>	<u>\$ 125,994</u>
\$ -	\$ -	\$ -	\$ 9	\$ 40,433
27,995	-	48,356	225,666	2,337,043
-	262,004	-	322,073	856,985
-	505,000	-	-	505,000
<u>\$ 27,995</u>	<u>\$ 767,004</u>	<u>\$ 48,356</u>	<u>\$ 547,748</u>	<u>\$ 3,739,461</u>
<u>\$ 146,697</u>	<u>\$ 838,083</u>	<u>\$ 53,686</u>	<u>\$ 651,666</u>	<u>\$ 4,486,738</u>

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
Net Revenues:			
Sales Taxes.....	\$ -	\$ -	\$ 8,104
Motor Vehicle Taxes.....	648,487	5,148	11,729
Fuel Taxes.....	518,346	2,580	6,575
Other Taxes.....	-	-	-
Federal Revenues.....	416,905	-	-
Licenses and Fees.....	2,016	3,563	785
Departmental Services.....	5,410	867	2
Investment/Interest Income.....	4,423	114	153
Other Revenues.....	44,899	-	-
Net Revenues.....	<u>\$ 1,640,486</u>	<u>\$ 12,272</u>	<u>\$ 27,348</u>
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources.....	\$ -	\$ -	\$ -
Economic and Workforce Development.....	-	-	-
General Education.....	-	-	-
General Government.....	14	2,405	-
Health and Human Services.....	-	-	-
Higher Education.....	-	-	-
Intergovernmental Aid.....	-	-	-
Public Safety and Corrections.....	95,003	9,148	-
Transportation.....	1,087,324	10,292	25,395
Total Current Expenditures.....	<u>\$ 1,182,341</u>	<u>\$ 21,845</u>	<u>\$ 25,395</u>
Capital Outlay.....	410,293	-	-
Debt Service.....	2,431	13	-
Total Expenditures.....	<u>\$ 1,595,065</u>	<u>\$ 21,858</u>	<u>\$ 25,395</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 45,421</u>	<u>\$ (9,586)</u>	<u>\$ 1,953</u>
Other Financing Sources (Uses):			
Issuance of Refunding Bonds.....	\$ -	\$ -	\$ -
Payment to Refunded Bonds Escrow Agent.....	-	-	-
Bond Issue Premium.....	-	-	-
Transfers-In.....	30,357	-	-
Transfers-Out.....	(157,677)	(2,344)	-
Net Other Financing Sources (Uses).....	<u>\$ (127,320)</u>	<u>\$ (2,344)</u>	<u>\$ -</u>
Net Change in Fund Balances.....	<u>\$ (81,899)</u>	<u>\$ (11,930)</u>	<u>\$ 1,953</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 919,275</u>	<u>\$ 14,675</u>	<u>\$ 36,367</u>
Fund Balances, Ending.....	<u>\$ 837,376</u>	<u>\$ 2,745</u>	<u>\$ 38,320</u>

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDATION
\$ -	\$ 23,266	\$ -	\$ -	\$ -	\$ -
94,136	358,374	-	-	-	-
74,947	285,095	-	21,197	-	-
-	-	-	-	-	55,502
275	178	-	471	29,340	-
-	-	7,268	23,437	62,759	37,836
-	-	12	29,852	1,858	1,811
848	2,553	132	86	1,186	2,992
-	-	88	1,106	162	2,312
<u>\$ 170,206</u>	<u>\$ 669,466</u>	<u>\$ 7,500</u>	<u>\$ 76,149</u>	<u>\$ 95,305</u>	<u>\$ 100,453</u>
\$ -	\$ -	\$ 5,007	\$ 78,065	\$ 101,314	\$ 107,365
-	-	4,114	-	-	744
-	-	-	160	-	-
-	-	-	-	-	358
-	-	-	-	-	1,434
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	68
188,460	734,911	-	5,403	-	-
<u>\$ 188,460</u>	<u>\$ 734,911</u>	<u>\$ 9,121</u>	<u>\$ 83,628</u>	<u>\$ 101,314</u>	<u>\$ 109,969</u>
-	-	-	926	3,617	71
-	-	-	-	-	-
<u>\$ 188,460</u>	<u>\$ 734,911</u>	<u>\$ 9,121</u>	<u>\$ 84,554</u>	<u>\$ 104,931</u>	<u>\$ 110,040</u>
\$ (18,254)	\$ (65,445)	\$ (1,621)	\$ (8,405)	\$ (9,626)	\$ (9,587)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
10,000	-	859	17,749	13,810	70,525
-	(31,000)	(9,246)	(6,097)	(1,608)	(882)
<u>\$ 10,000</u>	<u>\$ (31,000)</u>	<u>\$ (8,387)</u>	<u>\$ 11,652</u>	<u>\$ 12,202</u>	<u>\$ 69,643</u>
<u>\$ (8,254)</u>	<u>\$ (96,445)</u>	<u>\$ (10,008)</u>	<u>\$ 3,247</u>	<u>\$ 2,576</u>	<u>\$ 60,056</u>
<u>\$ 170,108</u>	<u>\$ 522,549</u>	<u>\$ 27,628</u>	<u>\$ 52,665</u>	<u>\$ 51,760</u>	<u>\$ 51,058</u>
<u>\$ 161,854</u>	<u>\$ 426,104</u>	<u>\$ 17,620</u>	<u>\$ 55,912</u>	<u>\$ 54,336</u>	<u>\$ 111,114</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2015
 (IN THOUSANDS)**

	D J JOHNSON ECONOMIC PROTECTION		
	TRUST	HERITAGE	ENDOWMENT
Net Revenues:			
Sales Taxes.....	\$ -	\$ 285,136	\$ -
Motor Vehicle Taxes.....	-	-	-
Fuel Taxes.....	-	-	-
Other Taxes.....	6,954	-	-
Federal Revenues.....	-	-	-
Licenses and Fees.....	-	-	-
Departmental Services.....	180	-	-
Investment/Interest Income.....	7,917	1,872	602
Other Revenues.....	99	56	12,864
Net Revenues.....	<u>\$ 15,150</u>	<u>\$ 287,064</u>	<u>\$ 13,466</u>
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources.....	\$ -	\$ 145,791	\$ 3,103
Economic and Workforce Development.....	782	10,246	906
General Education.....	-	19,330	2,912
General Government.....	-	39,853	158
Health and Human Services.....	-	4,200	473
Higher Education.....	-	615	-
Intergovernmental Aid.....	-	-	-
Public Safety and Corrections.....	-	-	108
Transportation.....	-	19,683	-
Total Current Expenditures.....	<u>\$ 782</u>	<u>\$ 239,718</u>	<u>\$ 7,660</u>
Capital Outlay.....	-	29,637	5,158
Debt Service.....	1,826	-	-
Total Expenditures.....	<u>\$ 2,608</u>	<u>\$ 269,355</u>	<u>\$ 12,818</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 12,542</u>	<u>\$ 17,709</u>	<u>\$ 648</u>
Other Financing Sources (Uses):			
Issuance of Refunding Bonds.....	\$ 3,930	\$ -	\$ -
Payment to Refunded Bonds Escrow Agent.....	(3,930)	-	-
Bond Issue Premium.....	249	-	-
Transfers-In.....	-	-	3,945
Transfers-Out.....	(6,190)	(547)	(24)
Net Other Financing Sources (Uses).....	<u>\$ (5,941)</u>	<u>\$ (547)</u>	<u>\$ 3,921</u>
Net Change in Fund Balances.....	<u>\$ 6,601</u>	<u>\$ 17,162</u>	<u>\$ 4,569</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 210,395</u>	<u>\$ 379,695</u>	<u>\$ 24,555</u>
Fund Balances, Ending.....	<u><u>\$ 216,996</u></u>	<u><u>\$ 396,857</u></u>	<u><u>\$ 29,124</u></u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 316,506
-	-	-	-	1,117,874
-	-	-	-	908,740
81,568	646,551	52,621	27,537	870,733
-	-	-	9,554	456,723
2,113	-	-	193,112	332,889
5,149	18,936	-	110,641	174,718
285	945	186	1,309	25,603
-	27	4	265,398	327,015
<u>\$ 89,115</u>	<u>\$ 666,459</u>	<u>\$ 52,811</u>	<u>\$ 607,551</u>	<u>\$ 4,530,801</u>
\$ 695	\$ -	\$ -	\$ 66,253	\$ 507,593
76,983	-	49,417	36,169	179,361
-	-	-	18,616	41,018
6,672	2,083	-	32,274	83,817
-	466,572	-	288,757	761,436
-	2,157	-	22,196	24,968
-	-	-	543	543
-	-	-	92,152	196,479
-	-	-	91,819	2,163,287
<u>\$ 84,350</u>	<u>\$ 470,812</u>	<u>\$ 49,417</u>	<u>\$ 648,779</u>	<u>\$ 3,958,502</u>
-	-	-	10,354	460,056
-	169	-	460	4,899
<u>\$ 84,350</u>	<u>\$ 470,981</u>	<u>\$ 49,417</u>	<u>\$ 659,593</u>	<u>\$ 4,423,457</u>
<u>\$ 4,765</u>	<u>\$ 195,478</u>	<u>\$ 3,394</u>	<u>\$ (52,042)</u>	<u>\$ 107,344</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,930
-	-	-	-	(3,930)
-	-	-	-	249
-	512,100	-	132,498	791,843
(1,000)	(37,915)	(1,563)	(51,434)	(307,527)
<u>\$ (1,000)</u>	<u>\$ 474,185</u>	<u>\$ (1,563)</u>	<u>\$ 81,064</u>	<u>\$ 484,565</u>
<u>\$ 3,765</u>	<u>\$ 669,663</u>	<u>\$ 1,831</u>	<u>\$ 29,022</u>	<u>\$ 591,909</u>
<u>\$ 24,230</u>	<u>\$ 97,341</u>	<u>\$ 46,525</u>	<u>\$ 518,726</u>	<u>\$ 3,147,552</u>
<u>\$ 27,995</u>	<u>\$ 767,004</u>	<u>\$ 48,356</u>	<u>\$ 547,748</u>	<u>\$ 3,739,461</u>

STATE OF MINNESOTA

**NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2015
 (IN THOUSANDS)**

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	1,108,910	1,102,780
Fuel Taxes.....	-	-	881,700	887,818
Other Taxes.....	-	-	-	-
Federal Revenue.....	444,328	498,560	-	-
Licenses and Fees.....	7,373	2,020	2,000	3,563
Departmental Services.....	9,061	9,888	800	888
Investment/Interest Income.....	4,346	4,157	560	565
Other Revenues.....	26,543	44,762	-	-
Net Revenues.....	\$ 491,651	\$ 559,387	\$ 1,993,970	\$ 1,995,614
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ -	\$ -	\$ -	\$ -
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
General Government.....	1,200	14	2,339	2,286
Health and Human Services.....	-	-	-	-
Higher Education.....	-	-	-	-
Intergovernmental Aid.....	-	-	13	13
Public Safety and Corrections.....	98,407	98,268	9,270	9,257
Transportation.....	1,658,951	1,651,211	185	185
Total Expenditures.....	\$ 1,758,558	\$ 1,749,493	\$ 11,807	\$ 11,741
Excess of Revenues Over (Under)				
Expenditures.....	\$ (1,266,907)	\$ (1,190,106)	\$ 1,982,163	\$ 1,983,873
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,187,664	\$ 1,185,306	\$ -	\$ -
Transfers-Out.....	(157,778)	(157,778)	(1,989,414)	(1,989,414)
Net Other Financing Sources (Uses).....	\$ 1,029,886	\$ 1,027,528	\$ (1,989,414)	\$ (1,989,414)
Net Change in Fund Balances.....	\$ (237,021)	\$ (162,578)	\$ (7,251)	\$ (5,541)
Fund Balances, Beginning, as Reported.....	\$ 426,002	\$ 426,002	\$ 11,948	\$ 11,948
Prior Period Adjustments.....	-	14,508	-	5,211
Fund Balances, Beginning, as Restated.....	\$ 426,002	\$ 440,510	\$ 11,948	\$ 17,159
Budgetary Fund Balances, Ending.....	\$ 188,981	\$ 277,932	\$ 4,697	\$ 11,618
Less: Appropriation Carryover.....	-	74,927	-	-
Less: Reserved for Long-Term Receivables.....	-	-	-	-
Unassigned Fund Balance, Ending.....	\$ 188,981	\$ 203,005	\$ 4,697	\$ 11,618

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ 4,000	\$ 8,104	\$ -	\$ -	\$ 12,711	\$ 12,841
10,580	11,729	-	-	-	-
5,663	6,230	-	-	-	-
-	-	-	-	-	-
-	-	-	-	501	472
710	777	14,146	14,151	22,831	23,317
-	2	-	12	32,187	30,918
157	153	140	132	86	86
33	33	180	240	943	1,109
<u>\$ 21,143</u>	<u>\$ 27,028</u>	<u>\$ 14,466</u>	<u>\$ 14,535</u>	<u>\$ 69,259</u>	<u>\$ 68,743</u>
\$ -	\$ -	\$ 5,753	\$ 5,177	\$ 97,227	\$ 88,489
-	-	7,929	7,929	-	-
-	-	-	-	160	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,911	24,526	-	-	6,120	6,120
<u>\$ 24,911</u>	<u>\$ 24,526</u>	<u>\$ 13,682</u>	<u>\$ 13,106</u>	<u>\$ 103,507</u>	<u>\$ 94,769</u>
\$ (3,768)	\$ 2,502	\$ 784	\$ 1,429	\$ (34,248)	\$ (26,026)
\$ -	\$ -	\$ 859	\$ 859	\$ 30,296	\$ 32,434
-	-	(9,245)	(9,245)	(13,637)	(13,637)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,386)</u>	<u>\$ (8,386)</u>	<u>\$ 16,659</u>	<u>\$ 18,797</u>
<u>\$ (3,768)</u>	<u>\$ 2,502</u>	<u>\$ (7,602)</u>	<u>\$ (6,957)</u>	<u>\$ (17,589)</u>	<u>\$ (7,229)</u>
\$ 23,650	\$ 23,650	\$ 18,391	\$ 18,391	\$ 37,254	\$ 37,254
-	586	-	330	-	2,433
<u>\$ 23,650</u>	<u>\$ 24,236</u>	<u>\$ 18,391</u>	<u>\$ 18,721</u>	<u>\$ 37,254</u>	<u>\$ 39,687</u>
\$ 19,882	\$ 26,738	\$ 10,789	\$ 11,764	\$ 19,665	\$ 32,458
-	3,477	-	7,048	-	7,724
-	2,392	-	-	-	-
<u>\$ 19,882</u>	<u>\$ 20,869</u>	<u>\$ 10,789</u>	<u>\$ 4,716</u>	<u>\$ 19,665</u>	<u>\$ 24,734</u>

STATE OF MINNESOTA

**NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2015
 (IN THOUSANDS)**

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ 12,711	\$ 12,841	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-
Fuel Taxes.....	-	-	-	-
Other Taxes.....	-	-	54,580	55,441
Federal Revenue.....	26,665	28,264	-	-
Licenses and Fees.....	61,809	62,485	35,610	37,842
Departmental Services.....	1,586	1,825	2,227	1,811
Investment/Interest Income.....	150	164	221	154
Other Revenues.....	134	166	1,567	2,230
Net Revenues.....	\$ 103,055	\$ 105,745	\$ 94,205	\$ 97,478
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ 110,984	107,890	\$ 112,035	\$ 111,973
Economic and Workforce Development.....	-	-	1,707	1,707
General Education.....	-	-	-	-
General Government.....	-	-	440	326
Health and Human Services.....	-	-	1,480	1,475
Higher Education.....	-	-	-	-
Intergovernmental Aid.....	-	-	-	-
Public Safety and Corrections.....	-	-	69	68
Transportation.....	-	-	-	-
Total Expenditures.....	\$ 110,984	\$ 107,890	\$ 115,731	\$ 115,549
Excess of Revenues Over (Under)				
Expenditures.....	\$ (7,929)	\$ (2,145)	\$ (21,526)	\$ (18,071)
Other Financing Sources (Uses):				
Transfers-In.....	\$ 963	\$ 937	\$ 9,616	\$ 9,249
Transfers-Out.....	(1,618)	(1,618)	(863)	(863)
Net Other Financing Sources (Uses).....	\$ (655)	\$ (681)	\$ 8,753	\$ 8,386
Net Change in Fund Balances.....	\$ (8,584)	\$ (2,826)	\$ (12,773)	\$ (9,685)
Fund Balances, Beginning, as Reported.....	\$ 40,845	\$ 40,845	\$ 36,380	\$ 36,380
Prior Period Adjustments.....	-	615	-	1,339
Fund Balances, Beginning, as Restated.....	\$ 40,845	\$ 41,460	\$ 36,380	\$ 37,719
Budgetary Fund Balances, Ending.....	\$ 32,261	\$ 38,634	\$ 23,607	\$ 28,034
Less: Appropriation Carryover.....	-	7,795	-	15,600
Less: Reserved for Long-Term Receivables.....	-	-	-	642
Unassigned Fund Balance, Ending.....	\$ 32,261	\$ 30,839	\$ 23,607	\$ 11,792

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ 295,651	\$ 294,358	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	92,400	81,332	643,291	637,339
-	-	-	-	-	-
-	-	1,841	1,657	-	-
-	-	4,810	4,065	18,150	15,547
1,335	1,872	75	316	590	945
4	34	50	-	9,700	13,688
<u>\$ 296,990</u>	<u>\$ 296,264</u>	<u>\$ 99,176</u>	<u>\$ 87,370</u>	<u>\$ 671,731</u>	<u>\$ 667,519</u>
\$ 251,307	248,041	\$ 843	\$ 698	\$ -	\$ -
8,554	8,554	75,306	74,710	-	-
27,648	27,647	-	-	-	-
40,487	39,774	8,005	6,753	3,700	2,027
5,381	5,381	-	-	548,799	531,913
615	615	-	-	2,157	2,157
-	-	-	-	169	169
-	-	-	-	-	-
19,683	19,683	-	-	-	-
<u>\$ 353,675</u>	<u>\$ 349,695</u>	<u>\$ 84,154</u>	<u>\$ 82,161</u>	<u>\$ 554,825</u>	<u>\$ 536,266</u>
\$ (56,685)	\$ (53,431)	\$ 15,022	\$ 5,209	\$ 116,906	\$ 131,253
\$ -	\$ 14	\$ -	\$ -	\$ 505,000	\$ 511,998
(807)	(807)	(1,337)	(1,337)	(37,237)	(37,237)
<u>\$ (807)</u>	<u>\$ (793)</u>	<u>\$ (1,337)</u>	<u>\$ (1,337)</u>	<u>\$ 467,763</u>	<u>\$ 474,761</u>
<u>\$ (57,492)</u>	<u>\$ (54,224)</u>	<u>\$ 13,685</u>	<u>\$ 3,872</u>	<u>\$ 584,669</u>	<u>\$ 606,014</u>
\$ 162,733	\$ 162,733	\$ 78,118	\$ 78,118	\$ 51,449	\$ 51,449
-	46,991	-	(37,852)	-	4,925
<u>\$ 162,733</u>	<u>\$ 209,724</u>	<u>\$ 78,118</u>	<u>\$ 40,266</u>	<u>\$ 51,449</u>	<u>\$ 56,374</u>
\$ 105,241	\$ 155,500	\$ 91,803	\$ 44,138	\$ 636,118	\$ 662,388
-	119,499	-	4,919	-	2,688
-	-	-	-	-	-
<u>\$ 105,241</u>	<u>\$ 36,001</u>	<u>\$ 91,803</u>	<u>\$ 39,219</u>	<u>\$ 636,118</u>	<u>\$ 659,700</u>

STATE OF MINNESOTA

**NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2015
 (IN THOUSANDS)**

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ 325,073	\$ 328,144
Motor Vehicle Taxes.....	-	-	1,119,490	1,114,509
Fuel Taxes.....	-	-	887,363	894,048
Other Taxes.....	48,922	50,004	839,193	824,116
Federal Revenue.....	-	-	471,494	527,296
Licenses and Fees.....	-	-	146,320	145,812
Departmental Services.....	-	-	68,821	64,956
Investment/Interest Income.....	125	186	7,785	8,730
Other Revenues.....	-	-	39,154	62,262
Net Revenues.....	\$ 49,047	\$ 50,190	\$ 3,904,693	\$ 3,969,873
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ -	\$ -	\$ 578,149	\$ 562,268
Economic and Workforce Development.....	60,086	59,308	153,582	152,208
General Education.....	-	-	27,808	27,807
General Government.....	-	-	56,171	51,180
Health and Human Services.....	-	-	555,660	538,769
Higher Education.....	-	-	2,772	2,772
Intergovernmental Aid.....	-	-	182	182
Public Safety and Corrections.....	-	-	107,746	107,593
Transportation.....	-	-	1,709,850	1,701,725
Total Expenditures.....	\$ 60,086	\$ 59,308	\$ 3,191,920	\$ 3,144,504
Excess of Revenues Over (Under)				
Expenditures.....	\$ (11,039)	\$ (9,118)	\$ 712,773	\$ 825,369
Other Financing Sources (Uses):				
Transfers-In.....	\$ -	\$ -	\$ 1,734,398	\$ 1,740,797
Transfers-Out.....	-	-	(2,211,936)	(2,211,936)
Net Other Financing Sources (Uses).....	\$ -	\$ -	\$ (477,538)	\$ (471,139)
Net Change in Fund Balances.....	\$ (11,039)	\$ (9,118)	\$ 235,235	\$ 354,230
Fund Balances, Beginning, as Reported.....	\$ 23,432	\$ 23,432	\$ 910,202	\$ 910,202
Prior Period Adjustments.....	-	6,414	-	45,500
Fund Balances, Beginning, as Restated.....	\$ 23,432	\$ 29,846	\$ 910,202	\$ 955,702
Budgetary Fund Balances, Ending.....	\$ 12,393	\$ 20,728	\$ 1,145,437	\$ 1,309,932
Less: Appropriation Carryover.....	-	454	-	244,131
Less: Reserved for Long-Term Receivables.....	-	-	-	3,034
Unassigned Fund Balance, Ending.....	\$ 12,393	\$ 20,274	\$ 1,145,437	\$ 1,062,767

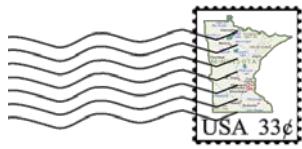
STATE OF MINNESOTA

**NOTE TO NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

**Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds**

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Appropriated Special Revenue Fund - Budget and Actual. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, and intrafund transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the Nonmajor Appropriated Special Revenue Funds is provided in the following table.

