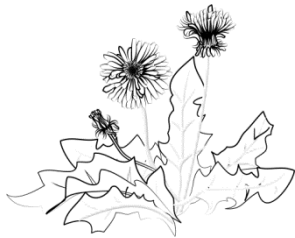


**State of Minnesota**  
**Comprehensive Annual**  
**Financial Report**



**For the Year Ended June 30, 2016**



One of the first harbingers of spring in Minnesota is the appearance of dandelions. After a season of snow and freezing temperatures, most Minnesotans welcome the sight of these delicate yellow flowers popping up in lawns, if only briefly. Once serious lawn care and gardening are under way, the “love affair” with them ends and a war of attrition against this “weed” begins.

Looking out at the yellow carpet of dandelions that inevitably blankets our landscapes, it’s hard to believe that dandelions are not native to the state. In fact, they came to Minnesota in 1849 in the mail to Harriet Godfrey, one of Minneapolis’s first residents. She and her husband, Ard, moved to the state from Maine in 1847, and she missed the pretty yellow flower she was accustomed to seeing—so much so she asked a friend to send her a packet of seeds. The rest was left to nature.

Lest we be too intolerant of these yellow invaders, consider that dandelions do produce a source of greens that were common in our forefathers’ diet and are a main ingredient in dandelion wine. They also provide a supplemental food source for precious honey bees and butterflies that play an important role in crop and plant pollination.



State of Minnesota

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# Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

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Prepared by Minnesota  
Management and Budget  
Myron Frans,  
Commissioner  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155-1489

2016  
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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/>

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# 2016 Comprehensive Annual Financial Report

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# Introduction

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## 2016 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Minnesota Management and Budget

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December 16, 2016

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, 2016. 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, 2016. 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, 2016. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2017.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements and 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**

Well into the current economic expansion, Minnesota continues to add jobs at a fairly steady rate. Consistent job growth has contributed to the state's declining unemployment rate, which is now at 4.0 percent on a seasonally adjusted basis, 0.9 percentage points below the current U.S. rate. At the same time, the state's employment growth is seeing the effects of drags on exports and a tightening labor market. Total non-farm employment in Minnesota grew 1.0 percent in fiscal year 2016 and is forecast to accelerate slightly to 1.2 percent growth in fiscal year 2017. Employment growth is forecast to decelerate to 0.8 percent in fiscal year 2018 followed by 1.0 percent growth in fiscal year 2019.

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 3.2 percent in fiscal year 2016. Wage income is now expected to accelerate to 5.3 percent growth in fiscal year 2017, followed by 4.7 percent in each of fiscal years 2018 and 2019. Minnesota personal income grew 2.0 percent in fiscal year 2016, and is now forecast to accelerate to 4.6 percent in fiscal year 2017, followed by 4.6 percent and 4.7 percent in fiscal year 2018 and 2019, respectively.

Minnesota's housing recovery continued to gain traction from its excellent performance in CY 2015, and as we approach the end of CY 2016, homebuilding activity is encouraging. As of October 2016, closed sales of homes in Minnesota preserved its good performance, reaching an 11-year high. Also encouraging are rising median and mean sales prices. According to the Minnesota Association of Realtors, in October 2016 the median sales price in the state rose 8.5 percent, while the average sales price increased 6.1 percent.

As the labor market continues to tighten and wages continue to grow, more people will be looking for long-term stable housing, increasing household formations, a key driver of demand for housing. Increasing formations foster housing sales and starts. After six years of low levels, annual household formations have picked up to 18,000 in calendar year 2015, consistent with continued employment growth. In calendar years 2016 and 2017, annual net new formations are forecast to be around 25,700 and 21,600, respectively. The 30-year fixed mortgage rate has risen to 4.16 percent at the end of November. Even though this is still low relative to historic norms, if rates keep moving up, it could affect demand for homes.

A global economic slowdown and a stronger U.S. dollar relative to major trading partners make Minnesota-produced goods and commodities more expensive elsewhere in the world, reducing demand for the state's products abroad. Exports of Minnesota manufactured goods have fallen over the last year, and manufacturing employment has declined. In the current forecast, we expect improvements in global growth to lead Minnesota manufacturers to add jobs starting in 2018. Minnesota's exports of goods and services to countries throughout the world are an important source of economic strength. According to data from the Minnesota Department of Employment and Economic Development for the second quarter of calendar year 2016, Minnesota exports, including agricultural, mining and manufactured products, were valued at \$4.8 billion, showing a decline of 8.0 percent since the second quarter of calendar year 2015, which is 2.0 percent more than the national decline of exports over the same period.

## **General Fund Condition**

On a budgetary basis, the General Fund ended fiscal year 2016 with an unassigned fund balance of \$969 million. This balance resulted primarily from a \$221 million increase in General Fund non-dedicated revenues over the fiscal year 2016 original budget. Actual spending and encumbrance for fiscal year 2016 was \$431 million below the fiscal year 2016 original budget.

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 \$3.047 billion for fiscal year 2016, a difference of \$2.1 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 \$655 million. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

## **Improved Bond Ratings**

Minnesota's reputation among credit rating agencies continues to improve. Rating agencies have recently upgraded the state's rating and outlook.

Fitch Ratings announced in July 2016 an upgrade of Minnesota's credit rating from AA+ to AAA, the highest rating awarded. Fitch Ratings based their upgrade on "Minnesota's solid and broad-based economy, a revenue structure well designed to capture economic growth, a low liability burden, strong control over revenues and spending" and "a sophisticated approach to reserve funding." Fitch Ratings noted that these factors, along with Minnesota's financial flexibility and a projected surplus, positioned the state well to navigate future fluctuations in the economy.

In August 2015, Standard & Poor's improved the state's outlook from stable to positive. Standard & Poor's revised its outlook to positive from stable on Minnesota's debt, "reflecting the state's payment of its deferred liabilities and improved structural balance alignment." The positive outlook indicates Standard & Poor's could raise the rating over the next two years. Standard & Poor's said, "should the state continue to demonstrate a strong commitment to structural balance and avoid using payment deferrals or shifts, while managing budget growth pressures, we could raise the rating."

## **Largest Budget Reserve in State History**

Under law, the state must allocate 33% of the November forecast balance to the budget reserve until it reaches Minnesota Management and Budget's recommended reserve level. The 2016 November forecast allocated an additional \$334 million to the budget reserve. This amount, combined with the cash flow account, results in total current budget and cash reserves of \$2.280 billion, the state's largest rainy day fund ever. In 2015, the Pew Charitable Trust praised Minnesota for our strong reserve policy that automatically sets money aside for unexpected deficits or other budget challenges caused by changing economic conditions.

## **TransparencyMN Website Award**

Minnesota's [TransparencyMN website](#) was awarded a University of Minnesota Humphrey School of Public Affairs' State Government Innovation Award as part of the state's commitment to financial accountability.

The website provides real time information about state government finances and operations. A section of TransparencyMN called MN Open Checkbook offers direct access to information on state budgets, payments to vendors, contracts and grants, and employee payroll data. TransparencyMN uses a robust

business intelligence tool to make complex financial information understandable. It provides Minnesotans with information on how their tax dollars are being spent in a concise and user friendly format. The information is updated daily, providing users with timely information on state budgeting and spending.

## **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, 2015. This was the thirty-first 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,

A handwritten signature in black ink, appearing to read "Myron Frans", written in a cursive style.

Myron Frans  
Commissioner



Government Finance Officers Association

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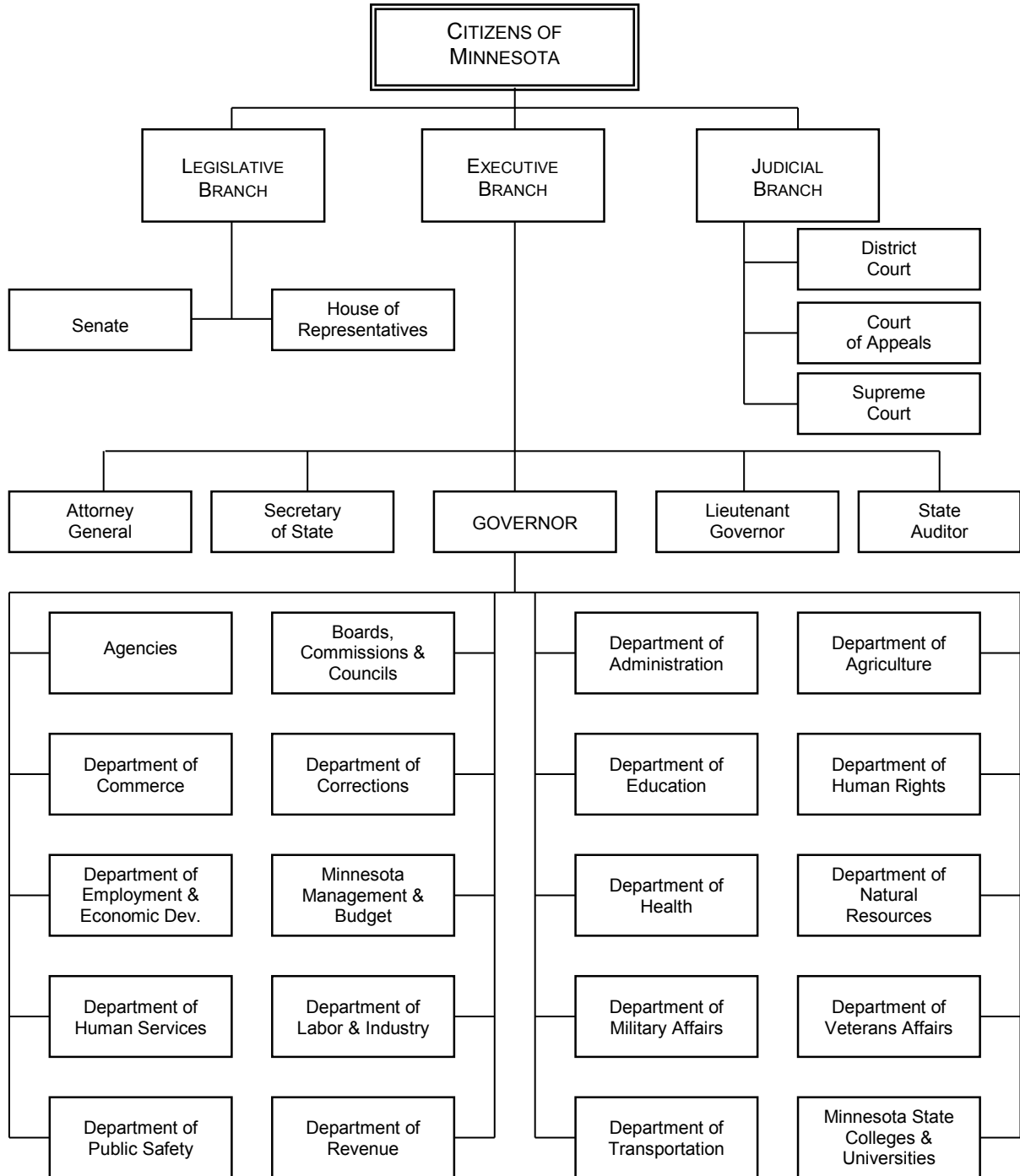
**State of Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**2016 Comprehensive Annual Financial Report  
State Organization Chart**



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**2016 Comprehensive Annual Financial Report  
State Principal Officials**

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**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



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# Financial Section

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2016  
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## 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, 2016, 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 59 percent, 47 percent, and 32 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 95 percent, 92 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, 2016, 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 Actuarial Assumptions*

As mentioned in Note 8 to the financial statements (on page 113), most defined benefit plans changed a key assumption used to calculate the net pension liability the State of Minnesota will report in fiscal year 2017; the plans changed the long-term projected rate of investment return from 7.9 percent to 7.5 percent.<sup>1</sup> That change, along with changes to other actuarial assumptions,<sup>2</sup> will significantly increase the net pension liability the State of Minnesota will report for fiscal year 2017.<sup>3</sup> For example, the state's reported net pension liability for its share of the State Employees Retirement Fund will increase from about \$1.1 billion at June 30, 2016, to about \$9 billion at June 30, 2017, an increase of over 700 percent. 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

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<sup>1</sup> The defined benefit plans that made this change included the State Employees Retirement Fund, the Correctional Employees Retirement Fund, the General Employees Retirement Fund, the Judges Retirement Fund, the Legislators Retirement Fund, and the State Patrol Retirement Fund.

<sup>2</sup> Other changes to the Teachers Retirement Fund's actuarial assumptions will significantly increase the net pension liability the State of Minnesota will report for fiscal year 2017.

<sup>3</sup> The net pension liability is the amount by which the estimated present value of future pension obligations exceeds money on hand set aside to make those payments. Pension plan administrators' actuaries determine these amounts through actuarial valuations and measurements that use assumptions about events which occur many years into the future. No one set of assumptions is uniquely correct.

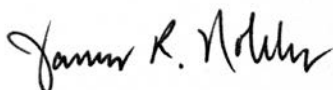
Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance 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 16, 2016

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## **2016 Comprehensive Annual Financial Report Management's Discussion and Analysis**

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### **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, 2016, 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 19 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.

## Government-wide Financial Analysis

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 \$16.7 billion at the end of fiscal year 2016, compared to \$14.9 billion at the beginning of the year.

<b>Net Position</b>						
<b>June 30, 2016, and 2015</b>						
<b>(In Thousands)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2016	2015	2016	2015	2016	2015
Current Assets <sup>(1)</sup>	\$ 15,335,211	\$ 15,169,426	\$ 3,162,343	\$ 2,991,505	\$ 18,497,554	\$ 18,160,931
Noncurrent Assets:						
Capital Assets <sup>(1)</sup>	16,064,411	15,123,363	2,270,299	2,187,896	18,334,710	17,311,259
Other Assets	751,107	937,693	107,467	178,296	858,574	1,115,989
Total Assets	<u>\$ 32,150,729</u>	<u>\$ 31,230,482</u>	<u>\$ 5,540,109</u>	<u>\$ 5,357,697</u>	<u>\$ 37,690,838</u>	<u>\$ 36,588,179</u>
Deferred Outflows of Resources	<u>\$ 666,160</u>	<u>\$ 310,456</u>	<u>\$ 75,020</u>	<u>\$ 57,932</u>	<u>\$ 741,180</u>	<u>\$ 368,388</u>
Current Liabilities	\$ 5,711,555	\$ 6,229,901	\$ 440,608	\$ 420,722	\$ 6,152,163	\$ 6,650,623
Noncurrent Liabilities	12,287,991	11,510,440	1,281,207	1,297,892	13,569,198	12,808,332
Total Liabilities	<u>\$ 17,999,546</u>	<u>\$ 17,740,341</u>	<u>\$ 1,721,815</u>	<u>\$ 1,718,614</u>	<u>\$ 19,721,361</u>	<u>\$ 19,458,955</u>
Deferred Inflows of Resources	<u>\$ 1,828,043</u>	<u>\$ 2,244,784</u>	<u>\$ 217,337</u>	<u>\$ 313,835</u>	<u>\$ 2,045,380</u>	<u>\$ 2,558,619</u>
Net Position:						
Net Investment in Capital Assets <sup>(1)</sup>	\$ 12,317,260	\$ 11,673,449	\$ 1,620,835	\$ 1,510,882	\$ 13,938,095	\$ 13,184,331
Restricted	5,633,354	5,392,483	2,120,972	1,992,311	7,754,326	7,384,794
Unrestricted <sup>(1)</sup>	(4,961,314)	(5,510,119)	(65,830)	(120,013)	(5,027,144)	(5,630,132)
Total Net Position	<u>\$ 12,989,300</u>	<u>\$ 11,555,813</u>	<u>\$ 3,675,977</u>	<u>\$ 3,383,180</u>	<u>\$ 16,665,277</u>	<u>\$ 14,938,993</u>

<sup>(1)</sup> 2015 has been restated to be consistent with 2016 presentation.

The largest portion, \$13.9 billion of \$16.7 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 \$7.8 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 \$5.0 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, 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 \$1.7 billion (11.6 percent) over the course of this fiscal year. This resulted from a \$1.4 billion (12.4 percent) increase in net position of governmental activities, and a \$293 million (8.7 percent) increase in net position of business-type activities.

**Changes in Net Position**  
**Fiscal Years Ended June 30, 2016, and 2015**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,454,645	\$ 1,396,550	\$ 2,638,382	\$ 2,651,833	\$ 4,093,027	\$ 4,048,383
Operating Grants and Contributions <sup>(1)</sup>	10,932,375	10,555,951	481,563	525,297	11,413,938	11,081,248
Capital Grants	194,056	170,102	-	-	194,056	170,102
General Revenues:						
Individual Income Taxes	10,969,019	10,607,930	-	-	10,969,019	10,607,930
Corporate Income Taxes <sup>(1)</sup>	1,361,681	1,507,608	-	-	1,361,681	1,507,608
Sales Taxes	5,534,870	5,469,773	-	-	5,534,870	5,469,773
Property Taxes	846,216	839,939	-	-	846,216	839,939
Motor Vehicle Taxes	1,428,134	1,395,872	-	-	1,428,134	1,395,872
Fuel Taxes	904,424	908,278	-	-	904,424	908,278
Other Taxes	2,801,323	2,651,969	-	-	2,801,323	2,651,969
Tobacco Settlement	170,179	170,424	-	-	170,179	170,424
Investment/Interest Income	35,289	25,378	44,919	40,583	80,208	65,961
Other Revenues	50,574	63,101	8,067	7,028	58,641	70,129
Total Revenues	<u>\$ 36,682,785</u>	<u>\$ 35,762,875</u>	<u>\$ 3,172,931</u>	<u>\$ 3,224,741</u>	<u>\$ 39,855,716</u>	<u>\$ 38,987,616</u>
<b>Expenses:</b>						
Agricultural, Environmental and Energy Resources	\$ 1,023,349	\$ 963,432	\$ -	\$ -	\$ 1,023,349	\$ 963,432
Economic and Workforce Development	658,893	677,044	-	-	658,893	677,044
General Education	9,434,928	9,087,613	-	-	9,434,928	9,087,613
General Government	1,151,786	1,153,921	-	-	1,151,786	1,153,921
Health and Human Services	15,590,493	15,016,278	-	-	15,590,493	15,016,278
Higher Education	976,351	912,909	-	-	976,351	912,909
Intergovernmental Aid	1,626,833	1,583,636	-	-	1,626,833	1,583,636
Public Safety and Corrections	1,005,349	985,399	-	-	1,005,349	985,399
Transportation	2,814,456	2,898,752	-	-	2,814,456	2,898,752
Interest	305,017	291,983	-	-	305,017	291,983
State Colleges and Universities	-	-	1,910,435	1,905,845	1,910,435	1,905,845
Unemployment Insurance	-	-	801,670	726,529	801,670	726,529
Lottery	-	-	446,860	410,237	446,860	410,237
Other	-	-	383,012	408,408	383,012	408,408
Total Expenses	<u>\$ 34,587,455</u>	<u>\$ 33,570,967</u>	<u>\$ 3,541,977</u>	<u>\$ 3,451,019</u>	<u>\$ 38,129,432</u>	<u>\$ 37,021,986</u>
<b>Excess (Deficiency) Before</b>						
Transfers	\$ 2,095,330	\$ 2,191,908	\$ (369,046)	\$ (226,278)	\$ 1,726,284	\$ 1,965,630
Transfers	(661,843)	(554,346)	661,843	554,346	-	-
Change in Net Position	<u>\$ 1,433,487</u>	<u>\$ 1,637,562</u>	<u>\$ 292,797</u>	<u>\$ 328,068</u>	<u>\$ 1,726,284</u>	<u>\$ 1,965,630</u>
Net Position, Beginning <sup>(1)</sup>	<u>\$ 11,555,813</u>	<u>\$ 9,918,251</u>	<u>\$ 3,383,180</u>	<u>\$ 3,055,112</u>	<u>\$ 14,938,993</u>	<u>\$ 12,973,363</u>
Net Position, Ending	<u>\$ 12,989,300</u>	<u>\$ 11,555,813</u>	<u>\$ 3,675,977</u>	<u>\$ 3,383,180</u>	<u>\$ 16,665,277</u>	<u>\$ 14,938,993</u>

<sup>(1)</sup> 2015 has been restated to be consistent with 2016 presentation.

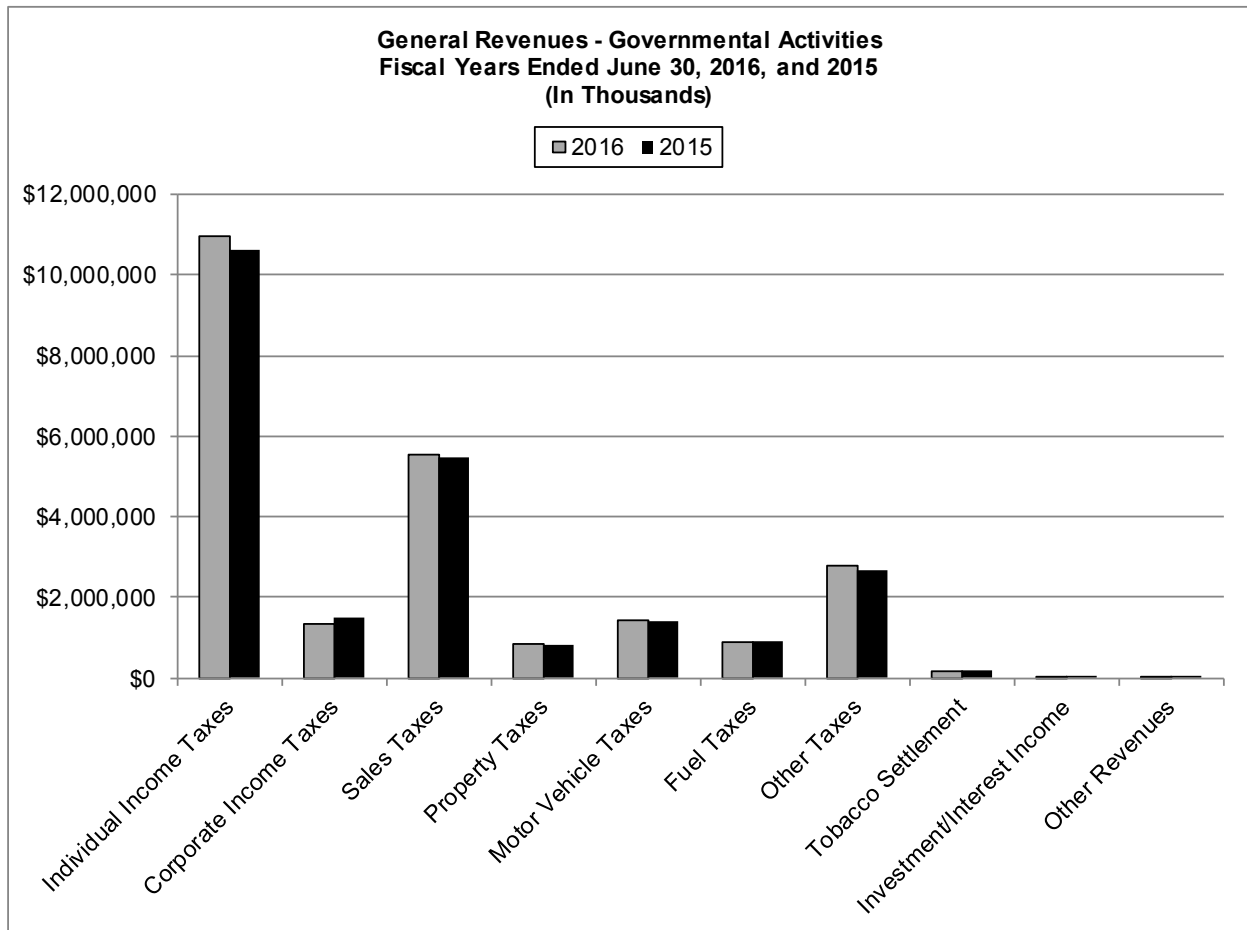
Approximately 60 percent of the state’s total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 10 percent of the total revenues. The remaining 1 percent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

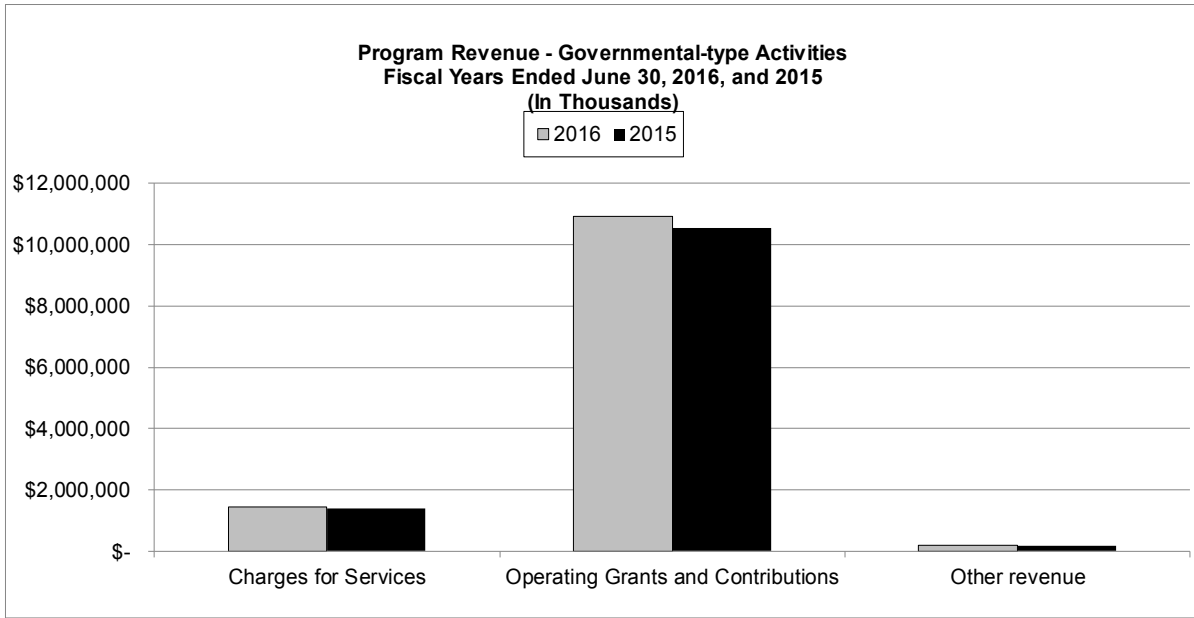
The state’s expenses cover a range of services. The largest expenses were for general education, and health and human services.

**Governmental Activities**

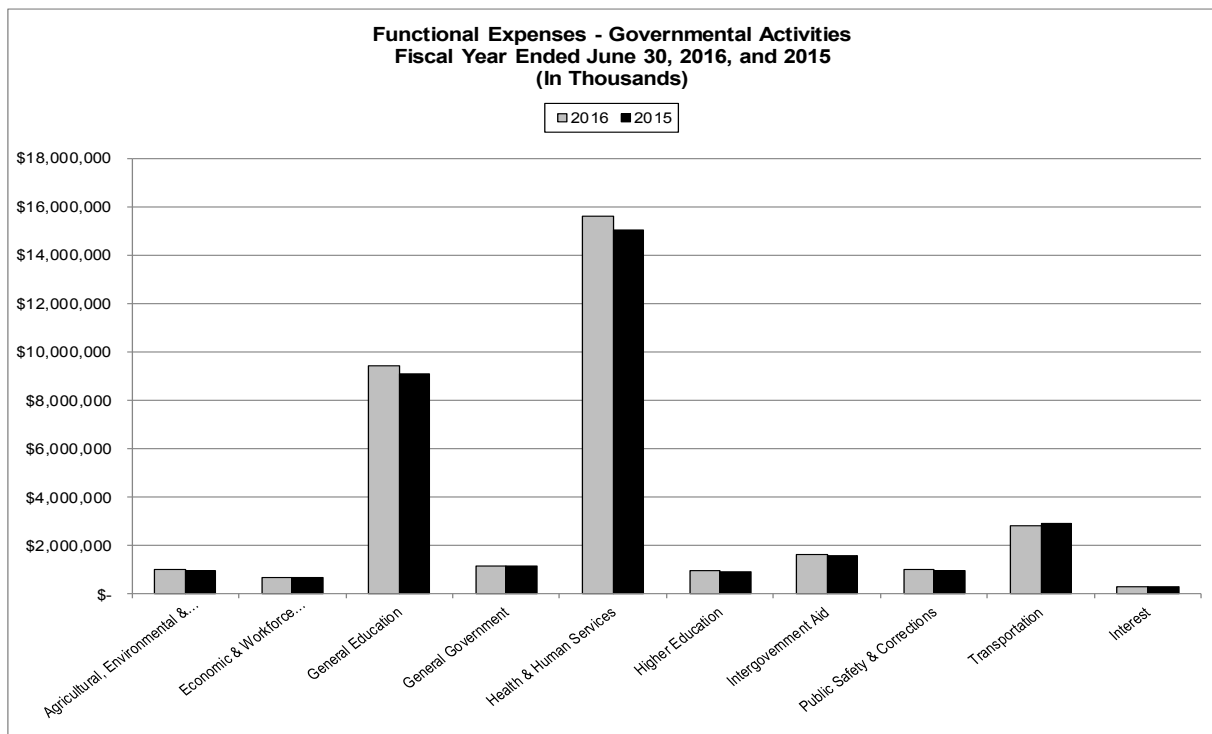
Governmental activities increased the state’s net position by \$1.4 billion in the current year compared to an increase of \$1.6 billion in the prior year.

Revenues increased slightly by \$920 million over prior year. The growth rate for sales and individual income taxes remained slower and that growth was offset by a slight decrease in corporate income taxes due to weaker corporate profits. Operating grants and contributions increased slightly due to additional federal revenue resulting from the federal share of the increase in medical assistance expenses, additional funding for the Children’s Health Insurance Program, and capitalized infrastructure projects.





There was a \$1.0 billion increase in expenses compared to the prior year. The largest increase related to health and human services expenses, which resulted from the increase in enrollment in medical assistance. This was partially offset by the increase in federal revenue for the federal government's share, as noted previously. The increase in general education was primarily due to a two percent per pupil formula increase and a slight increase in the number of pupils. Grants to cities and counties for general aid increased intergovernmental aid, while an increase in grants to the University of Minnesota and the Office of Higher Education (component units) caused an increase in higher education. Projects to restore, enhance, and protect the habitat for fish, game, and wildlife increased agricultural, environmental and energy expenses. Grants to counties for transportation projects were reduced, causing a decrease in transportation.

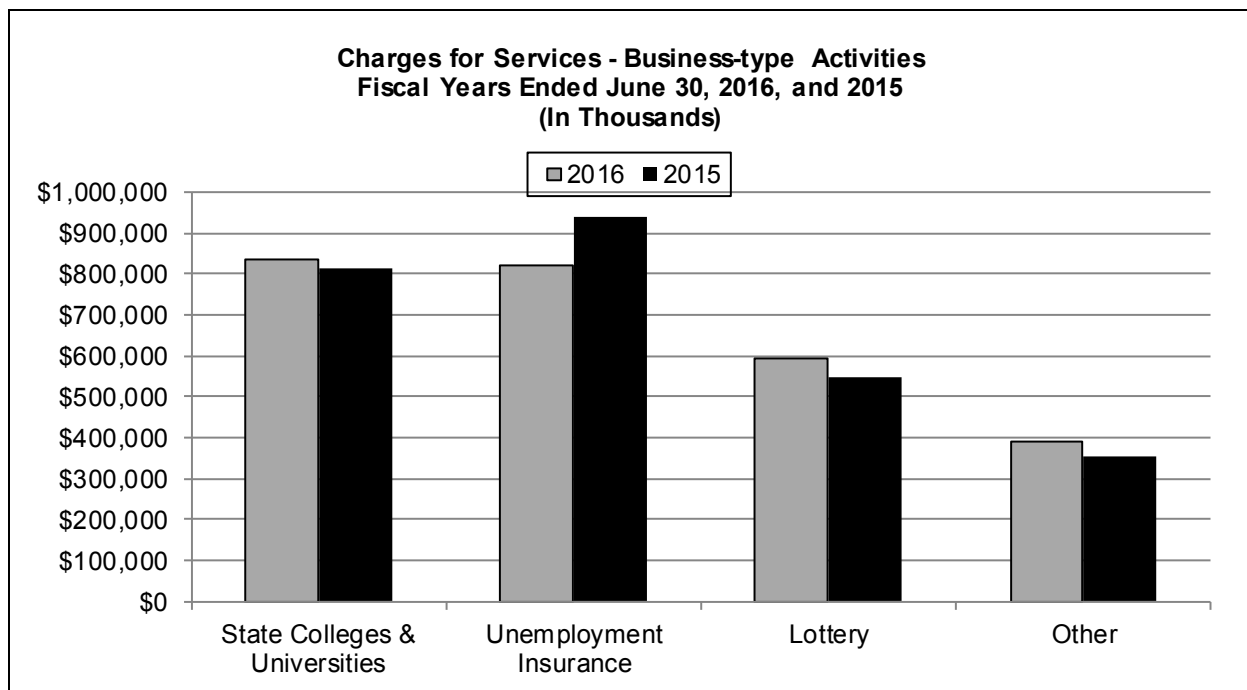


## Business-type Activities

Net position for the state's proprietary funds increased by \$293 million during the current year compared to \$328 million in the prior year. This resulted primarily from a \$118 million increase in net position in the State Colleges and Universities Fund and a \$61 million increase in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund's net position increase of \$118 million was \$50 million higher than the prior year. Most of this was attributable to a net decrease in net pension expense. Tuition and fees increased due to an increase in tuition rates at universities, but was partially offset by a decrease in enrollment. This decrease in enrollment also caused a reduction in federal grants as students received less financial aid. The Unemployment Insurance Fund's net position increase of \$61 million was \$180 million less than the prior year. This was primarily attributed to a decrease in insurance premiums due to a reduction in tax rates and additional benefits paid due to an increase in average wages.

During the 2016 legislative session, an employer tax credit of approximately \$258 million was passed and will be effective for fiscal year 2017. Employers can apply this credit toward their unemployment taxes due to the state in fiscal year 2017.



## Long-Term Liabilities

The state's total long-term liabilities increased by \$590 million (4.3 percent) during the current fiscal year. The increase is primarily attributable an increase in the net pension liability and the issuance of state general obligation bonds for trunk highway projects and other various state purposes.

## State Funds Financial Analysis

### 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 \$9.1 billion, an increase of \$479 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 \$1.6 billion, an increase of \$789 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 growth rate for sales and individual income taxes remained weak while weaker corporate profits caused a decrease in corporate income taxes.

The General Fund expenditures for general education increased as a result of the two percent per pupil formula increase and a slight increase in the number of pupils. Intergovernmental aid increased due to additional grants to cities and counties for general aid while the increase in higher education was due to additional grants to the University of Minnesota and the Office of Higher Education (component units).

Even though medical assistance expenditures increased, the General Fund expenditures remained consistent due to the shift of a portion of medical assistance expenditures to the Health Care Access Fund (special revenue fund). These expenditures were partially offset by an increase in federal revenue for the federal government's share of these expenditures as well as the additional federal grants for the Children's Health Insurance Program.

### **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 \$293 million during the current year. This primarily resulted from a \$118 million increase in net position of the State Colleges and Universities Fund and a \$61 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.

The implementation of GASB 68, "Accounting and Financial Reporting for Pensions," 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 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**

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2016. These are material to understanding changes in General Fund balances that occurred in fiscal year 2016. 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 2016.

### **Actions Establishing the Fiscal Year 2016 Budget**

The budget for state fiscal year 2016 was adopted in May and June 2015. During the 2015 legislative session, the February 2015 Budget and Economic Forecast increased the projected budget balance for the 2016-17 biennium from \$1.0 billion to \$1.867 billion. General Fund revenues for 2016-17 biennium were forecast to be \$44.3 billion and projected current law spending was expected to be \$41.1 billion. Legislative actions during the 2015 regular and special sessions reduced the projected balance by \$1.002 billion to \$865 million. Legislative changes included \$705 million in new spending, \$132 million in higher revenue and transfers in, and \$429 million in reduced resources carried forward from the 2014-15 biennium due to changes enacted impacting that budget period.

Changes to General Fund revenues included \$526 million in new spending in E-12 education, largely due to 2 percent annual increase to the basic education formula, \$174 million increase in higher education spending, \$115 million higher spending for the courts and public safety, and a \$51 million increase in economic development. The spending increases were offset by a \$291 spending decrease in health and human services largely due to a one-time cost shift to the Health Care Access Fund. Gains in resources included a transfer-in from the Closed Landfill Investment account of \$63 million and minor tax changes.

After the 2015 legislative session, the enacted budget for fiscal year 2016 included \$1.421 billion in carry forward from fiscal year 2015, \$20.893 billion in General Fund revenues, \$20.500 billion in General Fund spending, \$1.344 billion in cash and budgetary reserves, \$14 million in a stadium reserve account, and a \$456 million ending budgetary balance.

### **Budget and Forecast Actions Impacting Fiscal Year 2016**

The November 2015 Budget and Economic Forecast improved the budget outlook for the 2016-17 biennium by \$1.006 billion. A favorable close to fiscal year 2015 increased resources carried forward by \$682 million and the General Fund revenue forecast was increased \$90 million. Spending estimates were reduced by \$178 million. Statutory reserve allocations transferred \$602 million of the balance to the budget reserve and \$6 million to the stadium reserve, leaving an unallocated forecast balance of \$1.206 billion. Higher sales and corporate income taxes estimates offset a lower individual income taxes forecast. Spending was reduced \$178 million due to savings in health and human services spending that were offset partially by increases in other budget areas, including a higher E-12 forecast and statutory transfers to reimburse funds borrowed from other state funds to solve past budget issues.

The February 2016 Budget and Economic Forecast reduced General Fund revenues by \$427 million and spending by \$129 million. Those changes, offset by an \$8 million increase in stadium reserves, reduced the 2016-17 biennium forecast balance by \$306 million. The February forecast for fiscal year 2016 reflected \$20.890 billion in General Fund revenue, \$20.401 billion in General Fund spending, \$1.947 billion in cash and budget reserves, \$21 million in the stadium reserve, and a \$625 million budgetary balance.

The 2016 legislative session ended in May 2016. Changes enacted in the session included \$67 million in revenue changes and \$239 million in supplemental spending for the 2016-17 biennium. A number of the changes impacted the fiscal year 2016 budget. Revenue changes resulted in less than a \$11 million increase for fiscal year 2016. Spending changes were made in health and human services, public safety, environment, agriculture and economic development. Fiscal year 2016 spending increases totaled \$4 million. After the legislative changes, fiscal year 2016 General Fund revenues were estimated to be

\$20.901 billion. Fiscal year 2016 General Fund expenditures were projected to be \$20.405 billion. The legislature made no reserve changes in the 2016 legislative session.

Fiscal year 2016 officially closed in August 2016. Actual revenues for fiscal year 2016 were \$21.151 billion, \$258 million higher than end of session estimates, including \$193 million in higher tax collections. Spending for fiscal year 2016 was \$20.151 billion, \$245 million below previous estimates; however, \$187 million of unspent appropriations in fiscal year 2016 were authorized to carryforward into fiscal year 2017. The budgetary balance for fiscal year 2016 was \$946 million, \$315 million higher than prior estimates.

### **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 2016 with a balance of \$969 million. On a GAAP basis, the General Fund reported a balance of \$3.047 billion for fiscal year 2016, a difference of \$2.078 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 \$1.423 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 \$655 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 2016 forecast, Minnesota's budget outlook improved from previous estimates despite a weaker economic outlook. After a statutory allocation of \$334 million to the budget reserve, the fiscal year 2016-17 forecast balance is \$678 million, a decrease of \$51 million from the end of session. Forecast revenues for the biennium increased \$41 million, while forecast spending decreased \$245 million. A net increase in the stadium reserve reserves reduced the bottom line by an additional \$3 million.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The state's investment in capital assets for governmental and business-type activities as of June 30, 2016, was \$22.0 billion, less accumulated depreciation of \$3.7 billion, resulting in a net book value of \$18.3 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, 2016, and 2015**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Capital Assets not Depreciated:</b>						
Land	\$ 2,569,638	\$ 2,483,327	\$ 92,412	\$ 92,020	\$ 2,662,050	\$ 2,575,347
Buildings, Structures, Improvements	41,443	41,443	-	-	41,443	41,443
Construction in Progress	432,217	323,523	173,728	223,113	605,945	546,636
Development in Progress	60,034	124,708	-	-	60,034	124,708
Infrastructure	10,179,574	9,552,323	-	-	10,179,574	9,552,323
Easements	313,115	284,543	-	-	313,115	284,543
Art and Historical Treasures	7,168	7,223	-	-	7,168	7,223
Total Capital Assets not Depreciated	\$ 13,603,189	\$ 12,817,090	\$ 266,140	\$ 315,133	\$ 13,869,329	\$ 13,132,223
<b>Capital Assets Depreciated:</b>						
Buildings, Structures, Improvements	\$ 3,095,685	\$ 2,939,505	\$ 3,459,873	\$ 3,264,430	\$ 6,555,558	\$ 6,203,935
Infrastructure	312,998	284,274	95	95	313,093	284,369
Internally Generated Computer Software	164,829	98,370	55,049	12,244	219,878	110,614
Easements	5,789	5,433	-	-	5,789	5,433
Library Collections	-	-	41,146	42,519	41,146	42,519
Equipment, Furniture, Fixtures	747,839	700,685	321,818	358,600	1,069,657	1,059,285
Total Capital Assets Depreciated	\$ 4,327,140	\$ 4,028,267	\$ 3,877,981	\$ 3,677,888	\$ 8,205,121	\$ 7,706,155
Less: Accumulated Depreciation	1,865,918	1,721,994	1,873,822	1,805,125	3,739,740	3,527,119
Capital Assets Net of Depreciation	\$ 2,461,222	\$ 2,306,273	\$ 2,004,159	\$ 1,872,763	\$ 4,465,381	\$ 4,179,036
Total	\$ 16,064,411	\$ 15,123,363	\$ 2,270,299	\$ 2,187,896	\$ 18,334,710	\$ 17,311,259

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 2015, indicated that the average PQI for principal arterial pavement was 3.4 and 3.3 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 2015, 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, expenditures for maintenance of pavement were higher than budget due primarily to a significant number of projects for pavement maintenance being completed earlier than anticipated due to favorable weather conditions and contractors completing work ahead of schedule.

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, 2016, as follows:

- AA+ by Fitch Ratings (July 2016 upgraded to AAA)
- Aa1 by Moody's Investors Service
- AA+ by Standard & Poor's (August 2015 improved outlook to positive)

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.