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental & Remediation	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	\$ 837,376	\$ 2,745	\$ 38,320	\$ 17,620	\$ 55,912	\$ 54,336	\$ 111,114	\$ 396,857	\$ 27,995	\$ 767,004	\$ 48,356
Less: Nonspendable Inventory	40,424	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	871,356	163	10,793	5,854	8,671	4,829	8,024	228,871	353	15,689	13,258
Unassigned Fund Balances	<u>\$ (74,404)</u>	<u>\$ 2,582</u>	<u>\$ 27,527</u>	<u>\$ 11,766</u>	<u>\$ 47,241</u>	<u>\$ 49,507</u>	<u>\$ 103,090</u>	<u>\$ 167,986</u>	<u>\$ 27,642</u>	<u>\$ 751,315</u>	<u>\$ 35,098</u>
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	\$ (40,937)	\$ (736)	\$ (770)	\$ -	\$ -	\$ -	\$ (6,377)	\$ (14,883)	\$ -	\$ (100,699)	\$ (14,370)
Other Receivables	(344)	(547)	(19)	(2)	(19,351)	(2,096)	-	-	(2,886)	(21,058)	-
Investments at Market	-	-	-	-	-	(8,216)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	28,262	-
Other Payables	-	10,319	-	-	1,338	-	286	2,397	19,045	4,568	-
Other Financing Sources (Uses):											
Transfers-In	-	-	-	-	(1,487)	(1,028)	-	-	-	-	-
Transfers-Out	-	-	-	-	4,717	467	-	-	337	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(68,965)	-	-	-	-
Long-Term Receivables	-	-	(2,392)	-	-	-	(642)	-	-	-	-
Long-Term Commitments	393,617	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(74,927)	-	(3,477)	(7,048)	(7,724)	(7,795)	(15,600)	(119,499)	(4,919)	(2,688)	(454)
Budgetary Basis Unassigned Fund Balances	<u>\$ 203,005</u>	<u>\$ 11,618</u>	<u>\$ 20,869</u>	<u>\$ 4,716</u>	<u>\$ 24,734</u>	<u>\$ 30,839</u>	<u>\$ 11,792</u>	<u>\$ 36,001</u>	<u>\$ 39,219</u>	<u>\$ 659,700</u>	<u>\$ 20,274</u>





State of Minnesota

2015
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Nonmajor Capital Projects Funds

Building Fund

The fund receives revenue from the sale of certificates of participation and state bonds to finance technology development and to provide funds for the acquisition, maintenance, and betterment of state and local lands and buildings.

General Projects Fund

The fund receives monies appropriated from the General Fund for building, maintenance, or capital improvement projects.

Transportation Fund

The fund receives transportation bond proceeds, General Fund appropriations, and federal grants for the construction or reconstruction of state and locally-owned transportation infrastructure.

STATE OF MINNESOTA

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 488,759	\$ 184,181	\$ 93,547	\$ 766,487
Accounts Receivable.....	15	-	-	15
Interfund Receivables.....	26,688	-	-	26,688
Loans and Notes Receivable.....	93	-	-	93
Total Assets.....	<u>\$ 515,555</u>	<u>\$ 184,181</u>	<u>\$ 93,547</u>	<u>\$ 793,283</u>
LIABILITIES				
Liabilities:				
Accounts Payable.....	\$ 62,922	\$ 6,808	\$ 28,670	\$ 98,400
Interfund Payables.....	2,239	-	22,531	24,770
Due to Component Unit.....	36,407	-	4,753	41,160
Total Liabilities.....	<u>\$ 101,568</u>	<u>\$ 6,808</u>	<u>\$ 55,954</u>	<u>\$ 164,330</u>
FUND BALANCES				
Fund Balances:				
Restricted.....	\$ 413,987	\$ -	\$ 37,593	\$ 451,580
Assigned.....	-	177,373	-	177,373
Total Fund Balances.....	<u>\$ 413,987</u>	<u>\$ 177,373</u>	<u>\$ 37,593</u>	<u>\$ 628,953</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 515,555</u>	<u>\$ 184,181</u>	<u>\$ 93,547</u>	<u>\$ 793,283</u>

STATE OF MINNESOTA

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 68	\$ -	\$ -	\$ 68
Net Revenues.....	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68</u>
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources.....	\$ 43,035	\$ 6,852	\$ -	\$ 49,887
Economic and Workforce Development.....	102,014	13,002	-	115,016
General Education.....	5,770	-	-	5,770
General Government.....	218,481	-	139	218,620
Health and Human Services.....	1,204	-	-	1,204
Higher Education.....	35,596	-	-	35,596
Transportation.....	34,830	1,845	67,502	104,177
Total Current Expenditures.....	<u>\$ 440,930</u>	<u>\$ 21,699</u>	<u>\$ 67,641</u>	<u>\$ 530,270</u>
Capital Outlay.....	191,864	851	291,231	483,946
Total Expenditures.....	<u>\$ 632,794</u>	<u>\$ 22,550</u>	<u>\$ 358,872</u>	<u>\$ 1,014,216</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (632,726)</u>	<u>\$ (22,550)</u>	<u>\$ (358,872)</u>	<u>\$ (1,014,148)</u>
Other Financing Sources (Uses):				
Bond Issuance.....	\$ 376,233	\$ -	\$ 337,286	\$ 713,519
Certificate of Participation Issuance.....	80,100	-	-	80,100
Bond and Certificate of Participation Issue Premium.....	74,190	-	9,214	83,404
Transfers-In.....	-	23	-	23
Transfers-Out.....	(55,447)	-	-	(55,447)
Net Other Financing Sources (Uses).....	<u>\$ 475,076</u>	<u>\$ 23</u>	<u>\$ 346,500</u>	<u>\$ 821,599</u>
Net Change in Fund Balances.....	<u>\$ (157,650)</u>	<u>\$ (22,527)</u>	<u>\$ (12,372)</u>	<u>\$ (192,549)</u>
Fund Balances, Beginning, as Reported.....	\$ 571,637	\$ 199,900	\$ 49,965	\$ 821,502
Fund Balances, Ending.....	<u>\$ 413,987</u>	<u>\$ 177,373</u>	<u>\$ 37,593</u>	<u>\$ 628,953</u>



State of Minnesota

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Nonmajor Enterprise Funds

Behavioral Services Fund

The fund accounts for the activity of state regional treatment centers for chemical dependency treatment services and for the activity of state neurorehabilitation services.

Enterprise Activities Fund

The fund includes various minor activities providing services to the general public or local governmental units.

Giants Ridge Fund

The fund accounts for a recreation area established to foster economic development and tourism within St. Louis County.

Minnesota Correctional Industries Fund

The fund accounts for the activity of state correctional industries which facilitates offender rehabilitation by providing facilities and assistance for manufacturing and marketing goods primarily to governmental entities.

MNSure Fund

The fund accounts for the on-going operations of MNSure, which is Minnesota's state-run health insurance exchange under the federal Affordable Care Act.

911 Services Fund

The fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Public Employees Insurance Fund

The fund provides hospital, medical, and dental benefit coverage as well as life insurance coverage to public employees and other eligible persons.

State Auditor Fund

The fund accounts for the audit services provided to local governments by the Office of the State Auditor's Audit Practice Division.

Nonmajor Enterprise Funds – Continued

State Lottery Fund

The fund accounts for the operations of the state lottery. Forty percent (40%) of the net proceeds are transferred to the Environment and Natural Resources Fund, with the remainder transferred to the General Fund.

State Operated Community Services Fund

The fund accounts for waiver residential and day treatment and rehabilitation services for individuals with developmental disabilities.

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 590	\$ 33,127	\$ 8,047	\$ 16,243
Accounts Receivable.....	3,092	3,896	9	4,526
Interfund Receivables.....	2,600	-	-	-
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	597	164	7,560
Prepaid Expenses.....	-	-	-	471
Other Assets.....	-	-	-	238
Total Current Assets.....	<u>\$ 6,282</u>	<u>\$ 37,620</u>	<u>\$ 8,220</u>	<u>\$ 29,038</u>
Noncurrent Assets:				
Depreciable Capital Assets (Net).....	\$ 969	\$ 532	\$ 13,682	\$ 4,181
Nondepreciable Capital Assets.....	-	3	2,017	-
Total Noncurrent Assets.....	<u>\$ 969</u>	<u>\$ 535</u>	<u>\$ 15,699</u>	<u>\$ 4,181</u>
Total Assets.....	<u>\$ 7,251</u>	<u>\$ 38,155</u>	<u>\$ 23,919</u>	<u>\$ 33,219</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows.....	\$ 561	\$ 227	\$ 66	\$ 1,095
Total Deferred Outflows of Resources.....	<u>\$ 561</u>	<u>\$ 227</u>	<u>\$ 66</u>	<u>\$ 1,095</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 8,433	\$ 21,739	\$ 202	\$ 1,830
Interfund Payables.....	4,862	-	-	-
Due to Component Unit.....	-	-	-	-
Unearned Revenue.....	-	14	-	-
Accrued Interest Payable.....	-	-	-	-
Bonds and Notes Payable.....	-	-	-	-
Capital Leases Payable.....	-	-	26	-
Compensated Absences Payable.....	229	70	25	156
Total Current Liabilities.....	<u>\$ 13,524</u>	<u>\$ 21,823</u>	<u>\$ 253</u>	<u>\$ 1,986</u>
Noncurrent Liabilities:				
Bonds and Notes Payable.....	\$ -	\$ -	\$ -	\$ -
Compensated Absences Payable.....	1,123	620	134	1,054
Other Postemployment Benefits.....	183	72	-	47
Net Pension Liability.....	5,082	2,049	600	14,599
Total Noncurrent Liabilities.....	<u>\$ 6,388</u>	<u>\$ 2,741</u>	<u>\$ 734</u>	<u>\$ 15,700</u>
Total Liabilities.....	<u>\$ 19,912</u>	<u>\$ 24,564</u>	<u>\$ 987</u>	<u>\$ 17,686</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Inflows.....	\$ 6,449	\$ 2,599	\$ 761	\$ 7,568
Total Deferred Inflows of Resources.....	<u>\$ 6,449</u>	<u>\$ 2,599</u>	<u>\$ 761</u>	<u>\$ 7,568</u>
NET POSITION				
Net Investment in Capital Assets.....	\$ 969	\$ 535	\$ 15,673	\$ 4,181
Restricted for:				
Economic and Workforce Development.....	\$ -	\$ -	\$ 6,564	\$ -
Public Safety and Corrections.....	-	-	-	4,879
Other Purposes.....	-	10,684	-	-
Total Restricted.....	<u>\$ -</u>	<u>\$ 10,684</u>	<u>\$ 6,564</u>	<u>\$ 4,879</u>
Unrestricted	<u>\$ (19,518)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Net Position.....	<u>\$ (18,549)</u>	<u>\$ 11,219</u>	<u>\$ 22,237</u>	<u>\$ 9,060</u>

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 356	\$ 39,825	\$ 35,955	\$ 400	\$ 24,919	\$ -	\$ 159,462
6,957	82	7,941	1,180	6,688	6,325	40,696
-	699	-	-	-	1,773	5,072
4,188	-	-	-	-	-	4,188
-	-	-	-	1,218	-	9,539
-	-	-	-	670	161	1,302
-	-	-	-	-	-	238
<u>\$ 11,501</u>	<u>\$ 40,606</u>	<u>\$ 43,896</u>	<u>\$ 1,580</u>	<u>\$ 33,495</u>	<u>\$ 8,259</u>	<u>\$ 220,497</u>
\$ -	\$ 114,839	\$ -	\$ 95	\$ 1,207	\$ 1,792	\$ 137,297
-	14,583	-	-	-	786	17,389
<u>\$ -</u>	<u>\$ 129,422</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 1,207</u>	<u>\$ 2,578</u>	<u>\$ 154,686</u>
<u>\$ 11,501</u>	<u>\$ 170,028</u>	<u>\$ 43,896</u>	<u>\$ 1,675</u>	<u>\$ 34,702</u>	<u>\$ 10,837</u>	<u>\$ 375,183</u>
\$ 327	\$ 216	\$ 7	\$ 243	\$ 582	\$ 3,607	\$ 6,931
<u>\$ 327</u>	<u>\$ 216</u>	<u>\$ 7</u>	<u>\$ 243</u>	<u>\$ 582</u>	<u>\$ 3,607</u>	<u>\$ 6,931</u>
\$ 6,233	\$ 3,757	\$ 10,948	\$ 293	\$ 11,811	\$ 4,845	\$ 70,091
5,000	-	-	200	20,111	1,698	31,871
-	6	-	-	-	-	6
-	-	1,879	-	1,088	-	2,981
-	450	-	-	-	-	450
-	12,810	-	-	-	379	13,189
-	-	-	-	-	12	38
44	90	7	144	201	1,050	2,016
<u>\$ 11,277</u>	<u>\$ 17,113</u>	<u>\$ 12,834</u>	<u>\$ 637</u>	<u>\$ 33,211</u>	<u>\$ 7,984</u>	<u>\$ 120,642</u>
\$ -	\$ 111,183	\$ -	\$ -	\$ -	\$ 337	\$ 111,520
424	513	41	724	1,344	5,796	11,773
21	-	1	77	147	1,173	1,721
2,960	1,953	63	2,201	5,250	32,628	67,385
<u>\$ 3,405</u>	<u>\$ 113,649</u>	<u>\$ 105</u>	<u>\$ 3,002</u>	<u>\$ 6,741</u>	<u>\$ 39,934</u>	<u>\$ 192,399</u>
<u>\$ 14,682</u>	<u>\$ 130,762</u>	<u>\$ 12,939</u>	<u>\$ 3,639</u>	<u>\$ 39,952</u>	<u>\$ 47,918</u>	<u>\$ 313,041</u>
\$ 3,756	\$ 2,478	\$ 80	\$ 2,793	\$ 6,664	\$ 41,413	\$ 74,561
<u>\$ 3,756</u>	<u>\$ 2,478</u>	<u>\$ 80</u>	<u>\$ 2,793</u>	<u>\$ 6,664</u>	<u>\$ 41,413</u>	<u>\$ 74,561</u>
\$ -	\$ -	\$ -	\$ 95	\$ 1,207	\$ 1,850	\$ 24,510
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,564
-	37,004	-	-	-	-	41,883
-	-	30,884	-	-	-	41,568
<u>\$ -</u>	<u>\$ 37,004</u>	<u>\$ 30,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,015</u>
<u>\$ (6,610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,609)</u>	<u>\$ (12,539)</u>	<u>\$ (76,737)</u>	<u>\$ (120,013)</u>
<u>\$ (6,610)</u>	<u>\$ 37,004</u>	<u>\$ 30,884</u>	<u>\$ (4,514)</u>	<u>\$ (11,332)</u>	<u>\$ (74,887)</u>	<u>\$ (5,488)</u>

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ 14,254	\$ 23,940	\$ 4,040	\$ 44,284
Insurance Premiums.....	-	-	-	-
Other Income.....	-	165	-	3,469
Total Operating Revenues.....	\$ 14,254	\$ 24,105	\$ 4,040	\$ 47,753
Less: Cost of Goods Sold.....	-	2,694	633	18,865
Gross Margin.....	\$ 14,254	\$ 21,411	\$ 3,407	\$ 28,888
Operating Expenses:				
Purchased Services.....	\$ 2,254	\$ 3,663	\$ 3,873	\$ 3,041
Salaries and Fringe Benefits.....	16,013	7,077	1,604	10,329
Claims.....	-	-	-	-
Depreciation and Amortization.....	56	94	1,651	1,000
Supplies and Materials.....	1,781	63	393	1,372
Repairs and Maintenance.....	-	20	45	471
Indirect Costs.....	1,214	354	-	1,097
Other Expenses.....	379	42	110	7,728
Total Operating Expenses.....	\$ 21,697	\$ 11,313	\$ 7,676	\$ 25,038
Operating Income (Loss).....	\$ (7,443)	\$ 10,098	\$ (4,269)	\$ 3,850
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 4	\$ 8	\$ -	\$ 85
Federal Grants.....	-	-	-	-
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	(13)	-	(3)	-
Grants, Aids and Subsidies.....	-	-	-	(2,130)
Other Nonoperating Expenses.....	-	(10,998)	-	-
Gain (Loss) on Disposal of Capital Assets.....	-	-	-	2
Total Nonoperating Revenues (Expenses).....	\$ (9)	\$ (10,990)	\$ (3)	\$ (2,043)
Income (Loss) Before Transfers and Contributions.....	\$ (7,452)	\$ (892)	\$ (4,272)	\$ 1,807
Transfers-In.....	7,600	1,520	11,708	-
Transfers-Out.....	-	-	-	(1,300)
Change in Net Position.....	\$ 148	\$ 628	\$ 7,436	\$ 507
Net Position, Beginning, as Reported.....	\$ (6,486)	\$ 15,514	\$ 16,243	\$ 30,303
Change in Accounting Principle.....	(12,211)	(4,923)	(1,442)	(21,750)
Net Position, Beginning, as Restated.....	\$ (18,697)	\$ 10,591	\$ 14,801	\$ 8,553
Net Position, Ending.....	\$ (18,549)	\$ 11,219	\$ 22,237	\$ 9,060

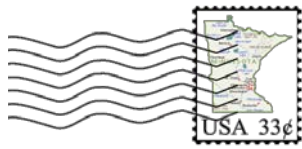
MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ 57,381	\$ -	\$ 6,110	\$ 546,812	\$ 89,845	\$ 786,666
-	-	95,291	-	-	-	95,291
11,021	-	662	-	-	1,200	16,517
\$ 11,021	\$ 57,381	\$ 95,953	\$ 6,110	\$ 546,812	\$ 91,045	\$ 898,474
-	-	-	-	384,541	-	406,733
\$ 11,021	\$ 57,381	\$ 95,953	\$ 6,110	\$ 162,271	\$ 91,045	\$ 491,741
\$ 42,079	\$ 18,453	\$ 11,015	\$ 574	\$ 12,435	\$ 7,212	\$ 104,599
11,912	5,042	160	5,168	11,260	81,284	149,849
14	-	79,242	-	-	-	79,256
-	12,141	-	41	660	251	15,894
815	635	-	30	879	2,326	8,294
1,498	558	-	7	-	-	2,599
409	45	2	-	-	817	3,938
2	8	969	14	462	210	9,924
\$ 56,729	\$ 36,882	\$ 91,388	\$ 5,834	\$ 25,696	\$ 92,100	\$ 374,353
\$ (45,708)	\$ 20,499	\$ 4,565	\$ 276	\$ 136,575	\$ (1,055)	\$ 117,388
\$ 16	\$ 5	\$ 160	\$ -	\$ 169	\$ -	\$ 447
45,314	-	-	-	-	-	45,314
6,889	-	-	-	83	-	6,972
(28)	(4,640)	-	-	-	(32)	(4,716)
-	(13,117)	-	-	-	-	(15,247)
(6,598)	-	-	-	-	-	(17,596)
-	(94)	-	-	-	-	(92)
\$ 45,593	\$ (17,846)	\$ 160	\$ -	\$ 252	\$ (32)	\$ 15,082
\$ (115)	\$ 2,653	\$ 4,725	\$ 276	\$ 136,827	\$ (1,087)	\$ 132,470
-	-	-	-	-	3,200	24,028
-	(683)	-	-	(135,544)	-	(137,527)
\$ (115)	\$ 1,970	\$ 4,725	\$ 276	\$ 1,283	\$ 2,113	\$ 18,971
\$ 617	\$ 39,726	\$ 26,311	\$ 498	\$ -	\$ 1,401	\$ 124,127
(7,112)	(4,692)	(152)	(5,288)	(12,615)	(78,401)	(148,586)
\$ (6,495)	\$ 35,034	\$ 26,159	\$ (4,790)	\$ (12,615)	\$ (77,000)	\$ (24,459)
\$ (6,610)	\$ 37,004	\$ 30,884	\$ (4,514)	\$ (11,332)	\$ (74,887)	\$ (5,488)