<b>Outstanding Bonded Debt and Unamortized Premium</b>						
<b>June 30, 2016, and 2015</b>						
<b>(In Thousands)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation	\$ 6,277,717	\$ 6,196,548	\$ 235,863	\$ 242,467	\$ 6,513,580	\$ 6,439,015
Revenue	41,855	44,260	414,445	441,760	456,300	486,020
State General Fund						
Appropriation Bonds	1,000,675	1,038,635	-	-	1,000,675	1,038,635
Certificate of Participation	103,020	111,930	-	-	103,020	111,930
Total	<u>\$ 7,423,267</u>	<u>\$ 7,391,373</u>	<u>\$ 650,308</u>	<u>\$ 684,227</u>	<u>\$ 8,073,575</u>	<u>\$ 8,075,600</u>

During fiscal year 2016, the state issued the following bonds:

- \$368.2 million in general obligation state various purpose bonds
- \$310.0 million in general obligation state trunk highway bonds
- \$7.2 million in general obligation Rural Finance Authority bonds
- \$376.7 million in general obligation state various purpose refunding bonds
- \$14.9 million in general obligation state trunk highway refunding bonds

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  
<https://www.mn.gov/mmb/>



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# Basic Financial Statements

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2016  
Comprehensive  
Annual  
Financial Report

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# Government-wide Financial Statements

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2016  
Comprehensive  
Annual  
Financial Report

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**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
**(IN THOUSANDS)**

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>Current Assets:</b>				
Cash and Cash Equivalents.....	\$ 9,245,088	\$ 2,681,321	\$ 11,926,409	\$ 1,323,460
Investments.....	2,279,104	24,348	2,303,452	827,326
Accounts Receivable.....	2,546,253	397,339	2,943,592	532,570
Due from Component Units.....	12,753	-	12,753	-
Due from Primary Government.....	-	-	-	102,714
Accrued Investment/Interest Income.....	26,335	-	26,335	32,660
Federal Aid Receivable.....	1,104,742	25,637	1,130,379	3,325
Inventories.....	42,321	25,912	68,233	52,363
Loans and Notes Receivable.....	62,705	4,473	67,178	238,957
Internal Balances.....	953	(953)	-	-
Other Assets.....	14,957	4,266	19,223	36,208
<b>Total Current Assets.....</b>	<b>\$ 15,335,211</b>	<b>\$ 3,162,343</b>	<b>\$ 18,497,554</b>	<b>\$ 3,149,583</b>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 81,644	\$ 81,644	\$ 967,764
Investments-Restricted.....	-	-	-	1,888,959
Accounts Receivable-Restricted.....	-	-	-	16,290
Due from Primary Government-Restricted.....	-	-	-	4,021
Other Assets-Restricted.....	-	296	296	-
Due from Primary Government.....	-	-	-	5,491
Due from Component Units.....	52,808	-	52,808	-
Investments.....	-	-	-	4,549,922
Accounts Receivable.....	534,242	1,499	535,741	469,540
Loans and Notes Receivable.....	162,909	24,028	186,937	3,592,412
Depreciable Capital Assets (Net).....	2,461,222	2,004,159	4,465,381	6,113,231
Nondepreciable Capital Assets.....	3,423,615	266,140	3,689,755	2,067,534
Infrastructure (Not depreciated).....	10,179,574	-	10,179,574	-
Other Assets.....	1,148	-	1,148	26,151
<b>Total Noncurrent Assets.....</b>	<b>\$ 16,815,518</b>	<b>\$ 2,377,766</b>	<b>\$ 19,193,284</b>	<b>\$ 19,701,315</b>
<b>Total Assets.....</b>	<b>\$ 32,150,729</b>	<b>\$ 5,540,109</b>	<b>\$ 37,690,838</b>	<b>\$ 22,850,898</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives.....	\$ -	\$ -	\$ -	\$ 11,764
Bond Refunding.....	-	245	245	18,452
Deferred Pension Outflows.....	666,160	74,775	740,935	79,955
Deferred Derivative Outflows.....	-	-	-	10,661
<b>Total Deferred Outflows of Resources.....</b>	<b>\$ 666,160</b>	<b>\$ 75,020</b>	<b>\$ 741,180</b>	<b>\$ 120,832</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable.....	\$ 4,607,069	\$ 279,908	\$ 4,886,977	\$ 448,992
Due to Component Units.....	63,293	6	63,299	-
Due to Primary Government.....	-	-	-	16,762
Unearned Revenue.....	100,727	59,850	160,577	102,892
Accrued Interest Payable.....	116,794	402	117,196	61,189
Bonds and Notes Payable.....	605,871	51,472	657,343	680,405
Capital Leases Payable.....	8,973	4,275	13,248	4,930
Certificates of Participation Payable.....	9,900	-	9,900	-
Claims Payable.....	159,381	12,838	172,219	94,823
Compensated Absences Payable.....	39,547	18,745	58,292	207,784
Other Liabilities.....	-	13,112	13,112	1,763
<b>Total Current Liabilities.....</b>	<b>\$ 5,711,555</b>	<b>\$ 440,608</b>	<b>\$ 6,152,163</b>	<b>\$ 1,619,540</b>
<b>Noncurrent Liabilities:</b>				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 113,554
Unearned Revenue-Restricted.....	-	-	-	87,999
Accrued Interest Payable-Restricted.....	-	-	-	12,778
Due to Primary Government.....	-	-	-	52,808
Unearned Revenue.....	178,086	393	178,479	61
Interest Rate Swap Agreements.....	-	-	-	11,764
Bonds and Notes Payable.....	7,632,218	638,330	8,270,548	6,178,932
Due to Component Units.....	5,491	-	5,491	-
Capital Leases Payable.....	80,881	17,360	98,241	21,787
Certificates of Participation Payable.....	105,970	-	105,970	-
Claims Payable.....	568,253	2,052	570,305	560,479
Compensated Absences Payable.....	266,160	134,003	400,163	33,287
Other Postemployment Benefits.....	292,616	43,826	336,442	225,767
Net Pension Liability.....	3,158,316	416,281	3,574,597	408,879
Funds Held in Trust.....	-	-	-	359,848
Other Liabilities.....	-	28,962	28,962	96,487
<b>Total Noncurrent Liabilities.....</b>	<b>\$ 12,287,991</b>	<b>\$ 1,281,207</b>	<b>\$ 13,569,198</b>	<b>\$ 8,164,430</b>
<b>Total Liabilities.....</b>	<b>\$ 17,999,546</b>	<b>\$ 1,721,815</b>	<b>\$ 19,721,361</b>	<b>\$ 9,783,970</b>

STATE OF MINNESOTA

STATEMENT OF NET POSITION  
 JUNE 30, 2016  
 (IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
DEFERRED INFLOWS OF RESOURCES				
Bond Refunding.....	\$ 47,262	\$ 2,170	\$ 49,432	\$ 1,915
Capital Lease Restructuring.....	16,157	-	16,157	-
Deferred Revenue.....	476,575	-	476,575	22,453
Deferred Pension Inflows.....	1,288,049	215,167	1,503,216	494,359
Total Deferred Inflows of Resources.....	\$ 1,828,043	\$ 217,337	\$ 2,045,380	\$ 518,727
NET POSITION				
Net Investment in Capital Assets.....	\$ 12,317,260	\$ 1,620,835	\$ 13,938,095	\$ 5,443,598
Restricted to:				
Improve Agricultural, Environmental and Energy Resources.....	\$ 1,598,909	\$ -	\$ 1,598,909	\$ -
Enhance Arts and Culture.....	17,906	-	17,906	-
Acquire, Maintain, and Improve Land and Buildings.....	-	431	431	-
Retire Indebtedness.....	967,007	122,202	1,089,209	-
Develop Economy and Workforce.....	160,246	2,150	162,396	-
Enhance E-12 Education.....	59,799	-	59,799	-
Enhance State Government.....	41,153	-	41,153	-
Enhance Health and Human Services.....	9,905	-	9,905	-
Enhance Higher Education.....	7	84,619	84,626	-
Enhance 911 Services and Increase Safety.....	44,855	23,676	68,531	-
School Aid-Expendable.....	7,568	-	7,568	-
School Aid-Nonexpendable.....	1,233,194	-	1,233,194	-
Construct Highways and Improve Infrastructure.....	1,492,805	-	1,492,805	-
Unemployment Benefits.....	-	1,840,708	1,840,708	-
Other Purposes.....	-	47,186	47,186	-
Component Units.....	-	-	-	6,716,357
Total Restricted.....	\$ 5,633,354	\$ 2,120,972	\$ 7,754,326	\$ 6,716,357
Unrestricted .....	\$ (4,961,314)	\$ (65,830)	\$ (5,027,144)	\$ 509,078
Total Net Position.....	\$ 12,989,300	\$ 3,675,977	\$ 16,665,277	\$ 12,669,033

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government:</b>				
Governmental Activities:				
Agricultural, Environmental and Energy Resources.....	\$ 1,023,349	\$ 355,269	\$ 248,261	\$ 20,107
Economic and Workforce Development.....	658,893	58,939	218,884	-
General Education.....	9,434,928	22,646	819,150	-
General Government.....	1,151,786	327,487	110,152	-
Health and Human Services.....	15,590,493	416,068	8,716,931	35
Higher Education.....	976,351	20	45	-
Intergovernment Aid.....	1,626,833	-	-	-
Public Safety and Corrections.....	1,005,349	159,549	148,531	-
Transportation.....	2,814,456	114,667	670,421	173,914
Interest.....	305,017	-	-	-
Total Governmental Activities.....	<u>\$ 34,587,455</u>	<u>\$ 1,454,645</u>	<u>\$ 10,932,375</u>	<u>\$ 194,056</u>
Business-type Activities:				
State Colleges and Universities.....	\$ 1,910,435	\$ 835,447	\$ 447,973	\$ -
Unemployment Insurance.....	801,670	820,322	7,533	-
Lottery.....	446,860	592,806	-	-
Other.....	383,012	389,807	26,057	-
Total Business-type Activities.....	<u>\$ 3,541,977</u>	<u>\$ 2,638,382</u>	<u>\$ 481,563</u>	<u>\$ -</u>
Total Primary Government.....	<u>\$ 38,129,432</u>	<u>\$ 4,093,027</u>	<u>\$ 11,413,938</u>	<u>\$ 194,056</u>
<b>Component Units:</b>				
University of Minnesota.....	\$ 3,819,989	\$ 1,521,615	\$ 978,636	\$ 99,478
Metropolitan Council.....	973,624	357,862	441,095	236,633
Housing Finance.....	382,905	173,146	195,426	-
Others.....	425,962	150,214	52,727	511,884
Total Component Units.....	<u>\$ 5,602,480</u>	<u>\$ 2,202,837</u>	<u>\$ 1,667,884</u>	<u>\$ 847,995</u>
<b>General Revenues:</b>				
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

<u>PRIMARY GOVERNMENT</u>			
<u>GOVERNMENTAL</u>	<u>BUSINESS-</u>		<u>COMPONENT</u>
<u>ACTIVITIES</u>	<u>TYPE</u>	<u>TOTAL</u>	<u>UNITS</u>
<u>ACTIVITIES</u>	<u>ACTIVITIES</u>		
\$ (399,712)		\$ (399,712)	
(381,070)		(381,070)	
(8,593,132)		(8,593,132)	
(714,147)		(714,147)	
(6,457,459)		(6,457,459)	
(976,286)		(976,286)	
(1,626,833)		(1,626,833)	
(697,269)		(697,269)	
(1,855,454)		(1,855,454)	
(305,017)		(305,017)	
<u>\$ (22,006,379)</u>		<u>\$ (22,006,379)</u>	
	\$ (627,015)	\$ (627,015)	
	26,185	26,185	
	145,946	145,946	
	32,852	32,852	
	<u>\$ (422,032)</u>	<u>\$ (422,032)</u>	
<u>\$ (22,006,379)</u>	<u>\$ (422,032)</u>	<u>\$ (22,428,411)</u>	
			\$ (1,220,260)
			61,966
			(14,333)
			<u>288,863</u>
			<u>\$ (883,764)</u>
\$ 10,969,019	\$ -	\$ 10,969,019	\$ -
1,361,681	-	1,361,681	-
5,534,870	-	5,534,870	-
846,216	-	846,216	-
1,428,134	-	1,428,134	-
904,424	-	904,424	-
2,801,323	-	2,801,323	81,121
170,179	-	170,179	-
35,289	44,919	80,208	65,746
50,574	8,067	58,641	612,711
-	-	-	990,168
(661,843)	661,843	-	-
<u>\$ 23,439,866</u>	<u>\$ 714,829</u>	<u>\$ 24,154,695</u>	<u>\$ 1,749,746</u>
<u>\$ 1,433,487</u>	<u>\$ 292,797</u>	<u>\$ 1,726,284</u>	<u>\$ 865,982</u>
\$ 11,469,748	\$ 3,383,180	\$ 14,852,928	\$ 11,818,504
86,065	-	86,065	-
-	-	-	(15,453)
<u>\$ 11,555,813</u>	<u>\$ 3,383,180</u>	<u>\$ 14,938,993</u>	<u>\$ 11,803,051</u>
<u>\$ 12,989,300</u>	<u>\$ 3,675,977</u>	<u>\$ 16,665,277</u>	<u>\$ 12,669,033</u>



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# Fund Financial Statements

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2016  
Comprehensive  
Annual  
Financial Report

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# Major Governmental Funds

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## **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.

**STATE OF MINNESOTA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 4,273,104	\$ 68,371	\$ 4,616,760	\$ 8,958,235
Investments.....	870,843	-	1,408,261	2,279,104
Accounts Receivable.....	2,272,745	395,564	406,591	3,074,900
Interfund Receivables.....	87,242	3,283	112,818	203,343
Due from Component Unit.....	-	-	65,561	65,561
Accrued Investment/Interest Income.....	20,944	-	5,391	26,335
Federal Aid Receivable.....	-	1,040,721	64,021	1,104,742
Inventories.....	-	-	42,163	42,163
Loans and Notes Receivable.....	99,965	4,446	121,203	225,614
Investment in Land.....	-	-	15,958	15,958
<b>Total Assets.....</b>	<b>\$ 7,624,843</b>	<b>\$ 1,512,385</b>	<b>\$ 6,858,727</b>	<b>\$ 15,995,955</b>
<b>LIABILITIES</b>				
Liabilities:				
Accounts Payable.....	\$ 2,657,030	\$ 1,435,953	\$ 569,206	\$ 4,662,189
Interfund Payables.....	72,795	1,173	66,940	140,908
Due to Component Unit.....	26,614	5,183	29,170	60,967
Unearned Revenue.....	177,947	59,333	3,114	240,394
<b>Total Liabilities.....</b>	<b>\$ 2,934,386</b>	<b>\$ 1,501,642</b>	<b>\$ 668,430</b>	<b>\$ 5,104,458</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenue.....	\$ 1,643,366	\$ -	\$ 135,609	\$ 1,778,975
<b>Total Deferred Inflows of Resources.....</b>	<b>\$ 1,643,366</b>	<b>\$ -</b>	<b>\$ 135,609</b>	<b>\$ 1,778,975</b>
<b>FUND BALANCES</b>				
Fund Balances:				
Nonspendable.....	\$ 929,967	\$ -	\$ 1,275,357	\$ 2,205,324
Restricted.....	180,272	10,743	3,471,393	3,662,408
Committed.....	-	-	709,828	709,828
Assigned.....	365,054	-	598,110	963,164
Unassigned.....	1,571,798	-	-	1,571,798
<b>Total Fund Balances.....</b>	<b>\$ 3,047,091</b>	<b>\$ 10,743</b>	<b>\$ 6,054,688</b>	<b>\$ 9,112,522</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....</b>	<b>\$ 7,624,843</b>	<b>\$ 1,512,385</b>	<b>\$ 6,858,727</b>	<b>\$ 15,995,955</b>

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, 2016  
(IN THOUSANDS)

**Total Fund Balance for Governmental Funds** \$ 9,112,522

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	\$ 10,179,574	
Nondepreciable Capital Assets	3,393,879	
Depreciable Capital Assets	4,183,394	
Accumulated Depreciation	<u>(1,779,280)</u>	
		15,977,567

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. 1,302,400

Deferred Inflows resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position. (63,419)

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. 1,642

Deferred pension outflows of \$652,750 and inflows of \$(1,177,123) resulting primarily from pension actuarial gains and losses to be amortized are included in the Statement of Net Position. (524,373)

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	\$ (116,768)	
General Obligation Bonds Payable	(6,277,717)	
State General Fund Appropriation Bonds Payable	(1,000,675)	
Revenue Bonds Payable	(41,855)	
Bond Premium Payable	(894,505)	
Due to Component Units	(7,817)	
Capital Leases Payable	(89,854)	
Certificate of Participation Payable	(103,020)	
Certificate of Participation Premium Payable	(12,850)	
Claims Payable	(647,724)	
Compensated Absences Payable	(279,321)	
Net Other Post-Employment Benefits	(291,522)	
Net Pension Liability	<u>(3,053,411)</u>	
		<u>(12,817,039)</u>

**Net Position of Governmental Activities** \$ 12,989,300

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, 2016  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>Net Revenues:</b>				
Individual Income Taxes.....	\$ 11,013,385	\$ -	\$ -	\$ 11,013,385
Corporate Income Taxes.....	1,414,531	-	-	1,414,531
Sales Taxes.....	5,217,805	-	341,065	5,558,870
Property Taxes.....	855,032	-	-	855,032
Motor Vehicle Taxes.....	286,219	-	1,141,781	1,428,000
Fuel Taxes.....	-	-	904,475	904,475
Other Taxes.....	1,862,792	-	904,715	2,767,507
Tobacco Settlement.....	171,238	-	-	171,238
Federal Revenues.....	3,053	10,156,113	591,847	10,751,013
Licenses and Fees.....	222,306	5,210	363,183	590,699
Departmental Services.....	197,392	3,922	203,618	404,932
Investment/Interest Income.....	62,005	635	100,953	163,593
Other Revenues.....	249,380	48,169	396,547	694,096
Net Revenues.....	<u>\$ 21,555,138</u>	<u>\$ 10,214,049</u>	<u>\$ 4,948,184</u>	<u>\$ 36,717,371</u>
<b>Expenditures:</b>				
Current:				
Agricultural, Environmental and Energy Resources.....	\$ 251,055	\$ 159,319	\$ 608,539	\$ 1,018,913
Economic and Workforce Development.....	218,708	215,447	286,185	720,340
General Education.....	8,600,102	754,656	83,768	9,438,526
General Government.....	719,083	9,296	293,714	1,022,093
Health and Human Services.....	5,956,678	8,515,806	1,122,796	15,595,280
Higher Education.....	899,091	-	77,296	976,387
Intergovernmental Aid.....	1,626,221	-	612	1,626,833
Public Safety and Corrections.....	644,486	112,901	217,477	974,864
Transportation.....	407,206	260,179	2,173,495	2,840,880
Total Current Expenditures.....	<u>\$ 19,322,630</u>	<u>\$ 10,027,604</u>	<u>\$ 4,863,882</u>	<u>\$ 34,214,116</u>
Capital Outlay.....	31,209	116,063	1,026,717	1,173,989
Debt Service.....	25,279	-	1,015,514	1,040,793
Total Expenditures.....	<u>\$ 19,379,118</u>	<u>\$ 10,143,667</u>	<u>\$ 6,906,113</u>	<u>\$ 36,428,898</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 2,176,020</u>	<u>\$ 70,382</u>	<u>\$ (1,957,929)</u>	<u>\$ 288,473</u>
<b>Other Financing Sources (Uses):</b>				
Bond Issuance.....	\$ 4,672	\$ -	\$ 666,233	\$ 670,905
Issuance of Refunding Bonds.....	-	-	391,555	391,555
Payment to Refunded Bonds Escrow Agent.....	-	-	(391,555)	(391,555)
Bond Issue Premium.....	819	-	162,599	163,418
Transfers-In.....	388,381	1,665	1,160,824	1,550,870
Transfers-Out.....	(1,678,689)	(61,428)	(454,520)	(2,194,637)
Net Other Financing Sources (Uses).....	<u>\$ (1,284,817)</u>	<u>\$ (59,763)</u>	<u>\$ 1,535,136</u>	<u>\$ 190,556</u>
Net Change in Fund Balances.....	<u>\$ 891,203</u>	<u>\$ 10,619</u>	<u>\$ (422,793)</u>	<u>\$ 479,029</u>
Fund Balances, Beginning, as Reported.....	\$ 2,122,181	\$ 124	\$ 6,472,781	\$ 8,595,086
Prior Period Adjustment.....	33,707	-	4,700	38,407
Fund Balances, Beginning, as Restated.....	<u>\$ 2,155,888</u>	<u>\$ 124</u>	<u>\$ 6,477,481</u>	<u>\$ 8,633,493</u>
Fund Balances, Ending.....	<u>\$ 3,047,091</u>	<u>\$ 10,743</u>	<u>\$ 6,054,688</u>	<u>\$ 9,112,522</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, 2016  
(IN THOUSANDS)

<b>Net Change in Fund Balances for Governmental Funds</b>	\$ 479,029
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 \$170,940 in the current period.	1,003,049
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.	(73,710)
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.	(4,131)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	(82,189)
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.	(1,225,878)
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.	(6,634)
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions is reported in the Statement of Activities but not included in governmental funds.	215,591
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.	1,138,520
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.	(10,160)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 1,433,487</u>

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, 2016 (IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 10,735,768	\$ 10,715,600	\$ 10,738,906
Corporate Income Taxes.....	1,298,850	1,324,495	1,473,097
Sales Taxes.....	5,306,106	5,211,284	5,209,777
Property Taxes.....	841,883	841,080	853,780
Motor Vehicle Taxes.....	650	650	671
Other Taxes.....	1,767,980	1,824,024	1,834,237
Tobacco Settlements.....	162,370	162,336	171,238
Licenses and Fees.....	206,697	208,871	217,491
Departmental Services.....	92,806	87,392	88,522
Investment/Interest Income.....	10,051	13,051	18,946
Other Revenues.....	294,037	329,953	336,780
Net Revenues.....	<u>\$ 20,717,198</u>	<u>\$ 20,718,736</u>	<u>\$ 20,943,445</u>
Expenditures:			
Agricultural, Environmental and Energy Resources.....	\$ 202,816	\$ 201,709	\$ 185,541
Economic and Workforce Development.....	194,515	194,740	186,826
General Education.....	8,526,142	8,574,078	8,565,650
General Government.....	817,518	817,526	769,481
Health and Human Services.....	5,868,907	5,585,687	5,489,292
Higher Education.....	856,880	857,105	854,422
Intergovernment Aid.....	1,622,878	1,622,878	1,622,866
Public Safety and Corrections.....	669,010	673,405	656,778
Transportation.....	116,906	116,906	113,985
Total Expenditures.....	<u>\$ 18,875,572</u>	<u>\$ 18,644,034</u>	<u>\$ 18,444,841</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 1,841,626</u>	<u>\$ 2,074,702</u>	<u>\$ 2,498,604</u>
Other Financing Sources (Uses):			
Transfers-In.....	\$ 223,098	\$ 220,970	\$ 218,174
Transfers-Out.....	(1,780,197)	(1,780,197)	(1,780,197)
Net Other Financing Sources (Uses).....	<u>\$ (1,557,099)</u>	<u>\$ (1,559,227)</u>	<u>\$ (1,562,023)</u>
Net Change in Fund Balances.....	<u>\$ 284,527</u>	<u>\$ 515,475</u>	<u>\$ 936,581</u>
Fund Balances, Beginning, as Reported.....	\$ 2,134,911	\$ 2,134,911	\$ 2,134,911
Prior Period Adjustments.....	-	-	76,193
Fund Balances, Beginning, as Restated.....	<u>\$ 2,134,911</u>	<u>\$ 2,134,911</u>	<u>\$ 2,211,104</u>
Budgetary Fund Balances, Ending.....	\$ 2,419,438	\$ 2,650,386	\$ 3,147,685
Less: Appropriation Carryover.....	-	-	196,988
Less: Reserved for Long-Term Receivables.....	-	-	12,950
Less: Budgetary Reserve.....	-	-	1,969,057
Unassigned Fund Balance, Ending.....	<u>\$ 2,419,438</u>	<u>\$ 2,650,386</u>	<u>\$ 968,690</u>

The notes are an integral part of the financial statements.

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# Major Proprietary Funds

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## **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, 2016  
(IN THOUSANDS)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents.....	\$ 907,022	\$ 1,596,421	\$ 177,878	\$ 2,681,321	\$ 286,853
Investments.....	24,348	-	-	24,348	-
Accounts Receivable.....	61,829	302,783	32,727	397,339	110,443
Interfund Receivables.....	31,991	-	2,775	34,766	-
Federal Aid Receivable.....	18,271	725	6,641	25,637	-
Inventories.....	16,653	-	9,259	25,912	158
Loans and Notes Receivable.....	4,473	-	-	4,473	-
Prepaid Expenses.....	3,012	-	1,183	4,195	14,957
Other Assets.....	-	-	71	71	-
Total Current Assets.....	\$ 1,067,599	\$ 1,899,929	\$ 230,534	\$ 3,198,062	\$ 412,411
<b>Noncurrent Assets:</b>					
Cash and Cash Equivalents-Restricted.....	\$ 81,644	\$ -	\$ -	\$ 81,644	\$ -
Other Assets-Restricted.....	296	-	-	296	-
Accounts Receivable.....	-	-	1,499	1,499	-
Loans and Notes Receivable.....	24,028	-	-	24,028	-
Depreciable Capital Assets (Net).....	1,823,390	-	180,769	2,004,159	57,108
Nondepreciable Capital Assets.....	249,454	-	16,686	266,140	13,778
Prepaid Expenses.....	-	-	-	-	1,148
Total Noncurrent Assets.....	\$ 2,178,812	\$ -	\$ 198,954	\$ 2,377,766	\$ 72,034
Total Assets.....	\$ 3,246,411	\$ 1,899,929	\$ 429,488	\$ 5,575,828	\$ 484,445
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Bond Refunding.....	\$ 245	\$ -	\$ -	\$ 245	\$ -
Deferred Pension Outflows.....	66,678	-	8,097	74,775	13,410
Total Deferred Outflows of Resources.....	\$ 66,923	\$ -	\$ 8,097	\$ 75,020	\$ 13,410
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....	\$ 177,959	\$ 24,761	\$ 77,188	\$ 279,908	\$ 51,193
Interfund Payables.....	-	14,885	20,834	35,719	60,017
Due to Component Unit.....	-	-	6	6	-
Unearned Revenue.....	37,173	19,575	3,102	59,850	38,419
Accrued Interest Payable.....	-	-	402	402	26
Bonds and Notes Payable.....	37,937	-	13,535	51,472	11,054
Capital Leases Payable.....	4,275	-	-	4,275	-
Claims Payable.....	2,410	-	10,428	12,838	79,910
Compensated Absences Payable.....	16,657	-	2,088	18,745	2,840
Other Liabilities.....	13,112	-	-	13,112	-
Total Current Liabilities.....	\$ 289,523	\$ 59,221	\$ 127,583	\$ 476,327	\$ 243,459
<b>Noncurrent Liabilities:</b>					
Unearned Revenue.....	\$ -	\$ -	\$ 393	\$ 393	\$ -
Bonds and Notes Payable.....	541,585	-	96,745	638,330	12,283
Capital Leases Payable.....	17,360	-	-	17,360	-
Claims Payable.....	2,052	-	-	2,052	-
Compensated Absences Payable.....	122,290	-	11,713	134,003	23,546
Other Postemployment Benefits.....	40,938	-	2,888	43,826	1,094
Net Pension Liability.....	384,763	-	51,518	416,281	104,905
Other Liabilities.....	28,962	-	-	28,962	-
Total Noncurrent Liabilities.....	\$ 1,117,950	\$ -	\$ 163,257	\$ 1,281,207	\$ 141,828
Total Liabilities.....	\$ 1,407,473	\$ 59,221	\$ 290,840	\$ 1,757,534	\$ 385,287
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Bond Refunding.....	\$ 2,170	\$ -	\$ -	\$ 2,170	\$ -
Deferred Pension Inflows.....	176,354	-	38,813	215,167	110,926
Total Deferred Inflows of Resources.....	\$ 178,524	\$ -	\$ 38,813	\$ 217,337	\$ 110,926
<b>NET POSITION</b>					
Net Investment in Capital Assets.....	\$ 1,520,085	\$ -	\$ 100,750	\$ 1,620,835	\$ 47,549
<b>Restricted for:</b>					
Bond Covenants.....	\$ 73,457	\$ -	\$ -	\$ 73,457	\$ -
Capital Projects.....	431	-	-	431	-
Debt Service.....	48,745	-	-	48,745	-
Economic and Workforce Development.....	-	-	2,150	2,150	-
Higher Education.....	84,619	-	-	84,619	-
Public Safety and Corrections.....	-	-	23,676	23,676	-
Unemployment Benefits.....	-	1,840,708	-	1,840,708	-
Other Purposes.....	-	-	47,186	47,186	-
Total Restricted.....	\$ 207,252	\$ 1,840,708	\$ 73,012	\$ 2,120,972	\$ -
Unrestricted.....	\$ -	\$ -	\$ (65,830)	\$ (65,830)	\$ (45,907)
Total Net Position.....	\$ 1,727,337	\$ 1,840,708	\$ 107,932	\$ 3,675,977	\$ 1,642

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, 2016  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 709,858	\$ -	\$ -	\$ 709,858	\$ -
Restricted Student Payments, Net.....	113,964	-	-	113,964	-
Net Sales.....	-	-	850,736	850,736	442,674
Insurance Premiums.....	-	812,613	108,967	921,580	836,578
Other Income.....	11,625	7,709	22,909	42,243	8,944
Total Operating Revenues.....	\$ 835,447	\$ 820,322	\$ 982,612	\$ 2,638,381	\$ 1,288,196
Less: Cost of Goods Sold.....	-	-	444,203	444,203	-
Gross Margin.....	\$ 835,447	\$ 820,322	\$ 538,409	\$ 2,194,178	\$ 1,288,196
Operating Expenses:					
Purchased Services.....	\$ 231,564	\$ -	\$ 86,441	\$ 318,005	\$ 227,176
Salaries and Fringe Benefits.....	1,276,821	-	110,056	1,386,877	202,021
Student Financial Aid.....	38,451	-	-	38,451	-
Unemployment Benefits.....	-	791,536	-	791,536	-
Claims.....	-	-	98,505	98,505	771,553
Depreciation and Amortization.....	119,557	-	20,456	140,013	15,394
Supplies and Materials.....	138,000	-	7,368	145,368	17,539
Repairs and Maintenance.....	26,853	-	1,558	28,411	15,841
Indirect Costs.....	-	-	5,543	5,543	2,501
Other Expenses.....	43,694	-	9,872	53,566	5,286
Total Operating Expenses.....	\$ 1,874,940	\$ 791,536	\$ 339,799	\$ 3,006,275	\$ 1,257,311
Operating Income (Loss).....	\$ (1,039,493)	\$ 28,786	\$ 198,610	\$ (812,097)	\$ 30,885
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 7,735	\$ 36,481	\$ 704	\$ 44,920	\$ 1,995
Federal Grants.....	317,606	-	26,057	343,663	-
Private Grants.....	35,842	-	-	35,842	-
Grants and Subsidies.....	94,525	7,533	-	102,058	-
Other Nonoperating Revenues.....	-	-	8,074	8,074	-
Interest and Financing Costs.....	(23,618)	-	(4,148)	(27,766)	(625)
Grants, Aids and Subsidies.....	(11,877)	(10,134)	(21,010)	(43,021)	-
Other Nonoperating Expenses.....	-	-	(20,711)	(20,711)	(6,984)
Gain (Loss) on Disposal of Capital Assets.....	1,035	-	(1,043)	(8)	793
Total Nonoperating Revenues (Expenses).....	\$ 421,248	\$ 33,880	\$ (12,077)	\$ 443,051	\$ (4,821)
Income (Loss) Before Transfers and Contributions.....	\$ (618,245)	\$ 62,666	\$ 186,533	\$ (369,046)	\$ 26,064
Capital Contributions.....	59,367	-	40,866	100,233	-
Transfers-In.....	676,850	-	32,384	709,234	55
Transfers-Out.....	-	(1,261)	(146,363)	(147,624)	(30,250)
Change in Net Position.....	\$ 117,972	\$ 61,405	\$ 113,420	\$ 292,797	\$ (4,131)
Net Position, Beginning, as Reported.....	\$ 1,609,365	\$ 1,779,303	\$ (5,488)	\$ 3,383,180	\$ 5,773
Net Position, Ending.....	\$ 1,727,337	\$ 1,840,708	\$ 107,932	\$ 3,675,977	\$ 1,642

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers.....	\$ 827,731	\$ 851,992	\$ 960,989	\$ 2,640,712	\$ 1,262,095
Receipts from Other Revenues.....	-	-	33,307	33,307	8,423
Receipts from Repayment of Program Loans.....	4,696	-	-	4,696	-
Financial Aid Disbursements.....	(39,654)	-	-	(39,654)	-
Payments to Claimants.....	-	(784,017)	(456,445)	(1,240,462)	(779,390)
Payments to Suppliers.....	(444,897)	-	(146,319)	(591,216)	(258,540)
Payments to Employees.....	(1,304,038)	-	(161,114)	(1,465,152)	(222,962)
Payments to Others.....	-	-	(53,034)	(53,034)	(12,923)
Payments of Program Loans.....	(4,215)	-	-	(4,215)	-
<b>Net Cash Flows from Operating Activities.....</b>	<b>\$ (960,377)</b>	<b>\$ 67,975</b>	<b>\$ 177,384</b>	<b>\$ (715,018)</b>	<b>\$ (3,297)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grant Receipts.....	\$ 437,987	\$ 7,174	\$ 23,604	\$ 468,765	\$ -
Grant Disbursements.....	(12,114)	(9,754)	(18,275)	(40,143)	-
Transfers-In.....	676,850	-	22,758	699,608	-
Transfers-Out.....	-	(8,205)	(148,414)	(156,619)	(30,250)
Advances from Other Funds.....	-	-	9,626	9,626	35,017
Repayment Receipts of Advances to Other Funds.....	-	-	2,600	2,600	-
Repayment of Advances from Other Funds.....	-	-	(8,787)	(8,787)	-
Repayment of Bond Principal.....	-	-	(12,810)	(12,810)	-
Interest Paid.....	-	-	(5,402)	(5,402)	-
<b>Net Cash Flows from Noncapital Financing Activities.....</b>	<b>\$ 1,102,723</b>	<b>\$ (10,785)</b>	<b>\$ (135,100)</b>	<b>\$ 956,838</b>	<b>\$ 4,767</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions.....	\$ 39,748	\$ -	\$ -	\$ 39,748	\$ -
Investment in Capital Assets.....	(161,520)	-	(24,316)	(185,836)	(30,798)
Proceeds from Disposal of Capital Assets.....	3,487	-	204	3,691	3,775
Proceeds from Capital Bonds.....	17,066	-	-	17,066	-
Proceeds from Loans.....	1,690	-	-	1,690	11,532
Capital Lease Payments.....	(4,295)	-	(38)	(4,333)	-
Repayment of Loan Principal.....	(642)	-	-	(642)	(13,161)
Repayment of Bond Principal.....	(35,250)	-	(379)	(35,629)	-
Interest Paid.....	(25,475)	-	(5)	(25,480)	(622)
<b>Net Cash Flows from Capital and Related Financing Activities.....</b>	<b>\$ (165,191)</b>	<b>\$ -</b>	<b>\$ (24,534)</b>	<b>\$ (189,725)</b>	<b>\$ (29,274)</b>
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sales and Maturities of Investments.....	\$ 9,120	\$ -	\$ -	\$ 9,120	\$ 14,559
Purchase of Investments.....	(6,941)	-	-	(6,941)	-
Investment Earnings.....	4,302	36,481	666	41,449	2,112
<b>Net Cash Flows from Investing Activities.....</b>	<b>\$ 6,481</b>	<b>\$ 36,481</b>	<b>\$ 666</b>	<b>\$ 43,628</b>	<b>\$ 16,671</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (16,364)</b>	<b>\$ 93,671</b>	<b>\$ 18,416</b>	<b>\$ 95,723</b>	<b>\$ (11,133)</b>
Cash and Cash Equivalents, Beginning, as Reported	\$ 1,005,030	\$ 1,502,750	\$ 159,462	\$ 2,667,242	\$ 297,986
Cash and Cash Equivalents, Ending	\$ 988,666	\$ 1,596,421	\$ 177,878	\$ 2,762,965	\$ 286,853

STATE OF MINNESOTA

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>					
Operating Income (Loss).....	\$ (1,039,493)	\$ 28,786	\$ 198,610	\$ (812,097)	\$ 30,885
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization.....	\$ 119,557	\$ -	\$ 20,456	\$ 140,013	\$ 15,394
Miscellaneous Nonoperating Revenues.....	254	-	8,827	9,081	56
Miscellaneous Nonoperating Expenses.....	-	-	(24,518)	(24,518)	(6,984)
Loan Principal Repayments.....	4,696	-	-	4,696	-
Loans Issued.....	(4,215)	-	-	(4,215)	-
Provision for Loan Defaults.....	6	-	-	6	-
Loans Forgiven.....	406	-	-	406	-
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable.....	(5,956)	40,022	6,116	40,182	(24,507)
Inventories.....	(1,078)	-	278	(800)	80
Other Assets.....	-	-	291	291	647
Deferred Pension Outflows.....	(15,938)	-	(1,834)	(17,772)	(1,244)
Accounts Payable.....	7,551	2,681	16,360	26,592	(2,762)
Claims Payable.....	-	-	2,052	2,052	(893)
Compensated Absences Payable.....	1,834	-	15	1,849	14,400
Unearned Revenues.....	(2,015)	(3,497)	512	(5,000)	5,306
Net Pension Liability.....	34,137	-	(15,866)	18,271	(5,162)
Other Liabilities.....	2,797	(17)	1,165	3,945	264
Deferred Pension Inflows.....	(62,920)	-	(35,080)	(98,000)	(28,777)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 79,116	\$ 39,189	\$ (21,226)	\$ 97,079	\$ (34,182)
Net Cash Flows from Operating Activities...	\$ (960,377)	\$ 67,975	\$ 177,384	\$ (715,018)	\$ (3,297)
<b>Noncash Investing, Capital and Financing Activities:</b>					
Transferred Capital Assets from Governmental Activities.....	\$ -	\$ -	\$ 40,866	\$ 40,866	\$ -
Bond Premium Amortization.....	3,342	-	1,240	4,582	-

The notes are an integral part of the financial statements.



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# Fiduciary Funds

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## **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, 2016  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalent Investments.....	\$ 47,862	\$ -	\$ 133,677
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 2,537,225	\$ 58,114	\$ -
Investments.....	64,668,790	810,456	-
Accrued Interest and Dividends.....	135,792	1,840	-
Securities Trades Receivables (Payables).....	(637,915)	(2,538)	-
Total Investment Pool Participation.....	\$ 66,703,892	\$ 867,872	\$ -
Receivables:			
Accounts Receivable.....	\$ -	\$ -	\$ 33,499
Interfund Receivables.....	7,246	-	-
Other Receivables.....	116,536	-	-
Total Receivables.....	\$ 123,782	\$ -	\$ 33,499
Securities Lending Collateral.....	\$ 8,366,328	\$ 97,208	\$ -
Depreciable Capital Assets (Net).....	47,856	-	-
Nondepreciable Capital Assets.....	597	-	-
Total Assets.....	\$ 75,290,317	\$ 965,080	\$ 167,176
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 26,518	\$ -	\$ 167,176
Interfund Payables.....	8,711	-	-
Accrued Expense.....	4	-	-
Revenue Bonds Payable.....	16,410	-	-
Bond Interest.....	12	-	-
Compensated Absences Payable.....	2,788	-	-
Securities Lending Liabilities.....	8,366,328	97,208	-
Other Liabilities.....	2,352	-	-
Total Liabilities.....	\$ 8,423,123	\$ 97,208	\$ 167,176
<b>NET POSITION</b>			
Net Position Held in Trust for Pension Benefits and Pool Participants.....	\$ 66,867,194	\$ 867,872	\$ -

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, 2016 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 1,259,183	\$ -
Member.....	1,433,099	-
Contributions From Other Sources.....	9,485	-
Participating Plans.....	-	36,259
Total Contributions.....	<u>\$ 2,701,767</u>	<u>\$ 36,259</u>
Net Investment Income (Loss):		
Investment Income (Loss).....	\$ 74,528	\$ 12,155
Less: Investment Expenses.....	(82,386)	(469)
Net Investment Income (Loss).....	<u>\$ (7,858)</u>	<u>\$ 11,686</u>
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 61,870	\$ 670
Securities Lending Rebates and Fees.....	(25,163)	(268)
Net Securities Lending Revenue.....	<u>\$ 36,707</u>	<u>\$ 402</u>
Total Investment Income (Loss).....	<u>\$ 28,849</u>	<u>\$ 12,088</u>
Transfers-In.....	\$ 73,938	\$ -
Other Additions.....	14,589	-
Total Additions.....	<u>\$ 2,819,143</u>	<u>\$ 48,347</u>
Deductions:		
Benefits.....	\$ 4,632,965	\$ -
Refunds and Withdrawals.....	315,984	37,089
Administrative Expenses.....	52,784	72
Transfers-Out.....	20,953	-
Total Deductions.....	<u>\$ 5,022,686</u>	<u>\$ 37,161</u>
Net Increase (Decrease).....	<u>\$ (2,203,543)</u>	<u>\$ 11,186</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....		
	\$ 69,063,429	\$ 860,614
Change in Reporting Entity.....	3,380	-
Change in Fund Structure.....	<u>3,928</u>	<u>(3,928)</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....		
	<u>\$ 69,070,737</u>	<u>\$ 856,686</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....		
	<u>\$ 66,867,194</u>	<u>\$ 867,872</u>

The notes are an integral part of the financial statements.





2016  
Comprehensive  
Annual  
Financial Report

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# Major Discretely Presented Component Unit Funds

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## **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, 2015 and JUNE 30, 2016**  
**(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents.....	\$ 58,048	\$ 150,551	\$ 458,520	\$ 656,341	\$ 1,323,460
Investments.....	38,181	10,849	471,057	307,239	827,326
Accounts Receivable.....	2,964	35,427	402,185	91,994	532,570
Due from Primary Government.....	114	74,575	14,302	13,723	102,714
Accrued Investment/Interest Income.....	11,905	1,997	1,915	16,843	32,660
Federal Aid Receivable.....	2,021	-	-	1,304	3,325
Inventories.....	-	30,212	22,097	54	52,363
Loans and Notes Receivable.....	-	16	10,942	227,999	238,957
Prepaid Expenses.....	-	-	-	5,409	5,409
Other Assets.....	3,103	1,314	26,364	18	30,799
<b>Total Current Assets.....</b>	<b>\$ 116,336</b>	<b>\$ 304,941</b>	<b>\$ 1,407,382</b>	<b>\$ 1,320,924</b>	<b>\$ 3,149,583</b>
<b>Noncurrent Assets:</b>					
Cash and Cash Equivalents-Restricted.....	\$ 472,124	\$ 168,416	\$ 107,422	\$ 219,802	\$ 967,764
Investments-Restricted.....	1,677,107	67,134	124,545	20,173	1,888,959
Accounts Receivable-Restricted.....	-	16,037	-	253	16,290
Due from Primary Government-Restricted.....	-	4,021	-	-	4,021
Due from Primary Government.....	-	-	-	5,491	5,491
Investments.....	-	518,625	4,007,067	24,230	4,549,922
Accounts Receivable.....	-	-	144,566	324,974	469,540
Loans and Notes Receivable.....	1,224,448	45,709	74,177	2,248,078	3,592,412
Depreciable Capital Assets (Net).....	2,783	3,524,068	2,530,750	55,630	6,113,231
Nondepreciable Capital Assets.....	-	646,625	562,122	858,787	2,067,534
Prepaid Expenses.....	-	-	-	4,442	4,442
Other Assets.....	-	-	21,640	69	21,709
<b>Total Noncurrent Assets.....</b>	<b>\$ 3,376,462</b>	<b>\$ 4,990,635</b>	<b>\$ 7,572,289</b>	<b>\$ 3,761,929</b>	<b>\$ 19,701,315</b>
<b>Total Assets.....</b>	<b>\$ 3,492,798</b>	<b>\$ 5,295,576</b>	<b>\$ 8,979,671</b>	<b>\$ 5,082,853</b>	<b>\$ 22,850,898</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated Decrease in Fair Value of Hedging Derivatives.....	\$ 11,764	\$ -	\$ -	\$ -	\$ 11,764
Bond Refunding.....	199	-	-	18,253	18,452
Deferred Pension Outflows.....	2,980	50,854	25,303	818	79,955
Deferred Derivative Outflows.....	-	10,661	-	-	10,661
<b>Total Deferred Outflows of Resources.....</b>	<b>\$ 14,943</b>	<b>\$ 61,515</b>	<b>\$ 25,303</b>	<b>\$ 19,071</b>	<b>\$ 120,832</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....	\$ 12,741	\$ 89,403	\$ 267,094	\$ 79,754	\$ 448,992
Due to Primary Government.....	-	-	3,067	13,695	16,762
Unearned Revenue.....	-	11,422	62,680	28,790	102,892
Accrued Interest Payable.....	26,900	2,391	15,593	16,305	61,189
Bonds and Notes Payable.....	85,115	217,275	291,602	86,413	680,405
Capital Leases Payable.....	-	790	4,140	-	4,930
Claims Payable.....	-	6,662	35,310	52,851	94,823
Compensated Absences Payable.....	263	23,182	184,071	268	207,784
Other Liabilities.....	-	-	795	968	1,763
<b>Total Current Liabilities.....</b>	<b>\$ 125,019</b>	<b>\$ 351,125</b>	<b>\$ 864,352</b>	<b>\$ 279,044</b>	<b>\$ 1,619,540</b>
<b>Noncurrent Liabilities:</b>					
Accounts Payable-Restricted.....	\$ -	\$ 58,806	\$ 53,903	\$ 845	\$ 113,554
Unearned Revenue-Restricted.....	-	87,999	-	-	87,999
Accrued Interest Payable-Restricted.....	-	12,778	-	-	12,778
Due to Primary Government.....	-	-	11,324	41,484	52,808
Unearned Revenue.....	-	-	61	-	61
Interest Rate Swap Agreements.....	11,764	-	-	-	11,764
Bonds and Notes Payable.....	2,222,107	1,335,197	1,159,257	1,462,371	6,178,932
Capital Leases Payable.....	-	7,085	14,702	-	21,787
Claims Payable.....	-	15,340	11,860	533,279	560,479
Compensated Absences Payable.....	1,942	7,183	23,293	869	33,287
Other Postemployment Benefits.....	260	87,231	138,200	76	225,767
Net Pension Liability.....	8,979	151,513	245,996	2,391	408,879
Funds Held in Trust.....	115,854	-	242,996	998	359,848
Other Liabilities.....	-	-	96,227	260	96,487
<b>Total Noncurrent Liabilities.....</b>	<b>\$ 2,360,906</b>	<b>\$ 1,763,132</b>	<b>\$ 1,997,819</b>	<b>\$ 2,042,573</b>	<b>\$ 8,164,430</b>
<b>Total Liabilities.....</b>	<b>\$ 2,485,925</b>	<b>\$ 2,114,257</b>	<b>\$ 2,862,171</b>	<b>\$ 2,321,617</b>	<b>\$ 9,783,970</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Bond Refunding.....	\$ -	\$ -	\$ 1,915	\$ -	\$ 1,915
Deferred Revenue.....	12,118	-	-	10,335	22,453
Deferred Pension Inflows.....	11,327	182,601	296,977	3,454	494,359
<b>Total Deferred Inflows of Resources.....</b>	<b>\$ 23,445</b>	<b>\$ 182,601</b>	<b>\$ 298,892</b>	<b>\$ 13,789</b>	<b>\$ 518,727</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets.....	\$ 2,783	\$ 2,864,655	\$ 1,661,883	\$ 914,277	\$ 5,443,598
Restricted-Expendable.....	995,588	417,821	2,167,116	1,759,452	5,339,977
Restricted-Nonexpendable.....	-	-	1,376,380	-	1,376,380
Unrestricted.....	-	(222,243)	638,532	92,789	509,078
<b>Total Net Position.....</b>	<b>\$ 998,371</b>	<b>\$ 3,060,233</b>	<b>\$ 5,843,911</b>	<b>\$ 2,766,518</b>	<b>\$ 12,669,033</b>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 and JUNE 30, 2016

(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 382,905	\$ 973,624	\$ 3,819,989	\$ 425,962	\$ 5,602,480
Program Revenues:					
Charges for Services.....	\$ 173,146	\$ 357,862	\$ 1,521,615	\$ 150,214	\$ 2,202,837
Operating Grants and Contributions.....	195,426	441,095	978,636	52,727	1,667,884
Capital Grants and Contributions.....	-	236,633	99,478	511,884	847,995
Net (Expense) Revenue.....	\$ (14,333)	\$ 61,966	\$ (1,220,260)	\$ 288,863	\$ (883,764)
General Revenues:					
Taxes.....	\$ -	\$ 79,435	\$ -	\$ 1,686	\$ 81,121
Investment Income.....	-	9,908	55,345	493	65,746
Other Revenues.....	774	-	603,746	8,191	612,711
Total General Revenues before Grants.....	\$ 774	\$ 89,343	\$ 659,091	\$ 10,370	\$ 759,578
State Grants Not Restricted.....	\$ 65,718	\$ -	\$ 663,705	\$ 260,745	\$ 990,168
Total General Revenues.....	\$ 66,492	\$ 89,343	\$ 1,322,796	\$ 271,115	\$ 1,749,746
Change in Net Position.....	\$ 52,159	\$ 151,309	\$ 102,536	\$ 559,978	\$ 865,982
Net Position, Beginning, as Reported.....	\$ 946,212	\$ 2,908,924	\$ 5,756,828	\$ 2,206,540	\$ 11,818,504
Change in Accounting Principle.....	-	-	(15,453)	-	(15,453)
Net Position, Beginning, as Restated.....	\$ 946,212	\$ 2,908,924	\$ 5,741,375	\$ 2,206,540	\$ 11,803,051
Net Position, Ending.....	\$ 998,371	\$ 3,060,233	\$ 5,843,911	\$ 2,766,518	\$ 12,669,033

The notes are an integral part of the financial statements.



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**2016 Comprehensive Annual Financial Report**  
**Index of Notes to the Financial Statements**

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**2016 Comprehensive Annual Financial Report**  
**Notes to the Financial Statements**

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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, 2016:

GASB Statement No. 72 “Fair Value Measurement and Application” was issued in February 2015. The statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 2 – Cash, Investments, and Derivative Instruments for further information.

GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” was issued in June 2015. The statement identifies the hierarchy of generally accepted accounting principles (GAAP) and reduces the GAAP hierarchy to two categories of authoritative GAAP. It addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement has no material impact on the state.

GASB Statement No. 78 “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans” was issued in December 2015. The statement amends the scope and applicability of Statement No. 68 “Accounting and Financial Reporting for Pensions” to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that has certain characteristics. The statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have certain characteristics. This statement has no impact on the state.