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 14,037	\$ 24,073	\$ 4,061	\$ 43,337
Receipts from Other Revenues.....	-	165	-	3,469
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(3,803)	(14,854)	(5,950)	(34,050)
Payments to Employees.....	(17,322)	(7,520)	(1,730)	(11,007)
Payments to Others.....	(379)	(595)	-	(2,130)
Net Cash Flows from Operating Activities.....	\$ (7,467)	\$ 1,269	\$ (3,619)	\$ (381)
Cash Flows from Noncapital Financing Activities:				
Grant Receipts.....	\$ -	\$ -	\$ -	\$ -
Grant Disbursements.....	-	-	-	-
Transfers-In.....	5,000	1,520	11,708	-
Transfers-Out.....	-	-	-	(1,300)
Advances from Other Funds.....	2,621	-	-	-
Repayment Receipts of Advances to Other Funds.....	-	-	-	-
Repayment of Advances from Other Funds.....	(225)	-	-	-
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	(13)	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 7,383	\$ 1,520	\$ 11,708	\$ (1,300)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ -	\$ -	\$ (1,453)	\$ (499)
Proceeds from Disposal of Capital Assets.....	-	-	-	99
Capital Lease Payments.....	-	-	(51)	-
Repayment of Bond Principal.....	-	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ -	\$ -	\$ (1,504)	\$ (400)
Cash Flows from Investing Activities:				
Investment Earnings.....	\$ 4	\$ 8	\$ -	\$ 85
Net Cash Flows from Investing Activities.....	\$ 4	\$ 8	\$ -	\$ 85
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (80)	\$ 2,797	\$ 6,585	\$ (1,996)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 670	\$ 30,330	\$ 1,462	\$ 18,239
Cash and Cash Equivalents, Ending.....	\$ 590	\$ 33,127	\$ 8,047	\$ 16,243
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ (7,443)	\$ 10,098	\$ (4,269)	\$ 3,850
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization.....	\$ 56	\$ 94	\$ 1,651	\$ 1,000
Miscellaneous Nonoperating Revenues.....	-	-	44	-
Miscellaneous Nonoperating Expenses.....	-	(10,998)	-	(2,130)
Change in Assets, Liabilities, Deferred Outflows and Inflows:				
Accounts Receivable.....	(217)	126	21	(947)
Inventories.....	-	103	24	(1,139)
Other Assets.....	-	-	-	(374)
Deferred Pension Outflows.....	(160)	(65)	(19)	(233)
Accounts Payable.....	1,446	2,238	(953)	79
Compensated Absences Payable.....	(80)	86	10	(55)
Unearned Revenues.....	-	(1)	-	-
Net Pension Liability.....	(7,530)	(3,036)	(889)	(8,013)
Other Liabilities.....	12	25	-	13
Deferred Pension Inflows.....	6,449	2,599	761	7,568
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ (24)	\$ (8,829)	\$ 650	\$ (4,231)
Net Cash Flows from Operating Activities.....	\$ (7,467)	\$ 1,269	\$ (3,619)	\$ (381)
Noncash Investing, Capital and Financing Activities:				
Bond Premium Amortization.....	\$ -	\$ -	\$ -	\$ -

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ 62,218	\$ 95,257	\$ 7,169	\$ 545,973	\$ 92,203	\$ 888,328
11,627	-	-	-	27	1,200	16,488
(14)	-	(81,502)	-	(336,926)	-	(418,442)
(38,874)	(21,392)	(11,336)	(566)	(28,252)	(9,207)	(168,284)
(12,145)	(5,469)	(163)	(5,639)	(12,402)	(88,763)	(162,160)
(6,598)	-	(925)	-	(32,873)	(210)	(43,710)
<u>\$ (46,004)</u>	<u>\$ 35,357</u>	<u>\$ 1,331</u>	<u>\$ 964</u>	<u>\$ 135,547</u>	<u>\$ (4,777)</u>	<u>\$ 112,220</u>
\$ 41,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,126
-	(13,117)	-	-	-	-	(13,117)
-	-	-	-	-	3,200	21,428
-	(683)	-	-	(132,374)	-	(134,357)
5,000	-	-	-	-	1,698	9,319
-	-	-	-	-	225	225
-	-	-	(564)	-	-	(789)
-	(12,310)	-	-	-	-	(12,310)
(28)	(5,924)	-	-	-	(32)	(5,997)
<u>\$ 46,098</u>	<u>\$ (32,034)</u>	<u>\$ -</u>	<u>\$ (564)</u>	<u>\$ (132,374)</u>	<u>\$ 5,091</u>	<u>\$ (94,472)</u>
\$ -	\$ (15,493)	\$ -	\$ -	\$ (517)	\$ -	\$ (17,962)
-	-	-	-	83	-	182
-	-	-	-	-	(104)	(155)
-	-	-	-	-	(395)	(395)
<u>\$ -</u>	<u>\$ (15,493)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (434)</u>	<u>\$ (499)</u>	<u>\$ (18,330)</u>
\$ 16	\$ 5	\$ 160	\$ -	\$ 169	\$ -	\$ 447
<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 447</u>
\$ 110	\$ (12,165)	\$ 1,491	\$ 400	\$ 2,908	\$ (185)	\$ (135)
<u>\$ 246</u>	<u>\$ 51,990</u>	<u>\$ 34,464</u>	<u>\$ -</u>	<u>\$ 22,011</u>	<u>\$ 185</u>	<u>\$ 159,597</u>
<u>\$ 356</u>	<u>\$ 39,825</u>	<u>\$ 35,955</u>	<u>\$ 400</u>	<u>\$ 24,919</u>	<u>\$ -</u>	<u>\$ 159,462</u>
\$ (45,708)	\$ 20,499	\$ 4,565	\$ 276	\$ 136,575	\$ (1,055)	\$ 117,388
\$ -	\$ 12,141	\$ -	\$ 41	\$ 660	\$ 251	\$ 15,894
6,889	-	-	-	-	-	6,933
(6,599)	-	-	-	-	-	(19,727)
(6,283)	4,837	(3,637)	1,059	(990)	2,358	(3,673)
-	-	-	-	(273)	-	(1,285)
-	-	-	-	(167)	(4)	(545)
(93)	(62)	(2)	(69)	(167)	(1,031)	(1,901)
5,930	(1,693)	554	59	780	1,152	9,592
468	50	12	51	19	198	759
-	-	(147)	-	192	-	44
(4,385)	(2,893)	(94)	(3,261)	(7,780)	(48,349)	(86,230)
21	-	-	15	34	290	410
<u>3,756</u>	<u>2,478</u>	<u>80</u>	<u>2,793</u>	<u>6,664</u>	<u>41,413</u>	<u>74,561</u>
<u>\$ (296)</u>	<u>\$ 14,858</u>	<u>\$ (3,234)</u>	<u>\$ 688</u>	<u>\$ (1,028)</u>	<u>\$ (3,722)</u>	<u>\$ (5,168)</u>
<u>\$ (46,004)</u>	<u>\$ 35,357</u>	<u>\$ 1,331</u>	<u>\$ 964</u>	<u>\$ 135,547</u>	<u>\$ (4,777)</u>	<u>\$ 112,220</u>
\$ -	\$ 1,240	\$ -	\$ -	\$ -	\$ -	\$ 1,240





State of Minnesota

2015
Comprehensive
Annual
Financial Report

Internal Service Funds

Central Motor Pool Fund

The fund accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

Central Services Fund

The fund accounts for miscellaneous centralized support services provided to state agencies.

Employee Insurance Fund

The fund accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

MN.IT Services Fund

The fund accounts for the operation of statewide communication and information systems.

Plant Management Fund

The fund accounts for maintenance and operation costs of state-owned buildings and grounds in the capitol complex.

Risk Management Fund

The fund accounts for the providing of liability insurance, primarily automobile, to state agencies.

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2015
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 4,108	\$ 1,898	\$ 248,254
Investments.....	-	-	14,616
Accounts Receivable.....	2,240	3,031	14,458
Accrued Investment/Interest Income.....	-	-	60
Inventories.....	-	-	-
Prepaid Expenses.....	-	254	-
Total Current Assets.....	<u>\$ 6,348</u>	<u>\$ 5,183</u>	<u>\$ 277,388</u>
Noncurrent Assets:			
Depreciable Capital Assets (Net).....	\$ 21,956	\$ 25	\$ -
Nondepreciable Capital Assets.....	-	-	-
Prepaid Expenses.....	-	-	-
Total Noncurrent Assets.....	<u>\$ 21,956</u>	<u>\$ 25</u>	<u>\$ -</u>
Total Assets.....	<u>\$ 28,304</u>	<u>\$ 5,208</u>	<u>\$ 277,388</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows.....	\$ 32	\$ 221	\$ 161
Total Deferred Outflows of Resources.....	<u>\$ 32</u>	<u>\$ 221</u>	<u>\$ 161</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 1,219	\$ 1,131	\$ 93,463
Interfund Payables.....	-	-	-
Unearned Revenue.....	-	3	4,748
Accrued Interest Payable.....	13	-	-
Bonds and Notes Payable.....	6,544	-	-
Claims Payable.....	-	-	-
Compensated Absences Payable.....	6	41	36
Total Current Liabilities.....	<u>\$ 7,782</u>	<u>\$ 1,175</u>	<u>\$ 98,247</u>
Noncurrent Liabilities:			
Bonds and Notes Payable.....	\$ 6,203	\$ -	\$ -
Compensated Absences Payable.....	60	446	355
Other Postemployment Benefits.....	10	49	34
Net Pension Liability.....	293	1,999	1,453
Total Noncurrent Liabilities.....	<u>\$ 6,566</u>	<u>\$ 2,494</u>	<u>\$ 1,842</u>
Total Liabilities.....	<u>\$ 14,348</u>	<u>\$ 3,669</u>	<u>\$ 100,089</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows.....	\$ 371	\$ 2,538	\$ 1,845
Total Deferred Inflows of Resources.....	<u>\$ 371</u>	<u>\$ 2,538</u>	<u>\$ 1,845</u>
NET POSITION			
Net Investment in Capital Assets.....	<u>\$ 9,209</u>	<u>\$ 25</u>	<u>\$ -</u>
Unrestricted.....	<u>\$ 4,408</u>	<u>\$ (803)</u>	<u>\$ 175,615</u>
Total Net Position.....	<u>\$ 13,617</u>	<u>\$ (778)</u>	<u>\$ 175,615</u>

<u>MN.IT SERVICES</u>	<u>PLANT MANAGEMENT</u>	<u>RISK MANAGEMENT</u>	<u>TOTAL</u>
\$ 5,708	\$ 13,346	\$ 24,672	\$ 297,986
-	-	-	14,616
56,745	9,163	480	86,117
-	-	-	60
-	238	-	238
13,431	2	57	13,744
<u>\$ 75,884</u>	<u>\$ 22,749</u>	<u>\$ 25,209</u>	<u>\$ 412,761</u>
\$ 29,240	\$ 6,995	\$ 333	\$ 58,549
-	626	-	626
1,322	-	-	1,322
<u>\$ 30,562</u>	<u>\$ 7,621</u>	<u>\$ 333</u>	<u>\$ 60,497</u>
<u>\$ 106,446</u>	<u>\$ 30,370</u>	<u>\$ 25,542</u>	<u>\$ 473,258</u>
<u>\$ 10,914</u>	<u>\$ 794</u>	<u>\$ 44</u>	<u>\$ 12,166</u>
<u>\$ 10,914</u>	<u>\$ 794</u>	<u>\$ 44</u>	<u>\$ 12,166</u>
\$ 19,552	\$ 6,540	\$ 300	\$ 122,205
25,000	-	-	25,000
28,193	13	160	33,117
13	-	-	26
5,471	-	-	12,015
-	-	11,751	11,751
1,001	214	32	1,330
<u>\$ 79,230</u>	<u>\$ 6,767</u>	<u>\$ 12,243</u>	<u>\$ 205,444</u>
\$ 6,748	\$ -	\$ -	\$ 12,951
8,248	1,351	196	10,656
470	254	13	830
98,747	7,180	395	110,067
<u>\$ 114,213</u>	<u>\$ 8,785</u>	<u>\$ 604</u>	<u>\$ 134,504</u>
<u>\$ 193,443</u>	<u>\$ 15,552</u>	<u>\$ 12,847</u>	<u>\$ 339,948</u>
<u>\$ 125,334</u>	<u>\$ 9,113</u>	<u>\$ 502</u>	<u>\$ 139,703</u>
<u>\$ 125,334</u>	<u>\$ 9,113</u>	<u>\$ 502</u>	<u>\$ 139,703</u>
<u>\$ 17,021</u>	<u>\$ 7,621</u>	<u>\$ 333</u>	<u>\$ 34,209</u>
<u>\$ (218,438)</u>	<u>\$ (1,122)</u>	<u>\$ 11,904</u>	<u>\$ (28,436)</u>
<u>\$ (201,417)</u>	<u>\$ 6,499</u>	<u>\$ 12,237</u>	<u>\$ 5,773</u>

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2015 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales.....	\$ 15,032	\$ 19,067	\$ -
Insurance Premiums.....	-	-	799,516
Other Income.....	186	1,602	7,297
Total Operating Revenues.....	\$ 15,218	\$ 20,669	\$ 806,813
Operating Expenses:			
Purchased Services.....	\$ 1,485	\$ 15,628	\$ 80,438
Salaries and Fringe Benefits.....	599	4,548	3,331
Claims.....	-	-	740,456
Depreciation and Amortization.....	6,089	12	-
Supplies and Materials.....	3,952	451	14
Repairs and Maintenance.....	1,208	49	6
Indirect Costs.....	256	66	41
Other Expenses.....	129	10	7,038
Total Operating Expenses.....	\$ 13,718	\$ 20,764	\$ 831,324
Operating Income (Loss).....	\$ 1,500	\$ (95)	\$ (24,511)
Nonoperating Revenues (Expenses):			
Investment Income.....	\$ 82	\$ -	\$ 1,448
Grants and Subsidies.....	-	3	-
Interest and Financing Costs.....	(196)	-	-
Grants, Aids and Subsidies.....	-	(2)	-
Other Nonoperating Expenses.....	(1,000)	-	-
Gain (Loss) on Disposal of Capital Assets.....	513	2	-
Total Nonoperating Revenues (Expenses).....	\$ (601)	\$ 3	\$ 1,448
Income (Loss) Before Transfers and Contributions.....	\$ 899	\$ (92)	\$ (23,063)
Transfers-In.....	-	-	-
Transfers-Out.....	-	-	(20)
Change in Net Position.....	\$ 899	\$ (92)	\$ (23,083)
Net Position, Beginning, as Reported.....	\$ 13,421	\$ 4,119	\$ 202,189
Change in Accounting Principle.....	(703)	(4,805)	(3,491)
Net Position, Beginning, as Restated.....	\$ 12,718	\$ (686)	\$ 198,698
Net Position, Ending.....	\$ 13,617	\$ (778)	\$ 175,615

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 200,346	\$ 60,475	\$ 80	\$ 295,000
-	-	11,591	811,107
-	-	-	9,085
<u>\$ 200,346</u>	<u>\$ 60,475</u>	<u>\$ 11,671</u>	<u>\$ 1,115,192</u>
\$ 101,141	\$ 12,511	\$ 4,729	\$ 215,932
53,594	12,743	1,064	75,879
-	-	4,100	744,556
7,109	491	37	13,738
10,234	3,751	9	18,411
5,168	5,694	-	12,125
863	1,061	469	2,756
47	368	1	7,593
<u>\$ 178,156</u>	<u>\$ 36,619</u>	<u>\$ 10,409</u>	<u>\$ 1,090,990</u>
<u>\$ 22,190</u>	<u>\$ 23,856</u>	<u>\$ 1,262</u>	<u>\$ 24,202</u>
\$ 68	\$ -	\$ 124	\$ 1,722
-	-	-	3
(322)	-	-	(518)
-	-	-	(2)
(5,027)	-	(2,318)	(8,345)
-	19	-	534
<u>\$ (5,281)</u>	<u>\$ 19</u>	<u>\$ (2,194)</u>	<u>\$ (6,606)</u>
\$ 16,909	\$ 23,875	\$ (932)	\$ 17,596
2	-	-	2
(6)	(28,193)	-	(28,219)
<u>\$ 16,905</u>	<u>\$ (4,318)</u>	<u>\$ (932)</u>	<u>\$ (10,621)</u>
\$ 18,952	\$ 28,070	\$ 14,117	\$ 280,868
(237,274)	(17,253)	(948)	(264,474)
<u>\$ (218,322)</u>	<u>\$ 10,817</u>	<u>\$ 13,169</u>	<u>\$ 16,394</u>
<u>\$ (201,417)</u>	<u>\$ 6,499</u>	<u>\$ 12,237</u>	<u>\$ 5,773</u>

STATE OF MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:			
Receipts from Customers.....	\$ 14,335	\$ 20,540	\$ 798,300
Receipts from Other Revenues.....	186	-	7,293
Payments to Claimants.....	-	-	(732,631)
Payments to Suppliers.....	(6,689)	(16,113)	(78,324)
Payments to Employees.....	(659)	(5,072)	(3,777)
Payments to Others.....	(1,000)	-	(6,912)
Net Cash Flows from Operating Activities.....	<u>\$ 6,173</u>	<u>\$ (645)</u>	<u>\$ (16,051)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers-In.....	\$ -	\$ -	\$ -
Transfers-Out.....	-	-	(21)
Advances from Other Funds.....	-	-	-
Repayments of Advances from Other Funds.....	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21)</u>
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets.....	\$ (6,088)	\$ -	\$ -
Proceeds from Disposal of Capital Assets.....	2,201	2	-
Proceeds from Loans.....	4,574	-	-
Repayment of Loan Principal.....	(7,499)	-	-
Interest Paid.....	(199)	-	-
Net Cash Flows from Capital and Related Financing Activities.....	<u>\$ (7,011)</u>	<u>\$ 2</u>	<u>\$ -</u>
Cash Flows from Investing Activities:			
Investment Earnings.....	\$ 82	\$ -	\$ 1,628
Net Cash Flows from Investing Activities.....	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 1,628</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (756)</u>	<u>\$ (643)</u>	<u>\$ (14,444)</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 4,864</u>	<u>\$ 2,541</u>	<u>\$ 262,698</u>
Cash and Cash Equivalents, Ending.....	<u><u>\$ 4,108</u></u>	<u><u>\$ 1,898</u></u>	<u><u>\$ 248,254</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss).....	<u>\$ 1,500</u>	<u>\$ (95)</u>	<u>\$ (24,511)</u>
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	\$ 6,089	\$ 12	\$ -
Miscellaneous Nonoperating Expenses.....	(1,005)	(450)	-
Change in Assets, Liabilities, Deferred Outflows and Inflows:			
Accounts Receivable.....	(689)	357	(3,780)
Inventories.....	-	-	-
Other Assets.....	-	273	-
Deferred Pension Outflows.....	(9)	(63)	(46)
Accounts Payable.....	350	(220)	13,171
Compensated Absences Payable.....	(1)	(32)	(97)
Unearned Revenues.....	-	3	(490)
Net Pension Liability.....	(433)	(2,963)	(2,152)
Other Liabilities.....	-	(5)	9
Deferred Pension Inflows.....	371	2,538	1,845
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 4,673</u>	<u>\$ (550)</u>	<u>\$ 8,460</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ 6,173</u></u>	<u><u>\$ (645)</u></u>	<u><u>\$ (16,051)</u></u>

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 196,184	\$ 54,122	\$ 11,648	\$ 1,095,129
-	-	-	7,479
-	-	(1,880)	(734,511)
(112,784)	(20,589)	(5,145)	(239,644)
(75,273)	(15,428)	(1,108)	(101,317)
(5,027)	-	(2,318)	(15,257)
<u>\$ 3,100</u>	<u>\$ 18,105</u>	<u>\$ 1,197</u>	<u>\$ 11,879</u>
\$ 2	\$ -	\$ -	\$ 2
(6)	(28,193)	-	(28,220)
25,000	-	-	25,000
(2,000)	-	-	(2,000)
<u>\$ 22,996</u>	<u>\$ (28,193)</u>	<u>\$ -</u>	<u>\$ (5,218)</u>
\$ (21,622)	\$ (1,634)	\$ -	\$ (29,344)
-	883	-	3,086
4,669	-	-	9,243
(5,388)	-	-	(12,887)
(311)	-	-	(510)
<u>\$ (22,652)</u>	<u>\$ (751)</u>	<u>\$ -</u>	<u>\$ (30,412)</u>
\$ 68	\$ -	\$ 124	\$ 1,902
\$ 68	\$ -	\$ 124	\$ 1,902
\$ 3,512	\$ (10,839)	\$ 1,321	\$ (21,849)
\$ 2,196	\$ 24,185	\$ 23,351	\$ 319,835
<u>\$ 5,708</u>	<u>\$ 13,346</u>	<u>\$ 24,672</u>	<u>\$ 297,986</u>
<u>\$ 22,190</u>	<u>\$ 23,856</u>	<u>\$ 1,262</u>	<u>\$ 24,202</u>
\$ 7,109	\$ 491	\$ 37	\$ 13,738
(5,027)	-	(2,318)	(8,800)
(25,935)	(6,299)	7	(36,339)
-	42	-	42
(3,705)	(2)	(32)	(3,466)
(3,117)	(227)	(13)	(3,475)
9,050	1,665	2,321	26,337
1,537	80	42	1,529
21,774	13	(30)	21,270
(146,325)	(10,640)	(585)	(163,098)
215	13	4	236
<u>125,334</u>	<u>9,113</u>	<u>502</u>	<u>139,703</u>
<u>\$ (19,090)</u>	<u>\$ (5,751)</u>	<u>\$ (65)</u>	<u>\$ (12,323)</u>
<u>\$ 3,100</u>	<u>\$ 18,105</u>	<u>\$ 1,197</u>	<u>\$ 11,879</u>



State of Minnesota

2015
Comprehensive
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Pension Trust Funds

Minnesota State Retirement System

State Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

Correctional Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for offenders at Minnesota correctional facilities.

Judges Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county, and probate court judges, supreme court justices, and various court referees.

Legislators Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

State Patrol Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers, and crime bureau personnel.

Hennepin County Supplemental Retirement Fund

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

Pension Trust Funds – Continued

Health Care Savings Fund

The fund includes contributions by or on behalf of employees and accumulated earnings for reimbursement of health-related expenses of the employee or dependents after retirement.

Unclassified Employees Retirement Fund

The fund includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

Minnesota Deferred Compensation Fund

The fund includes contributions by participants toward a voluntary retirement savings plan.

Public Employees Retirement Association

General Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

Minneapolis Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of the City of Minneapolis.

Police and Fire Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

Public Employees Correctional Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible correctional employees of various local units of government.

Volunteer Firefighter Retirement Fund

The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

Defined Contribution Fund

The fund is an IRC Section 401(a) deferred compensation plan administered by the Public Employees Retirement Association.