GASB Statement No. 79 “Certain External Investment Pools and Pool Participants” was issued in December 2015. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement has no impact on the state.

GASB Statement No. 82 “Pension Issues” was issued in March 2016. The statement addresses issues raised with respect to GASB Statement No. 67 “Financial Reporting for Pension Plans,” GASB Statement No. 68 “Accounting and Financial Reporting for Pensions,” and GASB Statement No. 73 “Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” These issues relate to the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy plan member contribution requirements. This statement has no material impact on the state.

## 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.

- 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 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 nonprofit organizations 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 provides 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.

Additional information is available from the component unit's separately-issued financial statements. 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 55454-1075	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 55449-4500	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 5600 West 83 <sup>rd</sup> Street 8200 Tower, Suite 1100 Minneapolis, Minnesota 55437-1062
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101-1805	Minnesota Sports Facilities Authority 1005 4 <sup>th</sup> Street South Minneapolis, Minnesota 55415-1752

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 55113-1117	Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul, Minnesota 55103-1888
Public Employees Retirement Association 60 Empire Drive, Suite 200 St. Paul, Minnesota 55103-1890	Teachers Retirement Association 60 Empire Drive, Suite 400 St. Paul, Minnesota 55103-1889
State Board of Investment 60 Empire Drive, Suite 355 St. Paul, Minnesota 55103-1888	Minnesota State Colleges and Universities Financial Reporting Unit 500 Wells Fargo Place, 30 East 7 <sup>th</sup> Street St. Paul, Minnesota 55101-4914

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 capital expenditures, including the acquisition or construction of capital facilities and other capital assets. The state's capital expenditures are reported as capital outlay, whereas capital expenditures for other entities are reported as grant expenditures. 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 primarily other state 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. Counties, as agents for the state, assess the state general tax. 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. 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, which is defined as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. During fiscal year 2016, the state implemented GASB Statement No. 72 "Fair Value Measurement and Application" which sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. 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 and 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 two or more 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, 3-10 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 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” 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 considered available for appropriation and expenditure and include cash, various receivables, and short-term investments. 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 net 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.

### **Current and 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 amount of liabilities not due and payable during the fiscal year 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, 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 net 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.

## **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 from the Minnesota State Colleges and Universities. 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, 2016, 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, 2016, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$1,418,560,000 that is \$40,433,000 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 \$166,470,000.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2016:

<b>Primary Government Derivative Activity for the Year Ended June 30, 2016 By Derivative Type (In Thousands)</b>			
	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	\$ 2,263	\$ 37	\$ -
Fiduciary Activities:			
Futures	\$ (34,887)	\$ (322,895)	\$ -
Futures Options Bought	(3,679)	-	-
Futures Options Written	2,602	(269)	(128)
FX Forwards	8,461	288,554	3,982
Warrants/Stock Rights	(358)	2,421	1,284
	<u>\$ (27,861)</u>	<u>\$ (32,189)</u>	<u>\$ 5,138</u>

*Credit Risk:* Minnesota is exposed to credit risk through five 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 \$6,754,000 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.

## 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.

## 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.

## Fair Value Reporting

GASB Statement No. 72 "Fair Value Measurement and Application" sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The statement defines fair value as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The hierarchy has three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs for Level 2 include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs reflect SBI's assumptions about the inputs that market participants would use in pricing an asset or liability.

Net Asset Value (NAV) per share, or its equivalent, is the measurement used for investments that do not have a readily determinable fair value as a practical expedient. These investments are not classified in the fair value hierarchy.

All non-cash investments, including derivative investments that are not hedging derivatives, are required to be measured at fair value on a recurring basis. SBI maintains investment pools in which participants can invest where participants own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by the SBI custodian, when a daily price is available, by using independent pricing sources.

Level 3 investments primarily consist of assets where the asset is distressed or there is not an active market. The fair value of the assets measured at NAV have been determined using the March 31, 2016, values, adjusted for cash flows. The investments measured at NAV are typically not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which occur over the life of the investment. Cash and short-term investments are not leveled under GASB 72.

To the extent available, SBI investments are recorded at fair value as of June 30, 2016. SBI has 21 investments that are valued at NAV that are currently in the liquidation mode, totaling 1.5 percent of the NAV value. SBI has a total of \$5,412,991,000 in unfunded commitments to the investments valued at NAV.

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.

<b>Primary Government                      Governmental, Proprietary, and Agency Funds                      Investments and Cash Equivalent Investments                      Credit Risk Exposure                      As of June 30, 2016                      (In Thousands)</b>	
Quality Rating	Fair Value
AAA	\$ 559,307
AA	231,585
A	1,638,748
BBB	359,517
BB	87,324
CCC	8,536
D	2,454
Unrated	5,782,850
Agencies	1,482,871
U.S. Governments	1,778,056
Total Debt Securities	<u>\$ 11,931,248</u>



**Primary Government  
Governmental, Proprietary, and Agency Funds  
Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2016  
(In Thousands)**

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
U.S. Treasury	\$ 1,529,250	1.82
U.S. Agencies	1,232,717	1.07
Mortgage-backed Securities	164,229	9.48
State or Local Government Bonds	78,264	3.66
Corporate Bonds	2,018,448	2.38
Yankee Bonds	735,525	0.75
Short Term Notes	<u>6,172,815</u>	0.28
Total Debt Securities	\$ 11,931,248	
Equity Investments:		
Corporate Stock	\$ 1,328,495	
Other Investments:		
Escheat Property	\$ 14,218	
Money Market Accounts	<u>10,706</u>	
Total Other Investments	<u>\$ 24,924</u>	
Total Investments	<u>\$ 13,284,667<sup>(1)</sup></u>	

<sup>(1)</sup>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  
Governmental, Proprietary, and Agency Funds  
Fair Value of Investments  
As of June 30, 2016  
(In Thousands)**

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>Equity:</b>			
Common Stock	\$ 1,284,963	\$ 1,281,680	\$ 3,283
Real Estate Investment Trust	42,012	42,012	-
Equity Total	<u>\$ 1,326,975</u>	<u>\$ 1,323,692</u>	<u>\$ 3,283</u>
<b>Fixed Income:</b>			
Asset-backed Securities	\$ 114,040	\$ -	\$ 114,040
Mortgage-backed Securities	164,229	-	164,229
Corporate Bonds	2,536,455	-	2,536,455
Government Issues	3,378,887	13,416	3,365,471
Fixed Income Total	<u>\$ 6,193,611</u>	<u>\$ 13,416</u>	<u>\$ 6,180,195</u>
Total Investments by Fair Value	<u>\$ 7,520,586<sup>(1)</sup></u>	<u>\$ 1,337,108</u>	<u>\$ 6,183,478</u>

<sup>(1)</sup> Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and short-term investments are not leveled under GASB 72 so are not included in this table.

**Primary Government  
Pension Trust and Investment Trust Funds  
Investments and Cash Equivalent Investments  
Credit Risk Exposure  
As of June 30, 2016  
(In Thousands)**

Quality Rating	Fair Value
AAA	\$ 791,176
AA	368,960
A	870,997
BBB	2,782,010
BB	1,558,384
B	225,126
CCC	105,712
CC	42,524
C	2,435
D	20,596
Unrated	2,205,555
Agencies	4,280,471
U.S. Governments	3,855,477
Total Debt Securities	<u>\$ 17,109,423</u>

**Primary Government  
Pension Trust and Investment Trust Funds  
Investment Pools - Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2016  
(In Thousands)**

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
U.S. Treasury	\$ 3,854,763	9.80
U.S. Agencies	424,172	4.09
Mortgage-backed Securities	4,803,764	4.02
State or Local Government Bonds	165,199	15.90
Corporate Bonds	4,118,318	9.33
Yankee Bonds	1,067,961	8.32
Foreign Country Bonds	59,287	20.61
Asset-backed Securities	745,044	2.45
Short Term Notes	<u>1,870,915</u>	0.74
Total Debt Securities	<u>\$ 17,109,423</u>	
 <u>Other Investments</u>		
Guaranteed Investment Account:		
Synthetic Guaranteed Investment Contract (GIC)	\$ 1,378,127	
Short Term Investment Pool	<u>166,470</u>	
Total Guaranteed Investment Account	\$ 1,544,597	
Futures Options	(128)	
Mutual Funds	<u>6,504,385</u>	
Total Other Investments	<u>\$ 8,048,854</u>	
Equity Investments:		
Corporate Stock	\$ 35,654,836	
Alternative Equities	7,284,157	
Stock Rights/Warrants	<u>1,283</u>	
Total Equity Investments	<u>\$ 42,940,276</u>	
Total Investments	<u>\$ 68,098,553<sup>(1)</sup></u>	

<sup>(1)</sup>Total Investments do not include \$23,894 of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

**Primary Government  
Pension Trust and Investment Trust Funds  
Fair Value of Investments  
As of June 30, 2016  
(In Thousands)**

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Equity:</b>				
Common Stock	\$ 33,835,594	\$ 33,805,344	\$ 29,275	\$ 975
Real Estate Investment Trust	1,281,011	1,280,971	-	40
Other Equity	602,482	524,964	77,450	68
Equity Total	<u>\$ 35,719,087</u>	<u>\$ 35,611,279</u>	<u>\$ 106,725</u>	<u>\$ 1,083</u>
<b>Fixed Income:</b>				
	Blank	Blank	Blank	Blank
Asset-backed Securities	\$ 1,031,334	\$ -	\$ 1,027,094	\$ 4,240
Mortgage-backed Securities	5,316,987	-	5,285,716	31,271
Corporate Bonds	5,509,889	-	5,509,889	-
Government Issues	5,049,387	-	5,041,979	7,408
Other Debt Instruments	413,382	-	413,382	-
Fixed Income Total	<u>\$ 17,320,979</u>	<u>\$ -</u>	<u>\$17,278,060</u>	<u>\$ 42,919</u>
Investment Derivatives - Options	(128)	(128)	-	-
<b>Total Investments by Fair Value</b>	<u><u>\$ 53,039,938</u></u>	<u><u>\$ 35,611,151</u></u>	<u><u>\$17,384,785</u></u>	<u><u>\$ 44,002</u></u>
<b>Investments Measured at Net</b>				
Asset Value (NAV):	NAV	Unfunded Commitments		
Private Equity	\$ 4,557,041	\$ 3,217,911		
Real Estate	606,009	454,298		
Resource	1,143,118	987,308		
Yield Oriented	909,063	753,474		
Total Investments at NAV	<u>\$ 7,215,231</u>	<u>\$ 5,412,991</u>		
<b>Total Investments by Fair Value and NAV</b>	<u><u>\$60,255,169<sup>(1)</sup></u></u>			

<sup>(1)</sup> Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and short-term investments are not leveled under GASB 72 so are not included in this table.

### 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, 2016, 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, 2016. The following table shows the foreign currency risk for the pension trust and investment trust funds.

**Pension Trust and Investment Trust Funds  
Foreign Currency Risk  
International Investment Securities at Fair Value  
As of June 30, 2016  
(In Thousands)**

<u>Currency</u>	<u>Cash</u>	<u>Debt</u>	<u>Equity</u>
Australian Dollar	\$ 872	\$ -	\$ 390,681
Brazilian Real	33	-	82,146
Canadian Dollar	3,927	513	507,139
Danish Krone	(103)	-	153,102
Euro Currency	3,432	7,254	2,326,954
Hong Kong Dollar	1,902	-	554,055
Indian Rupee	48	-	170,777
Indonesian Rupiah	345	-	55,019
Japanese Yen	15,978	15,986	1,455,766
New Taiwan Dollar	226	-	155,278
New Zealand Dollar	399	-	19,510
Pound Sterling	8,386	15,359	1,157,814
Singapore Dollar	197	-	70,865
South African Rand	492	-	98,468
South Korean Won	-	-	161,826
Swedish Krona	353	-	157,969
Swiss Franc	97	-	531,468
Other	721	-	271,661
Total	<u>\$ 37,305</u>	<u>\$ 39,112</u>	<u>\$ 8,320,498</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 was invested in a collective investment pool. As of June 30, 2016, such investment pool had an average duration of 12.39 days and an average weighted maturity of 88.83 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, 2016, 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, 2016, were \$14,769,029,000 and \$14,248,837,000, 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 \$8,463,536,000 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, 2016, the Housing Finance Agency (HFA) had \$530,172,000 of cash and cash equivalents and \$1,715,288,000 of investments. As of June 30, 2016, \$525,590,000 of deposits and \$1,626,869,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 1.8 – 27.7 years.

HFA cash equivalents included \$4,585,000 of investment agreements, which are generally uncollateralized interest-bearing contracts.

HFA investments had an estimated fair value of \$1,715,288,000 as of June 30, 2016. Included in these investments were \$10,520,000 in U.S. Treasuries (not rated), and \$1,580,201,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional \$31,565,000 in municipal debt investments had an S&P rating of AA and Moody's Investors Services rating of Aa2.

HFA measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." HFA measured investments of \$65,386,000 and \$1,556,899,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of \$93,003,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2016, excluding investments issued or explicitly guaranteed by the U.S. Government, that exceeded five percent or more of total investments. These investments of \$408,292,000 were issued by Federal National Mortgage Association.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2016, as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2016, was reported in "Accumulated Decrease in Fair Value of Hedging Derivatives" deferred outflows of resources.

As of June 30, 2016, HFA had four and seven interest rate swap agreements with counterparties the Bank of New York Mellon and Royal Bank of Canada for total notional amounts of \$46,765,000 and \$143,830,000 having fair values of (\$3,206,000) and (\$8,558,000), respectively. For these counterparties,



the fair values for the fiscal year ended June 30, 2016, increased \$773,000 and decreased \$1,177,000, respectively.

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 Aa1 and Aa3, respectively, and by S&P as AA- 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, 2015, the Metropolitan Council (MC), had \$318,967,000 in cash and cash equivalents and \$596,608,000 in investments. Of this amount, \$809,222,000 was subject to rating. Using the Moody's Investors Services rating scale, \$599,978,000 of these investments were rated Aaa, while \$209,244,000 were not rated. U.S. Treasury State and Local Government Securities (SLGS) of \$67,134,000 and net outstanding checks of \$39,219,000 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 \$206,663,000 U.S. agency investments, MC has a custodial credit risk exposure of \$2,016,000 because the related securities are held by a custodial agent in the broker's name.

MC measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investments of \$223,100,000 and \$470,457,000 using Level 1 and Level 2 inputs, respectively. MC measured another \$182,799,000 of investments at the net asset value, while the remaining \$39,219,000 was cash and cash equivalents.

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, 2015. The investment portfolio has an average yield of 1.29 percent, modified duration of 2.67 years, effective duration of 1.80 years, and convexity of -0.45.

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

<b>Major Component Unit Metropolitan Council Fair Value of Investments As of December 31, 2015 (In Thousands)</b>	
	Estimated Fair Value
Fair Value of Portfolio Before Basis Point Increase	\$ 918,322
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	\$ 831,867
100 Points	\$ 826,878
150 Points	\$ 821,731
200 Points	\$ 816,657

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 calendar year 2015, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2015, MC had 314 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.2 million gallons) acquired from May 13, 2014, through December 29, 2015, to terminate on dates from January 29, 2016, through October 31, 2017. As of December 31, 2015, the heating oil futures contracts had a fair value of \$17,554,000.

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, 2016, the University of Minnesota (U of M), including its discretely presented component units, had \$565,942,000 of cash and cash equivalents and \$4,602,669,000 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 \$457,807,000 and investments of \$2,129,446,000.

As of June 30, 2016, U of M's bank balance of \$342,898,000 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, 2016, \$1,414,309,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$1,209,226,000 was rated AA or better
- \$173,240,000 was rated BBB to A
- \$31,843,000 was not rated

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

- \$656,037,000 in government agencies with weighted average maturities of 1.0 to 1.7 years
- \$103,372,000 in mortgage-backed securities with a weighted average maturity of 18.9 years
- \$343,637,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- \$279,420,000 in mutual funds with a weighted average maturity of 5.4 years

As of June 30, 2016, U of M had \$242,036,000 of equity investments subject to foreign currency risk. The two largest components of this amount are \$73,976,000 in Euro Currency and \$39,564,000 in Japanese Yen.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investments of \$317,989,000; \$821,951,000; and \$3,704,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another \$985,802,000 of investments at the net asset value.

As of June 30, 2016, U of M has one pay-fixed, receive-variable swap that is considered ineffective. At June 30, 2016, the total fair value was (\$3,677,000), 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, 2015, or June 30, 2016, as applicable**  
**(In Thousands)**

<u>Component Unit</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Agricultural and Economic Development Board	\$ 2,307	\$ 20,173
National Sports Center Foundation	995	-
Office of Higher Education	395,937	-
Public Facilities Authority	449,995	33,015
Rural Finance Authority	12,982	-
Workers' Compensation Assigned Risk Plan	11,038	294,251
Minnesota Sports Facilities Authority	<u>2,889</u>	<u>4,203</u>
Total	<u>\$ 876,143</u>	<u>\$ 351,642</u>

### Note 3 – Disaggregation of Receivables

<b>Primary Government Components of Net Receivables Government-wide As of June 30, 2016 (In Thousands)</b>				
	Governmental Activities			Total
	General Fund <sup>(2)</sup>	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	
<b>Taxes:</b>				
Corporate and Individual	\$ 800,053	\$ -	\$ -	\$ 800,053
Sales and Use	400,764	-	23,892	424,656
Property	397,622	-	-	397,622
Health Care Provider	314,491	-	111,033	425,524
Motor Vehicle/Fuel	-	-	73,127	73,127
Child Support	45,169	45,240	322	90,731
Workers' Compensation	-	-	93,124	93,124
Other	316,111	350,324	109,223	775,658
Net Receivables	<u>\$ 2,274,210</u>	<u>\$ 395,564</u>	<u>\$ 410,721</u>	<u>\$ 3,080,495</u>
<b>Business-type Activities</b>				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	\$ -	\$ 302,783	\$ -	\$ 302,783
Tuition and Fees <sup>(3)</sup>	59,715	-	-	59,715
Other	2,114	-	34,226	36,340
Net Receivables	<u>\$ 61,829</u>	<u>\$ 302,783</u>	<u>\$ 34,226</u>	<u>\$ 398,838</u>
Total Government-wide Net Receivables				<u>\$ 3,479,333</u>
<sup>(1)</sup> Includes \$110,443 for Internal Service Funds, less Internal Service Fund eliminations of \$106,313 among Governmental Activities.				
<sup>(2)</sup> Includes \$1,465 Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.				
<sup>(3)</sup> The revenue associated with tuition and fees is reduced by a scholarship allowance of \$310,882.				

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

- Corporate and Individual Taxes \$122,353,000
- Sales and Use Taxes \$34,886,000
- Child Support \$198,418,000

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

- Corporate and Individual Taxes \$182,098,000
- Sales and Use Taxes \$79,667,000
- Child Support \$88,007,000
- Health Care Provider \$92,363,000
- Other Receivables \$93,606,000

**Note 4 – Loans and Notes Receivable**

<b>Primary Government Loans and Notes Receivable, Net of Allowance As of June 30, 2016 (In Thousands)</b>						
	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	\$ -	\$ -	\$ -	\$ -	\$ 28,501	\$ 28,501
Economic Development	46,245	4,446	49,882	-	-	100,573
School Districts	48,497	-	-	-	-	48,497
Agricultural, Environmental and Energy Resources	-	-	57,379	-	-	57,379
Transportation	-	-	13,372	47	-	13,419
Other	5,223	-	523	-	-	5,746
<b>Total</b>	<b>\$ 99,965</b>	<b>\$ 4,446</b>	<b>\$ 121,156</b>	<b>\$ 47</b>	<b>\$ 28,501</b>	<b>\$ 254,115</b>

<b>Component Units Loans and Notes Receivable As of December 31, 2015, or June 30, 2016, as applicable (In Thousands)</b>	
Housing Finance Agency	\$ 1,224,448
Metropolitan Council	45,725
University of Minnesota	85,119
Agricultural and Economic Development Board	176
Office of Higher Education	558,706
Public Facilities Authority	1,862,597
Rural Finance Authority	54,598
<b>Total</b>	<b>\$ 3,831,369</b>

## 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.

<b>Primary Government</b> <b>Interfund Receivables and Payables</b> <b>As of June 30, 2016</b> <b>(In Thousands)</b>	
Due to the General Fund From:	
Federal Fund	\$ 1,173
Nonmajor Governmental Funds	7,675
Nonmajor Enterprise Funds	16,912
Internal Service Funds	60,017
Fiduciary Funds	1,465
Total Due to General Fund From Other Funds	<u>\$ 87,242</u>
Due to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 3,230
Unemployment Insurance Fund	53
Total Due to Federal Fund From Other Funds	<u>\$ 3,283</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 31,991
Total Due to State Colleges and Universities Fund From Other Funds	<u>\$ 31,991</u>
Due to the Nonmajor Enterprise Funds From:	
General Fund	\$ 1,002
Nonmajor Enterprise Funds	1,773
Total Due to Nonmajor Enterprise Funds From Other Funds	<u>\$ 2,775</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 7,246
Total Due to Fiduciary Funds From Other Funds	<u>\$ 7,246</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 71,793
Unemployment Insurance Fund	14,832
Nonmajor Governmental Funds	24,044
Nonmajor Enterprise Funds	2,149
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 112,818</u>



**Primary Government  
Interfund Transfers  
Year Ended June 30, 2016  
(In Thousands)**

Transfers to the General Fund From:	
Federal Fund	\$ 56,888
Nonmajor Governmental Funds	186,956
Nonmajor Enterprise Funds	118,452
Internal Service Funds	<u>26,085</u>
Total Transfers to General Fund From Other Funds	<u>\$ 388,381</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	\$ 48
Nonmajor Governmental Funds	<u>1,617</u>
Total Transfers to Federal Fund From Other Funds	<u>\$ 1,665</u>
Transfers and Capital Contributions to the State Colleges and Universities Fund From:	
General Fund	\$ 673,038
Nonmajor Governmental Funds	<u>63,179</u>
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	<u>\$ 736,217</u>
Transfers to Fiduciary Funds From:	
General Fund	\$ 52,985
Fiduciary Funds	<u>20,953</u>
Total Transfers to Fiduciary Funds From Other Funds	<u>\$ 73,938</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 920,227
Federal Fund	4,540
Unemployment Insurance Fund	1,213
Nonmajor Governmental Funds	202,768
Nonmajor Enterprise Funds	27,911
Internal Service Funds	<u>4,165</u>
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 1,160,824</u>
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:	
General Fund	\$ 32,384
Government-wide Capital Assets	<u>40,866</u>
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	<u>\$ 73,250</u>
Transfers to Internal Service Funds From:	
General Fund	\$ 55
Total Transfers to Internal Service Funds From Other Funds	<u>\$ 55</u>

## Component Units

<b>Primary Government and Component Units Receivables and Payables As of December 31, 2015, or June 30, 2016, as applicable (In Thousands)</b>		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
<b>Component Units</b>		
Major Component Units:		
Housing Finance Agency	\$ 114	\$ -
Metropolitan Council	78,596	-
University of Minnesota	14,302	14,391
Total Major Component Units	<u>\$ 93,012</u>	<u>\$ 14,391</u>
Nonmajor Component Units	<u>\$ 19,214</u>	<u>\$ 55,179</u>
Total Component Units	<u>\$ 112,226</u>	<u>\$ 69,570</u>
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
<b>Primary Government</b>		
Major Governmental Funds:		
General Fund	\$ -	\$ 26,614
Federal Fund	-	5,183
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ 31,797</u>
Nonmajor Governmental Funds	<u>\$ 65,561</u>	<u>\$ 29,170</u>
Nonmajor Enterprise Funds	<u>\$ -</u>	<u>\$ 6</u>
Total Primary Government	<u>\$ 65,561</u>	<u>\$ 60,973<sup>(1)</sup></u>
<p><sup>(1)</sup> Due to Component Units on the Government-wide Statement of Net Position totals \$68,790 and includes \$7,817 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.</p>		

The Due To Primary Government balance exceeds the Due From Component Units balance by \$4,009,000 because the Metropolitan Council, the Workers' Compensation Assigned Risk Plan, the National Sports Center Foundation, and the Minnesota Sports Facilities Authority use a different fiscal year end than the primary government. The \$51,253,000 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 \$7,817,000 loans payable disclosed above.

## Note 6 – Capital Assets

### Primary Government

<b>Primary Government Capital Asset Activity Government-wide Governmental Activities Year Ended June 30, 2016 (In Thousands)</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>Governmental Activities</b>				
<b>Capital Assets not Depreciated:</b>				
Land <sup>(1)</sup>	\$ 2,483,327	\$ 90,191	\$ (3,880)	\$ 2,569,638
Buildings, Structures, Improvements	41,443	-	-	41,443
Construction in Progress	323,523	302,441	(193,747)	432,217
Development in Progress	124,708	51,070	(115,744)	60,034
Infrastructure	9,552,323	635,650	(8,399)	10,179,574
Easements	284,543	29,218	(646)	313,115
Art and Historical Treasures	7,223	14	(69)	7,168
Total Capital Assets not Depreciated	<u>\$ 12,817,090</u>	<u>\$ 1,108,584</u>	<u>\$ (322,485)</u>	<u>\$ 13,603,189</u>
<b>Capital Assets Depreciated:</b>				
Buildings, Structures, Improvements	\$ 2,939,505	\$ 194,299	\$ (38,119)	\$ 3,095,685
Infrastructure	284,274	29,292	(568)	312,998
Internally Generated Computer Software	98,370	75,033	(8,574)	164,829
Easements	5,433	356	-	5,789
Equipment, Furniture, Fixtures	700,685	82,871	(35,717)	747,839
Total Capital Assets Depreciated	<u>\$ 4,028,267</u>	<u>\$ 381,851</u>	<u>\$ (82,978)</u>	<u>\$ 4,327,140</u>
<b>Accumulated Depreciation for:</b>				
Buildings, Structures, Improvements	\$ (1,161,210)	\$ (99,236)	\$ 13,032	\$ (1,247,414)
Infrastructure	(68,025)	(22,053)	568	(89,510)
Internally Generated Computer Software	(40,049)	(19,086)	1	(59,134)
Easements	(1,476)	(356)	-	(1,832)
Equipment, Furniture, Fixtures	(451,234)	(45,603)	28,809	(468,028)
Total Accumulated Depreciation	<u>\$ (1,721,994)</u>	<u>\$ (186,334)</u>	<u>\$ 42,410</u>	<u>\$ (1,865,918)</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,306,273</u>	<u>\$ 195,517</u>	<u>\$ (40,568)</u>	<u>\$ 2,461,222</u>
Governmental Act. Capital Assets, Net	<u>\$ 15,123,363</u>	<u>\$ 1,304,101</u>	<u>\$ (363,053)</u>	<u>\$ 16,064,411</u>
<sup>(1)</sup> The beginning balance has been restated for the prior period adjustment.				

Prior Period Adjustment Governmental Activities: During fiscal year 2016, land increased by \$93,347,000 resulting in a prior period adjustment. This increase was attributable to the capitalization of donated land that was previously unrecorded and adjusting for land that was disposed of at fair value rather than at cost.

Capital outlay expenditures in the governmental funds totaled \$1,173,989,000 for fiscal year 2016. Donations of general capital assets received during fiscal year 2016 were valued at \$20,484,000. Transfers of \$265,164,000 were primarily from construction in progress for completed projects. Internal service funds additions were \$30,798,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2016, 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, 2016  
(In Thousands)**

	Beginning	Additions	Deductions	Ending
<b>Business-type Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 92,020	\$ 584	\$ (192)	\$ 92,412
Construction in Progress	223,113	142,527	(191,912)	173,728
Total Capital Assets not Depreciated	<u>\$ 315,133</u>	<u>\$ 143,111</u>	<u>\$ (192,104)</u>	<u>\$ 266,140</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 3,264,430	\$ 207,236	\$ (11,793)	\$ 3,459,873
Infrastructure	95	-	-	95
Library Collections	42,519	5,278	(6,651)	41,146
Internally Generated Computer Software	12,244	44,968	(2,163)	55,049
Equipment, Furniture, Fixtures	358,600	17,473	(54,255)	321,818
Total Capital Assets Depreciated	<u>\$ 3,677,888</u>	<u>\$ 274,955</u>	<u>\$ (74,862)</u>	<u>\$ 3,877,981</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (1,524,043)	\$ (104,028)	\$ 9,580	\$ (1,618,491)
Infrastructure	(50)	(3)	-	(53)
Library Collections	(24,868)	(5,878)	6,651	(24,095)
Internally Generated Computer Software	(6,426)	(5,793)	2,038	(10,181)
Equipment, Furniture, Fixtures	(249,738)	(24,311)	53,047	(221,002)
Total Accumulated Depreciation	<u>\$ (1,805,125)</u>	<u>\$ (140,013)</u>	<u>\$ 71,316</u>	<u>\$ (1,873,822)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,872,763</u>	<u>\$ 134,942</u>	<u>\$ (3,546)</u>	<u>\$ 2,004,159</u>
Business-type Act. Capital Assets, Net	<u>\$ 2,187,896</u>	<u>\$ 278,053</u>	<u>\$ (195,650)</u>	<u>\$ 2,270,299</u>
<b>Fiduciary Funds</b>				
Capital Assets not Depreciated:				
Land	\$ 429	\$ 168	\$ -	\$ 597
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ 168</u>	<u>\$ -</u>	<u>\$ 597</u>
Capital Assets Depreciated:				
Buildings	\$ 29,763	\$ 207	\$ (207)	\$ 29,763
Equipment, Furniture, Fixtures	32,735	5,250	(800)	37,185
Total Capital Assets Depreciated	<u>\$ 62,498</u>	<u>\$ 5,457</u>	<u>\$ (1,007)</u>	<u>\$ 66,948</u>
Accumulated Depreciation for:				
Buildings	\$ (10,404)	\$ (763)	\$ -	\$ (11,167)
Equipment, Furniture, Fixtures	(6,466)	(2,253)	794	(7,925)
Total Accumulated Depreciation	<u>\$ (16,870)</u>	<u>\$ (3,016)</u>	<u>\$ 794</u>	<u>\$ (19,092)</u>
Total Capital Assets Depreciated, Net	<u>\$ 45,628</u>	<u>\$ 2,441</u>	<u>\$ (213)</u>	<u>\$ 47,856</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 46,057</u>	<u>\$ 2,609</u>	<u>\$ (213)</u>	<u>\$ 48,453</u>

Transfers-in for Business-type Activities resulted from \$191,364,000 from construction in progress for completed projects and \$40,866,000 from governmental activities.

**Primary Government  
Depreciation Expense  
Government-wide  
Year Ended June 30, 2016  
(In Thousands)**

Governmental Activities:		
Agricultural, Environmental & Energy Resources	\$	19,896
Economic and Workforce Development		6,214
General Education		6,184
General Government		41,054
Health and Human Services		21,240
Public Safety and Corrections		39,939
Transportation		36,413
Internal Service Funds		15,394
Total Governmental Activities	<u>\$</u>	<u>186,334</u>
Business-type Activities:		
State Colleges and Universities	\$	119,557
Lottery		598
Other		19,858
Total Business-type Activities	<u>\$</u>	<u>140,013</u>

**Primary Government  
Significant Project Authorizations and Commitments  
As of June 30, 2016  
(In Thousands)**

	Administration	Transportation
Authorization	\$ 558,895	\$ 1,213,651
Less: Expended through June 30, 2016	(365,822)	(705,036)
Less: Unexpended Commitment	(148,410)	(250,466)
Remaining Available Authorization	<u>\$ 44,663</u>	<u>\$ 258,149</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, 2016, were 2,513,081.

## Component Units

<b>Component Units Capital Assets</b>					
<b>As of December 31, 2015, or June 30, 2016, as applicable (In Thousands)</b>					
	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Component Units					
Capital Assets not Depreciated:					
Land	\$ -	\$ 255,990	\$ 150,160	\$ 27,340	\$ 433,490
Construction in Progress	-	390,635	165,099	831,447	1,387,181
Leased Buildings	-	-	163,693	-	163,693
Museums and Collections	-	-	83,167	-	83,167
Easements	-	-	3	-	3
Total Capital Assets not Depreciated	<u>\$ -</u>	<u>\$ 646,625</u>	<u>\$ 562,122</u>	<u>\$ 858,787</u>	<u>\$ 2,067,534</u>
Capital Assets Depreciated:					
Buildings, Structures, Improvements	\$ -	\$ 4,290,899	\$ 3,944,294	\$ 57,371	\$ 8,292,564
Infrastructure	-	-	455,329	-	455,329
Internally Generated Software	8,544	-	163,189	-	171,733
Equipment, Furniture, Fixtures	1,876	1,394,683	923,840	3,867	2,324,266
Other Intangibles	-	-	7,165	-	7,165
Total Capital Assets Depreciated	<u>\$ 10,420</u>	<u>\$ 5,685,582</u>	<u>\$ 5,493,817</u>	<u>\$ 61,238</u>	<u>\$ 11,251,057</u>
Total Accumulated Depreciation	<u>\$ (7,637)</u>	<u>\$ (2,161,514)</u>	<u>\$ (3,028,137)</u>	<u>\$ (5,608)</u>	<u>\$ (5,202,896)</u>
Total Capital Assets Depreciated, Net <sup>(1)</sup>	<u>\$ 2,783</u>	<u>\$ 3,524,068</u>	<u>\$ 2,465,680</u>	<u>\$ 55,630</u>	<u>\$ 6,048,161</u>
Component Units Capital Assets, Net	<u>\$ 2,783</u>	<u>\$ 4,170,693</u>	<u>\$ 3,027,802</u>	<u>\$ 914,417</u>	<u>\$ 8,115,695</u>

<sup>(1)</sup> In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of \$65,070 as of June 30, 2016.

## Note 7 – Disaggregation of Payables

**Primary Government  
Components of Accounts Payable  
Government-wide  
As of June 30, 2016  
(In Thousands)**

	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds <sup>(1)(2)</sup>	
School Aid Programs	\$ 927,614	\$ 177,729	\$ 1,242	\$ 1,106,585
Tax Refunds	639,684	-	-	639,684
Medical Care Programs	593,532	1,055,534	15,093	1,664,159
Grants	237,314	164,316	240,714	642,344
Salaries and Benefits	78,483	15,525	55,566	149,574
Vendors/Service Providers	180,403	22,849	201,471	404,723
Net Payables	\$ 2,657,030	\$ 1,435,953	\$ 514,086	\$ 4,607,069
	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	\$ 115,452	\$ -	\$ 7,430	\$ 122,882
Vendors/Service Providers	62,507	24,761	69,758	157,026
Net Payables	\$ 177,959	\$ 24,761	\$ 77,188	\$ 279,908
Total Government-wide Net Payables				\$ 4,886,977

(1) Includes \$51,193 for Internal Service Funds.

(2) Amounts are shown net of Internal Service Fund eliminations of \$106,313 among Governmental Activities.

## 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.

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 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.

During fiscal year 2016, the state implemented GASB Statement No. 72 “Fair Value Measurement and Application.” This statement addresses accounting and financial reporting issues related to fair value measurements. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 – Cash, Investment, and Derivative Investments for more information.



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, 2016, this presentation resulted in a negative asset within the total investment pool participation.

**Non-Primary Government Administered Plan**

The state contributes as a non-employer contributing entity into the St. Paul Teachers’ Retirement Fund, 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.

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

**Defined Benefit Plans**

Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. Fifteen 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. If, after reverting to a 2.5 percent increase, the funding ratio declines to less than 80 percent for the most recent actuarial valuation year or 85 percent for two consecutive years, the benefit increase will change to 2.0 percent until the plan again reaches 90 percent funding for two consecutive years. For the prior measurement period, the benefit increase of 2.5 percent was projected to start in 2016 instead of 2044 as in the current measurement period.

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. If, after reverting to a 2.5 percent increase, the funding ratio declines to less than 80 percent for the most recent actuarial valuation year, or 85 percent for two consecutive years, the benefit increase will decrease to 2.0 percent until the plan again reaches 90 percent funding for two consecutive years. For the prior measurement period, the annual benefit increase of 2.5 percent was projected to start in 2066 instead of indefinitely as in the current measurement period.

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. On January 1, 2015, Minneapolis Employee Retirement Fund (MERF) merged into GERF. The annuity accrual rate for former MERF members is 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. 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 and for coordinated members are 2.2 and 1.2 percent for the first ten years of service and 2.7 and 1.7 percent for each remaining year, respectively. 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. If, after reverting to a 2.5 percent increase, the funding ratio declines to less than 80 percent for the most recent actuarial valuation year or 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. For the prior measurement period, the benefit increase of 2.5 percent was projected to start in 2031 instead of 2036 as in the current measurement period.

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. On June 30, 2015, the Duluth Teachers Retirement Fund merged into TRF. Prior to the merger, Duluth Teachers Retirement Fund was a self-administered plan using different assumptions as a stand-alone plan. As a result of the merger, the net pension liability as of the beginning of the year was restated to reflect the merged entity. The state's share of the difference in the net pension liability recognized in the prior year and the restated amount is reflected as part of the change in proportionate share of contributions in the current year. 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 ten 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 ten 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 ten 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 for two consecutive years.

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

	SERF	CERF	GERF <sup>(1)</sup>	TRF
Statutory Authority			353.27	354.42
Minnesota Chapter(s)	352.04	352.92	353.505	354.435,436
Required Contribution Rate:				
Active Members	5.5%	9.1%	6.5-9.1%	7.5-11.0%
Employer(s)	5.5%	12.9%	7.5-11.8%	7.5-11.5% <sup>(2)</sup>
Non-Employer Contributing Entity	\$ -	\$ -	\$ 6,000	\$ 31,088
Primary Government Contributions – Reporting Period	\$ 110,804	\$ 30,624	\$ 8,540	\$ 45,602

<sup>(1)</sup> MERF was merged with GERF. Required contribution is \$6,000 for fiscal year 2016 and 2017, but will increase to \$16,000 thereafter.

<sup>(2)</sup> An additional contribution of 3.64 percent of salary for TRF from Special School District No.1 brings the contribution range to 15.14 percent.

**Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Summary of Pension Amounts**  
**As of June 30, 2016**  
**(In Thousands)**

	SERF <sup>(1)</sup>	CERF <sup>(1)</sup>	GERF <sup>(1)</sup>	TRF <sup>(1)</sup>	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	\$ 1,138,125	\$ 653,352	\$ 32,022	\$ 239,701	\$ 2,063,200
Non-Employer Contributing Entity	-	-	184,478	602,738	787,216
<b>Total</b>	<b>\$ 1,138,125</b>	<b>\$ 653,352</b>	<b>\$ 216,500</b>	<b>\$ 842,439</b>	<b>\$ 2,850,416</b>
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:					
Current Year Measurement Date	73.93%	99.86%	4.18%	13.62%	
Prior Year Measurement Date	73.38%	99.80%	0.70%	9.30%	
Deferred Outflows of Resources	\$ 145,464	\$ 138,153	\$ 81,536	\$ 288,287	\$ 653,440
Deferred Inflows of Resources	\$ 1,203,443	\$ 120,967	\$ 32,685	\$ 83,673	\$ 1,440,768
Net Pension Expense	\$ (260,619)	\$ 38,906	\$ 41,684	\$ 81,386	\$ (98,643)

<sup>(1)</sup> 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 <sup>(1)</sup>	CERF <sup>(1)</sup>	GERF <sup>(1)</sup>	TRF <sup>(1)</sup>
Actuarial Valuation/ Measurement Date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Long-Term Expected Rate	7.90%	7.90%	7.90%	8.00%
20 Year Municipal Bond Rate <sup>(2)</sup>	3.80%	3.80%	3.80%	3.82%
Experience Study Dates	2004-2008	2006-2011	2004-2008	2004-2008
Inflation	2.75%	2.75%	2.75%	3.00%
Salary Increases	Service Related Rates	Service Related Rates	3.25-11.78%	3.50-12.00%
Payroll Growth	3.50%	3.50%	3.50%	3.75%

<sup>(1)</sup> 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.

<sup>(2)</sup> Source: Federal Reserve Board for SERF, CERF, and GERF 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, 2016  
(In Thousands)**

	<u>SERF</u>	<u>CERF</u>	<u>GERF</u>	<u>TRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ -	\$ 8,651	\$ 2,008	\$ 43,166	\$ 53,825
Changes in Assumption	-	98,532	13,483	64,761	176,776
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	34,660	346	57,505	134,758	227,269
Contributions Subsequent to the Measurement Date	<u>110,804</u>	<u>30,624</u>	<u>8,540</u>	<u>45,602</u>	<u>195,570</u>
<b>Total</b>	<b><u>\$ 145,464</u></b>	<b><u>\$ 138,153</u></b>	<b><u>\$ 81,536</u></b>	<b><u>\$ 288,287</u></b>	<b><u>\$ 653,440</u></b>

**Primary Government Administered Multiple-Employer Cost Sharing Plans  
Deferred Inflows of Resources  
As of June 30, 2016  
(In Thousands)**

	<u>SERF</u>	<u>CERF</u>	<u>GERF</u>	<u>TRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 311,090	\$ -	\$ 10,915	\$ -	\$ 322,005
Changes in Assumption	650,364	97,851	-	-	748,215
Net Difference Between Projected and Actual Earnings on Investment	230,450	22,898	19,273	64,432	337,053
Change in Proportionate Share of Contributions	<u>11,539</u>	<u>218</u>	<u>2,497</u>	<u>19,241</u>	<u>33,495</u>
<b>Total</b>	<b><u>\$1,203,443</u></b>	<b><u>\$ 120,967</u></b>	<b><u>\$ 32,685</u></b>	<b><u>\$ 83,673</u></b>	<b><u>\$1,440,768</u></b>

**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, 2016  
(In Thousands)**

	SERF	CERF	GERF	TRF	Total
2017	\$ (385,067)	\$ (12,526)	\$ 14,919	\$ 23,823	\$ (358,851)
2018	(385,067)	(12,526)	14,921	23,823	(358,849)
2019	(385,066)	(12,524)	13,612	23,824	(360,154)
2020	(13,583)	3,202	(3,141)	56,321	42,799
2021	-	20,936	-	31,221	52,157
Net Pension Expense	<u>\$(1,168,783)</u>	<u>\$ (13,438)</u>	<u>\$ 40,311</u>	<u>\$ 159,012</u>	<u>\$ (982,898)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	110,804	30,624	8,540	45,602	195,570
Net Deferred Outflows (Inflows) of Resources	<u>\$(1,057,979)</u>	<u>\$ 17,186</u>	<u>\$ 48,851</u>	<u>\$ 204,614</u>	<u>\$ (787,328)</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, 1989, 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 ten 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 2.5 percent if the plan is funded at least 90 percent. For the prior measurement period, the benefit increase if the plan is funded at least 90 percent was up to 5.0 percent.

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

	<u>SPTRF</u>
Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.0-9.5% <sup>(1)</sup>
Employer(s)	6.0-9.5% <sup>(1)</sup>
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	\$ 10,665
Primary Government Contributions - Reporting Period	\$ 10,729

<sup>(1)</sup> Required contribution rates increase to 7.50 to 10.0 percent and 6.25 to 9.75 percent for members and employers, respectively, on June 30, 2016.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Summary of Pension Amounts  
As of June 30, 2016  
(In Thousands)**

	<u>SPTRF<sup>(1)</sup></u>
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	\$ 1,385
Non-Employer Contributing Entity	<u>171,776</u>
Total	<u>\$ 173,161</u>
Primary Government's Total Proportionate Share Percentage as of:	
Current Measurement Date	29.76%
Prior Measurement Date	30.65%
Deferred Outflows of Resources	\$ 17,808
Deferred Inflows of Resources	\$ 15,071
Net Pension Expense	\$ 10,087

<sup>(1)</sup> 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 Plan  
Actuarial Assumptions**

	<u>SPTRF<sup>(1)</sup></u>
Actuarial Valuation/Measurement Date	June 30, 2015
Long-Term Expected Rate	8.00%
20 Year Municipal Bond Rate <sup>(2)</sup>	3.80%
Experience Study Dates	2006-2011
Inflation	3.00%
Salary Increases	4.00-8.90%
Payroll Growth	4.00%

<sup>(1)</sup> For mortality rate assumptions, the RP – 2000 Mortality table for males and females was used and adjusted for mortality improvements based on Scale AA to 2020, set back one year for males, and set back three years for females.

<sup>(2)</sup> Source: Federal Reserve Board

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Deferred Outflows of Resources  
As of June 30, 2016  
(In Thousands)**

	<u>SPTRF</u>
Changes in Assumption	\$ 7,079
Contributions Subsequent to the Measurement Date	<u>10,729</u>
Total	<u>\$ 17,808</u>

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Deferred Inflows of Resources  
As of June 30, 2016  
(In Thousands)**

	<u>SPTRF</u>
Difference Between Expected and Actual Experience	\$ 6,983
Net Difference Between Projected and Actual Earnings on Investment	3,856
Change in Proportionate Share of Contributions	<u>4,232</u>
Total	<u>\$ 15,071</u>

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense  
or a Reduction in Net Pension Liability  
As of June 30, 2016  
(In Thousands)**

	SPTRF
2017	\$ (3,084)
2018	(3,084)
2019	(3,081)
2020	<u>1,257</u>
Net Pension Expense	<u>\$ (7,992)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	<u>10,729</u>
Net Deferred Outflows (Inflows) of Resources	<u>\$ 2,737</u>

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 92 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. If, after reverting to a 2.5 percent increase, the funding ratio for the State Employees Retirement Fund declines to less than 80 percent for the most recent actuarial valuation year or 85 percent for two consecutive years, the benefit increase will decrease to 2.0 percent until the plan reaches a 90 percent funding ratio for two consecutive years. For the prior measurement period, the benefit increase of 2.5 percent was projected to start in 2015 instead of 2044. 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. If, after reverting to a 1.5 percent increase, the funding ratio declines to less than 75 percent for the most recent actuarial valuation year or 80 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. For the prior measurement period, the benefit increase was projected as 1.0 percent through 2018, 1.5 percent through 2045, and 2.5 percent thereafter instead of 1.0 percent through 2031, 1.5 percent through 2052, and 2.5 percent thereafter as in the current measurement period.

<b>Primary Government Administered Single-Employer Plans Statutory Contribution Rates (In Thousands)</b>			
	JRF	LRF	SPRF
Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	13.4%
Employer	22.5%	N/A <sup>(1)</sup>	20.1%
Primary Government Contributions – Reporting Period	\$ 10,219	\$ 5,087	\$ 13,938

<sup>(1)</sup> Employer contributions are based on a pay-as-you-go basis.