Teachers Retirement Association

Teachers Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

State Colleges and Universities

State Colleges and Universities Retirement Fund

The fund includes unclassified teachers, librarians, administrators, and certain other staff members who have been employed fulltime for a minimum of two academic years.

STATE OF MINNESOTA

**PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
ASSETS			
Cash and Cash Equivalent Investments.....	\$ 9,220	\$ 2,076	\$ 548
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 488,260	\$ 38,812	\$ 7,601
Investments.....	11,339,824	884,960	169,777
Accrued Interest and Dividends.....	25,587	1,997	383
Securities Trades Receivables (Payables).....	(250,034)	(19,513)	(3,743)
Total Investment Pool Participation.....	<u>\$ 11,603,637</u>	<u>\$ 906,256</u>	<u>\$ 174,018</u>
Receivables:			
Interfund Receivables.....	\$ 4,803	\$ 6	\$ 2
Other Receivables.....	13,177	1,967	132
Total Receivables.....	<u>\$ 17,980</u>	<u>\$ 1,973</u>	<u>\$ 134</u>
Securities Lending Collateral.....	\$ 1,185,073	\$ 92,513	\$ 17,755
Depreciable Capital Assets (Net).....	19,606	-	-
Nondepreciable Capital Assets.....	88	-	-
Total Assets.....	<u>\$ 12,835,604</u>	<u>\$ 1,002,818</u>	<u>\$ 192,455</u>
LIABILITIES			
Accounts Payable.....	\$ 5,206	\$ 325	\$ 63
Interfund Payables.....	12	711	57
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	4,884	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	918	-	-
Securities Lending Liabilities.....	1,185,073	92,513	17,755
Other Liabilities.....	1,192	267	-
Total Liabilities.....	<u>\$ 1,197,285</u>	<u>\$ 93,816</u>	<u>\$ 17,875</u>
Net Position Held in Trust for Pension Benefits and Pool Participants.....	<u>\$ 11,638,319</u>	<u>\$ 909,002</u>	<u>\$ 174,580</u>

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
\$ 741	\$ 864	\$ 57	\$ 1,707	\$ 66	\$ 10,431
\$ 142	\$ 28,001	\$ 17,817	\$ 250,133	\$ 16,713	\$ 61,319
3,385	648,011	133,346	520,846	301,405	5,772,689
8	1,462	264	1,035	492	8
(75)	(14,288)	(2,351)	(11,007)	(3,498)	(3)
<u>\$ 3,460</u>	<u>\$ 663,186</u>	<u>\$ 149,076</u>	<u>\$ 761,007</u>	<u>\$ 315,112</u>	<u>\$ 5,834,013</u>
\$ 3	\$ 1	\$ -	\$ 73	\$ -	\$ 127
14	875	17	5,516	357	8,348
<u>\$ 17</u>	<u>\$ 876</u>	<u>\$ 17</u>	<u>\$ 5,589</u>	<u>\$ 357</u>	<u>\$ 8,475</u>
\$ 354	\$ 67,725	\$ 2,170	\$ 11,100	\$ 4,587	\$ 85,058
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,572</u>	<u>\$ 732,651</u>	<u>\$ 151,320</u>	<u>\$ 779,403</u>	<u>\$ 320,122</u>	<u>\$ 5,937,977</u>
\$ 5	\$ 233	\$ 35	\$ 449	\$ 55	\$ 1,055
783	163	43	2,112	410	1,472
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
354	67,725	2,170	11,100	4,587	85,058
-	-	-	68	-	308
<u>\$ 1,142</u>	<u>\$ 68,121</u>	<u>\$ 2,248</u>	<u>\$ 13,729</u>	<u>\$ 5,052</u>	<u>\$ 87,893</u>
<u>\$ 3,430</u>	<u>\$ 664,530</u>	<u>\$ 149,072</u>	<u>\$ 765,674</u>	<u>\$ 315,070</u>	<u>\$ 5,850,084</u>

CONTINUED

STATE OF MINNESOTA

**PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	GENERAL EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalent Investments.....	\$ 1,000	\$ -	\$ 2,544
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 805,500	\$ -	\$ 317,185
Investments.....	18,088,208	-	7,159,544
Accrued Interest and Dividends.....	40,819	-	16,156
Securities Trades Receivables (Payables).....	(398,831)	-	(157,862)
Total Investment Pool Participation.....	<u>\$ 18,535,696</u>	<u>\$ -</u>	<u>\$ 7,335,023</u>
Receivables:			
Interfund Receivables.....	\$ 1,222	\$ -	\$ 22
Other Receivables.....	45,296	-	14,245
Total Receivables.....	<u>\$ 46,518</u>	<u>\$ -</u>	<u>\$ 14,267</u>
Securities Lending Collateral.....	\$ 1,891,438	\$ -	\$ 748,586
Depreciable Capital Assets (Net).....	7,212	-	-
Nondepreciable Capital Assets.....	170	-	-
Total Assets.....	<u>\$ 20,482,034</u>	<u>\$ -</u>	<u>\$ 8,100,420</u>
LIABILITIES			
Accounts Payable.....	\$ 1,238	\$ -	\$ 2,334
Interfund Payables.....	25	-	796
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	6,651	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	887	-	-
Securities Lending Liabilities.....	1,891,438	-	748,586
Other Liabilities.....	-	-	-
Total Liabilities.....	<u>\$ 1,900,239</u>	<u>\$ -</u>	<u>\$ 751,716</u>
Net Position Held in Trust for Pension Benefits and Pool Participants.....	<u>\$ 18,581,795</u>	<u>\$ -</u>	<u>\$ 7,348,704</u>

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 84	\$ -	\$ 116	\$ 8,838	\$ -	\$ 38,292
\$ 21,752	\$ 2,913	\$ 5,015	\$ 897,003	\$ -	\$ 2,958,166
478,199	30,561	53,747	19,910,235	1,636,405	67,131,142
1,079	108	117	44,983	-	134,498
(10,544)	(1,419)	(1,222)	(439,004)	-	(1,313,394)
\$ 490,486	\$ 32,163	\$ 57,657	\$ 20,413,217	\$ 1,636,405	\$ 68,910,412
\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 6,262
417	121	70	23,111	-	113,663
\$ 420	\$ 121	\$ 70	\$ 23,111	\$ -	\$ 119,925
\$ 50,023	\$ 3,624	\$ 6,791	\$ 2,076,138	\$ -	\$ 6,242,935
-	-	-	18,810	-	45,628
-	-	-	171	-	429
\$ 541,013	\$ 35,908	\$ 64,634	\$ 22,540,285	\$ 1,636,405	\$ 75,357,621
\$ 15	\$ 2	\$ 1	\$ 10,558	\$ -	\$ 21,574
244	-	182	-	-	7,010
-	-	-	3	-	3
-	-	-	6,674	-	18,209
-	-	-	13	-	13
-	-	-	808	-	2,613
50,023	3,624	6,791	2,076,138	-	6,242,935
-	-	-	-	-	1,835
\$ 50,282	\$ 3,626	\$ 6,974	\$ 2,094,194	\$ -	\$ 6,294,192
\$ 490,731	\$ 32,282	\$ 57,660	\$ 20,446,091	\$ 1,636,405	\$ 69,063,429

STATE OF MINNESOTA

**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
Additions:			
Contributions:			
Employer.....	\$ 146,333	\$ 29,480	\$ 9,776
Member.....	149,293	21,061	3,629
Contributions From Other Sources.....	-	-	-
Total Contributions.....	<u>\$ 295,626</u>	<u>\$ 50,541</u>	<u>\$ 13,405</u>
Net Investment Income:			
Investment Income.....	\$ 511,271	\$ 39,401	\$ 7,724
Less: Investment Expense.....	<u>(16,183)</u>	<u>(1,253)</u>	<u>(244)</u>
Net Investment Income.....	<u>\$ 495,088</u>	<u>\$ 38,148</u>	<u>\$ 7,480</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 8,878	\$ 693	\$ 133
Securities Lending Rebates and Fees.....	<u>(2,781)</u>	<u>(217)</u>	<u>(41)</u>
Net Securities Lending Revenue.....	<u>\$ 6,097</u>	<u>\$ 476</u>	<u>\$ 92</u>
Total Investment Income.....	<u>\$ 501,185</u>	<u>\$ 38,624</u>	<u>\$ 7,572</u>
Transfers From Other Funds.....	\$ 30,226	\$ -	\$ -
Other Additions.....	<u>175</u>	<u>-</u>	<u>-</u>
Total Additions.....	<u>\$ 827,212</u>	<u>\$ 89,165</u>	<u>\$ 20,977</u>
Deductions:			
Benefits.....	\$ 665,821	\$ 54,909	\$ 21,893
Refunds and Withdrawals.....	12,026	1,590	-
Administrative Expenses.....	8,742	720	60
Transfers To Other Funds.....	<u>908</u>	<u>-</u>	<u>-</u>
Total Deductions.....	<u>\$ 687,497</u>	<u>\$ 57,219</u>	<u>\$ 21,953</u>
Net Increase (Decrease).....	<u>\$ 139,715</u>	<u>\$ 31,946</u>	<u>\$ (976)</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 11,498,604	\$ 877,056	\$ 175,556
Change in Reporting Entity.....	-	-	-
Change in Fund Structure.....	<u>-</u>	<u>-</u>	<u>-</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	<u>\$ 11,498,604</u>	<u>\$ 877,056</u>	<u>\$ 175,556</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	<u>\$ 11,638,319</u>	<u>\$ 909,002</u>	<u>\$ 174,580</u>

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
\$ -	\$ 13,763	\$ 231	\$ -	\$ 6,256	\$ -
153	9,174	235	130,894	6,173	246,013
-	-	-	-	-	-
<u>\$ 153</u>	<u>\$ 22,937</u>	<u>\$ 466</u>	<u>\$ 130,894</u>	<u>\$ 12,429</u>	<u>\$ 246,013</u>
\$ 286	\$ 29,485	\$ 7,536	\$ 19,118	\$ 15,022	\$ 241,911
(7)	(930)	(97)	(495)	(205)	(3,792)
<u>\$ 279</u>	<u>\$ 28,555</u>	<u>\$ 7,439</u>	<u>\$ 18,623</u>	<u>\$ 14,817</u>	<u>\$ 238,119</u>
\$ 3	\$ 507	\$ 16	\$ 79	\$ 32	\$ 602
(1)	(159)	(5)	(24)	(10)	(184)
<u>\$ 2</u>	<u>\$ 348</u>	<u>\$ 11</u>	<u>\$ 55</u>	<u>\$ 22</u>	<u>\$ 418</u>
<u>\$ 281</u>	<u>\$ 28,903</u>	<u>\$ 7,450</u>	<u>\$ 18,678</u>	<u>\$ 14,839</u>	<u>\$ 238,537</u>
\$ 3,216	\$ -	\$ -	\$ -	\$ 908	\$ -
-	1,000	83	3,673	194	4,857
<u>\$ 3,650</u>	<u>\$ 52,840</u>	<u>\$ 7,999</u>	<u>\$ 153,245</u>	<u>\$ 28,370</u>	<u>\$ 489,407</u>
\$ 8,441	\$ 55,465	\$ 6,130	\$ 67,688	\$ -	\$ 33,205
-	15	1,911	-	8,461	262,855
37	170	159	7,298	350	7,461
-	-	-	-	30,226	-
<u>\$ 8,478</u>	<u>\$ 55,650</u>	<u>\$ 8,200</u>	<u>\$ 74,986</u>	<u>\$ 39,037</u>	<u>\$ 303,521</u>
<u>\$ (4,828)</u>	<u>\$ (2,810)</u>	<u>\$ (201)</u>	<u>\$ 78,259</u>	<u>\$ (10,667)</u>	<u>\$ 185,886</u>
\$ 8,258	\$ 667,340	\$ 149,273	\$ 687,415	\$ 325,737	\$ 5,664,198
-	-	-	-	-	-
<u>\$ 8,258</u>	<u>\$ 667,340</u>	<u>\$ 149,273</u>	<u>\$ 687,415</u>	<u>\$ 325,737</u>	<u>\$ 5,664,198</u>
<u>\$ 3,430</u>	<u>\$ 664,530</u>	<u>\$ 149,072</u>	<u>\$ 765,674</u>	<u>\$ 315,070</u>	<u>\$ 5,850,084</u>

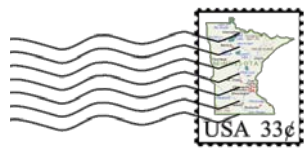
CONTINUED

STATE OF MINNESOTA

**PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	GENERAL EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer.....	\$ 435,115	\$ 150	\$ 144,317
Member.....	353,765	117	88,733
Contributions From Other Sources.....	-	-	-
Total Contributions.....	<u>\$ 788,880</u>	<u>\$ 267</u>	<u>\$ 233,050</u>
Net Investment Income:			
Investment Income.....	\$ 793,705	\$ 21,428	\$ 323,936
Less: Investment Expense.....	<u>(25,708)</u>	<u>(74)</u>	<u>(10,230)</u>
Net Investment Income.....	<u>\$ 767,997</u>	<u>\$ 21,354</u>	<u>\$ 313,706</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 13,843	\$ 322	\$ 5,606
Securities Lending Rebates and Fees.....	<u>(4,336)</u>	<u>(101)</u>	<u>(1,756)</u>
Net Securities Lending Revenue.....	<u>\$ 9,507</u>	<u>\$ 221</u>	<u>\$ 3,850</u>
Total Investment Income.....	<u>\$ 777,504</u>	<u>\$ 21,575</u>	<u>\$ 317,556</u>
Transfers From Other Funds.....	\$ -	\$ -	\$ 9,000
Other Additions.....	<u>278</u>	<u>3</u>	<u>84</u>
Total Additions.....	<u>\$ 1,566,662</u>	<u>\$ 21,845</u>	<u>\$ 559,690</u>
Deductions:			
Benefits.....	\$ 1,235,303	\$ 66,094	\$ 481,330
Refunds and Withdrawals.....	35,655	51	1,953
Administrative Expenses.....	10,367	10	803
Transfers To Other Funds.....	-	-	-
Total Deductions.....	<u>\$ 1,281,325</u>	<u>\$ 66,155</u>	<u>\$ 484,086</u>
Net Increase (Decrease).....	<u>\$ 285,337</u>	<u>\$ (44,310)</u>	<u>\$ 75,604</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 17,404,822	\$ 935,946	\$ 7,273,100
Change in Reporting Entity.....	-	-	-
Change in Fund Structure.....	<u>891,636</u>	<u>(891,636)</u>	<u>-</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	<u>\$ 18,296,458</u>	<u>\$ 44,310</u>	<u>\$ 7,273,100</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	<u>\$ 18,581,795</u>	<u>\$ -</u>	<u>\$ 7,348,704</u>

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 15,736	\$ 579	\$ 1,850	\$ 340,208	\$ 44,083	\$ 1,187,877
10,472	-	1,698	334,826	36,818	1,393,054
-	-	-	6,894	654	7,548
<u>\$ 26,208</u>	<u>\$ 579</u>	<u>\$ 3,548</u>	<u>\$ 681,928</u>	<u>\$ 81,555</u>	<u>\$ 2,588,479</u>
\$ 20,782	\$ 1,078	\$ 2,703	\$ 906,547	\$ 70,000	\$ 3,011,933
(666)	(28)	(56)	(29,287)	-	(89,255)
<u>\$ 20,116</u>	<u>\$ 1,050</u>	<u>\$ 2,647</u>	<u>\$ 877,260</u>	<u>\$ 70,000</u>	<u>\$ 2,922,678</u>
\$ 375	\$ 28	\$ 48	\$ 14,902	\$ -	\$ 46,067
(118)	(9)	(14)	(4,882)	-	(14,638)
<u>\$ 257</u>	<u>\$ 19</u>	<u>\$ 34</u>	<u>\$ 10,020</u>	<u>\$ -</u>	<u>\$ 31,429</u>
<u>\$ 20,373</u>	<u>\$ 1,069</u>	<u>\$ 2,681</u>	<u>\$ 887,280</u>	<u>\$ 70,000</u>	<u>\$ 2,954,107</u>
\$ -	\$ 1,430	\$ -	\$ 36,040	\$ -	\$ 80,820
-	79	-	3,550	-	13,976
<u>\$ 46,581</u>	<u>\$ 3,157</u>	<u>\$ 6,229</u>	<u>\$ 1,608,798</u>	<u>\$ 151,555</u>	<u>\$ 5,637,382</u>
\$ 7,778	\$ 1,221	\$ -	\$ 1,657,722	\$ 74,462	\$ 4,437,462
1,057	87	3,489	13,232	-	342,382
247	86	186	11,509	350	48,555
-	-	-	-	-	31,134
<u>\$ 9,082</u>	<u>\$ 1,394</u>	<u>\$ 3,675</u>	<u>\$ 1,682,463</u>	<u>\$ 74,812</u>	<u>\$ 4,859,533</u>
<u>\$ 37,499</u>	<u>\$ 1,763</u>	<u>\$ 2,554</u>	<u>\$ (73,665)</u>	<u>\$ 76,743</u>	<u>\$ 777,849</u>
\$ 453,232	\$ 26,386	\$ 55,106	\$ 20,293,684	\$ 1,559,662	\$ 68,055,375
-	2,630	-	226,072	-	228,702
-	1,503	-	-	-	1,503
<u>\$ 453,232</u>	<u>\$ 30,519</u>	<u>\$ 55,106</u>	<u>\$ 20,519,756</u>	<u>\$ 1,559,662</u>	<u>\$ 68,285,580</u>
<u>\$ 490,731</u>	<u>\$ 32,282</u>	<u>\$ 57,660</u>	<u>\$ 20,446,091</u>	<u>\$ 1,636,405</u>	<u>\$ 69,063,429</u>





State of Minnesota

Investment Trust Funds

Supplemental Retirement Fund

The fund provides an investment vehicle for the assets of various public retirement plans and funds.

Investment Trust Fund

The fund provides an investment vehicle for external funds authorized to be invested by the state.

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STATE OF MINNESOTA

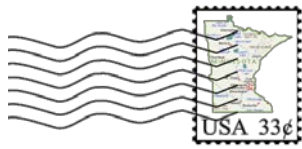
**INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET POSITION
JUNE 30, 2015
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 27,048	\$ 37,445	\$ 64,493
Investments.....	532,388	267,318	799,706
Accrued Interest and Dividends.....	1,075	773	1,848
Securities Trades Receivables (Payables).....	(5,281)	(152)	(5,433)
Total Investment Pool Participation.....	<u>\$ 555,230</u>	<u>\$ 305,384</u>	<u>\$ 860,614</u>
Securities Lending Collateral.....	<u>\$ 69,271</u>	<u>\$ -</u>	<u>\$ 69,271</u>
Total Assets.....	<u>\$ 624,501</u>	<u>\$ 305,384</u>	<u>\$ 929,885</u>
LIABILITIES			
Securities Lending Liabilities.....	<u>\$ 69,271</u>	<u>\$ -</u>	<u>\$ 69,271</u>
Total Liabilities.....	<u>\$ 69,271</u>	<u>\$ -</u>	<u>\$ 69,271</u>
Net Position Held in Trust for Pension Benefits and Pool Participants.....	<u><u>\$ 555,230</u></u>	<u><u>\$ 305,384</u></u>	<u><u>\$ 860,614</u></u>

STATE OF MINNESOTA

INVESTMENT TRUST FUNDS STATEMENT OF CHANGES IN PLAN NET POSITION YEAR ENDED JUNE 30, 2015 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 4,158	\$ 14,519	\$ 18,677
Total Contributions.....	<u>\$ 4,158</u>	<u>\$ 14,519</u>	<u>\$ 18,677</u>
Net Investment Income:			
Investment Income.....	\$ 20,999	\$ 15,459	\$ 36,458
Net Investment Income.....	<u>\$ 20,999</u>	<u>\$ 15,459</u>	<u>\$ 36,458</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 515	\$ -	\$ 515
Securities Lending Rebates and Fees.....	(159)	-	(159)
Net Securities Lending Revenue.....	<u>\$ 356</u>	<u>\$ -</u>	<u>\$ 356</u>
Total Investment Income.....	<u>\$ 21,355</u>	<u>\$ 15,459</u>	<u>\$ 36,814</u>
Total Additions.....	<u>\$ 25,513</u>	<u>\$ 29,978</u>	<u>\$ 55,491</u>
Deductions:			
Refunds and Withdrawals.....	\$ 20,374	\$ 7,899	\$ 28,273
Administrative Expenses.....	532	27	559
Total Deductions.....	<u>\$ 20,906</u>	<u>\$ 7,926</u>	<u>\$ 28,832</u>
Net Increase (Decrease).....	<u>\$ 4,607</u>	<u>\$ 22,052</u>	<u>\$ 26,659</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 552,126	\$ 264,480	\$ 816,606
Change in Reporting Entity.....	-	18,852	18,852
Change in Fund Structure.....	<u>(1,503)</u>	<u>-</u>	<u>(1,503)</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	<u>\$ 550,623</u>	<u>\$ 283,332</u>	<u>\$ 833,955</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	<u>\$ 555,230</u>	<u>\$ 305,384</u>	<u>\$ 860,614</u>





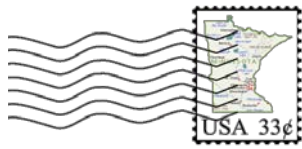
State of Minnesota

Agency Fund

Agency Fund

This fund accounts for resources held in a custodial capacity for other governmental units, private organizations, or individuals.

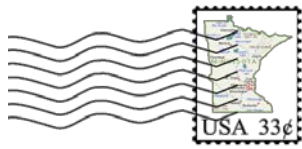
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STATE OF MINNESOTA

**AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalent Investments.....	\$ 110,727	\$ 2,299,470	\$ 2,293,149	\$ 117,048
Accounts Receivable.....	27,125	30,257	27,125	30,257
Total Assets.....	<u>\$ 137,852</u>	<u>\$ 2,329,727</u>	<u>\$ 2,320,274</u>	<u>\$ 147,305</u>
LIABILITIES				
Accounts Payable.....	\$ 137,852	\$ 2,329,727	\$ 2,320,274	\$ 147,305
Total Liabilities.....	<u>\$ 137,852</u>	<u>\$ 2,329,727</u>	<u>\$ 2,320,274</u>	<u>\$ 147,305</u>





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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

The foundation is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

Office of Higher Education

The office makes and guarantees loans to qualified post secondary students.

Public Facilities Authority

The authority provides financial assistance to eligible municipalities with high cost wastewater infrastructure projects.

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

The plan is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

Minnesota Sports Facilities Authority

The authority provides for the construction, financing, and long-term use and operations of a new multi-purpose stadium and related stadium infrastructure. The purpose of the stadium is to hold professional football games as well as a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014 and JUNE 30, 2015
(IN THOUSANDS)

ASSETS	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Current Assets:			
Cash and Cash Equivalents.....	\$ 2,171	\$ 1,031	\$ 193,892
Investments.....	-	-	-
Accounts Receivable.....	-	567	2,934
Due from Primary Government.....	-	15	-
Accrued Investment/Interest Income.....	70	-	1,945
Federal Aid Receivable.....	-	-	-
Inventories.....	-	63	-
Loans and Notes Receivable.....	68	-	85,021
Prepaid Expenses.....	-	114	-
Other Assets.....	-	-	-
Total Current Assets.....	<u>\$ 2,309</u>	<u>\$ 1,790</u>	<u>\$ 283,792</u>
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 229,347
Investments-Restricted.....	19,849	-	-
Due from Primary Government.....	-	-	-
Investments.....	-	-	-
Accounts Receivable.....	-	-	-
Loans and Notes Receivable.....	160	-	484,179
Depreciable Capital Assets (Net).....	-	6,424	-
Nondepreciable Capital Assets.....	-	1,346	-
Prepaid Expenses.....	-	-	-
Other Assets.....	-	74	-
Total Noncurrent Assets.....	<u>\$ 20,009</u>	<u>\$ 7,844</u>	<u>\$ 713,526</u>
Total Assets.....	<u>\$ 22,318</u>	<u>\$ 9,634</u>	<u>\$ 997,318</u>
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding.....	\$ -	\$ -	\$ -
Deferred Pension Outflows.....	-	-	213
Total Deferred Outflows of Resources.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 2	\$ 826	\$ 5,308
Due to Primary Government.....	-	-	12,829
Unearned Revenue.....	-	981	521
Accrued Interest Payable.....	-	-	265
Bonds and Notes Payable.....	-	577	1,090
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	64
Other Liabilities.....	-	-	-
Total Current Liabilities.....	<u>\$ 2</u>	<u>\$ 2,384</u>	<u>\$ 20,077</u>
Noncurrent Liabilities:			
Due to Primary Government.....	\$ -	\$ -	\$ -
Bonds and Notes Payable.....	-	4,409	518,426
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	511
Other Postemployment Benefits.....	-	-	64
Net Pension Liability.....	-	-	1,931
Funds Held in Trust.....	-	-	-
Other Liabilities.....	-	250	-
Total Noncurrent Liabilities.....	<u>\$ -</u>	<u>\$ 4,659</u>	<u>\$ 520,932</u>
Total Liabilities.....	<u>\$ 2</u>	<u>\$ 7,043</u>	<u>\$ 541,009</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue.....	\$ -	\$ -	\$ 367
Deferred Pension Inflows.....	-	-	2,452
Total Deferred Inflows of Resources.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,819</u>
NET POSITION			
Net Investment in Capital Assets.....	\$ -	\$ 7,461	\$ -
Restricted-Expendable.....	-	-	456,227
Unrestricted.....	22,316	(4,870)	(2,524)
Total Net Position.....	<u>\$ 22,316</u>	<u>\$ 2,591</u>	<u>\$ 453,703</u>

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
\$ 327,003	\$ 16,385	\$ 10,267	\$ 1,512	\$ 552,261
408	-	293,575	7,475	301,458
-	-	41,297	27,667	72,465
2,521	-	-	29,078	31,614
14,382	-	700	-	17,097
1,965	-	-	-	1,965
-	-	-	-	63
122,687	4,307	-	-	212,083
-	-	5,585	47	5,746
-	-	14	-	14
<u>\$ 468,966</u>	<u>\$ 20,692</u>	<u>\$ 351,438</u>	<u>\$ 65,779</u>	<u>\$ 1,194,766</u>
\$ -	\$ -	\$ -	\$ 10,668	\$ 240,015
-	-	-	-	19,849
7,817	-	-	-	7,817
33,171	-	-	-	33,171
-	-	338,993	-	338,993
1,697,813	46,020	-	-	2,228,172
-	-	-	9,142	15,566
-	-	-	380,365	381,711
-	-	-	8,063	8,063
-	-	-	-	74
<u>\$ 1,738,801</u>	<u>\$ 46,020</u>	<u>\$ 338,993</u>	<u>\$ 408,238</u>	<u>\$ 3,273,431</u>
<u>\$ 2,207,767</u>	<u>\$ 66,712</u>	<u>\$ 690,431</u>	<u>\$ 474,017</u>	<u>\$ 4,468,197</u>
\$ 14,781	\$ -	\$ -	\$ -	\$ 14,781
-	-	-	118	331
<u>\$ 14,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 15,112</u>
\$ 9,066	\$ -	\$ 4,259	\$ 35,680	\$ 55,141
-	6,209	20,457	19,603	59,098
-	-	32,390	-	33,892
14,475	-	-	-	14,740
160,985	-	-	-	162,652
-	-	52,483	-	52,483
43	-	-	169	276
174	-	-	-	174
<u>\$ 184,743</u>	<u>\$ 6,209</u>	<u>\$ 109,589</u>	<u>\$ 55,452</u>	<u>\$ 378,456</u>
\$ -	\$ 49,184	\$ -	\$ -	\$ 49,184
776,243	-	-	-	1,299,078
-	-	530,842	-	530,842
294	-	-	89	894
-	-	-	-	64
-	-	-	827	2,758
-	-	-	10,518	10,518
856	-	-	-	1,106
<u>\$ 777,393</u>	<u>\$ 49,184</u>	<u>\$ 530,842</u>	<u>\$ 11,434</u>	<u>\$ 1,894,444</u>
<u>\$ 962,136</u>	<u>\$ 55,393</u>	<u>\$ 640,431</u>	<u>\$ 66,886</u>	<u>\$ 2,272,900</u>
\$ -	\$ -	\$ -	\$ -	\$ 367
-	-	-	1,050	3,502
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 3,869</u>
\$ -	\$ -	\$ -	\$ 389,507	\$ 396,968
1,254,870	-	4,117	-	1,715,214
5,542	11,319	45,883	16,692	94,358
<u>\$ 1,260,412</u>	<u>\$ 11,319</u>	<u>\$ 50,000</u>	<u>\$ 406,199</u>	<u>\$ 2,206,540</u>

STATE OF MINNESOTA

**NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 and JUNE 30, 2015
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses.....	\$ 81	\$ 12,766	\$ 238,993
Program Revenues:			
Charges for Services.....	\$ 242	\$ 12,268	\$ 25,572
Operating Grants and Contributions.....	-	-	4,386
Capital Grants and Contributions.....	-	-	-
Net (Expense) Revenue.....	\$ 161	\$ (498)	\$ (209,035)
General Revenues:			
Taxes.....	\$ -	\$ -	\$ -
Investment Income.....	274	-	-
Other Revenues.....	-	1,136	-
Total General Revenues before Grants.....	\$ 274	\$ 1,136	\$ -
State Grants Not Restricted.....	\$ -	\$ -	\$ 224,106
Total General Revenues.....	\$ 274	\$ 1,136	\$ 224,106
Change in Net Position.....	\$ 435	\$ 638	\$ 15,071
Net Position, Beginning, as Reported.....	\$ 21,881	\$ 1,953	\$ 443,273
Change in Accounting Principle.....	-	-	(4,641)
Net Position, Beginning, as Restated.....	\$ 21,881	\$ 1,953	\$ 438,632
Net Position, Ending.....	\$ 22,316	\$ 2,591	\$ 453,703

<u>PUBLIC FACILITIES AUTHORITY</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>MINNESOTA SPORTS FACILITIES AUTHORITY</u>	<u>TOTAL</u>
<u>\$ 85,598</u>	<u>\$ 801</u>	<u>\$ 75,093</u>	<u>\$ 16,615</u>	<u>\$ 429,947</u>
\$ 38,518	\$ 2,118	\$ 70,690	\$ 464	\$ 149,872
55,674	-	-	6,329	66,389
-	-	-	334,047	334,047
<u>\$ 8,594</u>	<u>\$ 1,317</u>	<u>\$ (4,403)</u>	<u>\$ 324,225</u>	<u>\$ 120,361</u>
\$ -	\$ -	\$ -	\$ 1,361	\$ 1,361
-	-	4,403	26	4,703
-	-	-	6,105	7,241
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,403</u>	<u>\$ 7,492</u>	<u>\$ 13,305</u>
<u>\$ 36,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,420</u>
<u>\$ 36,314</u>	<u>\$ -</u>	<u>\$ 4,403</u>	<u>\$ 7,492</u>	<u>\$ 273,725</u>
<u>\$ 44,908</u>	<u>\$ 1,317</u>	<u>\$ -</u>	<u>\$ 331,717</u>	<u>\$ 394,086</u>
\$ 1,215,504	\$ 10,002	\$ 50,000	\$ 76,401	\$ 1,819,014
-	-	-	(1,919)	(6,560)
<u>\$ 1,215,504</u>	<u>\$ 10,002</u>	<u>\$ 50,000</u>	<u>\$ 74,482</u>	<u>\$ 1,812,454</u>
<u>\$ 1,260,412</u>	<u>\$ 11,319</u>	<u>\$ 50,000</u>	<u>\$ 406,199</u>	<u>\$ 2,206,540</u>

STATE OF MINNESOTA

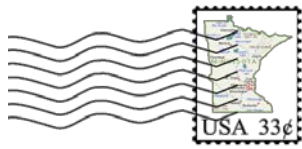
**NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 33	\$ 2,116	\$ 2,149
Rental and Service Fees.....	-	2	2
Other Income.....	209	-	209
Total Operating Revenues.....	<u>\$ 242</u>	<u>\$ 2,118</u>	<u>\$ 2,360</u>
Operating Expenses:			
Economic and Manpower Development.....	\$ 81	\$ 801	\$ 882
Total Operating Expenses.....	<u>\$ 81</u>	<u>\$ 801</u>	<u>\$ 882</u>
Operating Income (Loss).....	<u>\$ 161</u>	<u>\$ 1,317</u>	<u>\$ 1,478</u>
Nonoperating Revenues (Expenses):			
Investment/Interest Income.....	\$ 274	\$ -	\$ 274
Total Nonoperating Revenues (Expenses).....	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ 274</u>
Change in Net Position.....	<u>\$ 435</u>	<u>\$ 1,317</u>	<u>\$ 1,752</u>
Net Position, Beginning, as Reported.....	<u>\$ 21,881</u>	<u>\$ 10,002</u>	<u>\$ 31,883</u>
Net Position, Ending.....	<u><u>\$ 22,316</u></u>	<u><u>\$ 11,319</u></u>	<u><u>\$ 33,635</u></u>

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2015 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers.....	\$ 820	\$ 10,083	\$ 10,903
Receipts from Other Revenues.....	29	7,549	7,578
Payments to Customers.....	-	(6,474)	(6,474)
Payments to Suppliers.....	(62)	-	(62)
Payments to Employees.....	(19)	-	(19)
Payments to Others.....	-	(10,392)	(10,392)
Net Cash Flows from Operating Activities.....	<u>\$ 768</u>	<u>\$ 766</u>	<u>\$ 1,534</u>
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	\$ 7,146	\$ -	\$ 7,146
Purchase of Investments.....	(7,339)	-	(7,339)
Investment Interest.....	258	-	258
Net Cash Flows from Investing Activities.....	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ 833</u>	<u>\$ 766</u>	<u>\$ 1,599</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 1,338</u>	<u>\$ 15,619</u>	<u>\$ 16,957</u>
Cash and Cash Equivalents, Ending.....	<u><u>\$ 2,171</u></u>	<u><u>\$ 16,385</u></u>	<u><u>\$ 18,556</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss).....	<u>\$ 161</u>	<u>\$ 1,317</u>	<u>\$ 1,478</u>
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable.....	\$ 607	\$ 1,549	\$ 2,156
Due to Primary Government.....	<u>-</u>	<u>(2,100)</u>	<u>(2,100)</u>
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 607</u>	<u>\$ (551)</u>	<u>\$ 56</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ 768</u></u>	<u><u>\$ 766</u></u>	<u><u>\$ 1,534</u></u>

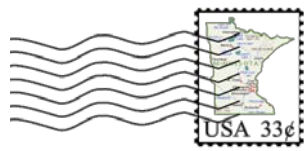




State of Minnesota

General Obligation Debt Schedule

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GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2015
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued as Par Bonds	Previously Issued as Premium ⁽¹⁾	Remaining Authorization
Building ^{24, 25, 26, 27}	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ -	\$ 3.1
Building ^{5, 18, 21, 23, 25}	1994, Ch. 643	523,873.5	523,849.0	-	24.5
Building ^{16, 17, 18, 21}	X1997, Ch. 2	37,432.0	37,335.0	-	97.0
Building ^{5, 16, 17, 18, 19, 21, 22}	1999, Ch. 240	439,425.0	438,865.0	-	560.0
Various Purpose ^{3, 5, 10, 12, 16, 17, 18, 20}	2000, Ch. 492	526,639.6	518,830.6	44.4	7,764.6
Various Purpose ^{3, 5, 10, 11, 12, 14, 16, 18, 19}	2002, Ch. 393	600,589.4	599,595.0	-	994.4
Various Purpose ^{12, 16}	X2002, Ch. 1	15,273.0	15,055.0	-	218.0
Trunk Highway ¹²	X2003, Ch. 19, Art.3	400,191.5	399,990.0	-	201.5
Trunk Highway ¹²	X2003, Ch. 19, Art.4	106,026.5	105,700.0	-	326.5
Various Purpose ^{3, 5, 8, 10, 11, 14}	2005, Ch. 20	917,927.8	912,691.1	327.9	4,908.8
Various Purpose ^{3, 5, 10, 11, 14, 15}	2006, Ch. 258	992,347.4	987,243.3	460.7	4,643.4
Various Purpose ^{3, 5, 7, 11}	X2007, Ch. 2	41,686.7	40,926.0	394.0	366.7
Trunk Highway ^{5, 11}	2008, Ch. 152	1,782,745.6	1,305,178.0	-	477,567.6
Transportation ⁵	2008, Ch. 152	60,035.0	59,288.6	233.4	513.0
Various Purpose ^{3, 5, 8, 11, 13}	2008, Ch. 179	791,368.3	785,466.9	2,480.1	3,421.3
Various Purpose ^{3, 5}	2008, Ch. 365	105,048.4	103,362.8	107.2	1,578.4
Trunk Highway	2009, Ch. 36	40,000.0	33,900.0	-	6,100.0
Various Purpose ^{3, 6, 11}	2009, Ch. 93	256,665.4	245,544.5	2,490.5	8,630.4
Various Purpose ^{3, 9}	2010, Ch. 189	713,004.7	684,055.6	10,394.4	18,554.7
Trunk Highway ^{4, 9}	2010, Ch. 189	24,952.0	24,952.0	-	-
Trunk Highway	2010, Ch. 388	100,100.0	82,640.0	-	17,460.0
Various Purpose ^{3, 7}	X2010, Ch. 1	32,657.0	22,006.1	1,478.9	9,172.0
Various Purpose	X2011, Ch. 12	555,140.0	503,288.1	21,761.9	30,090.0
Trunk Highway ⁴	2012, Ch. 287	17,613.0	15,550.0	-	2,063.0
Various Purpose	2012, Ch. 293	566,858.0	432,361.5	33,280.5	101,216.0
Various Purpose	X2012, Ch. 1	56,695.0	31,861.8	4,038.2	20,795.0
Trunk Highway	X2012, Ch. 1	35,040.0	15,355.0	-	19,685.0
Trunk Highway	2013, Ch. 117	300,300.0	86,760.0	-	213,540.0
Various Purpose	2013, Ch. 136	178,795.0	112,273.8	12,726.2	53,795.0
Various Purpose ²	2014, Ch. 294	895,903.0	230,463.2	43,086.8	622,353.0
Various Purpose	X2015, Ch. 5	190,697.0	-	-	190,697.0
Trunk Highway	X2015, Ch. 5	140,140.0	-	-	140,140.0
Totals		\$11,715,298.9	\$ 9,624,513.9	\$ 133,305.1	\$ 1,957,479.9

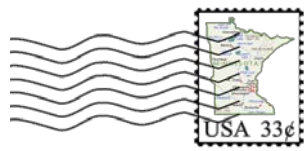
¹ Minnesota Statutes 16A.641, Subdivision 7b, requires the premium received on the sale of bonds after December 1, 2012, to be deposited to either the bond proceeds fund where it is used to reduce the par amount of the bonds issued or to the state bond fund or used to reduce the par amount of the bond issue at the time of the sale.

² Special Session Laws 2015, Chapter 5, Article 1 reduced Various Purpose Bonds authorized in Laws 2014, Chapter 294 by \$50,000.

³ Laws 2014, Chapter 294 reduced Various Purpose Bonds authorized in Laws 2000, Chapter 492 by \$983,142, Laws 2002, Chapter 393 by \$4,805, Laws 2005, Chapter 20 by \$40,399, Laws 2006, Chapter 258 by \$1,509,567, Special Session Laws 2007, Chapter 2 by \$53,847, Laws 2008, Chapter 179 by \$3,646,561, Laws 2008, Chapter 365 by \$188,036, Laws 2009, Chapter 93 by \$199,627, Laws 2010, Chapter 189 by \$2,200,284 and Special Session Laws 2010, Chapter 1 by \$2,000,000.

- 4 Laws 2014, Chapter 312, Article 9 reduced Trunk Highway Bonds authorized in Laws 2010, Chapter 189 by \$1,493,000 and increased Trunk Highway Bonds authorized in Laws 2012, Chapter 287 by \$1,493,000.
- 5 Minnesota Statutes 16A.642, required that on January 1, 2013, the commissioner of Management and Budget report unencumbered bond proceeds balances to the Legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2013. The cancellation report will reduce Various Purpose Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,044; Laws 1999, Chapter 240 by \$12,067; Laws 2000, Chapter 492 by \$60,002; Laws 2002, Chapter 393 by \$202,847; Laws 2005, Chapter 20 by \$2,110,817; Laws 2006, Chapter 258 by \$2,516,360; Special Session Laws 2007, Chapter 2 by \$6,551,231; Laws 2008, Chapter 152 was reduced by \$25,027; Laws 2008, Chapter 179 by \$2,354,454 and Laws 2008, Chapter 365 by \$263,610. The Cancellation Report also reduced Trunk Highway Bond Authorization of Laws 2008, Chapter 152 by \$1,968,953; however, \$1,414,600 was reauthorized by Laws 2013, Chapter 117.
- 6 Laws 2013, Chapter 136 reduced Various Purpose Bonds authorized in Laws 2009, Chapter 93 by \$2,000,000.
- 7 Special Session Laws 2012, Chapter 1 reduced Various Purpose Bonds authorized in Special Session Laws 2007, Chapter 2 by \$5,680,000; and Special Session Laws 2010, Chapter 1 by \$2,133,000.
- 8 Special Session Laws 2011, Chapter 12 also reduced Various Purpose Bonds authorizations in Laws 2005, Chapter 20 by \$22,000,000; and Laws 2008, Chapter 179 by \$3,500,000. However, as of July 2012, Laws 2005, Chapter 20 had only \$18,520,501 available in remaining authorization so that is the amount that was cancelled.
- 9 The Governor vetoed \$361,460,000 of appropriations for Various Purpose capital projects and \$6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor requested that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session but no capital budget was passed during this time frame. The bond authorizations for Laws 2010, Chapter 189 were reduced in Special Session Laws 2011, Chapter 12 to match the appropriations. The net reductions to the bond authorizations were \$359,660,000 for Various Purpose Bonds and \$6,500,000 for Trunk Highway Bonds.
- 10 Minnesota Statutes 16A.642, required that on January 1, 2011, the commissioner of Management and Budget report unencumbered bond proceeds balances to the Legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2011. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$2,000; Laws 2002, Chapter 393 by \$34,670; Laws 2005, Chapter 20 by \$2,697,899; and Laws 2006, Chapter 258 by \$6,481,965.
- 11 Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$280,914; Laws 2005, Chapter 20 by \$1,682,567; Laws 2006, Chapter 258 by \$7,770; Special Session Laws 2007, Chapter 2 by \$2,283,263; Laws 2008, Chapter 179 by \$152,660; and Laws 2009, Chapter 93 by \$3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by \$18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by \$85,155,000 to offset the appropriations that the Governor vetoed \$85,155,000.
- 12 Minnesota Statutes 16A.642, required that on January 1, 2009, the commissioner of Finance report unencumbered bond proceeds balances to the Legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$217,331; Laws 2002, Chapter 393 by \$284,508; and Special Session Laws 2002, Chapter 1 by \$178,656. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by \$208,570; Special Session Laws 2003, Chapter 19, Article 4 by \$4,083,466.
- 13 Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by \$223,588,000.
- 14 Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$17,262,000; Laws 2005, Chapter 20 by \$2,000,000; and Laws 2006, Chapter 258 by \$3,767,000.
- 15 Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by \$150,000.
- 16 Minnesota Statutes 16A.642, required that on January 1, 2007, the commissioner of Finance report unencumbered bond proceeds balances to the Legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by \$112,548; and Laws 1999, Chapter 240 by \$93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$524,411; Laws 2002, Chapter 393 by \$6,052,781; and Special Session Laws 2002, Chapter 1 by \$863,386.