<b>Primary Government Administered Single-Employer Plans Membership Statistics</b>			
	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	346	377	1,027
Members Entitled To, But Not Receiving Benefits	16	56	52
Active Members	312	23	843

**Primary Government Administered Single-Employer Plans  
Summary of Pension Amounts  
As of June 30, 2016  
(In Thousands)**

	JRF	LRF	SPRF	Total
Net Pension Liability	\$ 236,392	\$ 140,923	\$ 173,705	\$ 551,020
Deferred Outflows of Resources	\$ 30,624	\$ 5,087	\$ 33,976	\$ 69,687
Deferred Inflows of Resources	\$ 13,404	\$ 487	\$ 33,486	\$ 47,377
Net Pension Expense	\$ 17,706	\$ 5,554	\$ 13,518	\$ 36,778

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

	JRF <sup>(1)</sup>	LRF <sup>(1)</sup>	SPRF <sup>(1)</sup>
Actuarial Valuation/Measurement Date	June 30, 2015	June 30, 2015	June 30, 2015
Long-Term Expected Rate	7.90%	7.90%	7.90%
20 Year Municipal Bond Rate <sup>(2)</sup>	3.80%	3.80%	3.80%
Experience Study Dates	2007-2011	2012	2006-2011
Inflation	2.75%	2.75%	2.75%
Salary Increases	2.75%	5.0%	Service Related Rates
Payroll Growth	2.75%	N/A	3.50%

<sup>(1)</sup> 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.

<sup>(2)</sup> Source: Federal Reserve Board

**Primary Government Administered Single-Employer Plans**  
**Schedule of Net Pension Liability**  
**As of June 30, 2016**  
**(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
<b>Total Pension Liability (TPL)</b>				
Service Cost	\$ 12,251	\$ 428	\$ 16,144	\$ 28,823
Interest on the Total Pension Liability	21,773	6,113	63,753	91,639
Difference Between Expected and Actual Experience of the Total Pension Liability	(4,366)	(7,303)	(12,855)	(24,524)
Changes in Assumptions	21,696	7,057	-	28,753
Benefit Payments, Including Refunds of Member Contributions	<u>(21,893)</u>	<u>(8,441)</u>	<u>(55,480)</u>	<u>(85,814)</u>
Net Change in Total Pension Liability	<u>\$ 29,461</u>	<u>\$ (2,146)</u>	<u>\$ 11,562</u>	<u>\$ 38,877</u>
Total Pension Liability – Beginning	<u>\$ 381,511</u>	<u>\$ 146,499</u>	<u>\$ 826,673</u>	<u>\$ 1,354,683</u>
Total Pension Liability – Ending	<u>\$ 410,972</u>	<u>\$ 144,353</u>	<u>\$ 838,235</u>	<u>\$ 1,393,560</u>
<b>Fiduciary Net Position (FNP)</b>				
Contributions – Employer	\$ 9,776	\$ 3,216	\$ 14,763	\$ 27,755
Contributions – Member	3,629	153	9,174	12,956
Net Investment Income	7,572	281	28,903	36,756
Benefit Payments, Including Refunds of Member Contributions	(21,893)	(8,441)	(55,480)	(85,814)
Pension Plan Administrative Expenses	<u>(60)</u>	<u>(37)</u>	<u>(170)</u>	<u>(267)</u>
Net Change in Plan Fiduciary Net Position	<u>\$ (976)</u>	<u>\$ (4,828)</u>	<u>\$ (2,810)</u>	<u>\$ (8,614)</u>
Plan Fiduciary Net Position – Beginning	<u>\$ 175,556</u>	<u>\$ 8,258</u>	<u>\$ 667,340</u>	<u>\$ 851,154</u>
Plan Fiduciary Net Position – Ending	<u>\$ 174,580</u>	<u>\$ 3,430</u>	<u>\$ 664,530</u>	<u>\$ 842,540</u>
<b>Net Pension Liability (NPL)</b>	<u>\$ 236,392</u>	<u>\$ 140,923</u>	<u>\$ 173,705</u>	<u>\$ 551,020</u>

**Primary Government Administered Single-Employer Plans  
Deferred Outflows of Resources  
As of June 30, 2016  
(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 3,048	\$ -	\$ -	\$ 3,048
Changes in Assumption	17,357	-	20,038	37,395
Contributions Subsequent to the Measurement Date	<u>10,219</u>	<u>5,087</u>	<u>13,938</u>	<u>29,244</u>
Total	<u>\$ 30,624</u>	<u>\$ 5,087</u>	<u>\$ 33,976</u>	<u>\$ 69,687</u>

**Primary Government Administered Single-Employer Plans  
Deferred Inflows of Resources  
As of June 30, 2016  
(In Thousands)**

	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 3,493	\$ -	\$ 14,559	\$ 18,052
Changes in Assumption	5,050	-	-	5,050
Net Difference Between Projected and Actual Earnings on Investment	<u>4,861</u>	<u>487</u>	<u>18,927</u>	<u>24,275</u>
Total	<u>\$ 13,404</u>	<u>\$ 487</u>	<u>\$ 33,486</u>	<u>\$ 47,377</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, 2016  
(In Thousands)**

	JRF	LRF	SPRF	Total
2017	\$ 782	\$ (174)	\$ (5,907)	\$ (5,299)
2018	782	(174)	(5,907)	(5,299)
2019	780	(173)	(5,907)	(5,300)
2020	4,657	34	6,417	11,108
2021	-	-	(2,144)	(2,144)
Net Pension Expense	<u>\$ 7,001</u>	<u>\$ (487)</u>	<u>\$ (13,448)</u>	<u>\$ (6,934)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	<u>10,219</u>	<u>5,087</u>	<u>13,938</u>	<u>29,244</u>
Net Deferred Outflows (Inflows) of Resources	<u>\$ 17,220</u>	<u>\$ 4,600</u>	<u>\$ 490</u>	<u>\$ 22,310</u>

Summary of Defined Benefit Plans

**Summary of Defined Benefit Plans  
As of June 30, 2016  
(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	\$ 2,850,416	\$ 173,161	\$ 551,020	\$ 3,574,597
Deferred Outflows of Resources	\$ 653,440	\$ 17,808	\$ 69,687	\$ 740,935
Deferred Inflows of Resources	\$ 1,440,768	\$ 15,071	\$ 47,377	\$ 1,503,216
Net Pension Expense	\$ (98,643)	\$ 10,087	\$ 36,778	\$ (51,778)

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:

<b>Primary Government Administered Plans Asset Class Target Allocation and Expected Return As of June 30, 2016</b>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Geometric Mean)</u>
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 one percentage point higher or lower.

<b>Primary Government Proportionate Share Sensitivity of the Net Pension Liability to Changes in the Discount Rate As of June 30, 2016 (In Thousands)</b>						
	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>
SERF	6.90%	\$ 2,329,738	7.90% <sup>(4)</sup>	\$ 1,138,125	8.90%	\$ 146,484
CERF <sup>(3)</sup>	5.25%	899,472	6.25% <sup>(2)(4)</sup>	653,352	7.25%	454,712
GERF	6.90%	340,415	7.90% <sup>(4)</sup>	216,500	8.90%	114,165
TRF <sup>(3)</sup>	7.00%	1,282,301	8.00%	842,439	9.00%	475,361
SPTRF	7.00%	266,030	8.00%	173,161	9.00%	129,301
JRF <sup>(3)</sup>	4.25%	282,854	5.25% <sup>(2)(4)</sup>	236,392	6.25%	196,936
LRF <sup>(3)</sup>	2.80%	157,407	3.80% <sup>(2)(4)</sup>	140,923	4.80%	127,130
SPRF	6.90%	270,947	7.90% <sup>(4)</sup>	173,705	8.90%	92,576

(1) Net Pension Liability.

(2) The long-term projected rate of return was used through 2054, 2034, and 2015 for CERF, JRF, and LRF, respectively. The 20 year municipal bond rate was used subsequent to these years.

(3) The discount rate changed from 6.82, 8.25, 5.78, and 4.29 percent for CERF, TRF, JRF, and LRF, respectively.

(4) The long-term projected rate of return for SERF, CERF, GERF, JRF, LRF, and SPRF that will be used to calculate the net pension liability for fiscal year 2017 will change from 7.90 to 7.50 percent. This will have a significant impact on the calculation of the net pension liability for fiscal year 2017.

### 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 \$130,016,000 for the fiscal year ended June 30, 2016.

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 (pension trust 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 an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption or the participant's account balance withdrawals.

The Minnesota Deferred Compensation Fund (DCPF) 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 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.

<b>Primary Government Defined Contribution Plans Contributions As of June 30, 2016 (In Thousands)</b>						
	<u>HCSRF</u>	<u>UERF</u>	<u>DCPF</u>	<u>DCF</u>	<u>CURF</u>	<u>Total</u>
Member Contributions	\$ 197	\$ 5,810	\$ 240,934	\$ 1,779	\$ 36,685	\$ 285,405
Employer Contributions:						
Primary Government Contributions	\$ -	\$ 5,755	\$ 54	\$ -	\$ 43,890	\$ 49,699
Other Employer Contributions	197	432	-	1,965	-	2,594
Total Employer Contributions	\$ 197	\$ 6,187	\$ 54	\$ 1,965	\$ 43,890	\$ 52,293

### 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, 2016  
(In Thousands)**

	Major Component Units			Non-Major Component Units		Total
	HFA	MC	U of M	OHE	MSFA	
Proportionate Share of the Net Pension Liability	\$ 8,979	\$ 140,378	\$ 237,436	\$ 1,883	\$ 508	\$ 389,184
Deferred Outflows of Resources	\$ 2,980	\$ 45,401	\$ 22,974	\$ 624	\$ 194	\$ 72,173
Deferred Inflows of Resources	\$ 11,327	\$ 177,242	\$ 294,611	\$ 2,376	\$ 1,078	\$ 486,634
Net Pension Expense	\$ (2,053)	\$ (29,905)	\$ (70,322)	\$ (534)	\$ (368)	\$ (103,182)

**Major Component Units  
Summary of Pension Amounts  
Police and Fire Fund  
As of June 30, 2016  
(In Thousands)**

	MC	U of M	Total
Proportionate Share of the Net Pension Liability	\$ 11,135	\$ 6,965	\$ 18,100
Deferred Outflows of Resources	\$ 5,453	\$ 2,329	\$ 7,782
Deferred Inflows of Resources	\$ 5,359	\$ 2,366	\$ 7,725
Net Pension Expense	\$ 1,209	\$ 727	\$ 1,936

The University of Minnesota also participates in the Supplemental Benefit Plan. The plan provides retirement, survivor, and disability benefits to faculty. Contribution rates are determined on a funding status and actuarial value basis as the plan is closed to new entrants. The net pension liability as of June 30, 2016, was \$1,595,000.

## **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 100 former faculty members and staff currently receive this benefit. The cost of the benefits was \$1,776,000 during fiscal year ended June 30, 2016, with a remaining liability as of June 30, 2016, of \$3,011,000.

### **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, 2016, the state contributed \$35,984,000 to the plan. Plan member retirees receiving benefits through the implicit rate subsidy contributed \$22,588,000 through their average required contribution of \$525 per month for retiree-only coverage and \$1,545 per month for retiree-family coverage.

## Annual OPEB Cost and Net OPEB Obligation

The state's annual 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, 2016, the state's ARC is \$74,289,000.

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:

<b>OPEB Disclosures As of June 30, 2016 (In Thousands)</b>	
Annual Required Contributions (ARC) <sup>(1)</sup>	\$ 74,289
Interest on Net OPEB Obligation (NOO) <sup>(1)</sup>	12,173
Amortization Adjustment to ARC <sup>(1)</sup>	<u>(10,821)</u>
Annual OPEB Cost (Expense)	\$ 75,641
Contributions	<u>(35,984)</u>
Increase in NOO	<u>\$ 39,657</u>
NOO, Beginning Balance	<u>\$ 296,900</u>
NOO, Ending <sup>(2)</sup>	<u>\$ 336,557</u>

(1) Components of annual OPEB cost.

(2) Governmental Activities, Business-type Activities, and Fiduciary Funds include \$292,616; \$43,826; and \$115, 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 2016, 2015, and 2014 are as follows:

<b>OPEB Disclosures (In Thousands)</b>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 75,641	48%	\$ 336,557
June 30, 2015	\$ 72,065	45%	\$ 296,900
June 30, 2014	\$ 70,803	50%	\$ 256,979

#### 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 6.60 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**

The 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 \$207,095,000 as of December 31, 2015, for this purpose. The annual required contribution for 2015 was \$20,339,000 or 6.0 percent of annual covered payroll. As of December 31, 2015, 2014, and 2013, the net OPEB obligation was \$87,231,000, \$83,577,000, and \$78,825,000, respectively. The actuarial accrued liability (AAL) for benefits was \$209,378,000 as of December 31, 2015, all of which was unfunded. The covered payroll was \$339,990,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 61.6 percent.

The 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, 2016, was \$26,457,000 or 2.0 percent of annual covered payroll. As of June 30, 2016, 2015, and 2014, the net OPEB obligation was \$138,200,000, \$120,227,000, and \$101,288,000. The actuarial accrued liability (AAL) for benefits was \$111,519,000 as of June 30, 2016. The covered payroll was \$1,350,645,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 8.3 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, 2016, were as follows:

<b>Primary Government Encumbrances As of June 30, 2016 (In Thousands)</b>	
Major Fund: General Fund	\$ 364,974
Non-Major Governmental Funds	<u>1,634,507</u>
Total Encumbrances	<u>\$ 1,999,481</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 2016, the Petrofund has reimbursed eligible applicants approximately \$440,000,000 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, 2022, are between \$460,000,000 and \$480,000,000 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 \$85,308,000 for construction and renovation of college and university facilities as of June 30, 2016.

### **Component Units**

As of June 30, 2016, the Housing Finance Agency had committed approximately \$336,490,000 for the purchase or origination of future loans or other housing assistance.

The Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2015, unpaid commitments for Metro Transit Bus services were approximately \$419,776,000. Future commitments for Metro Transit Light Rail were approximately \$85,544,000, while future commitments for Metro Transit Commuter Rail were approximately \$8,685,000. Future commitments for Regional Transit and Environmental Services were approximately \$24,226,000 and \$113,680,000, respectively. Finally, amounts authorized and initiated in the calendar year 2015 budget but not completely expended in calendar year 2015 were \$3,351,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of \$381,645,000 as of June 30, 2016. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2016, the Public Facilities Authority (PFA) had committed approximately \$117,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$21,000,000 for grants.

As of December 31, 2015, the Minnesota Sports Facilities Authority had committed approximately \$137,575,000 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, 2016, totaled approximately \$89,285,000 and \$20,225,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2015, totaled approximately \$1,977,000 for component units.

<b>Primary Government and Component Units Future Minimum Lease Payments (In Thousands)</b>					
Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2017	\$ 81,341	2017	\$ 10,122	2016	\$ 1,561
2018	70,941	2018	5,900	2017	1,277
2019	54,794	2019	4,347	2018	1,265
2020	44,969	2020	3,214	2019	948
2021	39,995	2021	2,974	2020	680
2022-2026	95,882	2022-2026	8,576	2021-2025	1,928
2027-2031	5,438	2027-2031	7,924	2026-2030	1,706
2032-2036	-	2032-2036	5,324	2031-2035	1,661
2037-2041	-	2037-2041	-	2036-2040	1,447
2042-2046	-	2042-2046	-	2041-2045	1,412
2047-2051	-	2047-2051	-	2046-2050	282
Total	<u>\$ 393,360</u>	Total	<u>\$ 48,381</u>	Total	<u>\$ 14,167</u>

## Note 12 – Long-Term Liabilities – Primary Government

<b>Primary Government Long-Term Liabilities Year Ended June 30, 2016 (In Thousands)</b>					
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Liabilities For:					
General Obligation Bonds	\$ 6,885,776	\$ 1,225,878	\$ 1,067,711	\$ 7,043,943	\$ 552,907
Revenue Bonds	44,757	-	2,654	42,103	2,490
State General Fund Appropriation Bonds	1,175,677	-	46,971	1,128,706	39,420
Loans	24,966	11,532	13,161	23,337	11,054
Due to Component Unit	10,338	-	2,521	7,817	2,326
Capital Leases	98,512	-	8,658	89,854	8,973
Certificates of Participation	125,875	-	10,005	115,870	9,900
Claims <sup>(1)</sup>	753,643	829,597	855,606	727,634	159,381
Compensated Absences	296,197	282,038	272,528	305,707	39,547
Net Other Postemployment Benefits	258,946	63,768	30,098	292,616	-
Net Pension Liability	2,660,819	948,084	450,587	3,158,316	-
<b>Total</b>	<b><u>\$ 12,335,506</u></b>	<b><u>\$ 3,360,897</u></b>	<b><u>\$ 2,760,500</u></b>	<b><u>\$ 12,935,903</u></b>	<b><u>\$ 825,998</u></b>
<b>Business-type Activities</b>					
Liabilities For:					
General Obligation Bonds	\$ 260,431	\$ 17,066	\$ 23,826	\$ 253,671	\$ 21,058
Revenue Bonds	460,484	-	29,195	431,289	29,815
Loans	3,794	1,690	642	4,842	599
Capital Leases	25,968	-	4,333	21,635	4,275
Claims <sup>(1)</sup>	11,862	4,692	1,664	14,890	12,838
Compensated Absences	150,902	32,747	30,901	152,748	18,745
Net Other Postemployment Benefits	37,860	11,807	5,841	43,826	-
Net Pension Liability	398,011	65,958	47,688	416,281	-
<b>Total</b>	<b><u>\$ 1,349,312</u></b>	<b><u>\$ 133,960</u></b>	<b><u>\$ 144,090</u></b>	<b><u>\$ 1,339,182</u></b>	<b><u>\$ 87,330</u></b>
<sup>(1)</sup> The beginning balance for Claims has been restated as a result of including State Employee Insurance Fund (internal service fund) in Governmental Activities and Public Employees Insurance Fund (enterprise fund) in Business-type Activities.					

**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	\$ 5,143,663	\$ 1,900,280	\$ -	\$ 253,671	\$ 7,297,614
Revenue Bonds	26,895	15,208	-	431,289	473,392
State General Fund Appropriation Bonds	1,128,706	-	-	-	1,128,706
Loans	-	-	23,337	4,842	28,179
Due to Component Unit	-	7,817	-	-	7,817
Capital Leases	89,802	52	-	21,635	111,489
Certificates of Participation	115,870	-	-	-	115,870
Claims	69,664	578,060	79,910	14,890	742,524
Compensated Absences	147,655	131,666	26,386	152,748	458,455
Net Other Postemployment Benefits	291,522	-	1,094	43,826	336,442
Net Pension Liability	3,053,411	-	104,905	416,281	3,574,597
Total	<u>\$10,067,188</u>	<u>\$ 2,633,083</u>	<u>\$ 235,632</u>	<u>\$ 1,339,182</u>	<u>\$14,275,085</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.

<b>Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)</b>						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 552,907	\$ 274,524	\$ 21,058	\$ 10,861	\$ 573,965	\$ 285,385
2018	540,359	249,403	20,836	9,476	561,195	258,879
2019	496,104	224,523	19,811	8,495	515,915	233,018
2020	482,869	201,234	19,301	7,562	502,170	208,796
2021	451,544	178,757	18,681	6,640	470,225	185,397
2022-2026	1,938,300	595,851	78,210	20,978	2,016,510	616,829
2027-2031	1,300,837	233,771	43,113	7,236	1,343,950	241,007
2032-2036	514,797	40,187	14,853	1,225	529,650	41,412
Total	\$ 6,277,717	\$ 1,998,250	\$ 235,863	\$ 72,473	\$ 6,513,580	\$ 2,070,723
Bond Premium	766,226	-	17,808	-	784,034	-
Total	<u>\$ 7,043,943</u>	<u>\$ 1,998,250</u>	<u>\$ 253,671</u>	<u>\$ 72,473</u>	<u>\$ 7,297,614</u>	<u>\$ 2,070,723</u>

<b>Primary Government Revenue Bonds Principal and Interest Payments (In Thousands)</b>						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	2,830	1,109	30,045	11,675	32,875	12,784
2022-2026	10,310	4,456	139,665	39,657	149,975	44,113
2027-2031	10,730	2,722	86,435	15,232	97,165	17,954
2032-2036	7,540	494	36,575	2,230	44,115	2,724
Total	\$ 41,855	\$ 14,129	\$ 414,445	\$ 127,605	\$ 456,300	\$ 141,734
Bond Premium	248	-	16,844	-	17,092	-
Total	<u>\$ 42,103</u>	<u>\$ 14,129</u>	<u>\$ 431,289</u>	<u>\$ 127,605</u>	<u>\$ 473,392</u>	<u>\$ 141,734</u>

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2017	\$ 39,420	\$ 47,836
2018	40,385	46,041
2019	41,175	44,162
2020	42,930	42,160
2021	44,760	40,104
2022-2026	256,635	165,464
2027-2031	267,970	98,268
2032-2036	92,975	57,798
2037-2041	118,365	32,401
2042-2046	56,060	4,248
Total	\$ 1,000,675	\$ 578,482
Bond Premium	128,031	-
Total	\$ 1,128,706	\$ 578,482

**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
2017	\$ 13,380	\$ 474	\$ 599	\$ 187	\$ 13,979	\$ 661
2018	7,181	279	579	148	7,760	427
2019	4,129	187	448	129	4,577	316
2020	2,325	131	349	113	2,674	244
2021	1,238	94	373	110	1,611	204
2022-2026	1,900	285	1,561	267	3,461	552
2027-2031	1,001	57	844	68	1,845	125
2032-2036	-	-	89	1	89	1
Total	\$ 31,154	\$ 1,507	\$ 4,842	\$ 1,023	\$ 35,996	\$ 2,530

**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
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	1,563	14,284	4,640
2021	10,655	2,569	1,619	462	12,274	3,031
2022-2026	41,047	4,690	1,883	531	42,930	5,221
2027-2031	-	-	1,137	187	1,137	187
2032-2036	-	-	109	1	109	1
<b>Total</b>	<b>\$ 89,854</b>	<b>\$ 22,223</b>	<b>\$ 21,635</b>	<b>\$ 6,908</b>	<b>\$ 111,489</b>	<b>\$ 29,131</b>

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2017	\$ 9,900	\$ 5,152
2018	10,355	4,656
2019	10,620	4,137
2020	2,180	3,607
2021	2,290	3,498
2022-2026	13,290	15,656
2027-2031	16,965	11,982
2032-2036	21,655	7,295
2037-2041	15,765	1,602
<b>Total</b>	<b>\$ 103,020</b>	<b>\$ 57,585</b>
Premium on Certificates of Participation	12,850	-
<b>Total</b>	<b>\$ 115,870</b>	<b>\$ 57,585</b>



## 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 2016, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

<b>Primary Government Transfers to Debt Service Fund Year Ended June 30, 2016 (In Thousands)</b>	
General Fund	\$ 706,555
Special Revenue Funds:	
Trunk Highway Fund	\$ 180,726
Miscellaneous Special Revenue Fund	<u>1,216</u>
Total Special Revenue Funds	\$ 181,942
Capital Projects Fund – Building Fund	\$ 49
Internal Service Fund – Plant Management Fund	<u>\$ 2,861</u>
Total Transfers to Debt Service Fund	<u>\$ 891,407</u>

## General Obligation Bond Issues

In August 2015, the state issued \$1,076,980,000 general obligation bonds, Series 2015A through Series 2015E:

- Series 2015A for \$368,225,000 in state various purpose bonds were issued at a true interest rate of 2.93 percent.
- Series 2015B for \$310,000,000 in state trunk highway bonds were issued at a true interest rate of 2.88 percent.
- Series 2015C for \$7,200,000 in taxable state bonds were issued at a true interest rate of 2.43 percent.
- Series 2015D for \$376,655,000 in state various purpose refunding bonds were issued at a true interest rate of 2.18 percent. The aggregate debt service payments decreased by \$50,452,000 and the economic gain (the present value of the debt service savings) for the state was \$44,114,000.
- Series 2015E for \$14,900,000 in state trunk highway refunding were issued at a true interest rate of 2.15 percent. The aggregate debt service payments decreased by \$247,000 and the economic gain (the present value of the debt service savings) for the state was \$1,181,000.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

<b>Primary Government Outstanding Defeased Debt (In Thousands)</b>				
<b>General Obligation Bonds</b>				
Refunding Date	Refunding Amount	Refunded Amount	June 30, 2016 Outstanding Amount	Refunded Bond Call/Maturity Date
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	33,304	31,950	31,950	November 1, 2016
August 21, 2014	6,776	6,500	6,500	August 1, 2017
August 19, 2015	268,019	299,200	299,200	August 1, 2017
August 19, 2015	101,224	113,000	113,000	June 1, 2018
August 19, 2015	14,900	14,050	14,050	June 1, 2018
	<u>\$ 572,983</u>	<u>\$ 621,340</u>	<u>\$ 621,340</u>	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2016. 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).

<b>Primary Government</b>			
<b>General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding</b>			
<b>As of June 30, 2016</b>			
<b>(In Thousands)</b>			
<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates for Outstanding</u>
Maximum Effort School Loan	\$ -	\$ 2,245	5.00%
Rural Finance Authority	14,500	32,234	1.35-5.00%
State Building	1,014	60	5.00%
State Operated Community Services	-	337	5.00%
State Transportation	36,821	233,964	3.00-5.00%
Trunk Highway	565,823	1,611,510	2.00-5.00%
Trunk Highway Refunding Bonds	-	288,770	1.00-5.00%
Various Purpose	577,854	2,835,675	1.00-5.00%
Various Purpose Refunding Bonds	-	1,508,785	1.39-5.00%
Total	<u>\$ 1,196,012</u>	<u>\$ 6,513,580</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 nonstate match was met, and on November 2, 2016, state General Fund appropriation bonds of \$11,790,000 were issued. See Note 21 - Subsequent Events.

The following table is a schedule of state General Fund appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2016.

<b>Primary Government</b>			
<b>State General Fund Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding</b>			
<b>As of June 30, 2016</b>			
<b>(In Thousands)</b>			
<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Professional Football Stadium	\$ -	\$ 445,330	0.60-5.00%
Pay-for-Performance	10,000	-	N/A
Refund Tobacco Securitization Authority	-	555,345	3.00-5.00%
Lewis and Clark Regional Water System	<u>19,000</u>	<u>-</u>	N/A
Total	<u>\$ 29,000</u>	<u>\$ 1,000,675</u>	

## **Loans Payable and Due to Component Unit**

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). \$7,817,000 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 fiscal year 2006, the state entered into capital lease agreements, amended in fiscal year 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 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." 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 were 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 were used to develop the state's statewide financial and procurement system and 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 \$3,990,000 for fiscal year 2016, 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 2016, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was \$3,944,000. The total principal and interest remaining to be paid as of June 30, 2016, is \$55,984,000 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 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2016, is \$124,537,000 payable through June 2026. Principal and interest paid during fiscal year 2016 and total 911 fee revenues were \$18,213,000 and \$68,500,000, 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 1.00 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 2036. 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 \$415,618,000. Principal and interest paid for the current year and total customer net revenues were \$26,727,000 and \$119,181,000, 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 36 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,895,000. Principal and interest paid and total customer net revenues during fiscal year 2016 were \$166,000 and \$495,000, respectively. These revenue bonds have a variable interest rate of 0.75 percent to 3.65 percent.

## **Claims**

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. Municipal solid waste landfill liabilities of \$202,463,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue

fund) and the General Fund. There are currently 109 landfills in the program and four more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of \$53,625,000; approximately 25 percent of the total landfill liability. 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. Funding for the state's ongoing claims at these landfills has historically come from the Environmental and Remediation Fund (special revenue fund). Currently, the majority of funds appropriated for spending from the Environmental and Remediation Fund are budgeted and expended annually on activities not associated with closure and postclosure care of landfills. Further, the recovery of financial assurance monies from previous landfill owners and operators is no longer a source of revenue to the Environmental and Remediation Fund. The closed landfill investment account within the Environmental and Remediation Fund was established to address long-term costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources beginning after fiscal year 2020. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

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, 2016, were \$73,268,000. Of this total, \$62,747,000 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 \$84,693,000 and \$4,462,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2016, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of \$26,900,000 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 \$260,400,000 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 2057 for supplementary benefits and 2046 for second injuries.

The remaining \$9,523,000 is for claims in the Risk Management Fund (internal service fund), \$70,387,000 in the Employee Insurance Fund (internal service fund), and \$10,428,000 in the Public Employees Insurance Fund (enterprise fund).

**Compensated Absences**

The compensated absences liability for governmental activities and business-type activities of \$305,707,000 and \$152,748,000 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 2016, 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 2016, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was \$2,081,000. The total principal and interest remaining to be paid as of June 30, 2016, is \$17,646,000, payable through fiscal year 2025.

<b>Long-Term Debt Repayment Schedule</b>		
<b>Fiduciary Funds</b>		
<b>Revenue Bonds – SERF, TRF, and GERF</b>		
<b>(In Thousands)</b>		
Year Ended June 30	Principal	Interest
2017	\$ 1,675	\$ 403
2018	1,710	370
2019	1,760	336
2020	1,785	300
2021	1,835	265
2022-2025	6,635	572
Total	\$ 15,400	\$ 2,246
Bond Premium	1,010	-
Total	<u>\$ 16,410</u>	<u>\$ 2,246</u>

## Note 13 – Long-Term Liabilities – Component Units

### General Obligation and Revenue Bonds

The Metropolitan Council (MC) issued 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 \$1,549,118,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2015, net of unamortized discounts/premiums. During calendar year 2015, MC issued general obligation parks, transit, and wastewater bonds for a total of \$151,000,000.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2016, the principal amount of general obligation bonds and revenue bonds outstanding, net of unamortized discounts/premiums, was \$916,266,000 and \$302,673,000, respectively.

<b>Component Units General Obligation Bonds Major Component Units (In Thousands)</b>					
Year Ended December 31	MC <sup>(1)</sup>		Year Ended June 30	U of M	
	Principal	Interest <sup>(2)</sup>		Principal	Interest
2016	\$ 215,095	\$ 42,212	2017	\$ 43,970	\$ 39,067
2017	107,296	36,565	2018	46,080	37,288
2018	109,795	33,523	2019	47,860	35,181
2019	110,825	30,544	2020	36,550	33,293
2020	114,762	27,367	2021	37,960	31,567
2021-2025	485,239	87,357	2022-2026	175,610	131,446
2026-2030	255,542	30,035	2027-2031	190,200	84,852
2031-2035	87,451	5,680	2032-2036	143,415	43,949
2036-2040	-	-	2037-2041	89,985	15,974
2041-2045	-	-	2042-2045	<u>25,225</u>	<u>2,044</u>
Total	\$ 1,486,005	\$ 293,283	Total	\$ 836,855	\$ 454,661
Unamortized Discounts/ Premiums and Issuance Costs	<u>63,113</u>	<u>-</u>		<u>79,411</u>	<u>-</u>
Total	<u>\$ 1,549,118</u>	<u>\$ 293,283</u>	Total	<u>\$ 916,266</u>	<u>\$ 454,661</u>

<sup>(1)</sup> MC general obligation bonds include general obligation grant anticipation notes issued in calendar years 2012, 2014, and 2015.

<sup>(2)</sup> MC interest is net of Build America Bonds federal subsidy.

The 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, 2016, net of unamortized discounts/premiums, was \$2,284,222,000.

The 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, 2016, the outstanding principal of revenue bonds was \$471,430,000, net of unamortized discounts/premiums.

The 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, 2016, net of unamortized discounts/premiums, was \$1,073,878,000.

<b>Component Units Revenue Bonds Major Component Units (In Thousands)</b>					
Year Ended June 30	HFA		Year Ended June 30	U of M	
	Principal	Interest		Principal	Interest
2017	\$ 62,115	\$ 66,514	2017	\$ 9,835	\$ 12,824
2018	54,105	67,763	2018	10,260	12,455
2019	43,580	66,738	2019	10,790	11,929
2020	44,940	65,688	2020	11,335	11,375
2021-2025	47,525	66,008	2021	11,895	10,821
2026-2030	260,975	299,365	2022-2026	69,105	44,471
2031-2035	322,865	249,525	2027-2031	76,245	26,303
2036-2040	356,990	193,369	2032-2036	62,615	10,296
2041-2045	268,750	135,003	2037-2041	10,415	611
2046-2050	801,494	69,359	2042-2046	-	-
2051-2055	6,385	172	2047-2051 <sup>B</sup>	-	-
<b>Total</b>	<b>\$ 2,269,724</b>	<b>\$ 1,279,504</b>	<b>Total</b>	<b>\$ 272,495</b>	<b>\$ 141,085</b>
Unamortized Discounts/ Premiums Issuance Costs	14,498	-	Blank	30,178	-
<b>Total</b>	<b>\$ 2,284,222</b>	<b>\$ 1,279,504</b>	<b>Total</b>	<b>\$ 302,673</b>	<b>\$ 141,085</b>

<b>Component Units Revenue Bonds Nonmajor Component Units (In Thousands)</b>				
Year Ended June 30	OHE		PFA	
	Principal	Interest	Principal	Interest
2017	\$ 3,045	\$ 4,968	\$ 83,100	\$ 46,701
2018	4,255	4,752	79,740	42,661
2019	4,905	4,539	84,840	38,697
2020	4,600	4,293	86,190	34,467
2021	4,185	4,076	86,605	30,196
2022-2026	3,625	18,964	279,320	103,040
2027-2031	-	18,819	188,530	46,212
2032-2036	-	18,819	85,960	13,313
2037-2041	93,400	16,593	-	-
2042-2046	168,000	9,541	-	-
2047-2048	185,000	2,637	-	-
Total	\$ 471,015	\$ 108,001	\$ 974,285	\$ 355,287
Unamortized Discounts/Premiums and Issuance Costs	415	-	99,593	-
Total	<u>\$ 471,430</u>	<u>\$ 108,001</u>	<u>\$ 1,073,878</u>	<u>\$ 355,287</u>

### Loans and Notes Payable

The Metropolitan Council received loans from the Housing Finance Agency (component unit) in calendar years 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, 2015. 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.

In calendar year 2015, MC entered into an interest-free loan agreement with the Counties Transit Improvement Board. The loan was on a reimbursement basis and will fund the purchase of five light rail vehicles. The outstanding balance of the loan was \$1,949,000 on December 31, 2015.

On December 17, 2014, the University of Minnesota issued taxable commercial paper notes of \$51,620,000. U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2016, the outstanding commercial paper notes were \$231,920,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

On June 30, 2016, the Housing Finance Agency had in place a revolving line of credit with an outstanding balance of \$23,000,000. The line of credit is classified as a current liability on the financial statements.

The National Sports Center Foundation refinanced a majority of its existing debt with a new bank in 2012. On December 31, 2015, the total outstanding loans and notes payable was \$3,476,000.

## **Capital Leases**

On December 1, 2004, the 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, 2015, the present value of the minimum lease payments was \$7,875,000.

The University of Minnesota has six distinct capital leases. Two of the six are financed through third-party financing for the purchase of fleet vehicles. The remaining four capital leases have payments being paid directly to the lessor and represent leases for buildings. On June 30, 2016, the present value of the minimum lease payments was \$18,842,000.

## **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. At June 30, 2016, 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 was 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 was payable semi-annually and no principal payments were 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 was paid semi-annually. The annual effective interest rate was 4.40 percent for the year ended June 30, 2016.

The rates on the tax-exempt Series 2012B bonds are both fixed rate and variable rate. For the fixed rate bonds, the rate was set at 2.58 percent. For the variable rate bonds, the rate was a percentage of the one-month LIBOR plus a set margin and the rate changes monthly. 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 OHE from student loans financed by the proceeds of the bonds.

### Housing Finance Agency

As of June 30, 2016, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." The fair value was reported as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2016, was reported in "Accumulated Decrease in Fair Value of Hedging Derivatives" deferred outflows of resources. Fair values were determined pursuant to GASB Statement No. 72 "Fair Value Measurement and Application," and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. 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 special purpose revenue bonds 2006 Series was \$99,220,000 with \$99,220,000 outstanding as of June 30, 2016. The amount defeased for general obligation bonds 1982 and 1996 Series A was \$271,635,000 with \$106,275,000 outstanding as of June 30, 2016. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in U of M's financial statements as of June 30, 2016.

## Note 14 – Segment Information

<b>Primary Government Segment Information Financial Data Year Ended June 30, 2016 (In Thousands)</b>			
	Minnesota State Colleges and Universities		
	Revenue Fund	Itasca Residence Halls	911 Services
<b>Condensed Statement of Net Position</b>			
Assets:			
Current Assets	\$ 92,766	\$ 388	\$ 41,863
Restricted Assets	96,875	295	-
Capital Assets	386,323	2,834	123,147
Total Assets	<u>\$ 575,964</u>	<u>\$ 3,517</u>	<u>\$ 165,010</u>
Deferred Outflows of Resources	\$ 2,085	\$ -	\$ 230
Liabilities:			
Current Liabilities	\$ 29,786	\$ 143	\$ 16,869
Noncurrent Liabilities	315,963	1,470	98,878
Total Liabilities	<u>\$ 345,749</u>	<u>\$ 1,613</u>	<u>\$ 115,747</u>
Deferred Inflows of Resources	\$ 4,473	\$ -	\$ 1,904
Net Position:			
Net Investment in Capital Assets	\$ 133,905	\$ 1,234	\$ 26,779
Restricted	93,922	296	20,810
Unrestricted	-	374	-
Total Net Position	<u>\$ 227,827</u>	<u>\$ 1,904</u>	<u>\$ 47,589</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating Revenues - Customer Charges	\$ 119,182	\$ 495	\$ 68,500
Depreciation Expense	(19,643)	(119)	(11,788)
Other Operating Expenses	(80,031)	(209)	(24,695)
Operating Income (Loss)	<u>\$ 19,508</u>	<u>\$ 167</u>	<u>\$ 32,017</u>
Nonoperating Revenues (Expenses):			
Interest Income	\$ 907	\$ 4	\$ 7
Capital Contributions	1,455	-	-
Interest Expense	(11,164)	(46)	(4,115)
Other	(457)	-	(16,640)
Transfers-In (Out)	-	-	(684)
Change in Net Position	\$ 10,249	\$ 125	\$ 10,585
Beginning Net Position	217,578	1,779	37,004
Ending Net Position	<u>\$ 227,827</u>	<u>\$ 1,904</u>	<u>\$ 47,589</u>
<b>Condensed Statement of Cash Flows</b>			
Net Cash Provided (Used) By:			
Operating Activities	\$ 40,158	\$ 271	\$ 43,037
Noncapital Financing Activities	111	-	(36,284)
Capital and Related Financing Activities	(64,623)	(166)	(5,846)
Investing Activities	785	5	7
Net Increase (Decrease)	<u>\$ (23,569)</u>	<u>\$ 110</u>	<u>\$ 914</u>
Beginning Cash and Cash Equivalents	\$ 189,726	\$ 241	\$ 39,825
Ending Cash and Cash Equivalents	<u>\$ 166,157</u>	<u>\$ 351</u>	<u>\$ 40,739</u>

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 fiscal year 2006, the Minnesota Legislature appropriated from the General Fund \$10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of November 2016, there was \$85,490,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In fiscal year 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 fiscal year 2010 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of November 2016, \$177,170,000 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 fiscal year 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 November 2016, there was \$26,015,000 outstanding on these bonds.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In fiscal year 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. In fiscal year 2014, the Minnesota Legislature appropriated from the General Fund an additional \$6,400,000 per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. All required payments of the bonds are guaranteed by the state. As of November 2016, \$99,680,000 was outstanding on these bonds. HFA issued additional state-secured appropriation bonds of \$11,335,000 in August 2016. See Note 21 – Subsequent Events.

In fiscal year 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. HFA issued state-secured appropriation bonds of \$7,290,000 in August 2016. See Note 21 – Subsequent Events.

### **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 as of November 2016 was \$14.4 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 the Public Facilities Authority (component unit). As of November 2016, the total general obligation bonds guaranteed by the state through 2045, was \$629 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:

<b>Primary Government Restricted Net Position Balances As of June 30, 2016 (In Thousands)</b>				
	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
<b>Restricted to:</b>				
Improve Agricultural, Environmental, and Energy Resources	\$ 393,068	\$ 1,179,281	\$ 26,560	\$ 1,598,909
Enhance Arts and Culture	17,906	-	-	17,906
Acquire, Maintain, and Improve Land and Buildings	-	-	431	431
Retire Indebtedness	967,007	-	122,202	1,089,209
Develop Economy and Workforce	-	159,784	2,612	162,396
Enhance E-12 Education	-	56,584	3,215	59,799
Enhance State Government	-	39,430	1,723	41,153
Enhance Health and Human Services	-	8,069	1,836	9,905
Enhance Higher Education	-	-	84,626	84,626
Enhance 911 Services and Increase Safety	-	44,618	23,913	68,531
School Aid - Expendable	7,568	-	-	7,568
School Aid - Nonexpendable	1,233,194	-	-	1,233,194
Construct Highways and Improve Infrastructure	1,430,584	62,094	127	1,492,805
Unemployment Benefits	-	-	1,840,708	1,840,708
Other Purposes	-	-	47,186	47,186
Total Restricted Net Position	<u>\$ 4,049,327</u>	<u>\$ 1,549,860</u>	<u>\$ 2,155,139</u>	<u>\$ 7,754,326</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:

	<b>Governmental Funds Fund Balances As of June 30, 2016 (In Thousands)</b>			
		Major Special Revenue Fund		
	General Fund	Federal Fund	Other Funds	Total
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ -	\$ -	\$ 42,163	\$ 42,163
Trust or Permanent Fund Principal	929,967	-	1,233,194	2,163,161
Total Nonspendable Fund Balances	<u>\$ 929,967</u>	<u>\$ -</u>	<u>\$ 1,275,357</u>	<u>\$ 2,205,324</u>
<b>Restricted to:</b>				
Improve Agricultural, Environmental, and Energy Resources	\$ 49,546	\$ 3,474	\$ 742,245	\$ 795,265
Enhance Arts and Culture	-	-	17,906	17,906
Acquire, Maintain, and Improve Land and Buildings	-	-	99,348	99,348
Retire Indebtedness	-	-	912,299	912,299
Develop Economy and Workforce	90,409	-	132,327	222,736
Enhance E-12 Education	40,317	-	14,386	54,703
Enhance State Government	-	7,269	32,810	40,079
Enhance Health and Human Services	-	-	9,636	9,636
Enhance Higher Education	-	-	7	7
Enhance 911 Services and Increase Safety	-	-	43,386	43,386
Construct Highways and Improve Infrastructure	-	-	1,467,043	1,467,043
Total Restricted Fund Balances	<u>\$ 180,272</u>	<u>\$ 10,743</u>	<u>\$ 3,471,393</u>	<u>\$ 3,662,408</u>

**Governmental Funds  
Fund Balances (continued)  
As of June 30, 2016  
(In Thousands)**

	<u>General Fund</u>	<u>Major Special Revenue Fund Federal Fund</u>	<u>Other Funds</u>	<u>Total</u>
<b>Fund Balances:</b>				
<b>Committed to:</b>				
Improve Agricultural, Environmental, and Energy Resources	\$ -	\$ -	\$ 69,423	\$ 69,423
Develop Economy and Workforce	-	-	245,741	245,741
Enhance E-12 Education	-	-	5,241	5,241
Enhance State Government	-	-	27,973	27,973
Enhance Health and Human Services	-	-	147,262	147,262
Enhance 911 Services and Increase Safety	-	-	163,302	163,302
Construct Highways and Improve Infrastructure	-	-	50,886	50,886
Total Committed Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,828</u>	<u>\$ 709,828</u>
<b>Assigned to:</b>				
Improve Agricultural, Environmental, and Energy Resources	\$ 54,636	\$ -	\$ -	\$ 54,636
Acquire, Maintain, and Improve Land and Buildings	-	-	93,110	93,110
Develop Economy and Workforce	103,759	-	-	103,759
Enhance E-12 Education	37,543	-	-	37,543
Enhance State Government	16,505	-	-	16,505
Enhance Health and Human Services	93,072	-	505,000	598,072
Enhance Higher Education	8,680	-	-	8,680
Enhance 911 Services and Increase Safety	28,000	-	-	28,000
Construct Highways and Improve Infrastructure	22,859	-	-	22,859
Total Assigned Fund Balances	<u>\$ 365,054</u>	<u>\$ -</u>	<u>\$ 598,110</u>	<u>\$ 963,164</u>
<b>Unassigned:</b>	<u>\$ 1,571,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,571,798</u>
Total Fund Balances	<u>\$ 3,047,091</u>	<u>\$ 10,743</u>	<u>\$ 6,054,688</u>	<u>\$ 9,112,522</u>

## Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2016.

<b>Net Position Deficits As of June 30, 2016 (In Thousands)</b>		Net Position
<b>Enterprise Funds</b>		
Behavioral Services	\$	(15,443)
State Auditor		(3,539)
State Lottery		(9,751)
State Operated Community Services		(26,097)
<b>Internal Service Funds</b>		
Central Services	\$	(974)
MN.IT Services		(179,884)
<b>Pension Trust Fund</b>		
Legislators Retirement	\$	(41)

The fiscal year 2015 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 caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2016 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 inflows 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.

Two of the enterprise funds have net position deficits for reasons in addition to the implementation of GASB Statement No. 68, and one pension trust fund has a net position deficit for reasons unrelated to GASB Statement No. 68. See the following for explanations:

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 provided a supplemental appropriation. In addition, the Centers for Medicare and Medicaid approved a complex committed service rate in September 2016 which was retroactive to October 2015. The additional rate is expected to partially reduce the operating loss of the program but will not remove the need for the on-going appropriation.

State Operated Community Services Fund (enterprise fund) has seen a steady decline in operating income which resulted in a deficit net position. To maintain operations, the Department of Human Services transferred appropriated fiscal year 2017 funds from another state-operated program. Legislative action in 2016 provided one-time funds to replace the borrowed funds and provided fiscal year 2017 operating funds to cover the anticipated operating losses while the program is redesigned.

Legislators Retirement Fund (pension trust fund) has a net position deficit because it operates on a pay-as-you-go basis. See Note 8 – Pension and Investment Trust Funds for additional information.

## **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 \$2,000,000.

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 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 \$4,963,862 greater than coverage during the fiscal year ended June 30, 2016.

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, 2016, was 9,880 members and their dependents. The members of the pool include 79 school districts, 27 cities/townships, 6 counties, and 12 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.