- ¹⁷ Minnesota Statutes 16A.642, required that on January 1, 2005, the commissioner of Finance report unencumbered bond proceeds balances to the Legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by \$763,514; and Laws 1999, Chapter 240 by \$292,887. The cancellation report also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by \$3,333,695.
- ¹⁸ Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by \$2,631,376; Special Session Laws 1997, Chapter 2 by \$18; and Laws 1999, Chapter 240 by \$24,887,000. Laws 2005, Chapter 20 also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by \$3,300,000; and Laws 2002, Chapter 393 by \$352,923,000.
- ¹⁹ The Governor vetoed \$352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 21 below by increasing the bond authorization of Laws 1998, Chapter 404 by \$2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the \$2,700,000.
- ²⁰ Laws of 2001, Chapter 55 converted \$7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transportation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.
- ²¹ Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,964,000; Special Session Laws 1997, Chapter 2 by \$10,000,000; and Laws 1999, Chapter 240 by \$4,000,000. The \$2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.
- ²² The Governor vetoed \$23,605,000 of appropriations for capital projects and \$10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.
- ²³ Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by \$1,350,000.
- ²⁴ Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$9,260,000.
- ²⁵ Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$580,000; and Laws 1994, Chapter 643 by \$1,245,000.
- ²⁶ Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$115,000.
- ²⁷ Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$2,500,000.





State of Minnesota

2015
Comprehensive
Annual
Financial Report

Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

Revenue Capacity

These schedules contain information to assess the state's most significant revenue source, individual income taxes. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

Debt Capacity

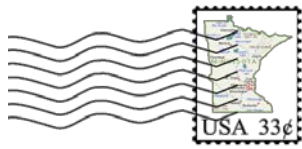
These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.





2015 Comprehensive Annual Financial Report
Index of Statistical Section

Table with 2 columns: Section Name and Page. Sections include Financial Trends, Revenue Capacity, Debt Capacity, Economic and Demographic Information, and Operating Information.

**Schedule 1 - Net Position By Component
Last Ten Years
Accrual Basis of Accounting
(In Thousands)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 6,468,103	\$ 6,781,966	\$ 7,775,939	\$ 8,285,028
Restricted	2,482,626	2,703,598	2,693,756	2,552,659
Unrestricted	<u>649,481</u>	<u>1,317,416</u>	<u>489,661</u>	<u>(917,895)</u>
Total Governmental Activities Net Position	<u>\$ 9,600,210</u>	<u>\$ 10,802,980</u>	<u>\$ 10,959,356</u>	<u>\$ 9,919,792</u>
Business-type Activities:				
Net Investment in Capital Assets	\$ 931,297	\$ 1,016,955	\$ 1,108,136	\$ 1,199,727
Restricted	852,943	1,058,032	1,140,070	737,400
Unrestricted	<u>(1,089)</u>	<u>(1,403)</u>	<u>(5,900)</u>	<u>(38,907)</u>
Total Business-type Activities Net Position	<u>\$ 1,783,151</u>	<u>\$ 2,073,584</u>	<u>\$ 2,242,306</u>	<u>\$ 1,898,220</u>
Primary Government:				
Net Investment in Capital Assets	\$ 7,399,400	\$ 7,798,921	\$ 8,884,075	\$ 9,484,755
Restricted	3,335,569	3,761,630	3,833,826	3,290,059
Unrestricted	<u>648,392</u>	<u>1,316,013</u>	<u>483,761</u>	<u>(956,802)</u>
Total Primary Government Net Position	<u>\$ 11,383,361</u>	<u>\$ 12,876,564</u>	<u>\$ 13,201,662</u>	<u>\$ 11,818,012</u>

Source: The state's Comprehensive Annual Financial Report for the relevant year.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	8,947,341	\$ 9,147,520	\$ 9,773,122	\$ 10,250,660	\$ 10,969,710	\$ 11,580,102
	3,060,905	3,396,243	3,546,397	4,050,489	5,508,417	5,392,483
	<u>(2,646,096)</u>	<u>(2,534,196)</u>	<u>(2,830,824)</u>	<u>(2,002,801)</u>	<u>(2,523,697)</u>	<u>(5,502,837)</u>
\$	<u>9,362,150</u>	<u>\$ 10,009,567</u>	<u>\$ 10,488,695</u>	<u>\$ 12,298,348</u>	<u>\$ 13,954,430</u>	<u>\$ 11,469,748</u>
\$	1,293,856	\$ 1,352,739	\$ 1,383,762	\$ 1,456,939	\$ 1,489,631	\$ 1,510,882
	509,705	643,700	1,252,075	1,899,250	2,279,417	1,992,311
	<u>(300,615)</u>	<u>(82,907)</u>	<u>(6,409)</u>	<u>(8,257)</u>	<u>(8,450)</u>	<u>(120,013)</u>
\$	<u>1,502,946</u>	<u>\$ 1,913,532</u>	<u>\$ 2,629,428</u>	<u>\$ 3,347,932</u>	<u>\$ 3,760,598</u>	<u>\$ 3,383,180</u>
\$	10,241,197	\$ 10,500,259	\$ 11,156,884	\$ 11,707,599	\$ 12,459,341	\$ 13,090,984
	3,570,610	4,039,943	4,798,472	5,949,739	7,787,834	7,384,794
	<u>(2,946,711)</u>	<u>(2,617,103)</u>	<u>(2,837,233)</u>	<u>(2,011,058)</u>	<u>(2,532,147)</u>	<u>(5,622,850)</u>
\$	<u>10,865,096</u>	<u>\$ 11,923,099</u>	<u>\$ 13,118,123</u>	<u>\$ 15,646,280</u>	<u>\$ 17,715,028</u>	<u>\$ 14,852,928</u>

Schedule 2 - Changes in Net Position
Accrual Basis of Accounting
Last Ten Years
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Program Revenues:				
Governmental Activities:				
Charges for Services				
Agricultural, Environmental and Energy Resources ⁽¹⁾	\$ 218,376	\$ 335,670	\$ 360,056	\$ 339,523
Economic and Workforce Development ⁽¹⁾	214,650	44,551	52,400	47,377
General Education	38,808	42,943	54,662	42,192
General Government	245,015	278,846	240,331	270,153
Health and Human Services	447,404	265,853	330,570	285,963
Higher Education	-	-	-	-
Public Safety and Corrections	174,807	130,830	143,073	159,155
Transportation	19,226	18,796	21,474	45,385
Operating Grants and Contributions				
Health and Human Services	4,187,909	4,609,077	4,909,527	5,996,063
All Others	1,506,094	1,891,362	1,767,796	1,758,923
Capital Grants and Contributions	452,197	236,700	449,765	272,736
Total Governmental Activities Program Revenues	<u>\$ 7,504,486</u>	<u>\$ 7,854,628</u>	<u>\$ 8,329,654</u>	<u>\$ 9,217,470</u>
Business-type Activities:				
Charges for Services				
State Colleges and Universities	\$ 694,053	\$ 750,742	\$ 794,091	\$ 827,997
Unemployment Insurance	1,054,227	946,269	835,725	800,590
Lottery	449,761	422,570	461,565	482,738
Other	178,764	230,657	233,944	232,570
Operating Grants and Contributions	176,023	187,530	217,224	872,484
Capital Grants and Contributions	1,963	1,839	1,142	4,262
Total Business-type Activities Program Revenues	<u>\$ 2,554,791</u>	<u>\$ 2,539,607</u>	<u>\$ 2,543,691</u>	<u>\$ 3,220,641</u>
Total Governmental Activities Program Revenues	<u>\$ 10,059,277</u>	<u>\$ 10,394,235</u>	<u>\$ 10,873,345</u>	<u>\$ 12,438,111</u>
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources ⁽¹⁾	\$ 525,251	\$ 762,549	\$ 825,842	\$ 834,458
Economic and Workforce Development ⁽¹⁾	273,510	568,064	704,501	695,314
General Education	7,336,455	7,323,406	7,675,567	7,811,723
General Government	718,996	771,733	816,111	800,123
Health and Human Services	8,823,115	9,596,061	10,296,359	11,248,700
Higher Education	786,563	921,339	981,943	912,011
Intergovernmental Aid	1,400,479	1,489,439	1,511,715	1,435,897
Public Safety and Corrections	818,192	855,328	901,641	944,400
Transportation	1,791,316	1,795,056	2,047,500	2,068,880
Interest	172,612	208,719	221,162	210,435
Total Governmental Activities Expenses	<u>\$ 22,646,489</u>	<u>\$ 24,291,694</u>	<u>\$ 25,982,341</u>	<u>\$ 26,961,941</u>
Business-type Activities:				
State Colleges and Universities	\$ 1,479,519	\$ 1,550,936	\$ 1,675,051	\$ 1,743,609
Unemployment Insurance	690,713	735,987	828,857	1,865,939
Lottery	332,031	311,893	346,834	363,832
Other	183,043	215,005	228,361	235,163
Total Business-type Activities Expenses	<u>\$ 2,685,306</u>	<u>\$ 2,813,821</u>	<u>\$ 3,079,103</u>	<u>\$ 4,208,543</u>
Total Primary Government Expenses	<u>\$ 25,331,795</u>	<u>\$ 27,105,515</u>	<u>\$ 29,061,444</u>	<u>\$ 31,170,484</u>

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2010	2011	2012	2013	2014	2015
\$ 358,666	\$ 369,400	\$ 384,593	\$ 326,696	\$ 350,950	\$ 401,687
49,212	46,764	59,481	40,093	60,754	57,819
21,342	19,403	23,418	24,120	22,042	22,136
266,565	265,022	249,824	381,788	279,835	305,057
353,929	424,670	399,963	547,216	407,644	424,520
3	3	636	346	337	315
156,139	157,201	159,882	157,198	158,690	161,205
25,397	21,782	19,146	30,280	28,386	23,811
6,775,255	6,692,535	6,369,736	6,834,186	7,352,174	8,340,962
3,388,958	2,706,074	2,040,575	2,318,910	2,407,201	2,205,884
206,292	202,285	135,113	167,097	249,144	170,102
<u>\$ 11,601,758</u>	<u>\$ 10,905,139</u>	<u>\$ 9,842,367</u>	<u>\$ 10,827,930</u>	<u>\$ 11,317,157</u>	<u>\$ 12,113,498</u>
\$ 771,104	\$ 851,754	\$ 848,541	\$ 851,377	\$ 824,190	\$ 815,508
972,425	1,211,352	1,444,622	1,469,936	1,188,214	937,851
499,271	504,514	520,049	560,448	531,550	546,812
246,829	260,247	274,825	272,822	333,425	351,662
1,958,195	1,697,323	1,113,581	710,153	551,820	525,297
1,554	1,515	-	-	-	-
<u>\$ 4,449,378</u>	<u>\$ 4,526,705</u>	<u>\$ 4,201,618</u>	<u>\$ 3,864,736</u>	<u>\$ 3,429,199</u>	<u>\$ 3,177,130</u>
<u>\$ 16,051,136</u>	<u>\$ 15,431,844</u>	<u>\$ 14,043,985</u>	<u>\$ 14,692,666</u>	<u>\$ 14,746,356</u>	<u>\$ 15,290,628</u>
\$ 950,738	\$ 969,947	\$ 916,001	\$ 954,721	\$ 984,197	\$ 963,432
715,085	695,050	543,680	571,265	641,424	677,044
8,042,744	7,499,159	7,890,863	8,207,311	9,048,212	9,087,613
762,238	832,859	856,328	971,198	1,013,415	1,153,921
11,949,235	12,274,181	12,487,762	13,146,913	13,647,672	15,016,278
981,859	892,921	778,389	849,510	912,083	912,909
1,558,453	1,339,943	1,358,521	1,269,078	1,291,075	1,583,636
958,915	976,261	952,585	970,095	998,054	985,399
2,468,573	2,897,408	2,343,031	2,683,545	2,685,688	2,898,752
261,802	322,773	506,909	218,218	177,244	291,983
<u>\$ 28,649,642</u>	<u>\$ 28,700,502</u>	<u>\$ 28,634,069</u>	<u>\$ 29,841,854</u>	<u>\$ 31,399,064</u>	<u>\$ 33,570,967</u>
\$ 1,802,527	\$ 1,903,985	\$ 1,816,268	\$ 1,891,779	\$ 1,936,061	\$ 1,905,845
3,038,557	2,228,405	1,490,943	1,060,431	888,665	726,529
377,025	382,759	396,590	425,541	404,705	410,237
222,110	269,880	280,817	288,146	350,729	408,408
<u>\$ 5,440,219</u>	<u>\$ 4,785,029</u>	<u>\$ 3,984,618</u>	<u>\$ 3,665,897</u>	<u>\$ 3,580,160</u>	<u>\$ 3,451,019</u>
<u>\$ 34,089,861</u>	<u>\$ 33,485,531</u>	<u>\$ 32,618,687</u>	<u>\$ 33,507,751</u>	<u>\$ 34,979,224</u>	<u>\$ 37,021,986</u>

Schedule 2 - Changes in Net Position (continued)
Accrual Basis of Accounting
Last Ten Years
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (15,142,003)	\$ (16,437,066)	\$ (17,652,687)	\$ (17,744,471)
Business-type Activities	(130,515)	(274,214)	(535,412)	(987,902)
Total Primary Government Net Expense	<u>\$ (15,272,518)</u>	<u>\$ (16,711,280)</u>	<u>\$ (18,188,099)</u>	<u>\$ (18,732,373)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Individual Income Taxes	\$ 7,069,242	\$ 7,463,959	\$ 7,929,096	\$ 7,203,337
Corporate Income Taxes	1,189,328	1,160,380	1,039,843	741,049
Sales Taxes	4,439,667	4,600,984	4,474,576	4,338,748
Property Taxes	633,288	667,395	703,972	733,899
Motor Vehicle Taxes	539,468	1,025,820	1,011,494	955,785
Fuel Taxes	659,980	647,168	651,988	758,271
Other Taxes	2,663,939	2,154,689	2,149,162	2,206,648
Tobacco Settlement	184,139	184,924	186,425	176,140
Unallocated Investment/Interest Income	101,803	155,016	121,638	57,790
Other Revenues	28,447	91,867	103,416	95,316
Transfers	(474,090)	(510,578)	(654,359)	(610,880)
Total Governmental Activities	<u>\$ 17,035,211</u>	<u>\$ 17,641,624</u>	<u>\$ 17,717,251</u>	<u>\$ 16,656,103</u>
Business-type Activities:				
Unallocated Investment/Interest Income	\$ 18,300	\$ 26,786	\$ 48,126	\$ 32,306
Other Revenues	17,141	17,811	1,649	630
Transfers	474,090	510,578	654,359	610,880
Total Business-type Activities	<u>\$ 509,531</u>	<u>\$ 555,175</u>	<u>\$ 704,134</u>	<u>\$ 643,816</u>
Total Primary Government General Revenues	<u>\$ 17,544,742</u>	<u>\$ 18,196,799</u>	<u>\$ 18,421,385</u>	<u>\$ 17,299,919</u>
Change in Net Position:				
Governmental Activities:	\$ 1,893,208	\$ 1,204,558	\$ 64,564	\$ (1,088,368)
Prior Period Adjustments	(15,229)	7,684	-	94,658
Change in Accounting Principle	-	-	91,812	(45,854)
Change in Fund Structure	-	(9,472)	-	-
Business-type Activities:	379,016	280,961	168,722	(344,086)
Prior Period Adjustments	-	-	-	-
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	9,472	-	-
Total Primary Government Change in Net Position	<u>\$ 2,256,995</u>	<u>\$ 1,493,203</u>	<u>\$ 325,098</u>	<u>\$ (1,383,650)</u>

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2010	2011	2012	2013	2014	2015
\$ (17,047,884)	\$ (17,795,363)	\$ (18,791,702)	\$ (19,013,924)	\$ (20,081,907)	\$ (21,457,469)
(990,841)	(258,324)	217,000	198,839	(150,961)	(273,889)
<u>\$ (18,038,725)</u>	<u>\$ (18,053,687)</u>	<u>\$ (18,574,702)</u>	<u>\$ (18,815,085)</u>	<u>\$ (20,232,868)</u>	<u>\$ (21,731,358)</u>
\$ 6,792,510	\$ 7,883,583	\$ 8,409,530	\$ 9,209,954	\$ 9,915,021	\$ 10,607,930
539,534	1,204,521	953,428	1,242,912	1,308,578	1,553,297
4,379,236	4,760,684	4,849,514	5,004,330	5,283,785	5,469,773
746,685	771,020	809,044	831,316	823,949	839,939
997,214	1,074,769	1,150,343	1,241,242	1,312,982	1,395,872
826,574	851,245	849,955	860,837	883,619	908,278
2,224,237	2,192,739	2,253,625	2,436,828	2,489,475	2,651,969
157,924	172,207	166,154	171,338	175,386	170,424
21,242	19,836	12,873	23,129	26,728	25,378
145,608	139,406	94,707	128,115	27,339	63,101
(543,525)	(584,171)	(480,195)	(489,364)	(520,134)	(554,346)
<u>\$ 16,287,239</u>	<u>\$ 18,485,839</u>	<u>\$ 19,068,978</u>	<u>\$ 20,660,637</u>	<u>\$ 21,726,728</u>	<u>\$ 23,131,615</u>
\$ 8,483	\$ 7,058	\$ 6,567	\$ 17,545	\$ 33,688	\$ 40,583
-	18,765	12,134	2,215	9,107	7,028
543,525	584,171	480,195	489,364	520,134	554,346
<u>\$ 552,008</u>	<u>\$ 609,994</u>	<u>\$ 498,896</u>	<u>\$ 509,124</u>	<u>\$ 562,929</u>	<u>\$ 601,957</u>
<u>\$ 16,839,247</u>	<u>\$ 19,095,833</u>	<u>\$ 19,567,874</u>	<u>\$ 21,169,761</u>	<u>\$ 22,289,657</u>	<u>\$ 23,733,572</u>
\$ (760,645)	\$ 690,476	\$ 277,276	\$ 1,646,713	\$ 1,644,821	\$ 1,674,146
87,186	15,857	201,852	162,940	-	-
115,817	-	-	-	11,959	(4,158,828)
-	(58,916)	-	-	(698)	-
(438,833)	351,670	715,896	707,963	411,968	328,068
43,559	-	-	10,541	-	-
-	-	-	-	-	(705,486)
-	58,916	-	-	698	-
<u>\$ (952,916)</u>	<u>\$ 1,058,003</u>	<u>\$ 1,195,024</u>	<u>\$ 2,528,157</u>	<u>\$ 2,068,748</u>	<u>\$ (2,862,100)</u>

Schedule 3 - Fund Balances - Governmental Funds
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:				
Reserved	\$ 228,640	\$ 155,985	\$ 153,150	\$ 111,182
Designated	610,167	1,124,122	689,476	-
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>(752,490)</u>
Total General Fund	<u>\$ 838,807</u>	<u>\$ 1,280,107</u>	<u>\$ 842,626</u>	<u>\$ (641,308)</u>
All Other Governmental Funds:				
Reserved	\$ 2,805,382	\$ 2,020,610	\$ 1,931,753	\$ 1,858,589
Designated, Reported In:				
Special Revenue Funds	715,202	1,139,133	1,266,623	1,214,750
Debt Service Fund	-	704,800	707,086	742,069
Permanent Funds	-	15,690	9,479	5,862
Undesignated, Reported In:				
Special Revenue Funds	239,599	243,192	339,989	344,884
Capital Projects Funds	<u>(48,184)</u>	<u>6,044</u>	<u>(12,873)</u>	<u>2,472</u>
Total All Other Governmental Funds	<u>\$ 3,711,999</u>	<u>\$ 4,129,469</u>	<u>\$ 4,242,057</u>	<u>\$ 4,168,626</u>
Total Governmental Funds	<u>\$ 4,550,806</u>	<u>\$ 5,409,576</u>	<u>\$ 5,084,683</u>	<u>\$ 3,527,318</u>

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

	2010	2011	2012	2013	2014	2015
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule 3 - Fund Balances - Governmental Funds (continued)
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total General Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total All Other Governmental Funds	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
Total Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2010	2011	2012	2013	2014	2015
\$ 465,601	\$ 579,800	\$ 625,689	\$ 750,071	\$ 912,814	\$ 931,595
173,687	171,033	148,483	105,581	128,025	119,108
-	-	-	219,562	231,559	322,780
<u>(1,525,534)</u>	<u>(900,675)</u>	<u>(887,037)</u>	<u>209,551</u>	<u>504,772</u>	<u>748,698</u>
<u>\$ (886,246)</u>	<u>\$ (149,842)</u>	<u>\$ (112,865)</u>	<u>\$ 1,284,765</u>	<u>\$ 1,777,170</u>	<u>\$ 2,122,181</u>
\$ 718,469	\$ 833,403	\$ 892,478	\$ 992,738	\$ 1,154,936	\$ 1,224,853
2,380,542	2,450,612	2,300,043	2,754,222	4,011,252	3,708,694
537,009	382,939	561,628	713,129	639,048	856,985
3,920	2,306	642,158	1,152	199,900	682,373
<u>-</u>	<u>(19,905)</u>	<u>(97,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,639,940</u>	<u>\$ 3,649,355</u>	<u>\$ 4,298,903</u>	<u>\$ 4,461,241</u>	<u>\$ 6,005,136</u>	<u>\$ 6,472,905</u>
<u>\$ 2,753,694</u>	<u>\$ 3,499,513</u>	<u>\$ 4,186,038</u>	<u>\$ 5,746,006</u>	<u>\$ 7,782,306</u>	<u>\$ 8,595,086</u>