<b>Primary Government Self-Insured Claim Liabilities (In Thousands)</b>					
	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability	
<b>Risk Management Fund</b>					
Fiscal Year Ended 6/30/15	\$ 9,531	\$ 4,100	\$ 1,880	\$	11,751
Fiscal Year Ended 6/30/16	\$ 11,751	\$ 1,140	\$ 3,368	\$	9,523
<b>Tort Claims</b>					
Fiscal Year Ended 6/30/15	\$ -	\$ 878	\$ 878	\$	-
Fiscal Year Ended 6/30/16	\$ -	\$ 920	\$ 920	\$	-
<b>Workers' Compensation</b>					
Fiscal Year Ended 6/30/15	\$ 102,185	\$ 12,778	\$ 22,046	\$	92,917
Fiscal Year Ended 6/30/16	\$ 92,917	\$ 15,606	\$ 19,368	\$	89,155
<b>State Employee Insurance Plans</b>					
Fiscal Year Ended 6/30/15	\$ 63,969	\$ 740,456	\$ 733,145	\$	71,280
Fiscal Year Ended 6/30/16	\$ 71,280	\$ 770,413	\$ 771,306	\$	70,387

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

	Year Ended June 30	
	2016	2015
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 8,376	\$ 7,535
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	\$ 97,089	\$ 78,705
Increases (Decreases) in Provision for Insured Events of Prior Years	1,163	536
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 98,252</u>	<u>\$ 79,241</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 87,378	\$ 70,741
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	8,822	7,659
Total Payments	<u>\$ 96,200</u>	<u>\$ 78,400</u>
Total Unpaid Claims and Claim Adjustment Expenses, Ending	<u>\$ 10,428</u>	<u>\$ 8,376</u>

**Component Units**

Housing Finance Agency

The 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 (internal service 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 SEGIP, which is administered by the Employee Insurance Fund (internal service fund). This program 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

The 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. MC has not experienced any significant reductions 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 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 3.02 percent. The self-insurance retention limit for workers' compensation is \$1,960,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include both workers' compensation claims and \$328,000 for the Family Self Sufficiency program escrow accounts.

#### University of Minnesota

The 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 0.75 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 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 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
<b>Metropolitan Council - Workers' Compensation</b>							
Fiscal Year Ended 12/31/14	\$ 16,642	\$	5,722	\$	5,692	\$	16,672
Fiscal Year Ended 12/31/15	\$ 16,672	\$	11,281	\$	6,279	\$	21,674
<b>University of Minnesota - RUMINCO, Ltd.</b>							
Fiscal Year Ended 6/30/15	\$ 7,542	\$	1,522	\$	2,358	\$	6,706
Fiscal Year Ended 6/30/16	\$ 6,706	\$	2,297	\$	825	\$	8,178
<b>University of Minnesota - Workers' Compensation</b>							
Fiscal Year Ended 6/30/15	\$ 13,046	\$	3,329	\$	2,401	\$	13,974
Fiscal Year Ended 6/30/16	\$ 13,974	\$	3,640	\$	4,849	\$	12,765
<b>University of Minnesota - Medical/Dental</b>							
Fiscal Year Ended 6/30/15	\$ 22,045	\$	250,460	\$	252,278	\$	20,227
Fiscal Year Ended 6/30/16	\$ 20,227	\$	255,957	\$	249,957	\$	26,227

## 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. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also 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.

<b>General Fund</b> <b>Reconciliation of GAAP Basis Fund Balance</b> <b>to Budgetary Fund Balance</b> <b>As of June 30, 2016</b> <b>(In Thousands)</b>	
GAAP Basis Fund Balance:	\$ 3,047,091
Less: Encumbrances <sup>(1)</sup>	259,974
Unassigned Fund Balance	<u>\$ 2,787,117</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (433,630)
Tax Refunds Payable	567,361
Human Services Receivable	(93,206)
Unearned Revenue	177,947
Escheat Asset	(14,218)
Other Receivables	(15,925)
Permanent School Fund Reimbursement	(1,400)
Investments at Market	8,786
Expenditure Accruals/Adjustments:	
Medical Care Programs	593,532
Human Services Grants Payable	52,842
Education Aids	856,634
Police and Fire Aid	98,313
Other Financial Sources (Uses):	
Transfer-In	(13,397)
Perspective Differences:	
Account with no Legally Adopted Budget	(1,423,071)
Long-Term Receivables	(12,950)
Appropriation Carryover	(196,988)
Budgetary Reserve	<u>(1,969,057)</u>
Budgetary Basis:	
Unassigned Fund Balance	<u>\$ 968,690</u>
<sup>(1)</sup> 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, 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. *A.W. Kuettel & Sons, Inc., et al. v. Essar Steel Minnesota LLC, et al.* (Itasca County District Court) and *TrueNorth Steel, Inc. v. Essar Steel Minnesota LLC* (Itasca County District Court). These mechanics' lien suits involve numerous parcels of property surrounding the Essar Steel Minnesota Integrated Pellet Plant in Nashwauk, Minnesota. The state is a named defendant in these suits because it owns some of the subject parcels. The state's parcels were leased to Essar Steel Minnesota LLC (Essar) for mining purposes; however, Essar filed for Chapter 11 bankruptcy. A.W. Kuettel, TrueNorth Steel, and approximately eight other contractors and subcontractors, which supplied materials and/or labor to the properties for Essar, have filed claims and cross-claims against the state and the other defendants that total approximately \$42 million exclusive of interest and attorneys' fees. The claims allege the state is liable for the amounts owing because the state has an ownership interest in some of the properties, had knowledge of the improvements, will be unjustly enriched by the improvements, and violated the Public Contractors' Performance and Payment Bond Act by not obtaining payment bonds for these matters. These suits are currently stayed and will remain stayed until further order in Essar's bankruptcy case.
  - c. *Foster v. State of Minnesota et al.* (U.S. District Court for the District of Minnesota). Plaintiff sued the state, the current Attorney General, and the Commissioner of the Department of Management and Budget alleging an unconstitutional taking of her property on the basis that the state released her statutory consumer fraud claims against major tobacco companies as part of the state's 1998 tobacco settlement. The 1998 settlement provided for up-front and annual payments to the state and injunctive relief, in exchange for which the state released its statutory consumer protection claims against the settling tobacco companies. In 2012, the Minnesota Supreme Court held that this release included related statutory consumer protection claims that might be prosecuted by private Minnesota consumers under the authority provided in Minnesota Statutes, Section 8.31, Subdivision 3a. Plaintiff previously brought a taking claim on the same theory in state court, which was dismissed for failure to state a claim and on the basis of the applicable statute of limitations. The Minnesota Court of Appeals affirmed the dismissal on the statute of limitations

basis without addressing the merits of the takings claim. The Minnesota Supreme Court denied plaintiff's petition for certiorari review. Plaintiff then re-filed the takings claim in federal court, alleging that her federal takings claim is sufficiently distinct from her state takings claim and that it can be pursued separately in federal court. The state filed a motion to dismiss which is fully briefed and set for argument on December 14, 2016.

- d. *Guggenberger et al. v. State, et al. and Gordon, et al. v. DHS, et al.* (United States District Court, District of Minnesota). In *Guggenberger*, Plaintiffs filed suit in August 2015 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. Plaintiffs amended their complaint, and Defendants moved to dismiss. The district court granted the motion to dismiss in part and denied it in part (it dismissed the state and DHS as parties, but did not dismiss any claims). Plaintiffs request relief to require the state to fund and provide Waiver Services to all waiver-eligible individuals currently on a waiting list, and that cost likely exceeds \$15 million. In *Gordon*, the plaintiffs receive Waiver Services and brought claims under the Medicaid Act, the Fourteenth Amendment, the Americans with Disabilities Act, and the Rehabilitation Act, seeking, among other things, access to "individualized housing services." Defendants brought a motion to dismiss, which is now fully briefed and scheduled for hearing in January 2017. The court also ordered discovery to proceed.
- e. *Hall v. State* (Ramsey County/Minnesota Court of Appeals). In a putative class action filed in 2015, four plaintiffs challenge Minnesota's Uniform Disposition of Unclaimed Property Act ("MUPA"), alleging it deprives them of property without due process and without just compensation as no interest is paid to owners when they claim their unclaimed property. Plaintiffs seek class certification, damages, declaratory and injunctive relief, and attorneys' fees. The district court denied defendants' motion to dismiss and certified the takings and due process claims to the court of appeals as important and doubtful. The matter is currently under consideration by the court of appeals. Plaintiffs allege that the state holds over \$600 million in unclaimed property. If the class is certified and Plaintiffs prevail on their claims, the state's exposure may exceed \$15 million.
- f. *H.B Fuller Co. and Subsidiaries v. Commissioner of Revenue* (Minnesota Tax Court). This is a corporate franchise tax case filed in October 2016 involving computation of the research credit allowed by Minnesota Statutes, Section 290.068. Department of Revenue estimates that if similarly situated taxpayers make a similar claim, the total exposure may exceed \$15 million.
- g. *Hospital Surcharge Litigation*. There are numerous appeals by providers, including various hospital systems, challenging the imposition of a tax on net patient revenue under Minnesota Statutes, Section 256.9657. Many of the appeals challenge the imposition of the tax on revenues the appellants claim they receive from the Federal Employees Health Benefits Act (FEHBA) and the Tricare Program (collectively known as "FEHBA/TRICARE"), two health insurance programs that serve federal employees, federal retirees, and active and retired members of the United States military and their families, on the basis that the state tax is preempted. Some appellants also appeal on the basis that a particular service provided is not subject to the tax. The Minnesota Supreme Court held that the state tax is not preempted. The time for the hospitals to seek review at the United States Supreme Court has not expired. In the aggregate, the state's exposure from all of these appeals likely exceeds \$15 million.
- h. *The Jamar Company d/b/a Asdco v. State of Minnesota, et. al.* (Itasca County District Court) and *Hammerlund Construction Inc., et al. v. State of Minnesota, et. al.* (Itasca County District Court). These mechanics' lien suits involve similar claims but different tax-forfeited properties in Itasca County. The subject properties were leased by Itasca County to Magnetation LLC (Magnetation) for mining purposes; however, Magnetation filed for Chapter 11 bankruptcy. The state is a named defendant in these suits because it owns the subject properties in trust for Itasca County, the

taxing district, which has the authority to manage the properties. Jamar, Hammerlund, and approximately 20 other contractors and subcontractors, which supplied materials and/or labor to the properties for Magnetation, have filed claims and cross-claims against the state and the other defendants that total approximately \$22.2 million exclusive of interest and attorneys' fees. The claims allege the state is liable for the amounts owing because the state has an ownership interest in the properties, had knowledge of the improvements, will be unjustly enriched by the improvements, and violated the Public Contractors' Performance and Payment Bond Act by not obtaining payment bonds for these matters. These suits are currently stayed and will remain stayed until further order in Magnetation's bankruptcy case.

- i. *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. On June 22, 2016, the Minnesota Supreme Court dismissed the taxpayer's claims, finding that the claims failed as a matter of law. The taxpayer filed a petition for writ of certiorari to the U.S. Supreme Court on October 20, 2016.
- j. *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 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 were filed and granted by the district court in each case. The Eighth Circuit Court of Appeals has affirmed the dismissal of state defendants in each case it has decided. Two decisions remain pending in the Eighth Circuit and several other cases remain pending in the district court while it addresses the claims of non-state defendants. The U.S. Supreme Court denied certiorari review of the only case in which the plaintiffs sought review.
- k. *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Stipulations for dismissal have been filed, but orders for dismissal have not yet been issued.
- l. *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 2013 and 2014. 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 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. On November 9, 2016, the Minnesota Supreme Court issued an opinion affirming in part and reversing in part the Minnesota Tax Court's decision, and it remanded the case for further proceedings.

- m. *Walgreens Specialty Pharmacy v. Commissioner of Revenue* (Minnesota Tax Court). This is a Legend Drug Use Tax case. Appellant sought a refund totaling \$14,434,159.70 for tax years 2008 through 2013, which was denied. Appellant argues that the Department of Revenue misapplied the applicable statute. Appellant also argues that the use tax is unconstitutional under the Due Process and Commerce Clauses of the United States Constitution and is also preempted by federal law. The case is currently in discovery and dispositive motions must be filed and served by May 19, 2017. The Department of Revenue estimates that if similarly-situated taxpayers successfully brought refund claims, the total exposure would exceed \$139 million.

## **Note 20 – Prior Period Adjustment, Change in Reporting Entity and Change in Fund Structure**

### **Primary Government**

#### Prior Period Adjustments

During fiscal year 2016, the Department of Natural Resources increased land in governmental activities for land that was previously donated but unrecorded as well as adjusting the value of land that was disposed of at fair value instead of at historical cost. This change resulted in an increase in Land. A prior period adjustment of \$93.3 million was reflected in Governmental Activities in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

During fiscal year 2016, the Department of Human Services calculated the impact of a federal law change that increased the federal share of expenditures; thus, overstating the state's share. This resulted in a prior period adjustment of \$33.7 million in the General Fund and \$4.7 million in the Health Care Access Fund (special revenue fund). These amounts also resulted in a prior period adjustment of \$38.4 million in Governmental Activities in the government-wide financial statements.

During fiscal year 2016, the Department of Revenue identified an overstatement of accounts receivable in the prior year. A \$45.7 million prior period adjustment was reflected in Governmental Activities in the government-wide financial statement as a result of this overstatement of revenue.

#### Change in Reporting Entity

Minnesota Statutes, Section 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2016, fourteen firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of \$3.4 million were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

#### Change in Fund Structure

Minnesota Statutes, Chapter 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2016, six 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. The transfer was reported as a change in fund structure of \$3.9 million in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

## **Note 21 – Subsequent Events**

### **Primary Government**

On July 28, 2016, Fitch Ratings upgraded the state's general obligation bond rating to AAA from AA+.

On August 11, 2016, the state sold \$265.9 million of general obligation state various purpose bonds Series 2016A at a true interest rate of 2.29 percent, \$215.0 million of general obligation state trunk highway bonds Series 2016B at a true interest rate of 2.13 percent, \$7.5 million general obligation taxable state various purpose bonds Series 2016C at a true interest rate of 1.38 percent, and \$310.6 million of general obligation state various purpose refunding bonds Series 2016D at a true interest rate of 1.57 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

On November 1, 2016, the state sold \$91.7 million of 911 revenue refunding bonds (Public Safety Radio Communications System Project) Series 2016 at a true interest rate of 1.06 percent. The proceeds of the bonds will be used to defease and refund, on an advance refunding basis, the outstanding maturities of the state's 911 Revenue Bonds Series 2008, Series 2009, Series 2011, and pay the costs associated with the issuance of the bonds. The revenue bonds are secured by the 911 fee charged to subscribers connected to the public switched networks that furnish service capable of originating a 911 emergency telephone call in the state.

On November 2, 2016, the state sold \$11.8 million of state General Fund appropriation bonds taxable Series 2016A at a true interest rate of 2.83 percent. The bonds were issued to finance the completion of the next phase of the Lewis and Clark Regional Water System Project, including the costs associated with the completion of a water transmission pipeline in southwest Minnesota. For information on the state appropriation for these bonds, see Note 12 – Long-Term Liabilities – Primary Government.

### **Component Units**

On August 16, 2016, the Housing Finance Agency (HFA) issued state appropriation bonds (Housing Infrastructure) for \$10.4 million Series 2016A at a true interest rate of 2.80 percent, \$0.9 million Series 2016B at a true interest rate of 1.14 percent, and \$7.3 million Series 2016C at a true interest rate of 2.68 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. The state will provide to HFA up to an additional \$800,000 per year beginning in fiscal year 2018 through fiscal year 2039 for the payment of the bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.



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# Required Supplementary Information

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2016  
Comprehensive  
Annual  
Financial Report



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**2016 Comprehensive Annual Financial Report**  
**Required Supplementary Information**


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**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 is 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
2015	3.42	3.32
2014	3.41	3.35
2013	3.40	3.26

## **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 is 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	2015	2014	2013
Fair to Good	94.9%	95.2%	94.9%

All Other Systems	2015	2014	2013
Fair to Good	94.4%	93.8%	93.6%

#### **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	2016	\$ 234,366	\$ 400,943	\$ 635,309	\$ 112,444	\$ 462,387	\$ 574,831	\$ 1,210,140
	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
Actual	2016	\$ 232,087	\$ 403,563	\$ 635,650	\$ 79,748	\$ 652,665	\$ 732,413	\$ 1,368,063
	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

## Defined Benefit Plans – State Participating

The state of Minnesota currently contributes as an employer and/or non-employer contributing entity into four primary government administered multiple-employer cost sharing plans, one non-primary government administered multiple-employer cost sharing plans, and three primary government administered single-employer plans. During the fiscal year 2015 reporting period, the Minneapolis Employees Retirement Fund merged with the General Employees Retirement Fund and the Duluth Teachers' Retirement Fund merged with the Teachers Retirement Fund. 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)
- Duluth Teachers' Retirement Fund (DTRF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

<b>Required Supplementary Information</b>									
<b>Primary Government Administered Multiple-Employer Cost Sharing Plans</b>									
<b>Schedule of Contributions</b>									
<b>(In Thousands)</b>									
	SERF			CERF			GERF		
	2014	2015 <sup>(2)</sup>	2016	2014	2015 <sup>(3)</sup>	2016	2014	2015 <sup>(4)</sup>	2016
Statutorily Required Contribution as an: Employer <sup>(1)</sup>	\$ 93,957	\$ 107,313	\$ 110,804	\$ 26,421	\$ 29,378	\$ 30,624	\$ 2,782	\$ 2,655	\$ 2,540
Non-Employer Contributing Entity <sup>(1)</sup>	-	-	-	-	-	-	-	-	6,000
<b>Total Statutorily Required Contribution</b>	<b>\$ 93,957</b>	<b>\$ 107,313</b>	<b>\$ 110,804</b>	<b>\$ 26,421</b>	<b>\$ 29,378</b>	<b>\$ 30,624</b>	<b>\$ 2,782</b>	<b>\$ 2,655</b>	<b>\$ 8,540</b>
Covered-Member Payroll	\$1,923,040	\$2,006,862	\$2,032,073	\$ 218,860	\$ 231,126	\$ 238,416	\$ 37,715	\$ 34,289	\$ 39,886
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.5%	12.1%	12.7%	12.8%	7.4%	7.7%	6.4%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.  
<sup>(2)</sup> SERF 2015: The required contribution rate for employers increased from 5.0% to 5.5%.  
<sup>(3)</sup> CERF 2015: The required contribution rate for employers increased from 12.1% to 12.9%.  
<sup>(4)</sup> GERF 2015: The required contribution rates for employers increased from 7.3% - 11.8% to 7.5% - 11.8% on January 1, 2015.

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 <sup>(2)</sup>		TRF		
	2014	2015	2014	2015 <sup>(3)</sup>	2016
Statutorily Required Contribution as an: Employer <sup>(1)</sup>	\$ -	\$ -	\$ 13,206	\$ 14,542	\$ 14,514
Non-Employer Contributing Entity <sup>(1)</sup>	24,000	24,000	16,501	29,831	31,088
<b>Total Statutorily Required Contribution</b>	<b>\$ 24,000</b>	<b>\$ 24,000</b>	<b>\$ 29,707</b>	<b>\$ 44,373</b>	<b>\$ 45,602</b>
Covered-Member Payroll	N/A	N/A	\$ 167,667	\$ 166,870	\$ 174,979
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A	7.9%	8.7%	8.3%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> MERF merged with GERF in reporting fiscal year 2015.

<sup>(3)</sup> TRF 2015: The required contribution rate for employers increased from 7.0% - 11.0% to 7.5% - 11.5%.

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)

	DTRF <sup>(2)</sup>		SPTRF		
	2014	2015	2014	2015 <sup>(3)</sup>	2016 <sup>(4)</sup>
Statutorily Required Contribution as an: Employer <sup>(1)</sup>	\$ 55	\$ 56	\$ 109	\$ 86	\$ 64
Non-Employer Contributing Entity <sup>(1)</sup>	6,555	6,346	10,665	9,827	10,665
<b>Total Statutorily Required Contribution</b>	<b>\$ 6,610</b>	<b>\$ 6,402</b>	<b>\$ 10,774</b>	<b>\$ 9,913</b>	<b>\$ 10,729</b>
Covered-Member Payroll	\$ 729	760	\$ 1,749	\$ 628	\$ 612
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.5%	7.4%	6.2%	13.7%	10.5%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> DTRF merged with TRF in reporting fiscal year 2015.

<sup>(3)</sup> SPTRF 2015: The required contribution rate for employers increased from 5.25% - 8.75% to 5.50% - 9.00%.

<sup>(4)</sup> SPTRF 2016: The required contribution rate for employers increased to 6.00% - 9.50%.

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		CERF		GERF	
	2015	2016 <sup>(1)</sup>	2015	2016 <sup>(2)</sup>	2015	2016 <sup>(3)</sup>
Primary Government's Proportion of the Net Pension Liability as an:						
Employer	73.38%	73.93%	99.80%	99.86%	0.70%	0.62%
Non-Employer Contributing Entity	-	-	-	-	-	3.56%
<b>Total Primary Government's Proportion of the Net Pension Liability</b>	<b>73.38%</b>	<b>73.93%</b>	<b>99.80%</b>	<b>99.86%</b>	<b>0.70%</b>	<b>4.18%</b>
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	\$ 1,189,902	\$ 1,138,125	\$ 475,387	\$ 653,352	\$ 33,103	\$ 32,022
Non-Employer Contributing Entity	-	-	-	-	-	184,478
<b>Total Primary Government's Proportionate Share of the Net Pension Liability</b>	<b>\$ 1,189,902</b>	<b>\$ 1,138,125</b>	<b>\$ 475,387</b>	<b>\$ 653,352</b>	<b>\$ 33,103</b>	<b>\$ 216,500</b>
Primary Government's Covered-Member Payroll – Measurement Period	\$ 1,923,040	\$ 2,006,862	\$ 218,860	\$ 231,126	\$ 37,715	\$ 34,289
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9%	56.7%	217.2%	282.7%	87.8%	93.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	88.3%	64.8%	58.1%	78.7%	78.2%

<sup>(1)</sup> SERF 2016: Benefit increase of 2.5% was projected to start in 2044 instead of 2016.

<sup>(2)</sup> CERF 2016: Benefit increase was projected to remain at 2.0% instead of increasing to 2.5% in 2016.

<sup>(3)</sup> GERF 2016: Benefit increase of 2.5% was projected to start in 2036 instead of 2031.

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

	MERF <sup>(1)</sup>	TRF		DTRF <sup>(3)</sup>	SPTRF	
	2015	2015	2016 <sup>(2)</sup>	2015	2015	2016 <sup>(4)</sup>
Primary Government's Proportion of the Net Pension Liability as an:						
Employer	-	4.13%	3.88%	0.55%	0.31%	0.24%
Non-Employer Contributing Entity	43.35%	5.17%	9.74%	64.98%	30.34%	29.52%
Total Primary Government's Proportion of the Net Pension Liability	<u>43.35%</u>	<u>9.30%</u>	<u>13.62%</u>	<u>65.53%</u>	<u>30.65%</u>	<u>29.76%</u>
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	\$ -	\$ 190,460	\$ 239,701	\$ 1,401	\$ 1,666	\$ 1,385
Non-Employer Contributing Entity	95,900	237,958	602,738	166,948	162,576	171,776
Total Primary Government's Proportionate Share of the Net Pension Liability	<u>\$ 95,900</u>	<u>\$ 428,418</u>	<u>\$ 842,439</u>	<u>\$ 168,349</u>	<u>\$ 164,242</u>	<u>\$ 173,161</u>
Primary Government's Covered-Member Payroll – Measurement Period	N/A	\$ 167,667	\$ 166,870	\$ 729	\$ 1,749	\$ 628
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	113.6%	143.6%	192.2%	95.3%	220.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	81.5%	76.8%	46.8%	66.1%	63.6%

<sup>(1)</sup> MERF merged with GERF in reporting fiscal year 2015.

<sup>(2)</sup> TRF 2016: The discount rate changed from 8.25% to 8.00%.

<sup>(3)</sup> DTRF merged with TRF in reporting fiscal year 2015.

<sup>(4)</sup> SPTRF 2016: Benefit increase if the plan is at least 90% funded was up to 2.5% instead of up to 5.0%.

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)**

	2007	2008	2009	2010	2011	2012	2013	2014 <sup>(2)</sup>	2015	2016
Statutorily Required Contribution <sup>(1)</sup>	\$ 7,572	\$ 7,935	\$ 8,219	\$ 8,283	\$ 8,297	\$ 7,922	\$ 8,177	\$ 9,426	\$ 9,776	\$ 10,219
Covered-Member Payroll	\$ 36,195	\$ 38,296	\$ 39,444	\$ 39,291	\$ 40,473	\$ 38,644	\$ 39,888	\$ 41,893	\$ 43,449	\$ 45,416
Contributions as a Percentage of Covered-Member Payroll	20.9%	20.7%	20.8%	21.1%	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2014: The required employer contribution rate changed from 20.5% to 22.5%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Statutorily Required Contribution <sup>(1)</sup>	\$ 1,772	\$ 2,217	\$ 1,269	\$ 1,975	\$ 2,805	\$ 3,935	\$ 3,399	\$ 3,436	\$ 3,216	\$ 5,087
Covered-Member Payroll	\$ 2,380	\$ 1,993	\$ 1,963	\$ 1,877	\$ 1,774	\$ 1,378	\$ 1,233	\$ 1,122	\$ 1,700	\$ 993
Contributions as a Percentage of Covered-Member Payroll	74.5%	111.2%	64.6%	105.2%	158.1%	285.6%	275.7%	306.2%	189.2%	512.3%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions. Employer contributions are on a pay-as-you-go basis.

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

	2007	2008 <sup>(2)</sup>	2009 <sup>(3)</sup>	2010 <sup>(4)</sup>	2011	2012 <sup>(5)</sup>	2013	2014	2015 <sup>(6)</sup>	2016
Statutorily Required Contribution <sup>(1)</sup>	\$ 7,461	\$ 8,279	\$ 9,178	\$ 10,104	\$ 9,873	\$ 11,620	\$ 11,482	\$ 12,894	\$ 13,763	\$ 13,938
Covered-Member Payroll	\$ 61,498	\$ 60,029	\$ 61,511	\$ 63,250	\$ 63,250	\$ 62,524	\$ 62,121	\$ 63,952	\$ 68,463	\$ 64,529
Contributions as a Percentage of Covered-Member Payroll	12.1%	13.8%	14.9%	16.0%	15.6%	18.6%	18.5%	20.2%	20.1%	21.6%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2008: The required employer contribution rate changed from 12.6% to 13.6%

<sup>(3)</sup> 2009: The required employer contribution rate changed to 14.6%

<sup>(4)</sup> 2010: The required employer contribution rate changed to 15.6%

<sup>(5)</sup> 2012: The required employer contribution rate changed to 18.6%

<sup>(6)</sup> 2015: The required employer contribution rate changed to 20.1%

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

	JRF		LRF		SPRF	
	2015	2016 <sup>(1)</sup>	2015	2016 <sup>(2)</sup>	2015	2016 <sup>(3)</sup>
<b>Total Pension Liability</b>						
Service Cost	\$ 12,075	\$ 12,251	\$ 398	\$ 428	\$ 14,514	\$ 16,144
Interest on the Total Pension Liability	20,535	21,773	6,177	6,113	60,183	63,753
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	(237)	(7,303)	(5,771)	(12,855)
Changes in Assumptions	(8,416)	21,696	11,201	7,057	30,058	-
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(8,486)	(8,441)	(53,722)	(55,480)
Net Change in Total Pension Liability	<u>\$ 8,472</u>	<u>\$ 29,461</u>	<u>\$ 9,053</u>	<u>\$ (2,146)</u>	<u>\$ 45,262</u>	<u>\$ 11,562</u>
Total Pension Liability – Beginning	<u>\$ 373,039</u>	<u>\$ 381,511</u>	<u>\$ 137,446</u>	<u>\$ 146,499</u>	<u>\$ 781,411</u>	<u>\$ 826,673</u>
Total Pension Liability - Ending	<u>\$ 381,511</u>	<u>\$ 410,972</u>	<u>\$ 146,499</u>	<u>\$ 144,353</u>	<u>\$ 826,673</u>	<u>\$ 838,235</u>
<b>Fiduciary Net Position</b>						
Contributions – Employer	\$ 9,426	\$ 9,776	\$ 3,436	\$ 3,216	\$ 12,894	\$ 14,763
Contributions – Member	3,578	3,629	101	153	7,930	9,174
Net Investment Income	28,011	7,572	1,750	281	107,187	28,903
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(8,486)	(8,441)	(53,722)	(55,480)
Pension Plan Administrative Expenses	(55)	(60)	(36)	(37)	(150)	(170)
Net Change in Plan Fiduciary Net Position	<u>\$ 20,158</u>	<u>\$ (976)</u>	<u>\$ (3,235)</u>	<u>\$ (4,828)</u>	<u>\$ 74,139</u>	<u>\$ (2,810)</u>
Plan Fiduciary Net Position – Beginning as Restated	<u>\$ 155,398</u>	<u>\$ 175,556</u>	<u>\$ 11,493</u>	<u>\$ 8,258</u>	<u>\$ 593,201</u>	<u>\$ 667,340</u>
Plan Fiduciary Net Position – Ending	<u>\$ 175,556</u>	<u>\$ 174,580</u>	<u>\$ 8,258</u>	<u>\$ 3,430</u>	<u>\$ 667,340</u>	<u>\$ 664,530</u>
<b>Net Pension Liability</b>	<u>\$ 205,955</u>	<u>\$ 236,392</u>	<u>\$ 138,241</u>	<u>\$ 140,923</u>	<u>\$ 159,333</u>	<u>\$ 173,705</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	42.5%	5.6%	2.4%	80.7%	79.3%
Covered-Member Payroll – measurement period	\$ 41,893	\$ 43,449	\$ 1,122	\$ 1,700	\$ 63,952	\$ 68,463
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	12,320.9%	8,289.6%	249.1%	253.7%

<sup>(1)</sup> JRF 2016: The discount rate changed from 5.78% to 5.25%.

<sup>(2)</sup> LRF 2016: The discount rate changed from 4.29% to 3.80%. Benefit increase of 2.5% was projected to start in 2044 instead of 2015.

<sup>(3)</sup> SPRF 2016: Benefit increase of 1.0% was projected to start in 2031 instead of 2018, 1.5% through 2052 instead of 2045 and 2.5% thereafter.

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 <sup>(1)</sup> 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 <sup>(2)</sup>	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><sup>(1)</sup> 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><sup>(2)</sup> 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).

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Required Contribution and Investment Revenue:										
Earned	\$ 13,219	\$ 13,439	\$ 12,286	\$ 25,031	\$ 34,161	\$ 45,413	\$ 49,244	\$ 90,110	\$ 96,008	\$ 109,484
Ceded	(1,347)	(1,298)	(1,218)	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)	(4,607)	-
Net Earned	\$ 11,872	\$ 12,141	\$ 11,068	\$ 22,347	\$ 31,501	\$ 41,911	\$ 44,662	\$ 81,738	\$ 91,401	\$ 109,484
2. Unallocated Expenses:										
	\$ 1,547	\$ 1,505	\$ 1,534	\$ 2,037	\$ 2,411	\$ 3,018	\$ 3,612	\$ 6,390	\$ 7,435	\$ 7,846
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	\$ 11,206	\$ 10,748	\$ 9,473	\$ 19,350	\$ 24,134	\$ 38,173	\$ 41,959	\$ 73,795	\$ 86,276	\$ 97,089
Ceded	(1,782)	(380)	(667)	(562)	(1,491)	(2,149)	(4,909)	(5,767)	(7,571)	-
Net Incurred	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643	\$ 36,024	\$ 37,050	\$ 68,028	\$ 78,705	\$ 97,089
4. Net Paid (Cumulative) as of:										
End of Policy Year	\$ 8,226	\$ 9,403	\$ 7,921	\$ 16,848	\$ 20,720	\$ 32,176	\$ 33,836	\$ 60,813	\$ 70,741	\$ 87,378
One Year Later	9,352	10,415	8,482	18,828	23,219	35,718	37,353	68,176	79,461	
Two Years Later	9,358	10,413	8,454	18,826	23,200	35,946	37,608	68,256		
Three Years Later	9,358	10,413	8,454	18,826	23,303	35,986	37,629			
Four Years Later	9,358	10,413	8,454	18,826	23,303	35,986				
Five Years Later	9,358	10,413	8,454	18,826	23,303					
Six Years Later	9,358	10,413	8,454	18,826						
Seven Years Later	9,358	10,413	8,454							
Eight Years Later	9,358	10,413								
Nine Years Later	9,358									
5. Reestimated Ceded Claims and Expenses:										
	\$ 1,782	\$ 380	\$ 667	\$ 562	\$ 1,491	\$ 2,149	\$ 4,909	\$ 5,767	\$ 7,515	\$ -
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643	\$ 36,024	\$ 37,050	\$ 68,028	\$ 78,705	\$ 97,089
One Year Later	9,362	10,425	8,502	18,848	23,249	36,006	37,673	68,588	80,027	
Two Years Later	9,358	10,413	8,454	18,826	23,304	35,946	37,608	68,408		
Three Years Later	9,358	10,413	8,454	18,826	23,303	35,986	37,629			
Four Years Later	9,358	10,413	8,454	18,826	23,303	35,986				
Five Years Later	9,358	10,413	8,454	18,826	23,303					
Six Years Later	9,358	10,413	8,454	18,826						
Seven Years Later	9,358	10,413	8,454							
Eight Years Later	9,358	10,413								
Nine Years Later	9,358									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	\$ (66)	\$ 45	\$ (352)	\$ 38	\$ 660	\$ (38)	\$ 579	\$ 380	\$ 1,322	\$ -

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 estimated. 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.

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# Combining and Individual Fund Statements – Nonmajor Funds

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

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## **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, 2016**  
**(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 3,376,919	\$ 795,712	\$ 95,949	\$ 348,180	\$ 4,616,760
Investments.....	201,176	78,333	1,128,752	-	1,408,261
Accounts Receivable.....	403,286	-	3,305	-	406,591
Interfund Receivables.....	111,551	-	1,267	-	112,818
Due from Component Unit.....	-	65,561	-	-	65,561
Accrued Investment/Interest Income.....	616	763	4,012	-	5,391
Federal Aid Receivable.....	64,021	-	-	-	64,021
Inventories.....	42,163	-	-	-	42,163
Loans and Notes Receivable.....	121,156	-	-	47	121,203
Investment in Land.....	-	-	15,958	-	15,958
Total Assets.....	<u>\$ 4,320,888</u>	<u>\$ 940,369</u>	<u>\$ 1,249,243</u>	<u>\$ 348,227</u>	<u>\$ 6,858,727</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts Payable.....	\$ 443,644	\$ 3	\$ 81	\$ 125,478	\$ 569,206
Interfund Payables.....	26,549	28,067	8,400	3,924	66,940
Due to Component Unit.....	2,803	-	-	26,367	29,170
Unearned Revenue.....	3,114	-	-	-	3,114
Total Liabilities.....	<u>\$ 476,110</u>	<u>\$ 28,070</u>	<u>\$ 8,481</u>	<u>\$ 155,769</u>	<u>\$ 668,430</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue.....	\$ 135,436	-	\$ 173	-	\$ 135,609
Total Deferred Inflows of Resources.....	<u>\$ 135,436</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 135,609</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Nonspendable.....	\$ 42,163	-	\$ 1,233,194	-	\$ 1,275,357
Restricted.....	2,452,351	912,299	7,395	99,348	3,471,393
Committed.....	709,828	-	-	-	709,828
Assigned.....	505,000	-	-	93,110	598,110
Total Fund Balances.....	<u>\$ 3,709,342</u>	<u>\$ 912,299</u>	<u>\$ 1,240,589</u>	<u>\$ 192,458</u>	<u>\$ 6,054,688</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 4,320,888</u>	<u>\$ 940,369</u>	<u>\$ 1,249,243</u>	<u>\$ 348,227</u>	<u>\$ 6,858,727</u>

STATE OF MINNESOTA

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>Net Revenues:</b>					
Sales Taxes.....	\$ 341,065	\$ -	\$ -	\$ -	\$ 341,065
Motor Vehicle Taxes.....	1,141,781	-	-	-	1,141,781
Fuel Taxes.....	904,475	-	-	-	904,475
Other Taxes.....	904,715	-	-	-	904,715
Federal Revenues.....	591,847	-	-	-	591,847
Licenses and Fees.....	363,080	-	103	-	363,183
Departmental Services.....	174,532	-	29,086	-	203,618
Investment/Interest Income.....	32,733	12,735	55,422	63	100,953
Other Revenues.....	396,297	31	159	60	396,547
Net Revenues.....	<u>\$ 4,850,525</u>	<u>\$ 12,766</u>	<u>\$ 84,770</u>	<u>\$ 123</u>	<u>\$ 4,948,184</u>
<b>Expenditures:</b>					
Current:					
Agricultural, Environmental and Energy Resources.....	\$ 555,173	\$ -	\$ 8,714	\$ 44,652	\$ 608,539
Economic and Workforce Development.....	184,246	-	-	101,939	286,185
General Education.....	44,464	-	27,762	11,542	83,768
General Government.....	80,325	338	125	212,926	293,714
Health and Human Services.....	1,117,650	-	-	5,146	1,122,796
Higher Education.....	24,513	-	-	52,783	77,296
Intergovernmental Aid.....	612	-	-	-	612
Public Safety and Corrections.....	214,830	-	-	2,647	217,477
Transportation.....	2,032,779	-	-	140,716	2,173,495
Total Current Expenditures.....	<u>\$ 4,254,592</u>	<u>\$ 338</u>	<u>\$ 36,601</u>	<u>\$ 572,351</u>	<u>\$ 4,863,882</u>
Capital Outlay.....	489,135	-	-	537,582	1,026,717
Debt Service.....	4,876	1,010,638	-	-	1,015,514
Total Expenditures.....	<u>\$ 4,748,603</u>	<u>\$ 1,010,976</u>	<u>\$ 36,601</u>	<u>\$ 1,109,933</u>	<u>\$ 6,906,113</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 101,922</u>	<u>\$ (998,210)</u>	<u>\$ 48,169</u>	<u>\$ (1,109,810)</u>	<u>\$ (1,957,929)</u>
<b>Other Financing Sources (Uses):</b>					
Bond Issuance.....	\$ -	\$ 3,829	\$ -	\$ 662,404	\$ 666,233
Issuance of Refunding Bonds.....	-	391,555	-	-	391,555
Payment to Refunded Bonds Escrow Agent.....	-	(391,555)	-	-	(391,555)
Bond Issue Premium.....	-	102,060	-	60,539	162,599
Transfers-In.....	254,155	891,407	1,662	13,600	1,160,824
Transfers-Out.....	(390,896)	-	(396)	(63,228)	(454,520)
Net Other Financing Sources (Uses).....	<u>\$ (136,741)</u>	<u>\$ 997,296</u>	<u>\$ 1,266</u>	<u>\$ 673,315</u>	<u>\$ 1,535,136</u>
Net Change in Fund Balances.....	<u>\$ (34,819)</u>	<u>\$ (914)</u>	<u>\$ 49,435</u>	<u>\$ (436,495)</u>	<u>\$ (422,793)</u>
Fund Balances, Beginning, as Reported.....	\$ 3,739,461	\$ 913,213	\$ 1,191,154	\$ 628,953	\$ 6,472,781
Prior Period Adjustment.....	4,700	-	-	-	4,700
Fund Balances, Beginning, as Restated.....	<u>\$ 3,744,161</u>	<u>\$ 913,213</u>	<u>\$ 1,191,154</u>	<u>\$ 628,953</u>	<u>\$ 6,477,481</u>
Fund Balances, Ending.....	<u>\$ 3,709,342</u>	<u>\$ 912,299</u>	<u>\$ 1,240,589</u>	<u>\$ 192,458</u>	<u>\$ 6,054,688</u>

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# Nonmajor Special Revenue Funds

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## **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.



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# Nonmajor Special Revenue Funds – Continued

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## **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, 2016  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 808,883	\$ 5,951	\$ 32,473
Investments.....	-	-	-
Accounts Receivable.....	49,365	8,215	1,597
Interfund Receivables.....	-	99	356
Accrued Investment/Interest Income.....	-	-	-
Federal Aid Receivable.....	58,607	-	-
Inventories.....	42,156	-	-
Loans and Notes Receivable.....	-	-	2,141
Total Assets.....	<u>\$ 959,011</u>	<u>\$ 14,265</u>	<u>\$ 36,567</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable.....	\$ 129,991	\$ 985	\$ 1,762
Interfund Payables.....	-	12,451	-
Due to Component Unit.....	603	-	34
Unearned Revenue.....	-	-	-
Total Liabilities.....	<u>\$ 130,594</u>	<u>\$ 13,436</u>	<u>\$ 1,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue.....	\$ 6,110	\$ 230	\$ -
Total Deferred Inflows of Resources.....	<u>\$ 6,110</u>	<u>\$ 230</u>	<u>\$ -</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Nonspendable.....	\$ 42,156	\$ -	\$ -
Restricted.....	780,151	599	34,771
Committed.....	-	-	-
Assigned.....	-	-	-
Total Fund Balances.....	<u>\$ 822,307</u>	<u>\$ 599</u>	<u>\$ 34,771</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 959,011</u>	<u>\$ 14,265</u>	<u>\$ 36,567</u>

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMIATIION
\$ 164,307	\$ 574,227	\$ 26,576	\$ 53,969	\$ 36,907	\$ 30,897
-	-	-	-	18,857	68,027
6,247	23,789	71	1,024	1,560	11,772
-	29,171	-	20,612	1,074	11,555
-	-	-	-	49	182
10	28	-	147	5,229	-
-	-	-	-	-	-
-	-	-	-	-	577
<u>\$ 170,564</u>	<u>\$ 627,215</u>	<u>\$ 26,647</u>	<u>\$ 75,752</u>	<u>\$ 63,676</u>	<u>\$ 123,010</u>
\$ 18,060	\$ 153,180	\$ 827	\$ 6,858	\$ 6,962	\$ 6,239
-	-	2,495	1,403	400	-
23	76	-	10	237	216
-	-	-	-	-	-
<u>\$ 18,083</u>	<u>\$ 153,256</u>	<u>\$ 3,322</u>	<u>\$ 8,271</u>	<u>\$ 7,599</u>	<u>\$ 6,455</u>
\$ 178	\$ 679	\$ 54	\$ 299	\$ 634	\$ 4,901
<u>\$ 178</u>	<u>\$ 679</u>	<u>\$ 54</u>	<u>\$ 299</u>	<u>\$ 634</u>	<u>\$ 4,901</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
152,303	473,280	23,271	-	55,443	111,654
-	-	-	67,182	-	-
-	-	-	-	-	-
<u>\$ 152,303</u>	<u>\$ 473,280</u>	<u>\$ 23,271</u>	<u>\$ 67,182</u>	<u>\$ 55,443</u>	<u>\$ 111,654</u>
<u>\$ 170,564</u>	<u>\$ 627,215</u>	<u>\$ 26,647</u>	<u>\$ 75,752</u>	<u>\$ 63,676</u>	<u>\$ 123,010</u>

CONTINUED

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
COMBINING BALANCE SHEET  
JUNE 30, 2016  
(IN THOUSANDS)**

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 65,992	\$ 376,572	\$ 28,288
Investments.....	112,948	-	1,344
Accounts Receivable.....	3,827	23,899	4,615
Interfund Receivables.....	-	32,979	-
Accrued Investment/Interest Income.....	381	-	4
Federal Aid Receivable.....	-	-	-
Inventories.....	-	-	-
Loans and Notes Receivable.....	43,926	-	-
Total Assets.....	<u>\$ 227,074</u>	<u>\$ 433,450</u>	<u>\$ 34,251</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable.....	\$ 89	\$ 21,536	\$ 63
Interfund Payables.....	-	-	-
Due to Component Unit.....	-	940	21
Unearned Revenue.....	-	-	-
Total Liabilities.....	<u>\$ 89</u>	<u>\$ 22,476</u>	<u>\$ 84</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue.....	\$ 3,792	\$ -	\$ 10
Total Deferred Inflows of Resources.....	<u>\$ 3,792</u>	<u>\$ -</u>	<u>\$ 10</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Nonspendable.....	\$ -	\$ -	\$ -
Restricted.....	-	410,974	34,157
Committed.....	223,193	-	-
Assigned.....	-	-	-
Total Fund Balances.....	<u>\$ 223,193</u>	<u>\$ 410,974</u>	<u>\$ 34,157</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 227,074</u>	<u>\$ 433,450</u>	<u>\$ 34,251</u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 55,485	\$ 514,152	\$ 39,566	\$ 562,674	\$ 3,376,919
-	-	-	-	201,176
93,124	111,033	16,079	47,069	403,286
634	-	33	15,038	111,551
-	-	-	-	616
-	-	-	-	64,021
-	-	-	7	42,163
-	-	-	74,512	121,156
<u>\$ 149,243</u>	<u>\$ 625,185</u>	<u>\$ 55,678</u>	<u>\$ 699,300</u>	<u>\$ 4,320,888</u>
\$ 17,325	\$ 5,858	\$ 4,127	\$ 69,782	\$ 443,644
-	3,230	-	6,570	26,549
-	-	-	643	2,803
-	3,114	-	-	3,114
<u>\$ 17,325</u>	<u>\$ 12,202</u>	<u>\$ 4,127</u>	<u>\$ 76,995</u>	<u>\$ 476,110</u>
\$ 94,289	\$ 3,537	\$ 1,059	\$ 19,664	\$ 135,436
<u>\$ 94,289</u>	<u>\$ 3,537</u>	<u>\$ 1,059</u>	<u>\$ 19,664</u>	<u>\$ 135,436</u>
\$ -	\$ -	\$ -	\$ 7	\$ 42,163
37,629	-	50,492	287,627	2,452,351
-	104,446	-	315,007	709,828
-	505,000	-	-	505,000
<u>\$ 37,629</u>	<u>\$ 609,446</u>	<u>\$ 50,492</u>	<u>\$ 602,641</u>	<u>\$ 3,709,342</u>
<u>\$ 149,243</u>	<u>\$ 625,185</u>	<u>\$ 55,678</u>	<u>\$ 699,300</u>	<u>\$ 4,320,888</u>

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
<b>Net Revenues:</b>			
Sales Taxes.....	\$ -	\$ -	\$ 4,941
Motor Vehicle Taxes.....	666,940	-	9,455
Fuel Taxes.....	516,064	525	6,138
Other Taxes.....	-	581	-
Federal Revenues.....	548,364	-	-
Licenses and Fees.....	4,729	-	712
Departmental Services.....	5,714	748	2
Investment/Interest Income.....	4,883	126	204
Other Revenues.....	20,183	-	-
<b>Net Revenues.....</b>	<b>\$ 1,766,877</b>	<b>\$ 1,980</b>	<b>\$ 21,452</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Agricultural, Environmental and Energy Resources.....	\$ -	\$ -	\$ -
Economic and Workforce Development.....	-	-	-
General Education.....	-	-	-
General Government.....	-	2,091	-
Health and Human Services.....	-	-	-
Higher Education.....	-	-	-
Intergovernmental Aid.....	-	-	-
Public Safety and Corrections.....	94,216	908	-
Transportation.....	1,067,110	96	24,939
<b>Total Current Expenditures.....</b>	<b>\$ 1,161,326</b>	<b>\$ 3,095</b>	<b>\$ 24,939</b>
Capital Outlay.....	442,444	-	61
Debt Service.....	2,431	28	-
<b>Total Expenditures.....</b>	<b>\$ 1,606,201</b>	<b>\$ 3,123</b>	<b>\$ 25,000</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ 160,676</b>	<b>\$ (1,143)</b>	<b>\$ (3,548)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers-In.....	\$ 5,081	\$ -	\$ -
Transfers-Out.....	(180,826)	(1,003)	(1)
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (175,745)</b>	<b>\$ (1,003)</b>	<b>\$ (1)</b>
<b>Net Change in Fund Balances.....</b>	<b>\$ (15,069)</b>	<b>\$ (2,146)</b>	<b>\$ (3,549)</b>
Fund Balances, Beginning, as Reported.....	\$ 837,376	\$ 2,745	\$ 38,320
Prior Period Adjustment.....	-	-	-
Fund Balances, Beginning, as Restated.....	\$ 837,376	\$ 2,745	\$ 38,320
Fund Balances, Ending.....	<b>\$ 822,307</b>	<b>\$ 599</b>	<b>\$ 34,771</b>