Schedule 4 - Changes in Fund Balances - Governmental Funds
Last Ten Years
Modified Accrual Basis of Accounting
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:				
Individual Income Taxes	\$ 7,068,712	\$ 7,412,381	\$ 7,932,036	\$ 7,162,974
Corporate Income Taxes	1,189,915	1,163,095	1,024,040	727,928
Sales Taxes	4,473,275	4,513,452	4,499,550	4,279,178
Property Taxes	631,279	665,746	704,246	729,373
Motor Vehicle Taxes	1,037,593	1,025,820	1,011,494	955,785
Fuel Taxes	659,647	648,078	651,860	756,381
Federal Revenues	5,864,373	6,333,686	6,858,191	7,887,945
Other Taxes and Revenues	4,080,518	4,027,767	4,005,067	3,810,907
Total Revenues	\$ 25,005,312	\$ 25,790,025	\$ 26,686,484	\$ 26,310,471
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources ⁽¹⁾	\$ 537,220	\$ 755,168	\$ 782,381	\$ 866,963
Economic and Workforce Development ⁽¹⁾	703,108	605,784	719,801	704,736
General Education	7,337,888	7,320,491	7,673,220	7,808,279
General Government	690,753	699,585	772,835	753,882
Health and Human Services	8,820,143	9,581,606	10,298,462	11,238,043
Higher Education	786,606	922,772	983,319	913,292
Intergovernment Aid	1,400,479	1,489,439	1,511,715	1,435,897
Public Safety and Corrections	793,202	813,636	858,385	891,480
Transportation	1,776,980	1,765,410	2,029,762	2,040,334
Securities Lending Rebates and Fees	18,049	29,929	21,534	1,237
Capital Outlay	854,612	693,041	818,701	746,955
Debt Service:				
Principal	288,932	349,941	372,882	389,909
Interest	183,240	222,175	221,694	230,107
Total Expenditures	\$ 24,191,212	\$ 25,248,977	\$ 27,064,691	\$ 28,021,114
Excess of Revenues Over (Under) Expenditures	\$ 814,100	\$ 541,048	\$ (378,207)	\$ (1,710,643)
Other Financing Sources (Uses):				
Bond Proceeds	\$ 377,949	\$ 720,445	\$ 637,744	\$ 675,810
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	24,388	24,610	414	549
Proceeds from Refunding Bonds	160,960	264,050	-	155,415
Payment to Refunded Bonds Escrow Agent	(160,960)	(264,050)	-	(155,415)
Bond Issue Premium	45,141	57,918	34,016	56,112
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(449,246)	(479,598)	(622,455)	(580,540)
Capital Leases	180,005	1,090	1,308	-
Net Other Financing Sources (Uses)	\$ 178,237	\$ 324,465	\$ 51,027	\$ 151,931
Change in Inventory	-	2,845	2,287	1,347
Change in Fund Structure	-	(9,588)	-	-
Prior Period Adjustments	-	-	-	-
Net Change in Fund Balances	\$ 992,337	\$ 858,770	\$ (324,893)	\$ (1,557,365)
Debt Service as a Percentage of Noncapital Expenditures	2.0%	2.3%	2.3%	2.3%

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

	2010	2011	2012	2013	2014	2015
\$	6,729,244	\$ 7,828,818	\$ 8,267,608	\$ 9,257,352	\$ 9,859,403	\$ 10,640,365
	540,504	1,135,193	996,524	1,273,112	1,302,563	1,503,461
	4,411,277	4,681,525	4,871,038	5,028,616	5,281,384	5,455,081
	766,830	766,926	813,723	817,895	830,759	836,257
	997,214	1,074,769	1,150,343	1,241,242	1,312,837	1,395,959
	825,341	852,765	851,410	861,780	882,649	908,740
	10,020,456	9,162,775	8,268,573	8,910,474	9,473,359	10,321,264
	4,074,393	4,249,437	4,063,416	4,550,709	4,654,510	4,660,862
\$	<u>28,365,259</u>	<u>29,752,208</u>	<u>29,282,635</u>	<u>31,941,180</u>	<u>33,597,464</u>	<u>35,721,989</u>
\$	918,410	\$ 1,022,523	\$ 904,313	\$ 961,993	\$ 980,261	\$ 983,098
	755,337	720,542	588,847	623,810	647,590	694,016
	8,038,447	7,494,180	7,885,111	8,201,852	9,042,621	9,088,463
	730,091	787,042	742,654	825,528	900,517	1,066,108
	11,929,558	12,252,582	12,467,327	13,130,238	13,626,375	15,057,706
	981,868	892,947	777,958	849,506	911,986	912,947
	1,549,453	1,317,185	1,358,520	1,269,078	1,291,075	1,583,636
	901,983	911,490	893,858	909,426	939,855	965,508
	2,416,333	2,673,915	2,300,784	2,610,632	2,630,645	2,883,680
	132	89	-	-	-	-
	643,736	699,583	539,608	646,086	911,129	1,058,477
	395,045	347,934	467,870	326,989	410,450	598,590
	282,774	349,326	571,656	295,231	251,608	365,231
\$	<u>29,543,167</u>	<u>29,469,338</u>	<u>29,498,506</u>	<u>30,650,369</u>	<u>32,544,112</u>	<u>35,257,460</u>
\$	<u>(1,177,908)</u>	<u>282,870</u>	<u>(215,871)</u>	<u>1,290,811</u>	<u>1,053,352</u>	<u>464,529</u>
\$	722,904	\$ 843,496	\$ 1,517,849	\$ 1,296,087	\$ 1,348,259	\$ 720,300
	74,980	-	-	-	-	80,100
	5,729	677	-	1,597	-	-
	426,505	907,785	-	-	373,940	153,905
	(426,505)	(907,785)	(400,775)	(768,450)	(373,940)	(153,905)
	108,704	233,570	142,273	200,932	180,783	123,666
	7,411	-	-	-	-	-
	(523,176)	(557,776)	(495,540)	(507,118)	(546,096)	(575,815)
	3,356	-	-	-	-	-
\$	<u>399,908</u>	<u>519,967</u>	<u>763,807</u>	<u>223,048</u>	<u>982,946</u>	<u>348,251</u>
	4,376	1,898	-	-	-	-
	-	(58,916)	-	-	-	-
	-	-	138,589	46,109	-	-
\$	<u>(773,624)</u>	<u>745,819</u>	<u>686,525</u>	<u>1,559,968</u>	<u>2,036,298</u>	<u>812,780</u>
	2.3%	2.4%	3.6%	2.1%	2.1%	2.8%

**Schedule 5 - Revenue Base
Personal Income By Industry
Last Ten Calendar Years
(In Thousands)**

	2005	2006	2007	2008
Farm Earnings	\$ 2,996,762	\$ 2,542,326	\$ 2,515,102	\$ 4,059,542
Private Earnings:				
Forestry, Fishing, Related Activities	\$ 309,115	\$ 338,123	\$ 332,108	\$ 349,284
Mining	476,243	526,453	497,848	600,448
Utilities	1,240,692	1,336,308	1,370,300	1,548,654
Construction	10,001,247	10,097,536	9,671,136	9,011,679
Manufacturing:				
Durable Goods Manufacturing	14,929,734	15,159,860	15,574,953	15,648,982
Nondurable Goods Manufacturing	7,240,978	7,517,820	7,850,835	8,411,195
Wholesale Trade	9,803,411	10,297,178	10,877,507	11,447,205
Retail Trade	9,543,813	9,635,293	9,708,402	9,363,386
Transportation and Warehousing	5,436,596	5,109,191	5,592,017	5,596,111
Information	4,189,743	4,184,192	4,579,200	4,733,745
Finance and Insurance	12,798,896	13,217,647	14,071,202	13,684,868
Real Estate and Rental and Leasing	2,791,360	2,774,388	2,532,788	2,625,304
Professional and Technical Services	11,198,175	12,206,142	13,298,700	14,254,764
Management of Companies and Enterprises	6,827,968	7,227,510	8,222,622	9,469,224
Administrative and Waste Services	4,562,809	4,812,450	5,057,158	5,132,329
Educational Services	1,797,185	1,940,873	2,121,488	2,303,857
Health Care and Social Assistance	16,555,682	17,854,076	19,206,447	20,282,238
Arts, Entertainment, and Recreation	1,500,507	1,675,198	1,715,516	1,754,076
Accommodation and Food Services	3,721,681	3,860,458	4,025,188	4,043,428
Other Services, Except Public Administration	5,672,347	5,913,195	5,938,531	5,832,830
Total Private Earnings	<u>\$ 130,598,182</u>	<u>\$ 135,683,891</u>	<u>\$ 142,243,946</u>	<u>\$ 146,093,607</u>
Government and Government Enterprises:				
Federal, Civilian	\$ 2,595,925	\$ 2,708,030	\$ 2,761,415	\$ 2,873,085
Military	818,966	752,031	802,050	788,946
State and Local	17,885,878	18,599,399	19,406,409	20,405,075
Total Government and Government Enterprises	<u>\$ 21,300,769</u>	<u>\$ 22,059,460</u>	<u>\$ 22,969,874</u>	<u>\$ 24,067,106</u>
Nonfarm Earnings	<u>151,898,951</u>	<u>157,743,351</u>	<u>165,213,820</u>	<u>170,160,713</u>
Total Earnings By Industry	<u>\$ 154,895,713</u>	<u>\$ 160,285,677</u>	<u>\$ 167,728,922</u>	<u>\$ 174,220,255</u>
Derivation of Personal Income:				
Earnings By Place of Work	\$ 154,895,713	\$ 160,285,677	\$ 167,728,922	\$ 174,220,255
Other Personal Income ⁽¹⁾	<u>38,558,640</u>	<u>44,368,563</u>	<u>48,681,255</u>	<u>52,747,323</u>
Personal income	<u>\$ 193,454,353</u>	<u>\$ 204,654,240</u>	<u>\$ 216,410,177</u>	<u>\$ 226,967,578</u>

⁽¹⁾ Adjustments for Residence, Dividends, Interest, Rent and Transfer Receipts less Social Security Benefits

Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry last updated September 30, 2015.

Note: The estimates of earnings for 2005-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007-2010 are based on the 2007 NAICS. Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. The estimates for 2011 forward are based on the 2012 NAICS.

	2009	2010	2011	2012	2013	2014
\$	2,224,254	\$ 3,287,574	\$ 4,497,149	\$ 6,234,574	\$ 6,052,844	\$ 4,359,871
\$	368,055	\$ 451,628	\$ 431,337	\$ 478,731	\$ 480,017	\$ 513,993
	430,736	596,791	828,882	869,911	804,020	840,873
	1,493,819	1,573,821	1,713,607	1,616,514	1,770,512	1,819,117
	7,890,457	7,688,016	8,317,349	9,095,042	9,791,190	10,765,602
	13,860,299	14,201,274	15,081,015	15,554,022	15,830,432	16,554,442
	7,510,306	7,554,832	8,626,495	8,764,489	8,498,013	8,950,428
	10,627,434	10,864,226	11,541,578	12,099,082	12,517,671	12,943,715
	9,107,694	9,298,675	9,734,039	9,938,329	10,321,186	10,860,848
	5,005,404	5,043,776	5,558,221	5,716,846	5,848,124	6,172,840
	4,705,392	4,755,021	5,095,242	5,104,873	5,613,278	5,881,359
	13,146,857	14,204,464	15,067,396	16,294,529	16,062,453	16,666,386
	2,523,339	2,630,995	2,807,763	3,509,841	3,869,810	3,959,687
	13,216,755	13,183,855	14,272,238	14,864,889	15,562,327	16,657,789
	7,987,812	9,009,620	9,386,981	9,614,359	9,943,110	10,346,183
	4,781,159	5,128,511	5,633,054	5,750,764	5,781,394	6,146,740
	2,486,515	2,590,178	2,722,659	2,793,037	2,765,032	2,888,470
	21,044,118	21,978,597	22,445,569	23,151,960	23,973,915	24,967,359
	1,675,630	1,817,239	1,864,145	1,956,528	2,024,467	2,102,650
	3,863,298	3,933,714	4,234,715	4,486,532	4,622,050	4,908,262
	5,751,641	5,741,373	5,989,599	6,272,601	6,393,472	6,792,275
\$	137,476,720	\$ 142,246,606	\$ 151,351,884	\$ 157,932,879	\$ 162,472,473	\$ 170,739,018
\$	2,942,734	\$ 2,991,515	\$ 3,024,745	\$ 3,007,494	\$ 2,986,705	\$ 3,053,047
	855,721	846,077	784,391	748,232	707,638	663,632
	20,853,112	21,138,535	20,971,756	21,101,445	21,925,160	22,724,663
\$	24,651,567	\$ 24,976,127	\$ 24,780,892	\$ 24,857,171	\$ 25,619,503	\$ 26,441,342
	162,128,287	167,222,733	176,132,776	182,790,050	188,091,976	197,180,360
\$	164,352,541	\$ 170,510,307	\$ 180,629,925	\$ 189,024,624	\$ 194,144,820	\$ 201,540,231
\$	164,352,541	\$ 170,510,307	\$ 180,629,925	\$ 189,024,624	\$ 194,144,820	\$ 201,540,231
	52,513,450	55,538,875	61,177,252	65,442,990	62,913,296	65,849,012
\$	216,865,991	\$ 226,049,182	\$ 241,807,177	\$ 254,467,614	\$ 257,058,116	\$ 267,389,243

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2006 through 2015

Tax Year 2006

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$29,980	\$29,981 - \$119,100	\$119,100
Married Separate	14,990	14,991 - 59,550	59,550
Single	20,510	20,511 - 67,360	67,360
Head of Household	25,250	25,251 - 101,450	101,450

Tax Year 2007

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$31,150	\$31,151 - \$123,750	\$123,750
Married Separate	15,580	15,581 - 61,880	61,880
Single	21,310	21,311 - 69,990	69,990
Head of Household	26,230	26,231 - 105,410	105,410

Tax Year 2008

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$31,860	\$31,861 - \$126,580	\$126,580
Married Separate	15,930	15,931 - 63,290	63,290
Single	21,800	21,801 - 71,590	71,590
Head of Household	26,830	26,831 - 107,820	107,820

Tax Year 2009

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$33,220	\$33,221 - \$131,970	\$131,970
Married Separate	16,610	16,611 - 65,990	65,990
Single	22,730	22,731 - 74,650	74,650
Head of Household	27,980	27,981 - 112,420	112,420

Tax Year 2010

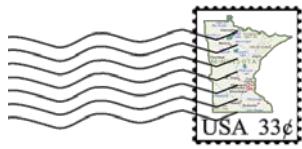
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$33,280	\$33,281 - \$132,220	\$132,220
Married Separate	16,640	16,641 - 66,110	66,110
Single	22,770	22,771 - 74,780	74,780
Head of Household	28,030	28,031 - 112,620	112,620

Source: Minnesota Department of Revenue Tax Research Division
 Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2006 through 2015 (continued)

Tax Year 2011				
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>	
Married Joint	\$33,770	\$33,771 - \$134,170		\$134,170
Married Separate	16,890	16,891 - 67,090		67,090
Single	23,100	23,101 - 75,890		75,890
Head of Household	28,440	28,441 - 114,290		114,290
Tax Year 2012				
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>	
Married Joint	\$34,590	\$34,591 - \$137,430		\$137,430
Married Separate	17,300	17,301 - 68,720		68,720
Single	23,670	23,671 - 77,730		77,730
Head of Household	29,130	29,131 - 117,060		117,060
Tax Year 2013				
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>	<u>9.85% Over</u>
Married Joint	\$35,480	\$35,481 - \$140,960	\$140,961 - \$250,000	\$250,000
Married Separate	17,740	17,741 - 70,480	70,481 - 125,000	125,000
Single	24,270	24,271 - 79,730	79,731 - 150,000	150,000
Head of Household	29,880	29,881 - 120,070	120,071 - 200,000	200,000
Tax Year 2014				
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>	<u>9.85% Over</u>
Married Joint	\$36,080	\$36,081 - \$143,350	\$143,351 - \$254,240	\$254,240
Married Separate	18,040	18,041 - 71,680	71,681 - 127,120	127,120
Single	24,680	24,681 - 81,080	81,081 - 152,540	152,540
Head of Household	30,390	30,391 - 122,110	122,111 - 203,390	203,390
Tax Year 2015				
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>	<u>9.85% Over</u>
Married Joint	\$36,650	\$36,651 - \$145,620	\$145,621 - \$258,260	\$258,260
Married Separate	18,330	18,331 - 72,810	72,811 - 129,130	129,130
Single	25,070	25,071 - 82,360	82,361 - 154,950	154,950
Head of Household	30,870	30,871 - 124,040	124,041 - 206,610	206,610

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.



**Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2004 and 2013**

Calendar Year 2004

Federal Adjusted Gross Income	Number of Returns(1)	Percent of Total	Personal Income Tax Liability(2)	Percent of Total
\$ 0 – 4,999	220,614	9.21%	\$ 3,375,784	0.06%
5,000 – 9,999	206,860	8.63%	10,898,850	0.18%
10,000 – 19,999	333,401	13.92%	77,549,702	1.30%
20,000 – 29,999	306,779	12.80%	190,486,980	3.19%
30,000 – 39,999	251,521	10.50%	279,519,356	4.69%
40,000 – 49,999	200,992	8.39%	312,265,578	5.23%
50,000 – 99,999	607,647	25.36%	1,763,740,723	29.56%
100,000 – 249,999	221,667	9.25%	1,566,218,640	26.25%
250,000 – 499,999	29,476	1.23%	581,638,052	9.75%
500,000 & Over	16,982	0.71%	1,180,420,179	19.79%
	<u>2,395,939</u>	<u>100.00%</u>	<u>\$ 5,966,113,844</u>	<u>100.00%</u>

Calendar Year 2013

Federal Adjusted Gross Income	Number of Returns ⁽¹⁾	Percent of Total	Personal Income Tax Liability ⁽²⁾	Percent of Total
\$ 0 – 4,999	221,345	8.25%	\$ 8,513,653	0.09%
5,000 – 9,999	190,868	7.11%	4,702,726	0.05%
10,000 – 19,999	332,886	12.40%	57,666,993	0.64%
20,000 – 29,999	295,928	11.03%	160,203,602	1.78%
30,000 – 39,999	263,695	9.83%	266,560,590	2.96%
40,000 – 49,999	207,091	7.72%	322,720,904	3.58%
50,000 – 99,999	670,597	24.98%	1,942,833,554	21.55%
100,000 – 249,999	415,805	15.49%	2,927,425,148	32.48%
250,000 – 499,999	56,688	2.11%	1,137,904,271	12.63%
500,000 & Over	28,882	1.08%	2,184,310,046	24.24%
	<u>2,683,785</u>	<u>100.00%</u>	<u>\$ 9,012,841,487</u>	<u>100.00%</u>

⁽¹⁾Total number of returns filed.

⁽²⁾Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2013 is the most recent year available.

Source: Minnesota Department of Revenue, Individual Income Tax Sample.

**Schedule 8 - Ratios of Outstanding and General Bonded Debt
Last Ten Years
(In Thousands)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:				
General Obligation Bonds ⁽¹⁾	\$ 3,615,381	\$ 4,036,703	\$ 4,330,291	\$ 4,667,902
State General Fund Appropriation Bonds ⁽¹⁾	-	-	-	-
Loans	45,918	60,494	59,889	53,658
Revenue Bonds	-	15,145	14,500	13,715
Certificates of Participation Payable	-	-	-	-
Capital Leases	<u>182,930</u>	<u>172,732</u>	<u>167,877</u>	<u>161,629</u>
Total	<u>\$ 3,844,229</u>	<u>\$ 4,285,074</u>	<u>\$ 4,572,557</u>	<u>\$ 4,896,904</u>
Business-type Activities:				
General Obligation Bonds ⁽¹⁾	\$ 164,631	\$ 199,690	\$ 224,090	\$ 241,946
Loans	5,832	5,419	5,829	5,582
Revenue Bonds	95,780	170,941	209,719	278,246
Capital Leases	<u>26,520</u>	<u>25,382</u>	<u>22,647</u>	<u>20,324</u>
Total	<u>\$ 292,763</u>	<u>\$ 401,432</u>	<u>\$ 462,285</u>	<u>\$ 546,098</u>
Total Debt to the Primary Government	<u>\$ 4,136,992</u>	<u>\$ 4,686,506</u>	<u>\$ 5,034,842</u>	<u>\$ 5,443,002</u>
Less: Set Aside to Repay General Debt	<u>\$ (313,324)</u>	<u>\$ (372,510)</u>	<u>\$ (368,800)</u>	<u>\$ (406,310)</u>
Net Debt to the Primary Government	<u>\$ 3,823,668</u>	<u>\$ 4,313,996</u>	<u>\$ 4,666,042</u>	<u>\$ 5,036,692</u>
Total Personal Income	\$ 193,454,353	\$ 204,654,240	\$ 216,410,177	\$ 226,967,578
Ratio of Total Debt to Personal Income	2.14%	2.29%	2.33%	2.40%
Per Capita Total Outstanding Debt (Actual Dollars)	\$ 808	\$ 908	\$ 967	\$ 1,037
Ratio of Net General Obligation Debt to Personal Income	1.79%	1.89%	1.93%	1.98%
Per Capita Net General Obligation Debt (Actual Dollars)	\$ 677	\$ 748	\$ 804	\$ 858

⁽¹⁾ Net of applicable premium or discount

Sources: The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis U.S. Department of Commerce as of September 30, 2015 with revised estimates for 2006-2014.