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDATION
\$ -	\$ 29,171	\$ -	\$ -	\$ -	\$ -
96,814	368,572	-	-	-	-
74,913	285,192	-	21,643	-	-
-	-	-	-	-	57,599
272	214	-	420	32,430	-
-	-	26,445	24,763	62,489	36,917
-	-	-	28,998	1,620	1,747
1,065	3,559	143	99	1,064	3,291
-	-	71	1,438	163	927
<u>\$ 173,064</u>	<u>\$ 686,708</u>	<u>\$ 26,659</u>	<u>\$ 77,361</u>	<u>\$ 97,766</u>	<u>\$ 100,481</u>
\$ -	\$ -	\$ 6,041	\$ 76,808	\$ 105,972	\$ 108,144
-	-	4,551	-	-	835
-	-	-	160	-	-
-	-	-	-	-	290
-	-	-	-	-	869
-	-	-	-	-	-
-	-	-	-	-	69
182,605	639,497	-	5,670	-	-
<u>\$ 182,605</u>	<u>\$ 639,497</u>	<u>\$ 10,592</u>	<u>\$ 82,638</u>	<u>\$ 105,972</u>	<u>\$ 110,207</u>
-	-	-	1,065	4,057	154
-	-	-	-	-	-
<u>\$ 182,605</u>	<u>\$ 639,497</u>	<u>\$ 10,592</u>	<u>\$ 83,703</u>	<u>\$ 110,029</u>	<u>\$ 110,361</u>
<u>\$ (9,541)</u>	<u>\$ 47,211</u>	<u>\$ 16,067</u>	<u>\$ (6,342)</u>	<u>\$ (12,263)</u>	<u>\$ (9,880)</u>
\$ -	\$ -	\$ 892	\$ 19,411	\$ 15,002	\$ 82,626
(10)	(35)	(11,308)	(1,799)	(1,632)	(72,206)
<u>\$ (10)</u>	<u>\$ (35)</u>	<u>\$ (10,416)</u>	<u>\$ 17,612</u>	<u>\$ 13,370</u>	<u>\$ 10,420</u>
<u>\$ (9,551)</u>	<u>\$ 47,176</u>	<u>\$ 5,651</u>	<u>\$ 11,270</u>	<u>\$ 1,107</u>	<u>\$ 540</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>
-	-	-	-	-	-
<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>\$ 152,303</u>	<u>\$ 473,280</u>	<u>\$ 23,271</u>	<u>\$ 67,182</u>	<u>\$ 55,443</u>	<u>\$ 111,654</u>

CONTINUED

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2016  
 (IN THOUSANDS)**

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
<b>Net Revenues:</b>			
Sales Taxes.....	\$ -	\$ 306,953	\$ -
Motor Vehicle Taxes.....	-	-	-
Fuel Taxes.....	-	-	-
Other Taxes.....	6,860	-	-
Federal Revenues.....	-	-	-
Licenses and Fees.....	-	-	-
Departmental Services.....	458	-	5
Investment/Interest Income.....	8,162	2,515	255
Other Revenues.....	-	126	15,183
Net Revenues.....	<u>\$ 15,480</u>	<u>\$ 309,594</u>	<u>\$ 15,443</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Agricultural, Environmental and Energy Resources.....	\$ -	\$ 175,274	\$ 2,397
Economic and Workforce Development.....	7,762	8,138	222
General Education.....	-	20,488	2,081
General Government.....	-	38,478	469
Health and Human Services.....	-	4,812	508
Higher Education.....	-	-	-
Intergovernmental Aid.....	-	-	-
Public Safety and Corrections.....	-	-	244
Transportation.....	-	18,462	-
Total Current Expenditures.....	<u>\$ 7,762</u>	<u>\$ 265,652</u>	<u>\$ 5,921</u>
Capital Outlay.....	-	29,563	4,500
Debt Service.....	1,521	-	-
Total Expenditures.....	<u>\$ 9,283</u>	<u>\$ 295,215</u>	<u>\$ 10,421</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 6,197</u>	<u>\$ 14,379</u>	<u>\$ 5,022</u>
<b>Other Financing Sources (Uses):</b>			
Transfers-In.....	\$ -	\$ 15	\$ 11
Transfers-Out.....	-	(277)	-
Net Other Financing Sources (Uses).....	<u>\$ -</u>	<u>\$ (262)</u>	<u>\$ 11</u>
Net Change in Fund Balances.....	<u>\$ 6,197</u>	<u>\$ 14,117</u>	<u>\$ 5,033</u>
Fund Balances, Beginning, as Reported.....	\$ 216,996	\$ 396,857	\$ 29,124
Prior Period Adjustment.....	-	-	-
Fund Balances, Beginning, as Restated.....	<u>\$ 216,996</u>	<u>\$ 396,857</u>	<u>\$ 29,124</u>
Fund Balances, Ending.....	<u>\$ 223,193</u>	<u>\$ 410,974</u>	<u>\$ 34,157</u>



SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 341,065
-	-	-	-	1,141,781
-	-	-	-	904,475
81,711	676,362	54,729	26,873	904,715
-	-	-	10,147	591,847
2,501	-	-	204,524	363,080
4,465	28,257	-	102,518	174,532
477	5,149	249	1,492	32,733
-	98	-	358,108	396,297
<u>\$ 89,154</u>	<u>\$ 709,866</u>	<u>\$ 54,978</u>	<u>\$ 703,662</u>	<u>\$ 4,850,525</u>
\$ 715	\$ -	\$ -	\$ 79,822	\$ 555,173
71,618	-	51,398	39,722	184,246
-	-	-	21,735	44,464
6,850	1,665	-	30,482	80,325
-	774,080	-	337,381	1,117,650
-	2,157	-	22,356	24,513
-	-	-	612	612
-	-	-	119,393	214,830
-	-	-	94,400	2,032,779
<u>\$ 79,183</u>	<u>\$ 777,902</u>	<u>\$ 51,398</u>	<u>\$ 745,903</u>	<u>\$ 4,254,592</u>
-	-	-	7,291	489,135
-	432	-	464	4,876
<u>\$ 79,183</u>	<u>\$ 778,334</u>	<u>\$ 51,398</u>	<u>\$ 753,658</u>	<u>\$ 4,748,603</u>
\$ 9,971	\$ (68,468)	\$ 3,580	\$ (49,996)	\$ 101,922
\$ -	\$ -	\$ -	\$ 131,117	\$ 254,155
(337)	(93,790)	(1,444)	(26,228)	(390,896)
<u>\$ (337)</u>	<u>\$ (93,790)</u>	<u>\$ (1,444)</u>	<u>\$ 104,889</u>	<u>\$ (136,741)</u>
\$ 9,634	\$ (162,258)	\$ 2,136	\$ 54,893	\$ (34,819)
\$ 27,995	\$ 767,004	\$ 48,356	\$ 547,748	\$ 3,739,461
-	4,700	-	-	4,700
<u>\$ 27,995</u>	<u>\$ 771,704</u>	<u>\$ 48,356</u>	<u>\$ 547,748</u>	<u>\$ 3,744,161</u>
<u>\$ 37,629</u>	<u>\$ 609,446</u>	<u>\$ 50,492</u>	<u>\$ 602,641</u>	<u>\$ 3,709,342</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, 2016  
(IN THOUSANDS)**

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	1,150,646	1,133,447
Fuel Taxes.....	-	-	897,200	899,251
Other Taxes.....	-	-	-	-
Federal Revenue.....	359,975	426,391	-	-
Licenses and Fees.....	6,993	4,722	3,710	574
Departmental Services.....	9,468	10,217	900	790
Investment/Interest Income.....	4,825	4,558	698	692
Other Revenues.....	27,821	23,753	-	-
Net Revenues.....	\$ 409,082	\$ 469,641	\$ 2,053,154	\$ 2,034,754
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ -	\$ -	\$ -	\$ -
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
General Government.....	-	-	2,183	2,040
Health and Human Services.....	-	-	-	-
Higher Education.....	-	-	-	-
Intergovernmental Aid.....	-	-	28	28
Public Safety and Corrections.....	98,469	93,382	2,192	798
Transportation.....	1,439,308	1,307,533	96	96
Total Expenditures.....	\$ 1,537,777	\$ 1,400,915	\$ 4,499	\$ 2,962
Excess of Revenues Over (Under) Expenditures.....	\$ (1,128,695)	\$ (931,274)	\$ 2,048,655	\$ 2,031,792
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,197,776	\$ 1,187,181	\$ -	\$ -
Transfers-Out.....	(180,725)	(180,725)	(2,030,023)	(2,030,023)
Net Other Financing Sources (Uses).....	\$ 1,017,051	\$ 1,006,456	\$ (2,030,023)	\$ (2,030,023)
Net Change in Fund Balances.....	\$ (111,644)	\$ 75,182	\$ 18,632	\$ 1,769
Fund Balances, Beginning, as Reported.....	\$ 277,932	\$ 277,932	\$ 11,618	\$ 11,618
Prior Period Adjustments.....	-	29,627	-	(2,343)
Fund Balances, Beginning, as Restated.....	\$ 277,932	\$ 307,559	\$ 11,618	\$ 9,275
Budgetary Fund Balances, Ending.....	\$ 166,288	\$ 382,741	\$ 30,250	\$ 11,044
Less: Appropriation Carryover.....	-	196,717	-	1,537
Less: Reserved for Long-Term Receivables.....	-	-	-	-
Unassigned Fund Balance, Ending.....	\$ 166,288	\$ 186,024	\$ 30,250	\$ 9,507

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ 3,500	\$ 4,941	\$ -	\$ -	\$ 13,543	\$ 13,909
10,100	9,455	-	-	-	-
6,700	6,118	-	-	-	-
-	-	-	-	-	-
-	-	-	-	340	421
715	718	27,006	26,442	23,682	24,936
-	2	-	-	28,490	30,488
211	204	140	143	86	99
43	31	80	131	997	1,486
<u>\$ 21,269</u>	<u>\$ 21,469</u>	<u>\$ 27,226</u>	<u>\$ 26,716</u>	<u>\$ 67,138</u>	<u>\$ 71,339</u>
\$ -	\$ -	\$ 6,186	\$ 5,996	\$ 92,670	\$ 84,021
-	-	7,837	7,837	-	-
-	-	-	-	160	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,639	29,073	-	-	5,670	5,670
<u>\$ 29,639</u>	<u>\$ 29,073</u>	<u>\$ 14,023</u>	<u>\$ 13,833</u>	<u>\$ 98,500</u>	<u>\$ 89,851</u>
\$ (8,370)	\$ (7,604)	\$ 13,203	\$ 12,883	\$ (31,362)	\$ (18,512)
\$ -	\$ -	\$ 434	\$ 892	\$ 32,673	\$ 32,994
(1)	(1)	(11,308)	(11,308)	(6,412)	(5,662)
<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (10,874)</u>	<u>\$ (10,416)</u>	<u>\$ 26,261</u>	<u>\$ 27,332</u>
\$ (8,371)	\$ (7,605)	\$ 2,329	\$ 2,467	\$ (5,101)	\$ 8,820
\$ 26,738	\$ 26,738	\$ 11,764	\$ 11,764	\$ 32,458	\$ 32,458
-	642	-	179	-	938
<u>\$ 26,738</u>	<u>\$ 27,380</u>	<u>\$ 11,764</u>	<u>\$ 11,943</u>	<u>\$ 32,458</u>	<u>\$ 33,396</u>
\$ 18,367	\$ 19,775	\$ 14,093	\$ 14,410	\$ 27,357	\$ 42,216
-	4,252	-	5,792	-	17,416
-	2,141	-	-	-	-
<u>\$ 18,367</u>	<u>\$ 13,382</u>	<u>\$ 14,093</u>	<u>\$ 8,618</u>	<u>\$ 27,357</u>	<u>\$ 24,800</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, 2016  
 (IN THOUSANDS)**

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ 13,182	\$ 13,909	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-
Fuel Taxes.....	-	-	-	-
Other Taxes.....	-	-	56,289	57,375
Federal Revenue.....	31,719	34,038	-	-
Licenses and Fees.....	63,584	61,960	36,725	36,906
Departmental Services.....	1,591	1,680	2,027	1,735
Investment/Interest Income.....	152	191	142	176
Other Revenues.....	132	234	1,306	928
Net Revenues.....	<u>\$ 110,360</u>	<u>\$ 112,012</u>	<u>\$ 96,489</u>	<u>\$ 97,120</u>
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ 113,680	108,908	\$ 109,469	\$ 108,842
Economic and Workforce Development.....	-	-	797	797
General Education.....	-	-	-	-
General Government.....	-	-	748	290
Health and Human Services.....	-	-	986	854
Higher Education.....	-	-	-	-
Intergovernmental Aid.....	-	-	-	-
Public Safety and Corrections.....	-	-	70	69
Transportation.....	-	-	-	-
Total Expenditures.....	<u>\$ 113,680</u>	<u>\$ 108,908</u>	<u>\$ 112,070</u>	<u>\$ 110,852</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (3,320)</u>	<u>\$ 3,104</u>	<u>\$ (15,581)</u>	<u>\$ (13,732)</u>
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,046	\$ 1,046	\$ 19,379	\$ 19,412
Transfers-Out.....	(1,572)	(1,572)	(8,992)	(8,992)
Net Other Financing Sources (Uses).....	<u>\$ (526)</u>	<u>\$ (526)</u>	<u>\$ 10,387</u>	<u>\$ 10,420</u>
Net Change in Fund Balances.....	<u>\$ (3,846)</u>	<u>\$ 2,578</u>	<u>\$ (5,194)</u>	<u>\$ (3,312)</u>
Fund Balances, Beginning, as Reported.....	\$ 38,634	\$ 38,634	\$ 28,034	\$ 28,034
Prior Period Adjustments.....	-	733	-	3,641
Fund Balances, Beginning, as Restated.....	<u>\$ 38,634</u>	<u>\$ 39,367</u>	<u>\$ 28,034</u>	<u>\$ 31,675</u>
Budgetary Fund Balances, Ending.....	\$ 34,788	\$ 41,945	\$ 22,840	\$ 28,363
Less: Appropriation Carryover.....	-	13,433	-	16,784
Less: Reserved for Long-Term Receivables.....	-	-	-	577
Unassigned Fund Balance, Ending.....	<u>\$ 34,788</u>	<u>\$ 28,512</u>	<u>\$ 22,840</u>	<u>\$ 11,002</u>

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ 299,718	\$ 297,685	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	92,400	81,283	670,611	669,881
-	-	-	-	-	-
-	-	1,841	1,883	-	-
-	-	4,810	4,178	40,415	29,944
1,871	2,516	75	455	6,360	5,149
4	148	50	-	13,601	12,698
<u>\$ 301,593</u>	<u>\$ 300,349</u>	<u>\$ 99,176</u>	<u>\$ 87,799</u>	<u>\$ 730,987</u>	<u>\$ 717,672</u>
\$ 231,478	223,011	\$ 751	\$ 715	\$ -	\$ -
15,446	14,412	80,549	75,186	-	-
25,606	25,159	-	-	-	-
42,217	42,025	7,350	6,820	1,816	1,664
5,840	5,459	-	-	822,901	797,318
-	-	-	-	2,157	2,157
-	-	-	-	432	432
-	-	-	-	-	-
18,462	18,462	-	-	-	-
<u>\$ 339,049</u>	<u>\$ 328,528</u>	<u>\$ 88,650</u>	<u>\$ 82,721</u>	<u>\$ 827,306</u>	<u>\$ 801,571</u>
\$ (37,456)	\$ (28,179)	\$ 10,526	\$ 5,078	\$ (96,319)	\$ (83,899)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(32)	(32)	-	-	(93,687)	(93,687)
<u>\$ (32)</u>	<u>\$ (32)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,687)</u>	<u>\$ (93,687)</u>
\$ (37,488)	\$ (28,211)	\$ 10,526	\$ 5,078	\$ (190,006)	\$ (177,586)
\$ 155,500	\$ 155,500	\$ 44,138	\$ 44,138	\$ 662,388	\$ 662,388
-	35,753	-	1,283	-	10,803
<u>\$ 155,500</u>	<u>\$ 191,253</u>	<u>\$ 44,138</u>	<u>\$ 45,421</u>	<u>\$ 662,388</u>	<u>\$ 673,191</u>
\$ 118,012	\$ 163,042	\$ 54,664	\$ 50,499	\$ 472,382	\$ 495,605
-	141,552	-	10,847	-	24,838
-	-	-	-	-	-
<u>\$ 118,012</u>	<u>\$ 21,490</u>	<u>\$ 54,664</u>	<u>\$ 39,652</u>	<u>\$ 472,382</u>	<u>\$ 470,767</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, 2016 (IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ 329,943	\$ 330,444
Motor Vehicle Taxes.....	-	-	1,160,746	1,142,902
Fuel Taxes.....	-	-	903,900	905,369
Other Taxes.....	50,650	52,606	869,950	861,145
Federal Revenue.....	-	-	392,034	460,850
Licenses and Fees.....	-	-	164,256	158,141
Departmental Services.....	-	-	87,701	79,034
Investment/Interest Income.....	140	249	14,700	14,432
Other Revenues.....	-	-	44,034	39,409
Net Revenues.....	\$ 50,790	\$ 52,855	\$ 3,967,264	\$ 3,991,726
Expenditures:				
Agricultural Environmental and Energy Resources.....	\$ -	\$ -	\$ 554,234	\$ 531,493
Economic and Workforce Development.....	65,870	65,043	170,499	163,275
General Education.....	-	-	25,766	25,319
General Government.....	-	-	54,314	52,839
Health and Human Services.....	-	-	829,727	803,631
Higher Education.....	-	-	2,157	2,157
Intergovernmental Aid.....	-	-	460	460
Public Safety and Corrections.....	-	-	100,731	94,249
Transportation.....	-	-	1,493,175	1,360,834
Total Expenditures.....	\$ 65,870	\$ 65,043	\$ 3,231,063	\$ 3,034,257
Excess of Revenues Over (Under) Expenditures.....	\$ (15,080)	\$ (12,188)	\$ 736,201	\$ 957,469
Other Financing Sources (Uses):				
Transfers-In.....	\$ -	\$ -	\$ 1,251,308	\$ 1,241,525
Transfers-Out.....	-	-	(2,332,752)	(2,332,002)
Net Other Financing Sources (Uses).....	\$ -	\$ -	\$ (1,081,444)	\$ (1,090,477)
Net Change in Fund Balances.....	\$ (15,080)	\$ (12,188)	\$ (345,243)	\$ (133,008)
Fund Balances, Beginning, as Reported.....	\$ 20,728	\$ 20,728	\$ 1,309,932	\$ 1,309,932
Prior Period Adjustments.....	-	6,623	-	87,879
Fund Balances, Beginning, as Restated.....	\$ 20,728	\$ 27,351	\$ 1,309,932	\$ 1,397,811
Budgetary Fund Balances, Ending.....	\$ 5,648	\$ 15,163	\$ 964,689	\$ 1,264,803
Less: Appropriation Carryover.....	-	1,187	-	434,355
Less: Reserved for Long-Term Receivables.....	-	-	-	2,718
Unassigned Fund Balance, Ending.....	\$ 5,648	\$ 13,976	\$ 964,689	\$ 827,730

# 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, 2016 (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 Balance:	\$ 822,307	\$ 599	\$ 34,771	\$ 23,272	\$ 67,182	\$ 55,443	\$ 111,654	\$ 410,974	\$ 37,629	\$ 609,446	\$ 50,492
Less: Nonspendable Inventory	42,156	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	626,809	3	14,085	8,855	6,997	2,907	4,871	224,815	192	13,502	20,276
Unassigned Fund Balance	\$ 153,342	\$ 596	\$ 20,686	\$ 14,417	\$ 60,185	\$ 52,536	\$ 106,783	\$ 186,159	\$ 37,437	\$ 595,944	\$ 30,216
Basis of Accounting Differences:											
Revenue Accruals/Adjustments:											
Taxes Receivable	\$ (41,843)	\$ -	\$ (911)	\$ -	\$ -	\$ -	\$ (6,603)	\$ (23,966)	\$ -	\$ (107,165)	\$ (15,053)
Other Receivables	-	-	-	(7)	(17,450)	(828)	-	-	(2,303)	(367)	-
Investments at Market	-	-	-	-	-	(9,089)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	849	-
Other Payables	-	10,448	-	-	439	-	263	849	15,365	6,344	-
Other Financing Sources (Uses):											
Transfers-In	-	-	-	-	(2,361)	(1,074)	-	-	-	-	-
Transfers-Out	-	-	-	-	1,403	400	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(72,080)	-	-	-	-
Long-Term Receivables	-	-	(2,141)	-	-	-	(577)	-	-	-	-
Long-Term Commitments	271,242	-	-	-	-	-	-	-	-	-	-
Appropriation Carryover	(196,717)	(1,537)	(4,252)	(5,792)	(17,416)	(13,433)	(16,784)	(141,552)	(10,847)	(24,838)	(1,187)
Budgetary Basis:											
Unassigned Fund Balance	\$ 186,024	\$ 9,507	\$ 13,382	\$ 8,618	\$ 24,800	\$ 28,512	\$ 11,002	\$ 21,490	\$ 39,652	\$ 470,767	\$ 13,976





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# Nonmajor Capital Projects Funds

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**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, 2016  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 182,679	\$ 106,080	\$ 59,421	\$ 348,180
Loans and Notes Receivable.....	47	-	-	47
Total Assets.....	<u>\$ 182,726</u>	<u>\$ 106,080</u>	<u>\$ 59,421</u>	<u>\$ 348,227</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts Payable.....	\$ 67,177	\$ 12,970	\$ 45,331	\$ 125,478
Interfund Payables.....	3,924	-	-	3,924
Due to Component Unit.....	26,093	-	274	26,367
Total Liabilities.....	<u>\$ 97,194</u>	<u>\$ 12,970</u>	<u>\$ 45,605</u>	<u>\$ 155,769</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Restricted.....	\$ 85,532	\$ -	\$ 13,816	\$ 99,348
Assigned.....	-	93,110	-	93,110
Total Fund Balances.....	<u>\$ 85,532</u>	<u>\$ 93,110</u>	<u>\$ 13,816</u>	<u>\$ 192,458</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances.....	<u>\$ 182,726</u>	<u>\$ 106,080</u>	<u>\$ 59,421</u>	<u>\$ 348,227</u>

**STATE OF MINNESOTA**

**NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
<b>Net Revenues:</b>				
Investment/Interest Income.....	\$ 63	\$ -	\$ -	\$ 63
Other Revenues.....	60	-	-	60
Net Revenues.....	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123</u>
<b>Expenditures:</b>				
Current:				
Agricultural, Environmental and Energy Resources.....	\$ 34,141	\$ 10,511	\$ -	\$ 44,652
Economic and Workforce Development.....	45,859	56,080	-	101,939
General Education.....	11,542	-	-	11,542
General Government.....	211,083	1,619	224	212,926
Health and Human Services.....	5,146	-	-	5,146
Higher Education.....	52,783	-	-	52,783
Public Safety and Corrections.....	2,422	225	-	2,647
Transportation.....	33,926	23,875	82,915	140,716
Total Current Expenditures.....	<u>\$ 396,902</u>	<u>\$ 92,310</u>	<u>\$ 83,139</u>	<u>\$ 572,351</u>
Capital Outlay.....	227,691	5,553	304,338	537,582
Total Expenditures.....	<u>\$ 624,593</u>	<u>\$ 97,863</u>	<u>\$ 387,477</u>	<u>\$ 1,109,933</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (624,470)</u>	<u>\$ (97,863)</u>	<u>\$ (387,477)</u>	<u>\$ (1,109,810)</u>
<b>Other Financing Sources (Uses):</b>				
Bond Issuance.....	\$ 306,716	\$ -	\$ 355,688	\$ 662,404
Bond Issue Premium.....	52,527	-	8,012	60,539
Transfers-In.....	-	13,600	-	13,600
Transfers-Out.....	(63,228)	-	-	(63,228)
Net Other Financing Sources (Uses).....	<u>\$ 296,015</u>	<u>\$ 13,600</u>	<u>\$ 363,700</u>	<u>\$ 673,315</u>
Net Change in Fund Balances.....	<u>\$ (328,455)</u>	<u>\$ (84,263)</u>	<u>\$ (23,777)</u>	<u>\$ (436,495)</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 413,987</u>	<u>\$ 177,373</u>	<u>\$ 37,593</u>	<u>\$ 628,953</u>
Fund Balances, Ending.....	<u>\$ 85,532</u>	<u>\$ 93,110</u>	<u>\$ 13,816</u>	<u>\$ 192,458</u>

2016  
Comprehensive  
Annual  
Financial Report

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# Nonmajor Enterprise Funds

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## **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.

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# Nonmajor Enterprise Funds – Continued

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**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, 2016**  
**(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 325	\$ 37,906	\$ 4,438	\$ 13,453
Accounts Receivable.....	3,031	4,599	62	5,844
Interfund Receivables.....	-	-	-	-
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	669	184	7,123
Prepaid Expenses.....	-	-	-	544
Other Assets.....	-	-	-	71
Total Current Assets.....	<u>\$ 3,356</u>	<u>\$ 43,174</u>	<u>\$ 4,684</u>	<u>\$ 27,035</u>
Noncurrent Assets:				
Accounts Receivable.....	\$ 873	\$ 2	\$ -	\$ 8
Depreciable Capital Assets (Net).....	305	445	22,095	6,231
Nondepreciable Capital Assets.....	-	3	1,758	-
Total Noncurrent Assets.....	<u>\$ 1,178</u>	<u>\$ 450</u>	<u>\$ 23,853</u>	<u>\$ 6,239</u>
Total Assets.....	<u>\$ 4,534</u>	<u>\$ 43,624</u>	<u>\$ 28,537</u>	<u>\$ 33,274</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Outflows.....	\$ 520	\$ 367	\$ 58	\$ 4,014
Total Deferred Outflows of Resources.....	<u>\$ 520</u>	<u>\$ 367</u>	<u>\$ 58</u>	<u>\$ 4,014</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ 8,931	\$ 24,067	\$ 1,499	\$ 2,076
Interfund Payables.....	1,773	-	-	-
Due to Component Unit.....	-	-	-	-
Unearned Revenue.....	-	17	-	-
Accrued Interest Payable.....	-	-	-	-
Bonds and Notes Payable.....	-	-	-	-
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	186	58	26	160
Total Current Liabilities.....	<u>\$ 10,890</u>	<u>\$ 24,142</u>	<u>\$ 1,525</u>	<u>\$ 2,236</u>
Noncurrent Liabilities:				
Unearned Revenue.....	\$ -	\$ -	\$ -	\$ -
Bonds and Notes Payable.....	-	-	-	-
Compensated Absences Payable.....	961	489	147	1,164
Other Postemployment Benefits.....	265	84	-	190
Net Pension Liability.....	4,073	2,873	447	19,571
Total Noncurrent Liabilities.....	<u>\$ 5,299</u>	<u>\$ 3,446</u>	<u>\$ 594</u>	<u>\$ 20,925</u>
Total Liabilities.....	<u>\$ 16,189</u>	<u>\$ 27,588</u>	<u>\$ 2,119</u>	<u>\$ 23,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Inflows.....	\$ 4,308	\$ 3,040	\$ 473	\$ 5,030
Total Deferred Inflows of Resources.....	<u>\$ 4,308</u>	<u>\$ 3,040</u>	<u>\$ 473</u>	<u>\$ 5,030</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets.....	\$ 305	\$ 448	\$ 23,853	\$ 6,231
Restricted for:				
Economic and Workforce Development.....	\$ -	\$ -	\$ 2,150	\$ -
Public Safety and Corrections.....	-	-	-	2,866
Other Purposes.....	-	12,915	-	-
Total Restricted.....	<u>\$ -</u>	<u>\$ 12,915</u>	<u>\$ 2,150</u>	<u>\$ 2,866</u>
Unrestricted.....	\$ (15,748)	\$ -	\$ -	\$ -
Total Net Position.....	<u>\$ (15,443)</u>	<u>\$ 13,363</u>	<u>\$ 26,003</u>	<u>\$ 9,097</u>

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 870	\$ 40,739	\$ 44,815	\$ 369	\$ 29,828	\$ 5,135	\$ 177,878
4,233	122	4,244	1,243	4,997	4,352	32,727
-	1,002	-	-	-	1,773	2,775
6,641	-	-	-	-	-	6,641
-	-	-	-	1,283	-	9,259
-	-	-	-	473	166	1,183
-	-	-	-	-	-	71
<u>\$ 11,744</u>	<u>\$ 41,863</u>	<u>\$ 49,059</u>	<u>\$ 1,612</u>	<u>\$ 36,581</u>	<u>\$ 11,426</u>	<u>\$ 230,534</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616	\$ 1,499
39,729	109,008	-	54	1,285	1,617	180,769
-	14,139	-	-	-	786	16,686
<u>\$ 39,729</u>	<u>\$ 123,147</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 1,285</u>	<u>\$ 3,019</u>	<u>\$ 198,954</u>
<u>\$ 51,473</u>	<u>\$ 165,010</u>	<u>\$ 49,059</u>	<u>\$ 1,666</u>	<u>\$ 37,866</u>	<u>\$ 14,445</u>	<u>\$ 429,488</u>
\$ 516	\$ 230	\$ 9	\$ 259	\$ 646	\$ 1,478	\$ 8,097
<u>\$ 516</u>	<u>\$ 230</u>	<u>\$ 9</u>	<u>\$ 259</u>	<u>\$ 646</u>	<u>\$ 1,478</u>	<u>\$ 8,097</u>
\$ 9,694	\$ 2,999	\$ 1,891	\$ 295	\$ 16,892	\$ 8,844	\$ 77,188
1,000	-	-	-	18,061	-	20,834
-	6	-	-	-	-	6
-	-	2,285	-	800	-	3,102
-	402	-	-	-	-	402
-	13,370	-	-	-	165	13,535
-	-	10,428	-	-	-	10,428
80	92	7	167	196	1,116	2,088
<u>\$ 10,774</u>	<u>\$ 16,869</u>	<u>\$ 14,611</u>	<u>\$ 462</u>	<u>\$ 35,949</u>	<u>\$ 10,125</u>	<u>\$ 127,583</u>
\$ -	\$ -	\$ -	\$ -	\$ 393	\$ -	\$ 393
-	96,573	-	-	-	172	96,745
431	505	42	750	1,347	5,877	11,713
42	-	2	88	177	2,040	2,888
4,036	1,800	69	2,024	5,054	11,571	51,518
<u>\$ 4,509</u>	<u>\$ 98,878</u>	<u>\$ 113</u>	<u>\$ 2,862</u>	<u>\$ 6,971</u>	<u>\$ 19,660</u>	<u>\$ 163,257</u>
<u>\$ 15,283</u>	<u>\$ 115,747</u>	<u>\$ 14,724</u>	<u>\$ 3,324</u>	<u>\$ 42,920</u>	<u>\$ 29,785</u>	<u>\$ 290,840</u>
\$ 4,267	\$ 1,904	\$ 73	\$ 2,140	\$ 5,343	\$ 12,235	\$ 38,813
<u>\$ 4,267</u>	<u>\$ 1,904</u>	<u>\$ 73</u>	<u>\$ 2,140</u>	<u>\$ 5,343</u>	<u>\$ 12,235</u>	<u>\$ 38,813</u>
\$ 39,729	\$ 26,779	\$ -	\$ 54	\$ 1,285	\$ 2,066	\$ 100,750
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,150
-	20,810	-	-	-	-	23,676
-	-	34,271	-	-	-	47,186
<u>\$ -</u>	<u>\$ 20,810</u>	<u>\$ 34,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,012</u>
<u>\$ (7,290)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,593)</u>	<u>\$ (11,036)</u>	<u>\$ (28,163)</u>	<u>\$ (65,830)</u>
<u>\$ 32,439</u>	<u>\$ 47,589</u>	<u>\$ 34,271</u>	<u>\$ (3,539)</u>	<u>\$ (9,751)</u>	<u>\$ (26,097)</u>	<u>\$ 107,932</u>

**STATE OF MINNESOTA**

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ 10,854	\$ 27,438	\$ 3,902	\$ 47,428
Insurance Premiums.....	-	-	-	-
Other Income.....	-	178	-	3,712
Total Operating Revenues.....	\$ 10,854	\$ 27,616	\$ 3,902	\$ 51,140
Less: Cost of Goods Sold.....	-	2,571	540	19,626
Gross Margin.....	\$ 10,854	\$ 25,045	\$ 3,362	\$ 31,514
Operating Expenses:				
Purchased Services.....	\$ 3,615	\$ 3,491	\$ 4,244	\$ 3,789
Salaries and Fringe Benefits.....	10,932	8,840	1,467	10,951
Claims.....	251	-	-	-
Depreciation and Amortization.....	664	87	1,590	1,099
Supplies and Materials.....	940	138	657	1,078
Repairs and Maintenance.....	19	36	39	404
Indirect Costs.....	971	239	-	1,064
Other Expenses.....	13	68	173	8,374
Total Operating Expenses.....	\$ 17,405	\$ 12,899	\$ 8,170	\$ 26,759
Operating Income (Loss).....	\$ (6,551)	\$ 12,146	\$ (4,808)	\$ 4,755
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 35	\$ 5	\$ -	\$ 92
Federal Grants.....	-	-	-	-
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	-	-	(1)	-
Grants, Aids and Subsidies.....	(4)	-	(10)	(3,810)
Other Nonoperating Expenses.....	-	(12,895)	-	-
Gain (Loss) on Disposal of Capital Assets.....	-	-	(803)	-
Total Nonoperating Revenues (Expenses).....	\$ 31	\$ (12,890)	\$ (814)	\$ (3,718)
Income (Loss) Before Transfers and Contributions.....	\$ (6,520)	\$ (744)	\$ (5,622)	\$ 1,037
Capital Contributions.....	-	-	3,800	-
Transfers-In.....	9,626	2,888	5,588	-
Transfers-Out.....	-	-	-	(1,000)
Change in Net Position.....	\$ 3,106	\$ 2,144	\$ 3,766	\$ 37
Net Position, Beginning, as Reported.....	\$ (18,549)	\$ 11,219	\$ 22,237	\$ 9,060
Net Position, Ending.....	\$ (15,443)	\$ 13,363	\$ 26,003	\$ 9,097



MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ 68,500	\$ -	\$ 6,792	\$ 592,806	\$ 93,016	\$ 850,736
-	-	108,967	-	-	-	108,967
18,664	-	354	1	-	-	22,909
\$ 18,664	\$ 68,500	\$ 109,321	\$ 6,793	\$ 592,806	\$ 93,016	\$ 982,612
-	-	-	-	421,466	-	444,203
\$ 18,664	\$ 68,500	\$ 109,321	\$ 6,793	\$ 171,340	\$ 93,016	\$ 538,409
\$ 24,269	\$ 17,976	\$ 7,057	\$ 521	\$ 12,529	\$ 8,950	\$ 86,441
14,121	5,238	170	5,073	10,969	42,295	110,056
-	-	98,252	-	-	2	98,505
4,414	11,788	-	41	598	175	20,456
45	910	-	149	963	2,488	7,368
33	514	-	24	-	489	1,558
62	27	6	-	-	3,174	5,543
-	30	720	10	335	149	9,872
\$ 42,944	\$ 36,483	\$ 106,205	\$ 5,818	\$ 25,394	\$ 57,722	\$ 339,799
\$ (24,280)	\$ 32,017	\$ 3,116	\$ 975	\$ 145,946	\$ 35,294	\$ 198,610
\$ 8	\$ 7	\$ 271	\$ -	\$ 254	\$ 32	\$ 704
26,057	-	-	-	-	-	26,057
8,014	-	-	-	60	-	8,074
-	(4,115)	-	-	-	(32)	(4,148)
-	(16,309)	-	-	-	(877)	(21,010)
(7,816)	-	-	-	-	-	(20,711)
-	(331)	-	-	-	91	(1,043)
\$ 26,263	\$ (20,748)	\$ 271	\$ -	\$ 314	\$ (786)	\$ (12,077)
\$ 1,983	\$ 11,269	\$ 3,387	\$ 975	\$ 146,260	\$ 34,508	\$ 186,533
37,066	-	-	-	-	-	40,866
-	-	-	-	-	14,282	32,384
-	(684)	-	-	(144,679)	-	(146,363)
\$ 39,049	\$ 10,585	\$ 3,387	\$ 975	\$ 1,581	\$ 48,790	\$ 113,420
\$ (6,610)	\$ 37,004	\$ 30,884	\$ (4,514)	\$ (11,332)	\$ (74,887)	\$ (5,488)
\$ 32,439	\$ 47,589	\$ 34,271	\$ (3,539)	\$ (9,751)	\$ (26,097)	\$ 107,932

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers.....	\$ 10,042	\$ 26,741	\$ 3,847	\$ 46,102
Receipts from Other Revenues.....	-	178	-	3,712
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(4,068)	(16,859)	(3,628)	(33,839)
Payments to Employees.....	(14,164)	(7,795)	(1,821)	(10,951)
Payments to Others.....	(1,241)	(379)	-	(3,810)
Net Cash Flows from Operating Activities.....	\$ (9,431)	\$ 1,886	\$ (1,602)	\$ 1,214
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grant Receipts.....	\$ -	\$ -	\$ -	\$ -
Grant Disbursements.....	-	-	(9)	-
Transfers-In.....	-	2,888	5,588	-
Transfers-Out.....	-	-	-	(1,000)
Advances from Other Funds.....	9,626	-	-	-
Repayment Receipts of Advances to Other Funds.....	2,600	-	-	-
Repayment of Advances from Other Funds.....	(3,089)	-	-	-
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	-	-	(1)	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 9,137	\$ 2,888	\$ 5,578	\$ (1,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Investment in Capital Assets.....	\$ -	\$ -	\$ (7,559)	\$ (3,149)
Proceeds from Disposal of Capital Assets.....	-	-	-	53
Capital Lease Payments.....	-	-	(26)	-
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	-	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ -	\$ -	\$ (7,585)	\$ (3,096)
<b>Cash Flows from Investing Activities:</b>				
Investment Earnings.....	\$ 29	\$ 5	\$ -	\$ 92
Net Cash Flows from Investing Activities.....	\$ 29	\$ 5	\$ -	\$ 92
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (265)	\$ 4,779	\$ (3,609)	\$ (2,790)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 590	\$ 33,127	\$ 8,047	\$ 16,243
Cash and Cash Equivalents, Ending.....	\$ 325	\$ 37,906	\$ 4,438	\$ 13,453
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss).....	\$ (6,551)	\$ 12,146	\$ (4,808)	\$ 4,755
<b>Adjustments to Reconcile Operating Income to</b>				
<b>Net Cash Flows from Operating Activities:</b>				
Depreciation and Amortization.....	\$ 664	\$ 87	\$ 1,590	\$ 1,099
Miscellaneous Nonoperating Revenues.....	-	-	813	-
Miscellaneous Nonoperating Expenses.....	-	(12,892)	-	(3,810)
<b>Change in Assets, Liabilities, Deferred Outflows and Inflows:</b>				
Accounts Receivable.....	(812)	(704)	(53)	(1,379)
Inventories.....	-	(73)	(21)	437
Other Assets.....	-	-	-	94
Deferred Pension Outflows.....	41	(140)	8	(3,587)
Accounts Payable.....	500	2,328	1,297	246
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	(205)	(143)	13	114
Unearned Revenues.....	-	1	-	-
Net Pension Liability.....	(1,009)	825	(153)	4,972
Other Liabilities.....	82	10	-	143
Deferred Pension Inflows.....	(2,141)	441	(288)	(1,870)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ (2,880)	\$ (10,260)	\$ 3,206	\$ (3,541)
Net Cash Flows from Operating Activities.....	\$ (9,431)	\$ 1,886	\$ (1,602)	\$ 1,214
<b>Noncash Investing, Capital and Financing Activities:</b>				
Transferred Capital Assets from Governmental Activities.....	\$ -	\$ -	\$ 3,800	\$ -
Bond Premium Amortization.....	-	-	-	-

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ 68,157	\$ 110,412	\$ 6,730	\$ 594,585	\$ 94,373	\$ 960,989
29,402	-	-	-	15	-	33,307
-	-	(93,693)	-	(362,752)	-	(456,445)
(20,948)	(19,135)	(7,133)	(969)	(31,810)	(7,930)	(146,319)
(12,659)	(5,985)	(169)	(5,792)	(12,391)	(89,387)	(161,114)
(7,816)	-	(828)	-	(35,637)	(3,323)	(53,034)
<u>\$ (12,021)</u>	<u>\$ 43,037</u>	<u>\$ 8,589</u>	<u>\$ (31)</u>	<u>\$ 152,010</u>	<u>\$ (6,267)</u>	<u>\$ 177,384</u>
\$ 23,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,604
-	(17,389)	-	-	-	(877)	(18,275)
-	-	-	-	-	14,282	22,758
-	(684)	-	-	(146,730)	-	(148,414)
-	-	-	-	-	-	9,626
-	-	-	-	-	-	2,600
(4,000)	-	-	-	-	(1,698)	(8,787)
-	(12,810)	-	-	-	-	(12,810)
-	(5,401)	-	-	-	-	(5,402)
<u>\$ 19,604</u>	<u>\$ (36,284)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (146,730)</u>	<u>\$ 11,707</u>	<u>\$ (135,100)</u>
\$ (7,077)	\$ (5,846)	\$ -	\$ -	\$ (685)	\$ -	\$ (24,316)
-	-	-	-	60	91	204
-	-	-	-	-	(12)	(38)
-	-	-	-	-	(379)	(379)
-	-	-	-	-	(5)	(5)
<u>\$ (7,077)</u>	<u>\$ (5,846)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625)</u>	<u>\$ (305)</u>	<u>\$ (24,534)</u>
\$ 8	\$ 7	\$ 271	\$ -	\$ 254	\$ -	\$ 666
<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 666</u>
\$ 514	\$ 914	\$ 8,860	\$ (31)	\$ 4,909	\$ 5,135	\$ 18,416
\$ 356	\$ 39,825	\$ 35,955	\$ 400	\$ 24,919	\$ -	\$ 159,462
<u>\$ 870</u>	<u>\$ 40,739</u>	<u>\$ 44,815</u>	<u>\$ 369</u>	<u>\$ 29,828</u>	<u>\$ 5,135</u>	<u>\$ 177,878</u>
<u>\$ (24,280)</u>	<u>\$ 32,017</u>	<u>\$ 3,116</u>	<u>\$ 975</u>	<u>\$ 145,946</u>	<u>\$ 35,294</u>	<u>\$ 198,610</u>
\$ 4,414	\$ 11,788	\$ -	\$ 41	\$ 598	\$ 175	\$ 20,456
8,014	-	-	-	-	-	8,827
(7,816)	-	-	-	-	-	(24,518)
2,724	(343)	3,698	(63)	1,691	1,357	6,116
-	-	-	-	(65)	-	278
-	-	-	-	197	-	291
(189)	(14)	(2)	(16)	(64)	2,129	(1,834)
3,461	322	(682)	(198)	5,087	3,999	16,360
-	-	2,052	-	-	-	2,052
43	(6)	1	49	2	147	15
-	-	406	-	105	-	512
1,076	(153)	6	(177)	(196)	(21,057)	(15,866)
21	-	1	11	30	867	1,165
511	(574)	(7)	(653)	(1,321)	(29,178)	(35,080)
<u>\$ 12,259</u>	<u>\$ 11,020</u>	<u>\$ 5,473</u>	<u>\$ (1,006)</u>	<u>\$ 6,064</u>	<u>\$ (41,561)</u>	<u>\$ (21,226)</u>
<u>\$ (12,021)</u>	<u>\$ 43,037</u>	<u>\$ 8,589</u>	<u>\$ (31)</u>	<u>\$ 152,010</u>	<u>\$ (6,267)</u>	<u>\$ 177,384</u>
\$ 37,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,866
-	1,240	-	-	-	-	1,240



2016  
Comprehensive  
Annual  
Financial Report

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# Internal Service Funds

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**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, 2016  
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents.....	\$ 3,332	\$ 1,044	\$ 228,355
Accounts Receivable.....	1,205	3,087	16,531
Inventories.....	-	5	-
Prepaid Expenses.....	-	1,134	-
Total Current Assets.....	<u>\$ 4,537</u>	<u>\$ 5,270</u>	<u>\$ 244,886</u>
Noncurrent Assets:			
Depreciable Capital Assets (Net).....	\$ 25,499	\$ 579	\$ -
Nondepreciable Capital Assets.....	-	-	-
Prepaid Expenses.....	-	-	-
Total Noncurrent Assets.....	<u>\$ 25,499</u>	<u>\$ 579</u>	<u>\$ -</u>
Total Assets.....	<u>\$ 30,036</u>	<u>\$ 5,849</u>	<u>\$ 244,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows.....	\$ 36	\$ 247	\$ 201
Total Deferred Outflows of Resources.....	<u>\$ 36</u>	<u>\$ 247</u>	<u>\$ 201</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable.....	\$ 2,042	\$ 2,602	\$ 16,509
Interfund Payables.....	-	-	-
Unearned Revenue.....	-	-	5,282
Accrued Interest Payable.....	15	-	-
Bonds and Notes Payable.....	5,953	-	-
Claims Payable.....	-	-	70,387
Compensated Absences Payable.....	6	33	39
Total Current Liabilities.....	<u>\$ 8,016</u>	<u>\$ 2,635</u>	<u>\$ 92,217</u>
Noncurrent Liabilities:			
Bonds and Notes Payable.....	\$ 7,416	\$ -	\$ -
Compensated Absences Payable.....	60	401	367
Other Postemployment Benefits.....	10	65	45
Net Pension Liability.....	280	1,929	1,568
Total Noncurrent Liabilities.....	<u>\$ 7,766</u>	<u>\$ 2,395</u>	<u>\$ 1,980</u>
Total Liabilities.....	<u>\$ 15,782</u>	<u>\$ 5,030</u>	<u>\$ 94,197</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows.....	\$ 296	\$ 2,040	\$ 1,659
Total Deferred Inflows of Resources.....	<u>\$ 296</u>	<u>\$ 2,040</u>	<u>\$ 1,659</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	\$ 12,130	\$ 579	\$ -
Unrestricted .....	\$ 1,864	\$ (1,553)	\$ 149,231
Total Net Position.....	<u>\$ 13,994</u>	<u>\$ (974)</u>	<u>\$ 149,231</u>