2010	2011	2012	2013	2014	2015
\$ 5,103,210	\$ 5,814,900	\$ 5,772,034	\$ 6,157,536	\$ 6,649,907	\$ 6,885,776
-	-	-	774,770	1,230,408	1,175,677
41,319	31,583	28,612	35,982	28,610	24,966
12,900	12,055	794,574	10,260	47,255	44,757
80,649	79,408	70,742	49,440	41,981	125,875
<u>158,175</u>	<u>151,156</u>	<u>144,319</u>	<u>115,300</u>	<u>106,821</u>	<u>98,512</u>
<u>\$ 5,396,253</u>	<u>\$ 6,089,102</u>	<u>\$ 6,810,281</u>	<u>\$ 7,143,288</u>	<u>\$ 8,104,982</u>	<u>\$ 8,355,563</u>
\$ 250,353	\$ 260,618	\$ 249,636	\$ 250,321	\$ 256,886	\$ 260,431
603,020	465,280	5,015	4,414	3,635	3,794
320,779	375,409	431,952	470,498	444,231	460,484
<u>18,662</u>	<u>46,168</u>	<u>40,137</u>	<u>35,281</u>	<u>30,519</u>	<u>25,968</u>
<u>\$ 1,192,814</u>	<u>\$ 1,147,475</u>	<u>\$ 726,740</u>	<u>\$ 760,514</u>	<u>\$ 735,271</u>	<u>\$ 750,677</u>
<u>\$ 6,589,067</u>	<u>\$ 7,236,577</u>	<u>\$ 7,537,021</u>	<u>\$ 7,903,802</u>	<u>\$ 8,840,253</u>	<u>\$ 9,106,240</u>
<u>\$ (420,055)</u>	<u>\$ (463,165)</u>	<u>\$ (301,320)</u>	<u>\$ (383,740)</u>	<u>\$ (604,165)</u>	<u>\$ (605,850)</u>
<u>\$ 6,169,012</u>	<u>\$ 6,773,412</u>	<u>\$ 7,235,701</u>	<u>\$ 7,520,062</u>	<u>\$ 8,236,088</u>	<u>\$ 8,500,390</u>
\$ 216,865,991	\$ 226,049,182	\$ 241,807,177	\$ 254,467,614	\$ 257,058,116	\$ 267,389,243
3.04%	3.20%	3.12%	3.11%	3.44%	3.41%
\$ 1,248	\$ 1,363	\$ 1,409	\$ 1,469	\$ 1,630	\$ 1,669
2.27%	2.48%	2.37%	2.37%	2.45%	2.45%
\$ 934	\$ 1,057	\$ 1,070	\$ 1,120	\$ 1,162	\$ 1,199

**Schedule 9 - Pledged Revenue Coverage
Last Ten Fiscal Years (In Thousands)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
State University Board Revenue				
Segment of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 72,828	\$ 76,856	\$ 83,619	\$ 93,781
Less: Operating Expenses ⁽²⁾	<u>(57,496)</u>	<u>(60,778)</u>	<u>(65,166)</u>	<u>(69,867)</u>
Net Available Revenue	<u>\$ 15,332</u>	<u>\$ 16,078</u>	<u>\$ 18,453</u>	<u>\$ 23,914</u>
Debt Service				
Principal	\$ 1,222	\$ 1,875	\$ 1,945	\$ 2,945
Interest	<u>3,496</u>	<u>4,663</u>	<u>5,374</u>	<u>7,091</u>
Total Debt Service	<u>\$ 4,718</u>	<u>\$ 6,538</u>	<u>\$ 7,319</u>	<u>\$ 10,036</u>
Coverage	3.25	2.46	2.52	2.38
Vermilion Community College⁽³⁾ and Itasca Community College Student Housing				
Segments of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 969	\$ 1,038	\$ 1,019	\$ 608
Less: Operating Expenses ⁽²⁾	<u>(660)</u>	<u>(567)</u>	<u>(675)</u>	<u>(346)</u>
Net Available Revenue	<u>\$ 309</u>	<u>\$ 471</u>	<u>\$ 344</u>	<u>\$ 262</u>
Debt Service				
Principal	\$ 230	\$ 370	\$ 135	\$ 145
Interest	<u>189</u>	<u>170</u>	<u>155</u>	<u>148</u>
Total Debt Service	<u>\$ 419</u>	<u>\$ 540</u>	<u>\$ 290</u>	<u>\$ 293</u>
Coverage	0.74	0.87	1.19	0.89
Giants Ridge Enterprise Fund⁽⁴⁾				
Gross Revenues ⁽⁵⁾	\$ 4,562	\$ 4,047	\$ 4,216	\$ 4,091
Less: Operating Expenses ⁽²⁾	<u>(5,139)</u>	<u>(5,293)</u>	<u>(5,447)</u>	<u>(5,796)</u>
Net Available Revenue	<u>\$ (577)</u>	<u>\$ (1,246)</u>	<u>\$ (1,231)</u>	<u>\$ (1,705)</u>
Debt Service				
Principle	\$ 615	\$ 665	\$ 705	\$ 760
Interest	<u>1,045</u>	<u>1,009</u>	<u>963</u>	<u>917</u>
Total Debt Service	<u>\$ 1,660</u>	<u>\$ 1,674</u>	<u>\$ 1,668</u>	<u>\$ 1,677</u>
Coverage	(0.35)	(0.74)	(0.74)	(1.02)

⁽¹⁾ Revenues from student fees and the operation of the financed buildings are pledged to repay revenue bonds. This amount is net of cost of goods sold.

⁽²⁾ Depreciation, amortization, bad debt, interest and financing expenses are not included.

⁽³⁾ In 2013, the remaining \$85,000 in principal and interest was paid in full for Vermilion Community College.

⁽⁴⁾ Revenue bonds of \$16.0 million for Giants Ridge were issued on November 1, 2000. In 2011, the entire \$11.3 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed \$8.7 million.

⁽⁵⁾ Revenues from golf course and ski area are pledged to repay revenue bonds. This amount is net of cost of goods sold.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 101,311	\$ 108,102	\$ 111,168	\$ 109,368	\$ 109,857	\$ 112,662
<u>(71,426)</u>	<u>(72,391)</u>	<u>(74,432)</u>	<u>(78,410)</u>	<u>(81,624)</u>	<u>(78,856)</u>
<u>\$ 29,885</u>	<u>\$ 35,711</u>	<u>\$ 36,736</u>	<u>\$ 30,958</u>	<u>\$ 28,233</u>	<u>\$ 33,806</u>
\$ 6,125	\$ 7,870	\$ 7,545	\$ 11,575	\$ 12,425	\$ 14,060
<u>10,816</u>	<u>8,070</u>	<u>11,889</u>	<u>11,129</u>	<u>12,452</u>	<u>11,847</u>
<u>\$ 16,941</u>	<u>\$ 15,940</u>	<u>\$ 19,434</u>	<u>\$ 22,704</u>	<u>\$ 24,877</u>	<u>\$ 25,907</u>
1.76	2.24	1.89	1.36	1.13	1.30
\$ 628	\$ 667	\$ 690	\$ 450	\$ 473	\$ 478
<u>(338)</u>	<u>(348)</u>	<u>(334)</u>	<u>(205)</u>	<u>(230)</u>	<u>(203)</u>
<u>\$ 290</u>	<u>\$ 319</u>	<u>\$ 356</u>	<u>\$ 245</u>	<u>\$ 243</u>	<u>\$ 275</u>
\$ 145	\$ 155	\$ 165	\$ 95	\$ 130	\$ 120
<u>141</u>	<u>134</u>	<u>124</u>	<u>71</u>	<u>49</u>	<u>48</u>
<u>\$ 286</u>	<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ 166</u>	<u>\$ 179</u>	<u>\$ 168</u>
1.01	1.10	1.23	1.48	1.36	1.64
\$ 4,083	\$ 3,835	\$ 3,138	\$ 3,580	\$ 3,419	\$ 3,407
<u>(5,889)</u>	<u>(6,005)</u>	<u>(5,641)</u>	<u>(7,372)</u>	<u>(8,452)</u>	<u>(6,025)</u>
<u>\$ (1,806)</u>	<u>\$ (2,170)</u>	<u>\$ (2,503)</u>	<u>\$ (3,792)</u>	<u>\$ (5,033)</u>	<u>\$ (2,618)</u>
\$ 815	\$ 11,310	\$ -	\$ -	\$ -	\$ -
<u>858</u>	<u>630</u>	<u>15</u>	<u>10</u>	<u>-</u>	<u>-</u>
<u>\$ 1,673</u>	<u>\$ 11,940</u>	<u>\$ 15</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>
(1.08)	(0.18)	(166.87)	(379.20)	-	-

Schedule 9 - Pledged Revenue Coverage (continued)
Last Ten Fiscal Years (In Thousands)

	2006	2007	2008	2009
D.J. Johnson Economic Protection Trust Fund⁽⁶⁾				
Taconite Production Tax ⁽⁷⁾	\$ -	\$ 4,709	\$ 4,388	\$ 3,902
Net Available Revenue	<u>\$ -</u>	<u>\$ 4,709</u>	<u>\$ 4,388</u>	<u>\$ 3,902</u>
Debt Service				
Principle ⁽⁴⁾	\$ -	\$ -	\$ 322	\$ 393
Interest	-	264	320	305
Total Debt Service	<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 642</u>	<u>\$ 698</u>
Coverage	N/A	17.84	6.83	5.59
Iron Range Resources and Rehabilitation Agency (IRRA)⁽⁶⁾				
Taconite Production Tax ⁽⁷⁾	\$ -	\$ 708	\$ 706	\$ 705
Net Available Revenue	<u>\$ -</u>	<u>\$ 708</u>	<u>\$ 706</u>	<u>\$ 705</u>
Debt Service				
Principle	\$ -	\$ -	\$ 322	\$ 393
Interest	-	265	320	305
Total Debt Service	<u>\$ -</u>	<u>\$ 265</u>	<u>\$ 642</u>	<u>\$ 698</u>
Coverage	N/A	2.67	1.10	1.01
911 Services Fund⁽⁸⁾				
911 Services Fees ⁽⁹⁾	\$ -	\$ 49,527	\$ 52,271	\$ 52,677
Less: Operating Expenses ⁽²⁾	-	(15,052)	(25,812)	(23,225)
Net Available Revenue	<u>\$ -</u>	<u>\$ 34,475</u>	<u>\$ 26,459</u>	<u>\$ 29,452</u>
Debt Service				
Principal	\$ -	\$ -	\$ 2,590	\$ 5,365
Interest	-	976	1,672	2,453
Total Debt Service	<u>\$ -</u>	<u>\$ 976</u>	<u>\$ 4,262</u>	<u>\$ 7,818</u>
Coverage	N/A	35.32	6.21	3.77

⁽⁶⁾ Iron Range issued Educational Facilities Revenue bonds of \$15.0 million and \$37.8 million on July 26, 2006, and October 18, 2013, respectively.

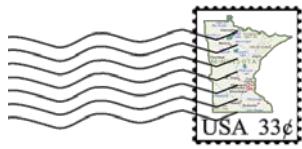
⁽⁷⁾ Taconite production tax revenues pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRA) and D.J. Johnson Economic Protection Trust Funds.

⁽⁸⁾ Revenue bonds of \$35.0 million and \$42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 services.

⁽⁹⁾ 911 fees assessed on wireless and wire-line telephone services are pledged to repay the 911 revenue bonds.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2010	2011	2012	2013	2014	2015
\$ 5,006	\$ 1,547	\$ 1,919	\$ 5,723	\$ 2,074	\$ 1,542
<u>\$ 5,006</u>	<u>\$ 1,547</u>	<u>\$ 1,919</u>	<u>\$ 5,723</u>	<u>\$ 2,074</u>	<u>\$ 1,542</u>
\$ 408	\$ 422	\$ 440	\$ 572	\$ 477	\$ 973
289	273	256	123	417	853
<u>\$ 697</u>	<u>\$ 695</u>	<u>\$ 696</u>	<u>\$ 695</u>	<u>\$ 894</u>	<u>\$ 1,826</u>
7.18	2.23	2.76	8.24	2.32	0.84
\$ 704	\$ 704	\$ 704	\$ 706	\$ 2,074	\$ 2,452
<u>\$ 704</u>	<u>\$ 704</u>	<u>\$ 704</u>	<u>\$ 706</u>	<u>\$ 2,074</u>	<u>\$ 2,452</u>
\$ 408	\$ 422	\$ 440	\$ 572	\$ 478	\$ 1,452
289	273	256	124	615	1,343
<u>\$ 697</u>	<u>\$ 695</u>	<u>\$ 696</u>	<u>\$ 696</u>	<u>\$ 1,093</u>	<u>\$ 2,795</u>
1.01	1.01	1.01	1.01	1.90	0.88
\$ 60,229	\$ 63,373	\$ 68,516	\$ 63,222	\$ 63,684	\$ 57,381
(7,290)	(30,996)	(36,356)	(26,019)	(26,191)	(24,741)
<u>\$ 52,939</u>	<u>\$ 32,377</u>	<u>\$ 32,160</u>	<u>\$ 37,203</u>	<u>\$ 37,493</u>	<u>\$ 32,640</u>
\$ 13,375	\$ 12,100	\$ 15,005	\$ 11,380	\$ 11,820	\$ 12,310
4,642	5,150	7,260	6,918	6,443	5,924
<u>\$ 18,017</u>	<u>\$ 17,250</u>	<u>\$ 22,265</u>	<u>\$ 18,298</u>	<u>\$ 18,263</u>	<u>\$ 18,234</u>
2.94	1.88	1.44	2.03	2.05	1.79



**Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2005	5,119,598	\$ 193,454,353	\$ 37,787	36.5	4.2%
2006	5,163,555	\$ 204,654,240	\$ 39,634	36.6	4.1%
2007	5,207,203	\$ 216,410,177	\$ 41,560	36.8	4.6%
2008	5,247,018	\$ 226,967,578	\$ 43,256	37.1	5.4%
2009	5,281,203	\$ 216,865,991	\$ 41,064	37.2	8.1%
2010	5,310,418	\$ 226,049,182	\$ 42,567	37.4	7.3%
2011	5,348,036	\$ 241,807,177	\$ 45,214	37.3	6.4%
2012	5,380,615	\$ 254,467,614	\$ 47,293	37.5	5.5%
2013	5,422,060	\$ 257,058,116	\$ 47,410	37.6	4.8%
2014	5,457,173	\$ 267,389,243	\$ 48,998	37.7	3.8%

Sources: U.S. Census Bureau
Bureau of Economic Analysis, U.S. Department of Commerce
Minnesota Department of Employment and Economic Development

**Schedule 11 - Principal Employers
Year 2014 and Nine Years Ago**

<u>Employer</u>	<u>2005</u>			<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>
State of Minnesota	54,471	1	2.03%	52,208	1	1.83%
United States Government	34,000	2	1.27%	31,434	3	1.10%
Mayo Clinic	33,700	3	1.26%	39,518	2	1.38%
University of Minnesota	30,000	4	1.12%	25,836	6	0.90%
Target Corp.	25,734	5	0.96%	29,896	4	1.05%
Allina Health System	22,105	6	0.82%	26,022	5	0.91%
Wells Fargo Bank Minnesota	20,175	7	0.75%	20,000	10	0.70%
Fairview Health Services	18,500	8	0.69%	21,000	9	0.73%
Wal-Mart Stores Inc.	18,380	9	0.69%	21,564	8	0.75%
3M Company	15,760	10	0.59%	-	-	-
Health Partners Inc.	-	-	0.00%	22,500	7	0.79%
Total	<u>272,825</u>			<u>289,978</u>		
Total State Employment	<u>2,681,005</u>			<u>2,857,200</u>		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published Feb. 25, 2006, and July 10, 2015.
Minnesota Department of Employment and Economic Development

Schedule 12
Full-Time Equivalent State Employees By Function
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Primary Government:				
Agricultural, Environmental and Energy Resources ⁽¹⁾	4,019	4,322	4,465	4,515
Economic & Workforce Development ⁽¹⁾	3,976	3,486	2,379	2,499
General Education	964	935	897	882
General Government	6,520	6,559	7,393	8,393
Health and Human Services	7,827	8,042	9,587	8,257
Higher Education	14,150	14,437	14,841	15,592
Public Safety and Corrections	6,245	6,198	6,447	6,517
Transportation	<u>4,710</u>	<u>4,435</u>	<u>4,544</u>	<u>4,713</u>
Total	<u><u>48,411</u></u>	<u><u>48,414</u></u>	<u><u>50,553</u></u>	<u><u>51,368</u></u>

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
4,467	4,416	4,221	4,543	4,532	4,622
2,661	2,621	2,368	2,468	2,378	2,373
880	877	851	898	915	900
6,868	7,005	6,867	7,228	7,552	7,606
9,167	8,997	8,694	9,143	9,613	9,909
15,835	15,851	15,554	15,584	15,481	15,090
6,553	6,569	6,457	6,521	6,519	6,598
<u>4,969</u>	<u>4,964</u>	<u>4,514</u>	<u>4,915</u>	<u>4,970</u>	<u>4,815</u>
<u><u>51,400</u></u>	<u><u>51,300</u></u>	<u><u>49,526</u></u>	<u><u>51,300</u></u>	<u><u>51,960</u></u>	<u><u>51,913</u></u>

**Schedule 13 - Operating and Capital Asset Indicators By Function
Last Ten Years**

	2006	2007	2008	2009
Public Safety and Corrections				
Incarcerated Inmates	8,874	8,900	9,270	9,217
Offenders on Supervision	19,977	18,979	20,132	20,974
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title ⁽¹⁾	1,542,648	1,402,284	1,436,622	1,268,416
Crashes Investigated By State Patrol	23,777	20,975	20,198	20,297
Transportation				
Miles of Highways	29,100	29,200	29,191	29,228
Trunk Highway Bridges	2,907	2,924	2,981	3,021
Acres of Right-of-Way	253,852	254,087	254,074	254,269
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,499,482	1,386,087	1,326,087	1,363,841
Watercraft Licenses Issued/Calendar Year	863,434	866,971	870,736	873,986
Acres of State Land Managed by Forestry/Fiscal Year	3,853,000	3,852,000	3,847,000	3,922,744
Farms/Calendar Year	79,300	81,000	81,000	81,000
Acres of Farmland/Calendar Year (1,000 Acres)	27,000	26,900	26,900	26,900
Agricultural Production-Crops/Calendar Year (In Thousands)	\$ 5,183,498	\$ 6,848,553	\$ 10,288,852	\$ 8,760,107
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$ 4,864,539	\$ 5,849,694	\$ 6,095,538	\$ 5,185,204
Economic and Workforce Development				
Unemployment Claims Filed	276,381	228,664	193,499	336,266
Workplace Injuries Reported	39,919	39,827	38,178	35,416
General Education ⁽²⁾				
Kindergarten Through Grade 12 Students	826,543	827,197	823,755	821,021
School Districts	343	340	340	340
Charter Schools	125	131	143	153
Special Education Age 0-21 Childcount	119,720	121,511	123,269	124,592
Higher Education				
Full Year Equivalents	134,220	135,839	139,885	143,924
Number of Students Graduated	33,860	33,796	33,328	35,026
Buildings - Square Footage	25,725,125	26,007,169	26,065,364	26,672,956
Health and Human Services				
Average Monthly Cash Recipients	164,632	159,390	158,556	164,293
Average Monthly Health Care Enrollees	667,182	661,265	667,086	707,006
Health Care Providers	3,535	3,695	3,931	4,153
General Government				
Individual Income Tax Payers/Calendar Year	2,563,373	2,602,439	2,715,679	2,687,864
Corporate Income Tax Returns/Calendar Year	43,304	38,339	40,900	33,822
Sales Tax Permit Holders/Calendar Year	197,000	256,000	277,000	277,000

Note: N/A = Information not available.

(1) Certificates of Titles prior to fiscal year 2006 were based on the number of transactions.
Beginning in fiscal year 2006, Certificates of Title were based on the number of applicants.

(2) Current year amounts are estimated.

2010	2011	2012	2013	2014	2015
9,619	9,429	9,345	9,452	9,768	9,947
20,559	19,727	19,697	19,968	19,343	20,418
10	10	10	10	10	10
1,277,295	1,277,132	1,319,334	1,625,547	1,420,951	1,177,543
20,324	25,768	20,527	23,229	25,670	23,278
29,370	29,347	29,310	29,323	29,288	29,288
2,988	2,985	2,985	3,017	3,032	3,036
254,880	254,852	254,958	255,714	255,453	256,265
1,247,885	1,317,401	1,394,075	1,340,327	1,364,293	N/A
908,232	928,540	970,091	957,061	958,111	N/A
3,915,225	3,915,178	3,914,875	4,008,450	4,014,742	4,014,641
80,500	79,800	74,500	74,400	74,000	N/A
26,900	26,850	26,000	25,900	25,900	N/A
\$ 10,252,230	\$ 11,423,838	\$ 14,785,000	\$ 14,586,348	\$ 12,779,211	N/A
\$ 6,235,456	\$ 6,990,016	\$ 7,367,399	\$ 7,789,468	\$ 8,933,175	N/A
350,443	353,277	319,473	282,339	268,800	242,214
32,828	33,889	33,757	34,303	34,963	33,786
821,923	823,347	824,922	831,722	837,616	844,135
337	337	337	336	332	332
154	149	147	148	150	157
126,108	127,863	128,430	128,812	129,669	130,886
155,422	157,903	153,447	149,905	144,524	138,657
36,464	38,765	39,617	39,800	39,148	38,220
26,792,759	27,248,375	27,835,651	27,968,002	27,998,859	28,042,641
174,372	185,739	183,983	181,900	176,300	166,428
776,430	832,903	855,643	864,365	929,455	1,139,325
4,366	4,442	4,680	4,780	4,931	4,724
2,695,214	2,708,203	2,766,477	2,794,748	2,854,888	2,876,095
32,115	38,072	33,404	36,223	35,857	33,832
284,000	284,000	256,439	284,000	155,000	155,000

Note: Of the \$17.2 billion in capital assets owned by the state, \$11.4 billion (66.3 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining \$5.8 billion in capital assets is allocated to other functions.