<u>MN.IT SERVICES</u>	<u>PLANT MANAGEMENT</u>	<u>RISK MANAGEMENT</u>	<u>TOTAL</u>
\$ 13,540	\$ 15,618	\$ 24,964	\$ 286,853
88,422	901	297	110,443
-	153	-	158
13,783	1	39	14,957
<u>\$ 115,745</u>	<u>\$ 16,673</u>	<u>\$ 25,300</u>	<u>\$ 412,411</u>
\$ 22,056	\$ 8,678	\$ 296	\$ 57,108
13,465	313	-	13,778
1,148	-	-	1,148
<u>\$ 36,669</u>	<u>\$ 8,991</u>	<u>\$ 296</u>	<u>\$ 72,034</u>
<u>\$ 152,414</u>	<u>\$ 25,664</u>	<u>\$ 25,596</u>	<u>\$ 484,445</u>
\$ 12,120	\$ 743	\$ 63	\$ 13,410
<u>\$ 12,120</u>	<u>\$ 743</u>	<u>\$ 63</u>	<u>\$ 13,410</u>
\$ 22,011	\$ 7,784	\$ 245	\$ 51,193
60,017	-	-	60,017
32,992	-	145	38,419
11	-	-	26
5,101	-	-	11,054
-	-	9,523	79,910
2,506	224	32	2,840
<u>\$ 122,638</u>	<u>\$ 8,008</u>	<u>\$ 9,945</u>	<u>\$ 243,459</u>
\$ 4,867	\$ -	\$ -	\$ 12,283
21,155	1,358	205	23,546
667	294	13	1,094
94,825	5,813	490	104,905
<u>\$ 121,514</u>	<u>\$ 7,465</u>	<u>\$ 708</u>	<u>\$ 141,828</u>
<u>\$ 244,152</u>	<u>\$ 15,473</u>	<u>\$ 10,653</u>	<u>\$ 385,287</u>
\$ 100,266	\$ 6,147	\$ 518	\$ 110,926
<u>\$ 100,266</u>	<u>\$ 6,147</u>	<u>\$ 518</u>	<u>\$ 110,926</u>
\$ 25,553	\$ 8,991	\$ 296	\$ 47,549
\$ (205,437)	\$ (4,204)	\$ 14,192	\$ (45,907)
<u>\$ (179,884)</u>	<u>\$ 4,787</u>	<u>\$ 14,488</u>	<u>\$ 1,642</u>

# STATE OF MINNESOTA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2016 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales.....	\$ 13,216	\$ 17,153	\$ -
Insurance Premiums.....	-	-	824,818
Other Income.....	71	1,515	7,358
Total Operating Revenues.....	<u>\$ 13,287</u>	<u>\$ 18,668</u>	<u>\$ 832,176</u>
Operating Expenses:			
Purchased Services.....	\$ 847	\$ 13,832	\$ 80,997
Salaries and Fringe Benefits.....	551	4,632	3,796
Claims.....	-	-	770,413
Depreciation and Amortization.....	5,443	9	-
Supplies and Materials.....	3,129	289	21
Repairs and Maintenance.....	1,245	32	3
Indirect Costs.....	222	96	86
Other Expenses.....	128	29	4,873
Total Operating Expenses.....	<u>\$ 11,565</u>	<u>\$ 18,919</u>	<u>\$ 860,189</u>
Operating Income (Loss).....	<u>\$ 1,722</u>	<u>\$ (251)</u>	<u>\$ (28,013)</u>
Nonoperating Revenues (Expenses):			
Investment Income.....	\$ 95	\$ -	\$ 1,650
Interest and Financing Costs.....	(189)	-	-
Other Nonoperating Expenses.....	(2,010)	-	-
Gain (Loss) on Disposal of Capital Assets.....	759	-	-
Total Nonoperating Revenues (Expenses).....	<u>\$ (1,345)</u>	<u>\$ -</u>	<u>\$ 1,650</u>
Income (Loss) Before Transfers and Contributions.....	\$ 377	\$ (251)	\$ (26,363)
Transfers-In.....	-	55	-
Transfers-Out.....	-	-	(21)
Change in Net Position.....	<u>\$ 377</u>	<u>\$ (196)</u>	<u>\$ (26,384)</u>
Net Position, Beginning, as Reported.....	\$ 13,617	\$ (778)	\$ 175,615
Net Position, Ending.....	<u>\$ 13,994</u>	<u>\$ (974)</u>	<u>\$ 149,231</u>



MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 346,960	\$ 65,295	\$ 50	\$ 442,674
-	-	11,760	836,578
-	-	-	8,944
<u>\$ 346,960</u>	<u>\$ 65,295</u>	<u>\$ 11,810</u>	<u>\$ 1,288,196</u>
\$ 112,721	\$ 14,175	\$ 4,604	\$ 227,176
180,987	10,871	1,184	202,021
-	-	1,140	771,553
9,381	524	37	15,394
11,495	2,597	8	17,539
6,936	7,625	-	15,841
1,038	824	235	2,501
34	220	2	5,286
<u>\$ 322,592</u>	<u>\$ 36,836</u>	<u>\$ 7,210</u>	<u>\$ 1,257,311</u>
<u>\$ 24,368</u>	<u>\$ 28,459</u>	<u>\$ 4,600</u>	<u>\$ 30,885</u>
\$ 80	\$ -	\$ 170	\$ 1,995
(436)	-	-	(625)
(2,455)	-	(2,519)	(6,984)
-	34	-	793
<u>\$ (2,811)</u>	<u>\$ 34</u>	<u>\$ (2,349)</u>	<u>\$ (4,821)</u>
\$ 21,557	\$ 28,493	\$ 2,251	\$ 26,064
-	-	-	55
(24)	(30,205)	-	(30,250)
<u>\$ 21,533</u>	<u>\$ (1,712)</u>	<u>\$ 2,251</u>	<u>\$ (4,131)</u>
\$ (201,417)	\$ 6,499	\$ 12,237	\$ 5,773
<u>\$ (179,884)</u>	<u>\$ 4,787</u>	<u>\$ 14,488</u>	<u>\$ 1,642</u>

# STATE OF MINNESOTA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers.....	\$ 14,251	\$ 16,892	\$ 826,024
Receipts from Other Revenues.....	71	993	7,359
Payments to Claimants.....	-	-	(776,204)
Payments to Suppliers.....	(5,699)	(13,581)	(83,605)
Payments to Employees.....	(643)	(4,595)	(3,841)
Payments to Others.....	(2,010)	-	(5,937)
Net Cash Flows from Operating Activities.....	<u>\$ 5,970</u>	<u>\$ (291)</u>	<u>\$ (36,204)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers-Out.....	\$ -	\$ -	\$ (21)
Advances from Other Funds.....	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Investment in Capital Assets.....	\$ (10,658)	\$ (563)	\$ -
Proceeds from Disposal of Capital Assets.....	3,381	-	-
Proceeds from Loans.....	7,941	-	-
Repayment of Loan Principal.....	(7,319)	-	-
Interest Paid.....	(186)	-	-
Net Cash Flows from Capital and Related Financing Activities..	<u>\$ (6,841)</u>	<u>\$ (563)</u>	<u>\$ -</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ 14,559
Investment Earnings.....	\$ 95	\$ -	\$ 1,767
Net Cash Flows from Investing Activities.....	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 16,326</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (776)</u>	<u>\$ (854)</u>	<u>\$ (19,899)</u>
Cash and Cash Equivalents, Beginning, as Reported.....	4,108	1,898	248,254
Cash and Cash Equivalents, Ending.....	<u><u>\$ 3,332</u></u>	<u><u>\$ 1,044</u></u>	<u><u>\$ 228,355</u></u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Flows from Operating Activities:</b>			
Operating Income (Loss).....	\$ 1,722	\$ (251)	\$ (28,013)
<b>Adjustments to Reconcile Operating Income to</b>			
<b>Net Cash Flows from Operating Activities:</b>			
Depreciation and Amortization.....	\$ 5,443	\$ 9	\$ -
Miscellaneous Nonoperating Revenues.....	-	56	-
Miscellaneous Nonoperating Expenses.....	(2,010)	-	-
<b>Change in Assets, Liabilities, Deferred Outflows and Inflows:</b>			
Accounts Receivable.....	1,035	(55)	(2,073)
Inventories.....	-	(5)	-
Other Assets.....	-	(881)	-
Deferred Pension Outflows.....	(4)	(26)	(40)
Accounts Payable.....	(128)	1,467	(5,675)
Claims Payable.....	-	-	(893)
Compensated Absences Payable.....	-	(53)	15
Unearned Revenues.....	-	-	535
Net Pension Liability.....	(13)	(70)	115
Other Liabilities.....	-	16	11
Deferred Pension Inflows.....	(75)	(498)	(186)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 4,248</u>	<u>\$ (40)</u>	<u>\$ (8,191)</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ 5,970</u></u>	<u><u>\$ (291)</u></u>	<u><u>\$ (36,204)</u></u>

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 320,078	\$ 73,054	\$ 11,796	\$ 1,262,095
-	-	-	8,423
-	-	(3,186)	(779,390)
(126,964)	(23,794)	(4,897)	(258,540)
(197,860)	(14,951)	(1,072)	(222,962)
(2,457)	-	(2,519)	(12,923)
<u>\$ (7,203)</u>	<u>\$ 34,309</u>	<u>\$ 122</u>	<u>\$ (3,297)</u>
\$ (24)	\$ (30,205)	\$ -	\$ (30,250)
35,017	-	-	35,017
<u>\$ 34,993</u>	<u>\$ (30,205)</u>	<u>\$ -</u>	<u>\$ 4,767</u>
\$ (17,351)	\$ (2,226)	\$ -	\$ (30,798)
-	394	-	3,775
3,591	-	-	11,532
(5,842)	-	-	(13,161)
(436)	-	-	(622)
<u>\$ (20,038)</u>	<u>\$ (1,832)</u>	<u>\$ -</u>	<u>\$ (29,274)</u>
\$ -	\$ -	\$ -	\$ 14,559
\$ 80	\$ -	\$ 170	\$ 2,112
\$ 80	\$ -	\$ 170	\$ 16,671
\$ 7,832	\$ 2,272	\$ 292	\$ (11,133)
5,708	13,346	24,672	297,986
<u>\$ 13,540</u>	<u>\$ 15,618</u>	<u>\$ 24,964</u>	<u>\$ 286,853</u>
<u>\$ 24,368</u>	<u>\$ 28,459</u>	<u>\$ 4,600</u>	<u>\$ 30,885</u>
\$ 9,381	\$ 524	\$ 37	\$ 15,394
-	-	-	56
(2,455)	-	(2,519)	(6,984)
(31,677)	8,262	1	(24,507)
-	85	-	80
1,509	1	18	647
(1,206)	51	(19)	(1,244)
2,459	1,216	(2,101)	(2,762)
			(893)
14,412	17	9	14,400
4,799	(13)	(15)	5,306
(3,922)	(1,367)	95	(5,162)
197	40	-	264
(25,068)	(2,966)	16	(28,777)
<u>\$ (31,571)</u>	<u>\$ 5,850</u>	<u>\$ (4,478)</u>	<u>\$ (34,182)</u>
<u>\$ (7,203)</u>	<u>\$ 34,309</u>	<u>\$ 122</u>	<u>\$ (3,297)</u>

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# Pension Trust Funds

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## **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.

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# Pension Trust Funds – Continued

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## **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, 2016  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
<b>ASSETS</b>			
Cash and Cash Equivalent Investments.....	\$ 12,005	\$ 2,120	\$ 640
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 422,834	\$ 35,501	\$ 7,084
Investments.....	10,853,353	868,659	159,552
Accrued Interest and Dividends.....	25,772	2,063	379
Securities Trades Receivables (Payables).....	(121,336)	(9,711)	(1,784)
Total Investment Pool Participation.....	\$ 11,180,623	\$ 896,512	\$ 165,231
Receivables:			
Interfund Receivables.....	\$ 5,791	\$ 15	\$ 3
Other Receivables.....	16,441	2,432	171
Total Receivables.....	\$ 22,232	\$ 2,447	\$ 174
Securities Lending Collateral.....	\$ 1,586,006	\$ 126,970	\$ 23,332
Depreciable Capital Assets (Net).....	19,348	-	-
Nondepreciable Capital Assets.....	256	-	-
Total Assets.....	\$ 12,820,470	\$ 1,028,049	\$ 189,377
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 4,394	\$ 271	\$ 50
Interfund Payables.....	31	896	90
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	4,516	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	983	-	-
Securities Lending Liabilities.....	1,586,006	126,970	23,332
Other Liabilities.....	1,475	320	-
Total Liabilities.....	\$ 1,597,405	\$ 128,457	\$ 23,472
<b>NET POSITION</b>			
Net Position Held in Trust for Pension Benefits and Pool Participants.....	\$ 11,223,065	\$ 899,592	\$ 165,905

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
\$ 1,465	\$ 1,075	\$ 35	\$ 1,249	\$ 161	\$ 11,158
\$ -	\$ 23,838	\$ 17,233	\$ 281,988	\$ 13,573	\$ 65,147
-	609,710	127,614	543,235	292,482	5,785,884
-	1,448	210	1,332	424	28
-	(6,816)	(1,207)	(5,467)	(1,758)	2
\$ -	\$ 628,180	\$ 143,850	\$ 821,088	\$ 304,721	\$ 5,851,061
\$ 2	\$ 11	\$ -	\$ -	\$ -	\$ 4
-	1,125	17	7,827	464	9,686
\$ 2	\$ 1,136	\$ 17	\$ 7,827	\$ 464	\$ 9,690
\$ -	\$ 89,099	\$ 2,972	\$ 16,988	\$ 6,298	\$ 121,106
-	-	-	-	-	-
-	-	-	-	-	-
\$ 1,467	\$ 719,490	\$ 146,874	\$ 847,152	\$ 311,644	\$ 5,993,015
\$ 3	\$ 186	\$ 43	\$ 772	\$ 56	\$ 1,204
1,505	213	16	2,321	494	1,725
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	89,099	2,972	16,988	6,298	121,106
-	-	-	84	23	450
\$ 1,508	\$ 89,498	\$ 3,031	\$ 20,165	\$ 6,871	\$ 124,485
\$ (41)	\$ 629,992	\$ 143,843	\$ 826,987	\$ 304,773	\$ 5,868,530

CONTINUED

**STATE OF MINNESOTA**

**PENSION TRUST FUNDS (CONTINUED)  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
ASSETS			
Cash and Cash Equivalent Investments.....	\$ 6,410	\$ 2,524	\$ 290
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 657,882	\$ 258,543	\$ 19,221
Investments.....	17,448,063	6,887,433	492,825
Accrued Interest and Dividends.....	41,426	16,352	1,170
Securities Trades Receivables (Payables).....	(195,062)	(76,999)	(5,510)
Total Investment Pool Participation.....	\$ 17,952,309	\$ 7,085,329	\$ 507,706
Receivables:			
Interfund Receivables.....	\$ 1,391	\$ 22	\$ 7
Other Receivables.....	40,148	15,896	227
Total Receivables.....	\$ 41,539	\$ 15,918	\$ 234
Securities Lending Collateral.....	\$ 2,549,270	\$ 1,006,274	\$ 72,017
Depreciable Capital Assets (Net).....	7,084	-	-
Nondepreciable Capital Assets.....	170	-	-
Total Assets.....	\$ 20,556,782	\$ 8,110,045	\$ 580,247
LIABILITIES			
Accounts Payable.....	\$ 5,454	\$ 4,764	\$ 160
Interfund Payables.....	29	917	287
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	5,994	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	886	-	-
Securities Lending Liabilities.....	2,549,270	1,006,274	72,017
Other Liabilities.....	-	-	-
Total Liabilities.....	\$ 2,561,633	\$ 1,011,955	\$ 72,464
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants.....	\$ 17,995,149	\$ 7,098,090	\$ 507,783



<u>PUBLIC EMPLOYEES RETIREMENT</u>				
<u>VOLUNTEER FIREFIGHTER RETIREMENT</u>	<u>DEFINED CONTRIBUTION</u>	<u>TEACHERS RETIREMENT</u>	<u>STATE COLLEGES AND UNIVERSITIES RETIREMENT</u>	<u>TOTAL</u>
\$ 3	\$ 171	\$ 8,556	\$ -	\$ 47,862
\$ 3,522	\$ 4,672	\$ 726,187	\$ -	\$ 2,537,225
51,732	54,081	18,827,909	1,666,258	64,668,790
191	124	44,873	-	135,792
(1,176)	(609)	(210,482)	-	(637,915)
<u>\$ 54,269</u>	<u>\$ 58,268</u>	<u>\$ 19,388,487</u>	<u>\$ 1,666,258</u>	<u>\$ 66,703,892</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,246
116	221	21,765	-	116,536
<u>\$ 116</u>	<u>\$ 221</u>	<u>\$ 21,765</u>	<u>\$ -</u>	<u>\$ 123,782</u>
\$ 7,737	\$ 9,783	\$ 2,748,476	\$ -	\$ 8,366,328
-	-	21,424	-	47,856
-	-	171	-	597
<u>\$ 62,125</u>	<u>\$ 68,443</u>	<u>\$ 22,188,879</u>	<u>\$ 1,666,258</u>	<u>\$ 75,290,317</u>
\$ 13	\$ 12	\$ 9,136	\$ -	\$ 26,518
-	187	-	-	8,711
-	-	4	-	4
-	-	5,900	-	16,410
-	-	12	-	12
-	-	919	-	2,788
7,737	9,783	2,748,476	-	8,366,328
-	-	-	-	2,352
<u>\$ 7,750</u>	<u>\$ 9,982</u>	<u>\$ 2,764,447</u>	<u>\$ -</u>	<u>\$ 8,423,123</u>
<u>\$ 54,375</u>	<u>\$ 58,461</u>	<u>\$ 19,424,432</u>	<u>\$ 1,666,258</u>	<u>\$ 66,867,194</u>

**STATE OF MINNESOTA**

**PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES  
IN NET POSITION  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
Additions:			
Contributions:			
Employer.....	\$ 151,168	\$ 30,678	\$ 10,219
Member.....	153,854	21,953	3,763
Contributions From Other Sources.....	-	-	-
Total Contributions.....	\$ 305,022	\$ 52,631	\$ 13,982
Net Investment Income (Loss):			
Investment Income (Loss).....	\$ (1,612)	\$ 435	\$ (66)
Less: Investment Expenses.....	(14,989)	(1,188)	(222)
Net Investment Income (Loss).....	\$ (16,601)	\$ (753)	\$ (288)
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 11,752	\$ 941	\$ 173
Securities Lending Rebates and Fees.....	(4,784)	(383)	(71)
Net Securities Lending Revenue.....	\$ 6,968	\$ 558	\$ 102
Total Investment Income (Loss).....	\$ (9,633)	\$ (195)	\$ (186)
Transfers-In.....	\$ 20,483	\$ -	\$ -
Other Additions.....	268	-	-
Total Additions.....	\$ 316,140	\$ 52,436	\$ 13,796
Deductions:			
Benefits.....	\$ 707,361	\$ 59,045	\$ 22,378
Refunds and Withdrawals.....	13,345	1,895	-
Administrative Expenses.....	10,218	906	93
Transfers-Out.....	470	-	-
Total Deductions.....	\$ 731,394	\$ 61,846	\$ 22,471
Net Increase (Decrease).....	\$ (415,254)	\$ (9,410)	\$ (8,675)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 11,638,319	\$ 909,002	\$ 174,580
Change in Reporting Entity.....	-	-	-
Change in Fund Structure.....	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	\$ 11,638,319	\$ 909,002	\$ 174,580
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	\$ 11,223,065	\$ 899,592	\$ 165,905

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
\$ -	\$ 13,938	\$ 197	\$ -	\$ 6,187	\$ 54
89	9,292	197	130,016	5,810	240,934
-	-	-	-	-	-
<u>\$ 89</u>	<u>\$ 23,230</u>	<u>\$ 394</u>	<u>\$ 130,016</u>	<u>\$ 11,997</u>	<u>\$ 240,988</u>
\$ (69)	\$ (318)	\$ 2,377	\$ 7,949	\$ 4,845	\$ 58,477
(1)	(847)	(93)	(531)	(197)	(3,783)
<u>\$ (70)</u>	<u>\$ (1,165)</u>	<u>\$ 2,284</u>	<u>\$ 7,418</u>	<u>\$ 4,648</u>	<u>\$ 54,694</u>
\$ 1	\$ 660	\$ 20	\$ 114	\$ 42	\$ 816
-	(269)	(8)	(47)	(17)	(333)
<u>\$ 1</u>	<u>\$ 391</u>	<u>\$ 12</u>	<u>\$ 67</u>	<u>\$ 25</u>	<u>\$ 483</u>
\$ (69)	\$ (774)	\$ 2,296	\$ 7,485	\$ 4,673	\$ 55,177
\$ 5,087	\$ -	\$ -	\$ -	\$ 470	\$ -
-	1,000	86	3,959	212	4,843
<u>\$ 5,107</u>	<u>\$ 23,456</u>	<u>\$ 2,776</u>	<u>\$ 141,460</u>	<u>\$ 17,352</u>	<u>\$ 301,008</u>
\$ 8,496	\$ 57,695	\$ 4,665	\$ 71,541	\$ -	\$ 42,472
40	79	3,174	-	6,751	232,986
42	220	166	8,606	415	7,104
-	-	-	-	20,483	-
<u>\$ 8,578</u>	<u>\$ 57,994</u>	<u>\$ 8,005</u>	<u>\$ 80,147</u>	<u>\$ 27,649</u>	<u>\$ 282,562</u>
<u>\$ (3,471)</u>	<u>\$ (34,538)</u>	<u>\$ (5,229)</u>	<u>\$ 61,313</u>	<u>\$ (10,297)</u>	<u>\$ 18,446</u>
\$ 3,430	\$ 664,530	\$ 149,072	\$ 765,674	\$ 315,070	\$ 5,850,084
-	-	-	-	-	-
<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>
<u>\$ (41)</u>	<u>\$ 629,992</u>	<u>\$ 143,843</u>	<u>\$ 826,987</u>	<u>\$ 304,773</u>	<u>\$ 5,868,530</u>

CONTINUED

**STATE OF MINNESOTA**

**PENSION TRUST FUNDS (CONTINUED)  
COMBINING STATEMENT OF CHANGES  
IN NET POSITION  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
Additions:			
Contributions:			
Employer.....	\$ 459,978	\$ 156,065	\$ 16,490
Member.....	375,291	95,172	11,008
Contributions From Other Sources.....	-	-	-
Total Contributions.....	\$ 835,269	\$ 251,237	\$ 27,498
Net Investment Income (Loss):			
Investment Income (Loss).....	\$ (8,036)	\$ (3,870)	\$ 554
Less: Investment Expenses.....	(24,011)	(9,498)	(661)
Net Investment Income (Loss).....	\$ (32,047)	\$ (13,368)	\$ (107)
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 18,886	\$ 7,455	\$ 534
Securities Lending Rebates and Fees.....	(7,690)	(3,036)	(218)
Net Securities Lending Revenue.....	\$ 11,196	\$ 4,419	\$ 316
Total Investment Income (Loss).....	\$ (20,851)	\$ (8,949)	\$ 209
Transfers-In.....	\$ 6,000	\$ 9,000	\$ -
Other Additions.....	431	3	-
Total Additions.....	\$ 820,849	\$ 251,291	\$ 27,707
Deductions:			
Benefits.....	\$ 1,359,176	\$ 498,608	\$ 9,381
Refunds and Withdrawals.....	37,209	2,391	982
Administrative Expenses.....	11,110	906	292
Transfers-Out.....	-	-	-
Total Deductions.....	\$ 1,407,495	\$ 501,905	\$ 10,655
Net Increase (Decrease).....	\$ (586,646)	\$ (250,614)	\$ 17,052
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 18,581,795	\$ 7,348,704	\$ 490,731
Change in Reporting Entity.....	-	-	-
Change in Fund Structure.....	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	\$ 18,581,795	\$ 7,348,704	\$ 490,731
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	\$ 17,995,149	\$ 7,098,090	\$ 507,783

<u>PUBLIC EMPLOYEES RETIREMENT</u>				
<u>VOLUNTEER FIREFIGHTER RETIREMENT</u>	<u>DEFINED CONTRIBUTION</u>	<u>TEACHERS RETIREMENT</u>	<u>STATE COLLEGES AND UNIVERSITIES RETIREMENT</u>	<u>TOTAL</u>
\$ 13,393	\$ 1,965	\$ 354,961	\$ 43,890	\$ 1,259,183
-	1,779	347,256	36,685	1,433,099
-	-	6,461	3,024	9,485
<u>\$ 13,393</u>	<u>\$ 3,744</u>	<u>\$ 708,678</u>	<u>\$ 83,599</u>	<u>\$ 2,701,767</u>
\$ 1,238	\$ 1,024	\$ (9,471)	\$ 21,071	\$ 74,528
(42)	(59)	(26,264)	-	(82,386)
<u>\$ 1,196</u>	<u>\$ 965</u>	<u>\$ (35,735)</u>	<u>\$ 21,071</u>	<u>\$ (7,858)</u>
\$ 71	\$ 57	\$ 20,348	\$ -	\$ 61,870
-	(23)	(8,284)	-	(25,163)
<u>\$ 71</u>	<u>\$ 34</u>	<u>\$ 12,064</u>	<u>\$ -</u>	<u>\$ 36,707</u>
<u>\$ 1,267</u>	<u>\$ 999</u>	<u>\$ (23,671)</u>	<u>\$ 21,071</u>	<u>\$ 28,849</u>
\$ 1,811	\$ -	\$ 31,087	\$ -	\$ 73,938
216	2	3,569	-	14,589
<u>\$ 16,687</u>	<u>\$ 4,745</u>	<u>\$ 719,663</u>	<u>\$ 104,670</u>	<u>\$ 2,819,143</u>
\$ 1,644	\$ -	\$ 1,716,733	\$ 73,770	\$ 4,632,965
126	3,755	13,251	-	315,984
132	189	11,338	1,047	52,784
-	-	-	-	20,953
<u>\$ 1,902</u>	<u>\$ 3,944</u>	<u>\$ 1,741,322</u>	<u>\$ 74,817</u>	<u>\$ 5,022,686</u>
<u>\$ 14,785</u>	<u>\$ 801</u>	<u>\$ (1,021,659)</u>	<u>\$ 29,853</u>	<u>\$ (2,203,543)</u>
\$ 32,282	\$ 57,660	\$ 20,446,091	\$ 1,636,405	\$ 69,063,429
3,380	-	-	-	3,380
3,928	-	-	-	3,928
<u>\$ 39,590</u>	<u>\$ 57,660</u>	<u>\$ 20,446,091</u>	<u>\$ 1,636,405</u>	<u>\$ 69,070,737</u>
<u>\$ 54,375</u>	<u>\$ 58,461</u>	<u>\$ 19,424,432</u>	<u>\$ 1,666,258</u>	<u>\$ 66,867,194</u>



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# Investment Trust Funds

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## **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.

2016  
Comprehensive  
Annual  
Financial Report

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**STATE OF MINNESOTA**

**INVESTMENT TRUST FUNDS  
STATEMENT OF PLAN NET POSITION  
JUNE 30, 2016  
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 24,522	\$ 33,592	\$ 58,114
Investments.....	524,054	286,402	810,456
Accrued Interest and Dividends.....	1,124	716	1,840
Securities Trades Receivables (Payables).....	(2,737)	199	(2,538)
Total Investment Pool Participation.....	<u>\$ 546,963</u>	<u>\$ 320,909</u>	<u>\$ 867,872</u>
Securities Lending Collateral.....	\$ 97,208	\$ -	\$ 97,208
Total Assets.....	<u>\$ 644,171</u>	<u>\$ 320,909</u>	<u>\$ 965,080</u>
LIABILITIES			
Securities Lending Liabilities.....	\$ 97,208	\$ -	\$ 97,208
Total Liabilities.....	<u>\$ 97,208</u>	<u>\$ -</u>	<u>\$ 97,208</u>
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants.....	<u>\$ 546,963</u>	<u>\$ 320,909</u>	<u>\$ 867,872</u>



# STATE OF MINNESOTA

## INVESTMENT TRUST FUNDS STATEMENT OF CHANGES IN PLAN NET POSITION YEAR ENDED JUNE 30, 2016 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 26,084	\$ 10,175	\$ 36,259
Total Contributions.....	<u>\$ 26,084</u>	<u>\$ 10,175</u>	<u>\$ 36,259</u>
Net Investment Income (Loss):			
Investment Income (Loss).....	\$ (947)	\$ 13,102	\$ 12,155
Less: Investment Expenses.....	<u>(469)</u>	<u>-</u>	<u>(469)</u>
Net Investment Income (Loss).....	<u>\$ (1,416)</u>	<u>\$ 13,102</u>	<u>\$ 11,686</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 670	\$ -	\$ 670
Securities Lending Rebates and Fees.....	<u>(268)</u>	<u>-</u>	<u>(268)</u>
Net Securities Lending Revenue.....	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 402</u>
Total Investment Income (Loss).....	<u>\$ (1,014)</u>	<u>\$ 13,102</u>	<u>\$ 12,088</u>
Total Additions.....	<u>\$ 25,070</u>	<u>\$ 23,277</u>	<u>\$ 48,347</u>
Deductions:			
Refunds and Withdrawals.....	\$ 29,370	\$ 7,719	\$ 37,089
Administrative Expenses.....	<u>39</u>	<u>33</u>	<u>72</u>
Total Deductions.....	<u>\$ 29,409</u>	<u>\$ 7,752</u>	<u>\$ 37,161</u>
Net Increase (Decrease).....	<u>\$ (4,339)</u>	<u>\$ 15,525</u>	<u>\$ 11,186</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
Change in Fund Structure.....	\$ 555,230	\$ 305,384	\$ 860,614
	<u>(3,928)</u>	<u>-</u>	<u>(3,928)</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....			
	<u>\$ 551,302</u>	<u>\$ 305,384</u>	<u>\$ 856,686</u>
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending.....			
	<u>\$ 546,963</u>	<u>\$ 320,909</u>	<u>\$ 867,872</u>



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# Agency Fund

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**Agency Fund**

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

2016  
Comprehensive  
Annual  
Financial Report

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**STATE OF MINNESOTA**

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**AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>MISCELLANEOUS AGENCY</b>				
ASSETS				
Cash and Cash Equivalent Investments.....	\$ 117,048	\$ 4,197,613	\$ 4,180,984	\$ 133,677
Accounts Receivable.....	30,257	33,499	30,257	33,499
Total Assets.....	<u>\$ 147,305</u>	<u>\$ 4,231,112</u>	<u>\$ 4,211,241</u>	<u>\$ 167,176</u>
LIABILITIES				
Accounts Payable.....	\$ 147,305	\$ 4,231,112	\$ 4,211,241	\$ 167,176
Total Liabilities.....	<u>\$ 147,305</u>	<u>\$ 4,231,112</u>	<u>\$ 4,211,241</u>	<u>\$ 167,176</u>



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# Nonmajor Component Unit Funds

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## **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, 2015 and JUNE 30, 2016**  
**(IN THOUSANDS)**

ASSETS	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
<b>Current Assets:</b>			
Cash and Cash Equivalents.....	\$ 2,307	\$ 995	\$ 178,752
Investments.....	-	-	-
Accounts Receivable.....	-	530	1,660
Due from Primary Government.....	-	-	9
Accrued Investment/Interest Income.....	64	-	2,002
Federal Aid Receivable.....	-	-	-
Inventories.....	-	54	-
Loans and Notes Receivable.....	36	-	89,709
Prepaid Expenses.....	-	370	-
Other Assets.....	-	-	-
Total Current Assets.....	<u>\$ 2,407</u>	<u>\$ 1,949</u>	<u>\$ 272,132</u>
<b>Noncurrent Assets:</b>			
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 217,185
Investments-Restricted.....	20,173	-	-
Accounts Receivable-Restricted.....	-	-	-
Due from Primary Government.....	-	-	-
Investments.....	-	-	-
Accounts Receivable.....	-	-	-
Loans and Notes Receivable.....	140	-	468,997
Depreciable Capital Assets (Net).....	-	5,874	-
Nondepreciable Capital Assets.....	-	1,403	-
Prepaid Expenses.....	-	-	-
Other Assets.....	-	69	-
Total Noncurrent Assets.....	<u>\$ 20,313</u>	<u>\$ 7,346</u>	<u>\$ 686,182</u>
Total Assets.....	<u>\$ 22,720</u>	<u>\$ 9,295</u>	<u>\$ 958,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Bond Refunding.....	\$ -	\$ -	\$ -
Deferred Pension Outflows.....	-	-	624
Total Deferred Outflows of Resources.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 624</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	\$ 1	\$ 1,246	\$ 3,288
Due to Primary Government.....	-	-	-
Unearned Revenue.....	-	899	47
Accrued Interest Payable.....	-	-	798
Bonds and Notes Payable.....	-	268	3,045
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	60
Other Liabilities.....	-	-	-
Total Current Liabilities.....	<u>\$ 1</u>	<u>\$ 2,413</u>	<u>\$ 7,238</u>
<b>Noncurrent Liabilities:</b>			
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -
Due to Primary Government.....	-	-	-
Bonds and Notes Payable.....	-	3,208	468,385
Claims Payable.....	-	-	-
Compensated Absences Payable.....	3	-	506
Other Postemployment Benefits.....	-	-	76
Net Pension Liability.....	-	-	1,883
Funds Held in Trust.....	-	-	-
Other Liabilities.....	-	250	-
Total Noncurrent Liabilities.....	<u>\$ 3</u>	<u>\$ 3,458</u>	<u>\$ 470,850</u>
Total Liabilities.....	<u>\$ 4</u>	<u>\$ 5,871</u>	<u>\$ 478,088</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue.....	\$ -	\$ -	\$ 10,335
Deferred Pension Inflows.....	-	-	2,376
Total Deferred Inflows of Resources.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,711</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	\$ -	\$ 7,137	\$ -
Restricted-Expendable.....	-	-	470,277
Unrestricted.....	22,716	(3,713)	(2,138)
Total Net Position.....	<u>\$ 22,716</u>	<u>\$ 3,424</u>	<u>\$ 468,139</u>



PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
\$ 449,995	\$ 12,982	\$ 11,038	\$ 272	\$ 656,341
8,785	-	294,251	4,203	307,239
-	-	37,567	52,237	91,994
2,326	-	-	11,388	13,723
13,975	-	802	-	16,843
1,304	-	-	-	1,304
-	-	-	-	54
134,120	4,134	-	-	227,999
-	-	5,000	39	5,409
-	-	18	-	18
<u>\$ 610,505</u>	<u>\$ 17,116</u>	<u>\$ 348,676</u>	<u>\$ 68,139</u>	<u>\$ 1,320,924</u>
\$ -	\$ -	\$ -	\$ 2,617	\$ 219,802
-	-	-	-	20,173
-	-	-	253	253
5,491	-	-	-	5,491
24,230	-	-	-	24,230
-	-	324,974	-	324,974
1,728,477	50,464	-	-	2,248,078
-	-	-	49,756	55,630
-	-	-	857,384	858,787
-	-	-	4,442	4,442
-	-	-	-	69
<u>\$ 1,758,198</u>	<u>\$ 50,464</u>	<u>\$ 324,974</u>	<u>\$ 914,452</u>	<u>\$ 3,761,929</u>
<u>\$ 2,368,703</u>	<u>\$ 67,580</u>	<u>\$ 673,650</u>	<u>\$ 982,591</u>	<u>\$ 5,082,853</u>
\$ 18,253	\$ -	\$ -	\$ -	\$ 18,253
-	-	-	194	818
<u>\$ 18,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ 19,071</u>
\$ 5,448	\$ -	\$ 5,667	\$ 64,104	\$ 79,754
-	9,686	4,009	-	13,695
-	-	27,844	-	28,790
15,507	-	-	-	16,305
83,100	-	-	-	86,413
-	-	52,851	-	52,851
46	-	-	162	268
968	-	-	-	968
<u>\$ 105,069</u>	<u>\$ 9,686</u>	<u>\$ 90,371</u>	<u>\$ 64,266</u>	<u>\$ 279,044</u>
\$ -	\$ -	\$ -	\$ 845	\$ 845
-	41,484	-	-	41,484
990,778	-	-	-	1,462,371
-	-	533,279	-	533,279
320	-	-	40	869
-	-	-	-	76
-	-	-	508	2,391
-	-	-	998	998
10	-	-	-	260
<u>\$ 991,108</u>	<u>\$ 41,484</u>	<u>\$ 533,279</u>	<u>\$ 2,391</u>	<u>\$ 2,042,573</u>
<u>\$ 1,096,177</u>	<u>\$ 51,170</u>	<u>\$ 623,650</u>	<u>\$ 66,657</u>	<u>\$ 2,321,617</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,335
-	-	-	1,078	3,454
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078</u>	<u>\$ 13,789</u>
\$ -	\$ -	\$ -	\$ 907,140	\$ 914,277
1,284,912	-	4,263	-	1,759,452
5,867	16,410	45,737	7,910	92,789
<u>\$ 1,290,779</u>	<u>\$ 16,410</u>	<u>\$ 50,000</u>	<u>\$ 915,050</u>	<u>\$ 2,766,518</u>

**STATE OF MINNESOTA**

**NONMAJOR COMPONENT UNIT FUNDS  
COMBINING STATEMENT OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2015 and JUNE 30, 2016  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses.....	\$ 68	\$ 13,305	\$ 237,241
Program Revenues:			
Charges for Services.....	\$ 21	\$ 13,071	\$ 25,970
Operating Grants and Contributions.....	-	-	3,959
Capital Grants and Contributions.....	-	-	-
Net (Expense) Revenue.....	\$ (47)	\$ (234)	\$ (207,312)
General Revenues:			
Taxes.....	\$ -	\$ -	\$ -
Investment Income.....	447	-	-
Other Revenues.....	-	1,067	-
Total General Revenues before Grants.....	\$ 447	\$ 1,067	\$ -
State Grants Not Restricted.....	\$ -	\$ -	\$ 221,748
Total General Revenues.....	\$ 447	\$ 1,067	\$ 221,748
Change in Net Position.....	\$ 400	\$ 833	\$ 14,436
Net Position, Beginning, as Reported.....	\$ 22,316	\$ 2,591	\$ 453,703
Net Position, Ending.....	\$ 22,716	\$ 3,424	\$ 468,139

<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>
\$ 93,743	\$ 480	\$ 67,522	\$ 13,603	\$ 425,962
\$ 37,490	\$ 5,571	\$ 67,522	\$ 569	\$ 150,214
47,623	-	-	1,145	52,727
-	-	-	511,884	511,884
\$ (8,630)	\$ 5,091	\$ -	\$ 499,995	\$ 288,863
\$ -	\$ -	\$ -	\$ 1,686	\$ 1,686
-	-	-	46	493
-	-	-	7,124	8,191
\$ -	\$ -	\$ -	\$ 8,856	\$ 10,370
\$ 38,997	\$ -	\$ -	\$ -	\$ 260,745
\$ 38,997	\$ -	\$ -	\$ 8,856	\$ 271,115
\$ 30,367	\$ 5,091	\$ -	\$ 508,851	\$ 559,978
\$ 1,260,412	\$ 11,319	\$ 50,000	\$ 406,199	\$ 2,206,540
\$ 1,290,779	\$ 16,410	\$ 50,000	\$ 915,050	\$ 2,766,518

**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, 2016  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 16	\$ 2,086	\$ 2,102
Rental and Service Fees.....	-	2	2
Other Income.....	5	3,483	3,488
Total Operating Revenues.....	<u>\$ 21</u>	<u>\$ 5,571</u>	<u>\$ 5,592</u>
Operating Expenses:			
Economic and Manpower Development.....	\$ 68	\$ 480	\$ 548
Total Operating Expenses.....	<u>\$ 68</u>	<u>\$ 480</u>	<u>\$ 548</u>
Operating Income (Loss).....	<u>\$ (47)</u>	<u>\$ 5,091</u>	<u>\$ 5,044</u>
Nonoperating Revenues (Expenses):			
Investment/Interest Income.....	\$ 447	-	\$ 447
Total Nonoperating Revenues (Expenses).....	<u>\$ 447</u>	<u>\$ -</u>	<u>\$ 447</u>
Change in Net Position.....	<u>\$ 400</u>	<u>\$ 5,091</u>	<u>\$ 5,491</u>
Net Position, Beginning, as Reported.....	<u>\$ 22,316</u>	<u>\$ 11,319</u>	<u>\$ 33,635</u>
Net Position, Ending.....	<u><u>\$ 22,716</u></u>	<u><u>\$ 16,410</u></u>	<u><u>\$ 39,126</u></u>

# STATE OF MINNESOTA

## NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers.....	\$ 78	\$ 9,813	\$ 9,891
Receipts from Other Revenues.....	4	4,593	4,597
Payments to Customers.....	-	(12,008)	(12,008)
Payments to Suppliers.....	(50)	-	(50)
Payments to Employees.....	(15)	-	(15)
Payments to Others.....	-	(5,801)	(5,801)
Net Cash Flows from Operating Activities.....	<u>\$ 17</u>	<u>\$ (3,403)</u>	<u>\$ (3,386)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales and Maturities of Investments.....	\$ 3,813	\$ -	\$ 3,813
Purchase of Investments.....	(4,003)	-	(4,003)
Investment Interest.....	309	-	309
Net Cash Flows from Investing Activities.....	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 119</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ 136</u>	<u>\$ (3,403)</u>	<u>\$ (3,267)</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 2,171</u>	<u>\$ 16,385</u>	<u>\$ 18,556</u>
Cash and Cash Equivalents, Ending.....	<u><u>\$ 2,307</u></u>	<u><u>\$ 12,982</u></u>	<u><u>\$ 15,289</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>			
Operating Income (Loss).....	<u>\$ (47)</u>	<u>\$ 5,091</u>	<u>\$ 5,044</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>			
Loans Receivable.....	\$ 64	\$ (4,271)	\$ (4,207)
Due to Primary Government.....	-	(4,223)	(4,223)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 64</u>	<u>\$ (8,494)</u>	<u>\$ (8,430)</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ 17</u></u>	<u><u>\$ (3,403)</u></u>	<u><u>\$ (3,386)</u></u>



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# General Obligation Debt Schedule

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**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED**

**June 30, 2016**

**(In Thousands)**

<b>Purpose of Issue</b>	<b>Law Authorizing</b>	<b>Total Authorization</b>	<b>Previously Issued as Par Bonds</b>	<b>Previously Issued as Premium <sup>(1)</sup></b>	<b>Remaining Authorization</b>
Building <sup>25, 26, 27, 28</sup>	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ -	\$ 3.1
Building <sup>6, 19, 22, 24, 26</sup>	1994, Ch. 643	523,873.5	523,849.0	-	24.5
Building <sup>17, 18, 19, 22</sup>	X1997, Ch. 2	37,432.0	37,335.0	-	97.0
Building <sup>6, 17, 18, 19, 20, 22, 23</sup>	1999, Ch. 240	439,425.0	438,536.0	-	889.0
Various Purpose <sup>2, 4, 6, 11, 13, 17, 18, 19, 21</sup>	2000, Ch. 492	526,636.7	518,529.6	44.4	8,062.7
Various Purpose <sup>4, 6, 11, 12, 13, 15, 17, 19, 20</sup>	2002, Ch. 393	600,589.4	599,592.6	-	996.8
Various Purpose <sup>13, 17</sup>	X2002, Ch. 1	15,273.0	14,755.0	-	518.0
Trunk Highway <sup>13</sup>	X2003, Ch. 19, Art. 3	400,191.5	399,990.0	-	201.5
Trunk Highway <sup>13</sup>	X2003, Ch. 19, Art. 4	106,026.5	105,700.0	-	326.5
Various Purpose	X2003, Ch. 20	219,010.0	218,434.0	-	576.0
Various Purpose <sup>2, 4, 6, 9, 11, 12, 15</sup>	2005, Ch. 20	917,632.5	913,048.0	371.0	4,213.5
Various Purpose <sup>2, 4, 6, 11, 12, 15, 16</sup>	2006, Ch. 258	991,158.0	989,633.9	875.1	649.0
Various Purpose <sup>2, 4, 6, 8, 12</sup>	X2007, Ch. 2	41,320.0	40,926.0	394.0	-
Trunk Highway <sup>2, 6, 12</sup>	2008, Ch. 152	1,782,448.2	1,464,178.0	-	318,270.2
Transportation <sup>2, 6</sup>	2008, Ch. 152	59,522.4	59,289.0	233.4	-
Various Purpose <sup>2, 4, 6, 9, 12, 14</sup>	2008, Ch. 179	790,444.4	785,466.9	2,480.1	2,497.4
Various Purpose <sup>2, 4, 6</sup>	2008, Ch. 365	104,806.2	104,383.8	286.2	136.2
Trunk Highway <sup>2</sup>	2009, Ch. 36	39,942.0	39,400.0	-	542.0
Various Purpose <sup>2, 4, 7, 12</sup>	2009, Ch. 93	256,100.8	249,373.1	3,161.9	3,565.8
Various Purpose <sup>2, 4, 10</sup>	2010, Ch. 189	708,138.5	688,054.3	11,095.7	8,988.5
Trunk Highway <sup>5, 10</sup>	2010, Ch. 189	24,952.0	24,852.0	-	100.0
Trunk Highway <sup>2</sup>	2010, Ch. 388	99,194.9	99,194.9	-	-
Various Purpose <sup>2, 4, 8</sup>	X2010, Ch. 1	31,413.0	28,126.1	2,311.9	975.0
Various Purpose	X2011, Ch. 12	555,140.0	507,882.4	22,567.6	24,690.0
Trunk Highway <sup>5</sup>	2012, Ch. 287	17,613.0	17,550.0	-	63.0
Various Purpose	2012, Ch. 293	566,858.0	484,260.1	42,381.9	40,216.0
Various Purpose	X2012, Ch. 1	56,695.0	43,773.0	6,127.0	6,795.0
Trunk Highway	X2012, Ch. 1	35,040.0	24,355.0	-	10,685.0
Trunk Highway	2013, Ch. 117	300,300.0	137,805.1	-	162,494.9
Various Purpose	2013, Ch. 136	178,795.0	142,051.7	17,948.3	18,795.0
Various Purpose <sup>3</sup>	2014, Ch. 294	895,903.0	453,595.5	80,954.5	361,353.0
Various Purpose	X2015, Ch. 5	190,697.0	37,903.0	6,647.0	146,147.0
Trunk Highway	X2015, Ch. 5	140,140.0	67,000.0	-	73,140.0
<b>Totals</b>		<b>\$ 11,922,840.6</b>	<b>\$ 10,528,949.0</b>	<b>\$ 197,880.0</b>	<b>\$ 1,196,011.6</b>

- (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) Minnesota Statutes 16A.642, required that on January 1, 2015, 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, 2015. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$2,688; Laws 2005, Chapter 20 by \$295,267; Laws 2006, Chapter 258 by \$1,189,366; Special Session Laws 2007, Chapter 2 by \$366,650; Laws 2008, Chapter 152 was reduced by \$512,643; Laws 2008, Chapter 179 by \$923,933; Laws 2008, Chapter 365 by \$242,195; Laws 2009, Chapter 93 by \$564,587; Laws 2010, Chapter 189 by \$4,866,171 and Special Session Laws 2010, Chapter 1 by \$1,243,997. The Cancellation Report also reduced Trunk Highway Bond Authorization of Laws 2008, Chapter 152 by \$297,457; Laws 2009, Chapter 36 by \$58,003; and Laws 2010, Chapter 388 by \$905,136.
- (3) Special Session Laws 2015, Chapter 5, Article 1 reduced Various Purpose Bonds authorized in Laws 2014, Chapter 294 by \$50,000.
- (4) 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.
- (5) 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.

- (6) 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.
- (7) Laws 2013, Chapter 136 reduced Various Purpose Bonds authorized in Laws 2009, Chapter 93 by \$2,000,000.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by \$223,588,000.
- (15) 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.
- (16) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by \$150,000.
- (17) 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.
- (18) 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.
- (19) 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.

- (20) 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 22 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.
- (21) 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.
- (22) 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.
- (23) 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.
- (24) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by \$1,350,000.
- (25) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$9,260,000.
- (26) 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.
- (27) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$115,000.
- (28) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$2,500,000.



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Financial Report

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# Statistical Section

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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.



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**Schedule 1 - Net Position By Component  
Last Ten Years  
Accrual Basis of Accounting  
(In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 6,852,543	\$ 8,023,304	\$ 8,450,334	\$ 9,064,443
Restricted	2,703,598	2,693,756	2,552,659	3,060,905
Unrestricted	<u>1,317,416</u>	<u>489,661</u>	<u>(917,895)</u>	<u>(2,463,184)</u>
Total Governmental Activities Net Position	<u>\$ 10,873,557</u>	<u>\$ 11,206,721</u>	<u>\$ 10,085,098</u>	<u>\$ 9,662,164</u>
Business-type Activities:				
Net Investment in Capital Assets	\$ 1,016,955	\$ 1,125,602	\$ 1,243,286	\$ 1,293,856
Restricted	1,058,032	1,140,070	737,400	509,705
Unrestricted	<u>(1,403)</u>	<u>(5,900)</u>	<u>(38,907)</u>	<u>(300,615)</u>
Total Business-type Activities Net Position	<u>\$ 2,073,584</u>	<u>\$ 2,259,772</u>	<u>\$ 1,941,779</u>	<u>\$ 1,502,946</u>
Primary Government:				
Net Investment in Capital Assets	\$ 7,869,498	\$ 9,148,906	\$ 9,693,620	\$ 10,358,299
Restricted	3,761,630	3,833,826	3,290,059	3,570,610
Unrestricted	<u>1,316,013</u>	<u>483,761</u>	<u>(956,802)</u>	<u>(2,763,799)</u>
Total Primary Government Net Position	<u>\$ 12,947,141</u>	<u>\$ 13,466,493</u>	<u>\$ 12,026,877</u>	<u>\$ 11,165,110</u>

Note: In fiscal year 2015, the state implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. This caused some funds to end in a deficit net position.

Source: The state's Comprehensive Annual Financial Report for the relevant year.



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	9,304,511	\$ 9,976,107	\$ 10,342,442	\$ 11,063,057	\$ 11,673,449	\$ 12,317,260
	3,396,243	3,546,397	4,050,489	5,508,417	5,392,483	5,633,354
	<u>(2,320,765)</u>	<u>(2,784,715)</u>	<u>(1,992,703)</u>	<u>(2,494,395)</u>	<u>(5,510,119)</u>	<u>(4,961,314)</u>
\$	<u>10,379,989</u>	<u>\$ 10,737,789</u>	<u>\$ 12,400,228</u>	<u>\$ 14,077,079</u>	<u>\$ 11,555,813</u>	<u>\$ 12,989,300</u>
\$	1,352,739	\$ 1,394,303	\$ 1,456,939	\$ 1,489,631	\$ 1,510,882	\$ 1,620,835
	643,700	1,252,075	1,899,250	2,279,417	1,992,311	2,120,972
	<u>(82,907)</u>	<u>(6,409)</u>	<u>(8,257)</u>	<u>(8,450)</u>	<u>(120,013)</u>	<u>(65,830)</u>
\$	<u>1,913,532</u>	<u>\$ 2,639,969</u>	<u>\$ 3,347,932</u>	<u>\$ 3,760,598</u>	<u>\$ 3,383,180</u>	<u>\$ 3,675,977</u>
\$	10,657,250	\$ 11,370,410	\$ 11,799,381	\$ 12,552,688	\$ 13,184,331	\$ 13,938,095
	4,039,943	4,798,472	5,949,739	7,787,834	7,384,794	7,754,326
	<u>(2,403,672)</u>	<u>(2,791,124)</u>	<u>(2,000,960)</u>	<u>(2,502,845)</u>	<u>(5,630,132)</u>	<u>(5,027,144)</u>
\$	<u>12,293,521</u>	<u>\$ 13,377,758</u>	<u>\$ 15,748,160</u>	<u>\$ 17,837,677</u>	<u>\$ 14,938,993</u>	<u>\$ 16,665,277</u>

**Schedule 2 - Changes in Net Position**  
**Accrual Basis of Accounting**  
**Last Ten Years**  
**(In Thousands)**

	2007	2008	2009	2010
<b>Program Revenues:</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services:</b>				
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	\$ 335,670	\$ 360,056	\$ 339,523	\$ 358,666
Economic and Workforce Development <sup>(1)</sup>	44,551	52,400	47,377	49,212
General Education	42,943	54,662	42,192	21,342
General Government	278,846	240,331	270,153	266,565
Health and Human Services	265,853	330,570	285,963	353,929
Higher Education	-	-	-	3
Public Safety and Corrections	130,830	143,073	159,155	156,139
Transportation	18,796	21,474	45,385	25,397
<b>Operating Grants and Contributions:</b>				
Health and Human Services	4,609,077	4,909,527	5,996,063	6,913,844
All Others	1,891,362	1,767,796	1,758,923	3,388,958
Capital Grants and Contributions	241,110	450,101	274,981	215,439
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 7,859,038</b>	<b>\$ 8,329,990</b>	<b>\$ 9,219,715</b>	<b>\$ 11,749,494</b>
<b>Business-type Activities:</b>				
<b>Charges for Services:</b>				
State Colleges and Universities	\$ 750,742	\$ 794,091	\$ 827,997	\$ 771,104
Unemployment Insurance	946,269	835,725	800,590	972,425
Lottery	422,570	461,565	482,738	499,271
Other	230,657	233,944	232,570	246,829
Operating Grants and Contributions	187,530	217,224	872,484	1,958,195
Capital Grants and Contributions	1,839	1,142	4,262	1,554
<b>Total Business-type Activities Program Revenues</b>	<b>\$ 2,539,607</b>	<b>\$ 2,543,691</b>	<b>\$ 3,220,641</b>	<b>\$ 4,449,378</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 10,398,645</b>	<b>\$ 10,873,681</b>	<b>\$ 12,440,356</b>	<b>\$ 16,198,872</b>
<b>Expenses:</b>				
<b>Governmental Activities:</b>				
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	\$ 762,549	\$ 825,842	\$ 834,458	\$ 950,738
Economic and Workforce Development <sup>(1)</sup>	568,064	704,501	695,314	715,085
General Education	7,323,406	7,675,567	7,811,723	8,042,744
General Government	771,733	816,111	800,123	762,238
Health and Human Services	9,596,061	10,300,189	11,248,700	11,950,195
Higher Education	921,339	981,943	912,011	981,859
Intergovernmental Aid	1,489,439	1,511,715	1,435,897	1,558,453
Public Safety and Corrections	855,328	868,477	944,400	940,685
Transportation	1,795,056	1,900,382	2,058,526	2,456,008
Interest	208,719	221,162	210,435	261,802
<b>Total Governmental Activities Expenses</b>	<b>\$ 24,291,694</b>	<b>\$ 25,805,889</b>	<b>\$ 26,951,587</b>	<b>\$ 28,619,807</b>
<b>Business-type Activities:</b>				
State Colleges and Universities	\$ 1,550,936	\$ 1,675,051	\$ 1,743,609	\$ 1,802,527
Unemployment Insurance	735,987	828,857	1,865,939	3,038,557
Lottery	311,893	346,834	363,832	377,025
Other	215,005	210,895	209,070	222,110
<b>Total Business-type Activities Expenses</b>	<b>\$ 2,813,821</b>	<b>\$ 3,061,637</b>	<b>\$ 4,182,450</b>	<b>\$ 5,440,219</b>
<b>Total Primary Government Expenses</b>	<b>\$ 27,105,515</b>	<b>\$ 28,867,526</b>	<b>\$ 31,134,037</b>	<b>\$ 34,060,026</b>

<sup>(1)</sup> 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.

	2011	2012	2013	2014	2015	2016
\$	369,400	\$ 384,593	\$ 326,696	\$ 350,950	\$ 401,687	\$ 355,269
	46,764	59,481	40,093	60,754	57,819	58,939
	19,403	23,418	24,120	22,042	22,136	22,646
	265,022	249,824	381,788	279,835	305,057	327,487
	424,670	399,963	547,216	407,644	424,520	416,068
	3	636	346	337	315	20
	157,201	159,882	157,198	158,690	161,205	159,549
	21,782	19,146	30,280	28,386	23,811	114,667
	6,692,535	6,369,736	6,844,284	7,371,378	8,350,067	8,716,931
	2,706,074	2,040,575	2,318,910	2,407,201	2,205,884	2,215,444
	203,750	137,497	172,725	250,709	170,102	194,056
\$	<u>10,906,604</u>	<u>\$ 9,844,751</u>	<u>\$ 10,843,656</u>	<u>\$ 11,337,926</u>	<u>\$ 12,122,603</u>	<u>\$ 12,581,076</u>
\$	851,754	\$ 848,541	\$ 851,377	\$ 824,190	\$ 815,508	\$ 835,447
	1,211,352	1,444,622	1,469,936	1,188,214	937,851	820,322
	504,514	520,049	560,448	531,550	546,812	592,806
	260,247	274,825	272,822	333,425	351,662	389,807
	1,697,323	1,113,581	710,153	551,820	525,297	481,563
	1,515	-	-	-	-	-
\$	<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>\$ 3,119,945</u>
\$	<u>15,433,309</u>	<u>\$ 14,046,369</u>	<u>\$ 14,708,392</u>	<u>\$ 14,767,125</u>	<u>\$ 15,299,733</u>	<u>\$ 15,701,021</u>
\$	969,947	\$ 916,001	\$ 954,721	\$ 984,197	\$ 963,432	\$ 1,023,349
	695,050	543,680	571,265	641,424	677,044	658,893
	7,499,159	7,890,863	8,207,311	9,048,212	9,087,613	9,434,928
	832,859	856,328	971,198	1,013,415	1,153,921	1,151,786
	12,243,662	12,472,172	13,146,913	13,647,672	15,016,278	15,590,493
	892,921	778,389	849,510	912,083	912,909	976,351
	1,339,943	1,358,521	1,269,078	1,291,075	1,583,636	1,626,833
	976,261	952,585	970,095	998,054	985,399	1,005,349
	2,843,127	2,280,481	2,683,545	2,685,688	2,898,752	2,814,456
	322,773	506,909	218,218	177,244	291,983	305,017
\$	<u>28,615,702</u>	<u>\$ 28,555,929</u>	<u>\$ 29,841,854</u>	<u>\$ 31,399,064</u>	<u>\$ 33,570,967</u>	<u>\$ 34,587,455</u>
\$	1,903,985	\$ 1,816,268	\$ 1,891,779	\$ 1,936,061	\$ 1,905,845	\$ 1,910,435
	2,228,405	1,490,943	1,060,431	888,665	726,529	801,670
	382,759	396,590	425,541	404,705	410,237	446,860
	269,880	270,276	288,146	350,729	408,408	383,012
\$	<u>4,785,029</u>	<u>\$ 3,974,077</u>	<u>\$ 3,665,897</u>	<u>\$ 3,580,160</u>	<u>\$ 3,451,019</u>	<u>\$ 3,541,977</u>
\$	<u>33,400,731</u>	<u>\$ 32,530,006</u>	<u>\$ 33,507,751</u>	<u>\$ 34,979,224</u>	<u>\$ 37,021,986</u>	<u>\$ 38,129,432</u>

**Schedule 2 - Changes in Net Position (continued)**  
**Accrual Basis of Accounting**  
**Last Ten Years**  
**(In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (16,432,656)	\$ (17,475,899)	\$ (17,731,872)	\$ (16,870,313)
Business-type Activities	<u>(274,214)</u>	<u>(517,946)</u>	<u>(961,809)</u>	<u>(990,841)</u>
Total Primary Government Net Expense	<u>\$ (16,706,870)</u>	<u>\$ (17,993,845)</u>	<u>\$ (18,693,681)</u>	<u>\$ (17,861,154)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual Income Taxes	\$ 7,463,959	\$ 7,929,096	\$ 7,203,337	\$ 6,792,510
Corporate Income Taxes	1,160,380	1,039,843	741,049	539,534
Sales Taxes	4,600,984	4,474,576	4,338,748	4,379,236
Property Taxes	667,395	703,972	733,899	746,685
Motor Vehicle Taxes	1,025,820	1,011,494	955,785	997,214
Fuel Taxes	647,168	651,988	758,271	826,574
Other Taxes	2,154,689	2,149,162	2,206,648	2,268,560
Tobacco Settlement	184,924	186,425	176,140	157,924
Unallocated Investment/Interest Income	155,016	121,638	57,790	21,242
Other Revenues	91,867	103,416	95,316	145,608
Transfers	<u>(510,578)</u>	<u>(654,359)</u>	<u>(610,880)</u>	<u>(543,525)</u>
Total Governmental Activities	<u>\$ 17,641,624</u>	<u>\$ 17,717,251</u>	<u>\$ 16,656,103</u>	<u>\$ 16,331,562</u>
Business-type Activities:				
Unallocated Investment/Interest Income	\$ 26,786	\$ 48,126	\$ 32,306	\$ 8,483
Other Revenues	17,811	1,649	630	-
Transfers	<u>510,578</u>	<u>654,359</u>	<u>610,880</u>	<u>543,525</u>
Total Business-type Activities	<u>\$ 555,175</u>	<u>\$ 704,134</u>	<u>\$ 643,816</u>	<u>\$ 552,008</u>
Total Primary Government General Revenues	<u>\$ 18,196,799</u>	<u>\$ 18,421,385</u>	<u>\$ 17,299,919</u>	<u>\$ 16,883,570</u>
Change in Net Position:				
Governmental Activities	\$ 1,208,968	\$ 241,352	\$ (1,075,769)	\$ (538,751)
Change in Accounting Principle	-	91,812	(45,854)	115,817
Change in Fund Structure	(9,472)	-	-	-
Business-type Activities	280,961	186,188	(317,993)	(438,833)
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	<u>9,472</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government Change in Net Position	<u>\$ 1,489,929</u>	<u>\$ 519,352</u>	<u>\$ (1,439,616)</u>	<u>\$ (861,767)</u>

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2011	2012	2013	2014	2015	2016
\$ (17,709,098)	\$ (18,711,178)	\$ (18,998,198)	\$ (20,061,138)	\$ (21,448,364)	\$ (22,006,379)
<u>(258,324)</u>	<u>227,541</u>	<u>198,839</u>	<u>(150,961)</u>	<u>(273,889)</u>	<u>(422,032)</u>
<u>\$ (17,967,422)</u>	<u>\$ (18,483,637)</u>	<u>\$ (18,799,359)</u>	<u>\$ (20,212,099)</u>	<u>\$ (21,722,253)</u>	<u>\$ (22,428,411)</u>

\$ 7,883,583	\$ 8,409,530	\$ 9,209,954	\$ 9,915,021	\$ 10,607,930	\$ 10,969,019
1,204,521	953,428	1,242,912	1,308,578	1,507,608	1,361,681
4,760,684	4,849,514	5,004,330	5,283,785	5,469,773	5,534,870
771,020	809,044	831,316	823,949	839,939	846,216
1,074,769	1,150,343	1,241,242	1,312,982	1,395,872	1,428,134
851,245	849,955	860,837	883,619	908,278	904,424
2,192,739	2,253,625	2,436,828	2,489,475	2,651,969	2,801,323
172,207	166,154	171,338	175,386	170,424	170,179
19,836	12,873	23,129	26,728	25,378	35,289
139,406	94,707	128,115	27,339	63,101	50,574
<u>(584,171)</u>	<u>(480,195)</u>	<u>(489,364)</u>	<u>(520,134)</u>	<u>(554,346)</u>	<u>(661,843)</u>
<u>\$ 18,485,839</u>	<u>\$ 19,068,978</u>	<u>\$ 20,660,637</u>	<u>\$ 21,726,728</u>	<u>\$ 23,085,926</u>	<u>\$ 23,439,866</u>

\$ 7,058	\$ 6,567	\$ 17,545	\$ 33,688	\$ 40,583	\$ 44,919
18,765	12,134	2,215	9,107	7,028	8,067
<u>584,171</u>	<u>480,195</u>	<u>489,364</u>	<u>520,134</u>	<u>554,346</u>	<u>661,843</u>
<u>\$ 609,994</u>	<u>\$ 498,896</u>	<u>\$ 509,124</u>	<u>\$ 562,929</u>	<u>\$ 601,957</u>	<u>\$ 714,829</u>

<u>\$ 19,095,833</u>	<u>\$ 19,567,874</u>	<u>\$ 21,169,761</u>	<u>\$ 22,289,657</u>	<u>\$ 23,687,883</u>	<u>\$ 24,154,695</u>
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\$ 776,741	\$ 357,800	\$ 1,662,439	\$ 1,665,590	\$ 1,637,562	\$ 1,433,487
-	-	-	11,959	(4,158,828)	-
<u>(58,916)</u>	<u>-</u>	<u>-</u>	<u>(698)</u>	<u>-</u>	<u>-</u>
351,670	726,437	707,963	411,968	328,068	292,797
-	-	-	-	(705,486)	-
<u>58,916</u>	<u>-</u>	<u>-</u>	<u>698</u>	<u>-</u>	<u>-</u>
<u>\$ 1,128,411</u>	<u>\$ 1,084,237</u>	<u>\$ 2,370,402</u>	<u>\$ 2,089,517</u>	<u>\$ (2,898,684)</u>	<u>\$ 1,726,284</u>

**Schedule 3 - Fund Balances - Governmental Funds  
Last Ten Years  
Modified Accrual Basis of Accounting  
(In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:				
Reserved	\$ 155,985	\$ 153,150	\$ 111,182	\$ -
Designated	1,124,122	689,476	-	-
Undesignated	<u>-</u>	<u>-</u>	<u>(752,490)</u>	<u>-</u>
Total General Fund	<u>\$ 1,280,107</u>	<u>\$ 842,626</u>	<u>\$ (641,308)</u>	<u>\$ -</u>
All Other Governmental Funds:				
Reserved	\$ 2,020,610	\$ 1,931,753	\$ 1,858,589	\$ -
Designated, Reported In:				
Special Revenue Funds	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	243,192	339,989	344,884	-
Capital Projects Funds	<u>6,044</u>	<u>(12,873)</u>	<u>2,472</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 4,129,469</u>	<u>\$ 4,242,057</u>	<u>\$ 4,168,626</u>	<u>\$ -</u>
Total Governmental Funds	<u>\$ 5,409,576</u>	<u>\$ 5,084,683</u>	<u>\$ 3,527,318</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.

	2011	2012	2013	2014	2015	2016
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -

**Schedule 3 - Fund Balances - Governmental Funds (continued)**  
**Last Ten Years**  
**Modified Accrual Basis of Accounting**  
**(In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ 465,601
Restricted	-	-	-	173,687
Assigned	-	-	-	-
Unassigned	-	-	-	(1,386,945)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (747,657)</u>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ 718,469
Restricted	-	-	-	2,380,542
Committed	-	-	-	537,009
Assigned	-	-	-	3,920
Unassigned	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,639,940</u>
Total Governmental Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,892,283</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.



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	579,800	\$ 625,689	\$ 750,071	\$ 912,814	\$ 931,595	\$ 929,967
	171,033	148,483	105,581	128,025	119,108	180,272
	-	-	219,562	231,559	322,780	365,054
	<u>(731,567)</u>	<u>(840,928)</u>	<u>218,474</u>	<u>530,549</u>	<u>782,405</u>	<u>1,571,798</u>
\$	<u>19,266</u>	<u>(66,756)</u>	<u>1,293,688</u>	<u>1,802,947</u>	<u>2,155,888</u>	<u>3,047,091</u>
\$	833,403	\$ 892,478	\$ 992,738	\$ 1,154,936	\$ 1,224,853	\$ 1,275,357
	2,450,612	2,300,043	2,754,222	4,011,252	3,708,694	3,482,136
	382,939	561,628	714,304	642,573	861,685	709,828
	2,306	642,158	1,152	199,900	682,373	598,110
	<u>(19,905)</u>	<u>(97,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>3,649,355</u>	<u>4,298,903</u>	<u>4,462,416</u>	<u>6,008,661</u>	<u>6,477,605</u>	<u>6,065,431</u>
\$	<u><u>3,668,621</u></u>	<u><u>4,232,147</u></u>	<u><u>5,756,104</u></u>	<u><u>7,811,608</u></u>	<u><u>8,633,493</u></u>	<u><u>9,112,522</u></u>

**Schedule 4 - Changes in Fund Balances - Governmental Funds**  
**Last Ten Years**  
**Modified Accrual Basis of Accounting**  
**(In Thousands)**

	2007	2008	2009	2010
<b>Revenues:</b>				
Individual Income Taxes	\$ 7,412,381	\$ 7,932,036	\$ 7,162,974	\$ 6,729,244
Corporate Income Taxes	1,163,095	1,024,040	727,928	540,504
Sales Taxes	4,513,452	4,499,550	4,279,178	4,411,277
Property Taxes	665,746	704,246	729,373	766,830
Motor Vehicle Taxes	1,025,820	1,011,494	955,785	997,214
Fuel Taxes	648,078	651,860	756,381	825,341
Federal Revenues	6,333,686	6,858,191	7,887,945	10,159,045
Other Taxes and Revenues	4,027,767	4,005,067	3,810,907	4,074,393
<b>Total Revenues</b>	<b>\$ 25,790,025</b>	<b>\$ 26,686,484</b>	<b>\$ 26,310,471</b>	<b>\$ 28,503,848</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	\$ 755,168	\$ 782,381	\$ 866,963	\$ 918,410
Economic and Workforce Development <sup>(1)</sup>	605,784	719,801	704,736	755,337
General Education	7,320,491	7,673,220	7,808,279	8,038,447
General Government	699,585	772,835	753,882	730,091
Health and Human Services	9,581,606	10,298,462	11,238,043	11,929,558
Higher Education	922,772	983,319	913,292	981,868
Intergovernment Aid	1,489,439	1,511,715	1,435,897	1,549,453
Public Safety and Corrections	813,636	858,385	891,480	901,983
Transportation	1,765,410	2,029,762	2,040,334	2,416,333
Securities Lending Rebates and Fees	29,929	21,534	1,237	132
Capital Outlay	693,041	818,701	746,955	643,736
<b>Debt Service:</b>				
Principal	349,941	372,882	389,909	395,045
Interest	222,175	221,694	230,107	282,774
<b>Total Expenditures</b>	<b>\$ 25,248,977</b>	<b>\$ 27,064,691</b>	<b>\$ 28,021,114</b>	<b>\$ 29,543,167</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 541,048</b>	<b>\$ (378,207)</b>	<b>\$ (1,710,643)</b>	<b>\$ (1,039,319)</b>
<b>Other Financing Sources (Uses):</b>				
Bond Issuance	\$ 720,445	\$ 637,744	\$ 675,810	\$ 722,904
Certificates of Participation Issuance	-	-	-	74,980
Loan Proceeds	24,610	414	549	5,729
Issuance of Refunding Bonds	264,050	-	155,415	426,505
Payment to Refunded Bonds Escrow Agent	(264,050)	-	(155,415)	(426,505)
Bond Issue Premium	57,918	34,016	56,112	108,704
Certificates of Participation Premium	-	-	-	7,411
Net Transfers In (Out)	(479,598)	(622,455)	(580,540)	(523,176)
Capital Leases	1,090	1,308	-	3,356
<b>Net Other Financing Sources (Uses)</b>	<b>\$ 324,465</b>	<b>\$ 51,027</b>	<b>\$ 151,931</b>	<b>\$ 399,908</b>
Change in Inventory	2,845	2,287	1,347	4,376
Change in Fund Structure	(9,588)	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 858,770</b>	<b>\$ (324,893)</b>	<b>\$ (1,557,365)</b>	<b>\$ (635,035)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>

(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.

	2011	2012	2013	2014	2015	2016
\$	7,828,818	\$ 8,267,608	\$ 9,257,352	\$ 9,859,403	\$ 10,640,365	\$ 11,013,385
	1,135,193	996,524	1,273,112	1,302,563	1,503,461	1,414,531
	4,681,525	4,871,038	5,028,616	5,281,384	5,455,081	5,558,870
	766,926	813,723	817,895	830,759	836,257	855,032
	1,074,769	1,150,343	1,241,242	1,312,837	1,395,959	1,428,000
	852,765	851,410	861,780	882,649	908,740	904,475
	9,162,775	8,268,573	8,920,572	9,492,563	10,330,369	10,751,013
	4,249,437	4,063,416	4,550,709	4,654,510	4,660,862	4,792,065
\$	<u>29,752,208</u>	<u>\$ 29,282,635</u>	<u>\$ 31,951,278</u>	<u>\$ 33,616,668</u>	<u>\$ 35,731,094</u>	<u>\$ 36,717,371</u>
\$	1,022,523	\$ 904,313	\$ 961,993	\$ 980,261	\$ 983,098	\$ 1,018,913
	720,542	588,847	623,810	647,590	694,016	720,340
	7,494,180	7,885,111	8,201,852	9,042,621	9,088,463	9,438,526
	787,042	742,654	825,528	900,517	1,066,108	1,022,093
	12,222,063	12,451,737	13,130,238	13,626,375	15,057,706	15,595,280
	892,947	777,958	849,506	911,986	912,947	976,387
	1,317,185	1,358,520	1,269,078	1,291,075	1,583,636	1,626,833
	911,490	893,858	909,426	939,855	965,508	974,864
	2,673,915	2,300,784	2,610,632	2,630,645	2,883,680	2,840,880
	89	-	-	-	-	-
	699,583	539,608	646,086	911,129	1,058,477	1,173,989
	347,934	467,870	326,989	410,450	598,590	650,190
	349,326	571,656	295,231	251,606	365,231	390,603
\$	<u>29,438,819</u>	<u>\$ 29,482,916</u>	<u>\$ 30,650,369</u>	<u>\$ 32,544,110</u>	<u>\$ 35,257,460</u>	<u>\$ 36,428,898</u>
\$	<u>313,389</u>	<u>\$ (200,281)</u>	<u>\$ 1,300,909</u>	<u>\$ 1,072,558</u>	<u>\$ 473,634</u>	<u>\$ 288,473</u>
\$	843,496	\$ 1,517,849	\$ 1,296,087	\$ 1,348,259	\$ 720,300	\$ 670,905
	-	-	-	-	80,100	-
	677	-	1,597	-	-	-
	907,785	-	-	373,940	153,905	391,555
	(907,785)	(400,775)	(768,450)	(373,940)	(153,905)	(391,555)
	233,570	142,273	200,932	180,783	123,666	163,418
	-	-	-	-	-	-
	(557,776)	(495,540)	(507,118)	(546,096)	(575,815)	(643,767)
	-	-	-	-	-	-
\$	<u>519,967</u>	<u>\$ 763,807</u>	<u>\$ 223,048</u>	<u>\$ 982,946</u>	<u>\$ 348,251</u>	<u>\$ 190,556</u>
	1,898	-	-	-	-	-
	(58,916)	-	-	-	-	-
\$	<u>776,338</u>	<u>\$ 563,526</u>	<u>\$ 1,523,957</u>	<u>\$ 2,055,504</u>	<u>\$ 821,885</u>	<u>\$ 479,029</u>
	2.4%	3.6%	2.1%	2.1%	2.8%	3.0%

**Schedule 5 - Revenue Base  
Personal Income By Industry  
Last Ten Calendar Years  
(In Thousands)**

	2006	2007	2008	2009
Farm Earnings	\$ 2,542,326	\$ 2,515,102	\$ 4,059,542	\$ 2,224,254
Nonfarm Earnings:				
Private Earnings:				
Forestry, Fishing, Related Activities	\$ 295,254	\$ 253,541	\$ 257,785	\$ 253,343
Mining	498,242	481,801	713,793	583,824
Utilities	1,311,583	1,359,161	1,521,288	1,478,767
Construction	10,284,458	9,833,599	9,313,108	8,222,053
Manufacturing:				
Durable Goods Manufacturing	15,344,377	15,665,642	15,661,493	13,765,946
Nondurable Goods Manufacturing	7,254,028	7,311,823	7,537,492	7,074,136
Wholesale Trade	10,197,049	10,793,810	11,356,300	10,609,139
Retail Trade	9,358,105	9,444,817	9,269,767	9,069,439
Transportation and Warehousing	5,149,628	5,656,876	5,701,048	5,148,306
Information	4,399,459	4,853,013	4,879,158	4,631,883
Finance and Insurance	13,339,224	13,692,672	12,864,970	11,767,315
Real Estate and Rental and Leasing	2,395,722	2,346,902	2,490,053	2,515,835
Professional and Technical Services	12,065,888	13,137,681	14,164,307	13,224,466
Management of Companies and Enterprises	7,036,899	8,087,680	9,704,580	7,911,994
Administrative and Waste Services	4,815,405	5,118,987	5,220,556	4,878,169
Educational Services	1,953,272	2,133,007	2,314,489	2,495,446
Health Care and Social Assistance	17,902,076	19,248,932	20,324,871	21,080,465
Arts, Entertainment, and Recreation	1,250,478	1,287,561	1,405,193	1,303,850
Accommodation and Food Services	3,605,861	3,821,444	3,903,476	3,752,511
Other Services, Except Public Administration	5,957,189	6,025,460	5,927,595	5,874,202
Total Private Earnings	\$ 134,414,197	\$ 140,554,409	\$ 144,531,322	\$ 135,641,089
Government and Government Enterprises:				
Federal, Civilian	\$ 2,708,030	\$ 2,761,415	\$ 2,873,085	\$ 2,942,734
Military	752,031	802,050	788,946	855,721
State and Local	18,599,399	19,406,409	20,405,075	20,853,112
Total Government and Government Enterprises	\$ 22,059,460	\$ 22,969,874	\$ 24,067,106	\$ 24,651,567
Total Nonfarm Earnings	156,473,657	163,524,283	168,598,428	160,292,656
Total Earnings By Industry	\$ 159,015,983	\$ 166,039,385	\$ 172,657,970	\$ 162,516,910
Derivation of Personal Income:				
Earnings By Place of Work	\$ 159,015,983	\$ 166,039,385	\$ 172,657,970	\$ 162,516,910
Other Personal Income <sup>(1)</sup>	44,462,789	48,797,546	52,860,588	52,632,516
Personal Income	\$ 203,478,772	\$ 214,836,931	\$ 225,518,558	\$ 215,149,426

<sup>(1)</sup> 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 28, 2016.

Note: The estimate of earnings for 2006 is 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.

	2010	2011	2012	2013	2014	2015
\$	3,287,574	\$ 4,497,149	\$ 6,234,574	\$ 6,055,896	\$ 3,660,614	\$ 3,597,558
\$	321,147	\$ 313,714	\$ 377,581	\$ 375,183	\$ 373,432	\$ 377,499
	944,822	1,175,135	1,195,976	940,241	844,437	744,328
	1,548,536	1,696,883	1,598,936	1,753,610	1,816,173	1,861,737
	7,919,310	8,610,456	9,695,487	10,307,393	11,217,110	12,258,400
	13,983,671	14,945,794	15,477,077	15,769,874	16,486,835	17,282,066
	6,998,774	7,376,995	7,865,499	7,976,017	8,900,224	9,548,688
	10,849,264	11,521,480	12,015,927	12,457,480	12,690,637	12,930,927
	9,414,354	9,838,374	10,267,848	10,568,505	10,949,346	11,333,038
	5,206,575	5,752,355	5,944,742	6,131,364	6,448,080	6,743,791
	4,367,170	4,554,992	4,501,266	4,506,448	4,741,977	4,980,884
	12,738,316	13,498,147	16,305,898	15,853,822	16,129,721	17,052,065
	2,311,487	2,835,593	3,766,233	4,020,944	4,281,651	4,340,957
	13,235,346	14,232,902	14,850,286	15,577,864	16,892,757	17,887,388
	9,151,495	9,380,832	9,729,235	10,194,587	10,627,010	10,897,471
	5,201,266	5,659,208	5,769,149	5,871,881	6,237,557	6,542,422
	2,600,327	2,729,144	2,796,682	2,766,270	2,909,178	2,913,105
	21,994,737	22,453,534	23,162,318	24,004,913	24,990,610	26,439,174
	1,396,561	1,427,418	1,446,421	1,576,030	1,858,890	2,057,414
	3,749,606	4,028,151	4,314,959	4,480,084	4,722,990	5,088,666
	5,836,609	6,040,975	6,294,864	6,401,623	6,882,525	7,171,388
\$	139,769,373	\$ 148,072,082	\$ 157,376,384	\$ 161,534,133	\$ 170,001,140	\$ 178,451,408
\$	2,991,515	\$ 3,024,745	\$ 3,007,494	\$ 2,978,551	\$ 3,047,204	\$ 3,167,769
	846,077	784,391	748,232	709,513	665,131	619,898
	21,178,166	20,989,028	21,119,824	21,944,845	22,871,388	23,644,729
\$	25,015,758	\$ 24,798,164	\$ 24,875,550	\$ 25,632,909	\$ 26,583,723	\$ 27,432,396
	164,785,131	172,870,246	182,251,934	187,167,042	196,584,863	205,883,804
\$	168,072,705	\$ 177,367,395	\$ 188,486,508	\$ 193,222,938	\$ 200,245,477	\$ 209,481,362
\$	168,072,705	\$ 177,367,395	\$ 188,486,508	\$ 193,222,938	\$ 200,245,477	\$ 209,481,362
	55,627,488	61,270,680	65,534,021	62,816,834	67,880,983	69,781,342
\$	223,700,193	\$ 238,638,075	\$ 254,020,529	\$ 256,039,772	\$ 268,126,460	\$ 279,262,704

**Schedule 6 - Revenue Rates**  
**Tax Rates and Taxable Income Brackets for 2007 through 2016**

**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

**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

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 2007 through 2016 (continued)**

<b>Tax Year 2012</b>				
	<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

<b>Tax Year 2013</b>						
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85%</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

<b>Tax Year 2014</b>						
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85%</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

<b>Tax Year 2015</b>						
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85%</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

<b>Tax Year 2016</b>						
	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85%</u>	<u>9.85% Over</u>		
Married Joint	\$36,820	\$36,821 -	\$146,270	\$146,271 -	\$259,420	\$259,420
Married Separate	18,410	18,411 -	73,140	73,141 -	129,710	129,710
Single	25,180	25,181 -	82,740	82,741 -	155,650	155,650
Head of Household	31,010	31,011 -	124,600	124,601 -	207,540	207,540

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 2005 and 2014**

**Calendar Year 2005**

Federal Adjusted Gross Income	Number of Returns <sup>(1)</sup>	Percent of Total	Personal Income Tax Liability <sup>(2)</sup>	Percent of Total
\$ 0 – 4,999	218,253	8.94%	\$ 1,940,840	0.03%
5,000 – 9,999	206,892	8.48%	9,989,577	0.15%
10,000 – 19,999	339,973	13.93%	80,298,700	1.24%
20,000 – 29,999	301,545	12.36%	185,696,816	2.87%
30,000 – 39,999	251,360	10.30%	283,035,883	4.37%
40,000 – 49,999	204,137	8.37%	319,184,450	4.93%
50,000 – 99,999	624,557	25.60%	1,802,000,103	27.83%
100,000 – 249,999	239,025	9.80%	1,687,495,165	26.06%
250,000 – 499,999	33,687	1.38%	666,292,547	10.29%
500,000 & Over	20,630	0.85%	1,439,903,166	22.24%
Total	<u>2,440,059</u>	<u>100.00%</u>	<u>\$ 6,475,837,247</u>	<u>100.00%</u>

**Calendar Year 2014**

Federal Adjusted Gross Income	Number of Returns <sup>(1)</sup>	Percent of Total	Personal Income Tax Liability <sup>(2)</sup>	Percent of Total
\$ 0 – 4,999	217,715	8.00%	\$ 3,689,196	0.04%
5,000 – 9,999	182,945	6.72%	5,242,692	0.05%
10,000 – 19,999	334,823	12.30%	60,419,757	0.63%
20,000 – 29,999	291,485	10.70%	151,978,857	1.58%
30,000 – 39,999	257,458	9.46%	255,338,776	2.65%
40,000 – 49,999	217,300	7.98%	324,993,956	3.38%
50,000 – 99,999	681,795	25.04%	1,937,602,318	20.12%
100,000 – 249,999	444,970	16.34%	3,068,192,761	31.87%
250,000 – 499,999	61,398	2.25%	1,248,295,223	12.97%
500,000 & Over	33,078	1.21%	2,572,418,249	26.72%
Total	<u>2,722,967</u>	<u>100.00%</u>	<u>\$ 9,628,171,785</u>	<u>100.00%</u>

<sup>(1)</sup>Total number of returns filed.

<sup>(2)</sup>Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2014 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental Activities:</b>				
General Obligation Bonds <sup>(1)</sup>	\$ 4,036,703	\$ 4,330,291	\$ 4,667,902	\$ 5,103,210
Revenue Bonds	15,145	14,500	13,715	12,900
State General Fund Appropriation Bonds <sup>(1)</sup>	-	-	-	-
Loans	60,494	59,889	53,658	41,319
Capital Leases	172,732	167,877	161,629	158,175
Certificates of Participation	-	-	-	80,649
<b>Total Governmental Activities</b>	<u>\$ 4,285,074</u>	<u>\$ 4,572,557</u>	<u>\$ 4,896,904</u>	<u>\$ 5,396,253</u>
<b>Business-type Activities:</b>				
General Obligation Bonds <sup>(1)</sup>	\$ 199,690	\$ 224,090	\$ 241,946	\$ 250,353
Revenue Bonds	170,941	209,719	278,246	320,779
Loans	5,419	5,829	5,582	603,020
Capital Leases	25,382	22,647	20,324	18,662
<b>Total Business-type Activities</b>	<u>\$ 401,432</u>	<u>\$ 462,285</u>	<u>\$ 546,098</u>	<u>\$ 1,192,814</u>
<b>Total Debt to the Primary Government</b>	<u>\$ 4,686,506</u>	<u>\$ 5,034,842</u>	<u>\$ 5,443,002</u>	<u>\$ 6,589,067</u>
Less: Set Aside to Repay General Debt	<u>\$ (372,510)</u>	<u>\$ (368,800)</u>	<u>\$ (406,310)</u>	<u>\$ (420,055)</u>
<b>Net Debt to the Primary Government</b>	<u>\$ 4,313,996</u>	<u>\$ 4,666,042</u>	<u>\$ 5,036,692</u>	<u>\$ 6,169,012</u>
<b>Total Personal Income</b>	\$ 203,478,772	\$ 214,836,931	\$ 225,518,558	\$ 215,149,426
Ratio of Total Debt to Personal Income	2.30%	2.34%	2.41%	3.06%
Per Capita Total Outstanding Debt (Actual Dollars)	\$ 908	\$ 967	\$ 1,037	\$ 1,248
Ratio of Net General Obligation Debt to Personal Income	1.90%	1.95%	2.00%	2.29%
Per Capita Net General Obligation Debt (Actual Dollars)	\$ 748	\$ 804	\$ 858	\$ 934

<sup>(1)</sup> 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 28, 2016, with revised estimates for 2007-2015.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	5,814,900	\$ 5,772,034	\$ 6,157,536	\$ 6,649,907	\$ 6,885,776	\$ 7,043,943
	12,055	794,574	10,260	47,255	44,757	42,103
	-	-	774,770	1,230,408	1,175,677	1,128,706
	31,583	28,612	35,982	28,610	24,966	23,337
	151,156	144,319	115,300	106,821	98,512	89,854
	<u>79,408</u>	<u>70,742</u>	<u>49,440</u>	<u>41,981</u>	<u>125,875</u>	<u>115,870</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>	<u>8,443,813</u>
\$	260,618	\$ 249,636	\$ 250,321	\$ 256,886	\$ 260,431	\$ 253,671
	375,409	431,952	470,498	444,231	460,484	431,289
	465,280	5,015	4,414	3,635	3,794	4,842
	<u>46,168</u>	<u>40,137</u>	<u>35,281</u>	<u>30,519</u>	<u>25,968</u>	<u>21,635</u>
\$	<u>1,147,475</u>	<u>726,740</u>	<u>760,514</u>	<u>735,271</u>	<u>750,677</u>	<u>711,437</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>9,155,250</u>
\$	<u>(463,165)</u>	<u>(301,320)</u>	<u>(383,740)</u>	<u>(604,165)</u>	<u>(605,850)</u>	<u>(613,385)</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>	<u>8,541,865</u>
\$	223,700,193	\$ 238,638,075	\$ 254,020,529	\$ 256,039,772	\$ 268,126,460	\$ 279,262,704
	3.23%	3.16%	3.11%	3.45%	3.40%	3.28%
\$	1,363	\$ 1,409	\$ 1,469	\$ 1,631	\$ 1,669	\$ 1,668
	2.51%	2.40%	2.37%	2.46%	2.44%	2.39%
\$	1,057	\$ 1,070	\$ 1,120	\$ 1,163	\$ 1,199	\$ 1,218

**Schedule 9 - Pledged Revenue Coverage  
Last Ten Fiscal Years (In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>State University Board Revenue</b>				
<b>Segment of College and University Enterprise Fund</b>				
Gross Revenues <sup>(1)</sup>	\$ 76,856	\$ 83,619	\$ 93,781	\$ 101,311
Less: Operating Expenses <sup>(2)</sup>	<u>(60,778)</u>	<u>(65,166)</u>	<u>(69,867)</u>	<u>(71,426)</u>
Net Available Revenue	<u>\$ 16,078</u>	<u>\$ 18,453</u>	<u>\$ 23,914</u>	<u>\$ 29,885</u>
Debt Service:				
Principal	\$ 1,875	\$ 1,945	\$ 2,945	\$ 6,125
Interest	<u>4,663</u>	<u>5,374</u>	<u>7,091</u>	<u>10,816</u>
Total Debt Service	<u>\$ 6,538</u>	<u>\$ 7,319</u>	<u>\$ 10,036</u>	<u>\$ 16,941</u>
Coverage	2.46	2.52	2.38	1.76
<b>Vermilion Community College<sup>(3)</sup> and Itasca Community College Student Housing</b>				
<b>Segments of College and University Enterprise Fund</b>				
Gross Revenues <sup>(1)</sup>	\$ 1,038	\$ 1,019	\$ 608	\$ 628
Less: Operating Expenses <sup>(2)</sup>	<u>(567)</u>	<u>(675)</u>	<u>(346)</u>	<u>(338)</u>
Net Available Revenue	<u>\$ 471</u>	<u>\$ 344</u>	<u>\$ 262</u>	<u>\$ 290</u>
Debt Service:				
Principal	\$ 370	\$ 135	\$ 145	\$ 145
Interest	<u>170</u>	<u>155</u>	<u>148</u>	<u>141</u>
Total Debt Service	<u>\$ 540</u>	<u>\$ 290</u>	<u>\$ 293</u>	<u>\$ 286</u>
Coverage	0.87	1.19	0.89	1.01
<b>Giants Ridge Enterprise Fund<sup>(4)</sup></b>				
Gross Revenues <sup>(5)</sup>	\$ 4,047	\$ 4,216	\$ 4,091	\$ 4,083
Less: Operating Expenses <sup>(2)</sup>	<u>(5,293)</u>	<u>(5,447)</u>	<u>(5,796)</u>	<u>(5,889)</u>
Net Available Revenue	<u>\$ (1,246)</u>	<u>\$ (1,231)</u>	<u>\$ (1,705)</u>	<u>\$ (1,806)</u>
Debt Service:				
Principle	\$ 665	\$ 705	\$ 760	\$ 815
Interest	<u>1,009</u>	<u>963</u>	<u>917</u>	<u>858</u>
Total Debt Service	<u>\$ 1,674</u>	<u>\$ 1,668</u>	<u>\$ 1,677</u>	<u>\$ 1,673</u>
Coverage	(0.74)	(0.74)	(1.02)	(1.08)

<sup>(1)</sup> 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.

<sup>(2)</sup> Depreciation, amortization, bad debt, interest and financing expenses are not included.

<sup>(3)</sup> In 2013, the remaining \$85,000 in principal and interest was paid in full for Vermilion Community College.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

2011	2012	2013	2014	2015	2016
\$ 108,102	\$ 111,168	\$ 109,368	\$ 109,857	\$ 112,662	\$ 119,182
<u>(72,391)</u>	<u>(74,432)</u>	<u>(78,410)</u>	<u>(81,624)</u>	<u>(78,856)</u>	<u>(80,031)</u>
<u>\$ 35,711</u>	<u>\$ 36,736</u>	<u>\$ 30,958</u>	<u>\$ 28,233</u>	<u>\$ 33,806</u>	<u>\$ 39,151</u>
\$ 7,870	\$ 7,545	\$ 11,575	\$ 12,425	\$ 14,060	\$ 14,385
<u>8,070</u>	<u>11,889</u>	<u>11,129</u>	<u>12,452</u>	<u>11,847</u>	<u>12,342</u>
<u>\$ 15,940</u>	<u>\$ 19,434</u>	<u>\$ 22,704</u>	<u>\$ 24,877</u>	<u>\$ 25,907</u>	<u>\$ 26,727</u>
2.24	1.89	1.36	1.13	1.30	1.46
\$ 667	\$ 690	\$ 450	\$ 473	\$ 478	\$ 495
<u>(348)</u>	<u>(334)</u>	<u>(205)</u>	<u>(230)</u>	<u>(203)</u>	<u>(209)</u>
<u>\$ 319</u>	<u>\$ 356</u>	<u>\$ 245</u>	<u>\$ 243</u>	<u>\$ 275</u>	<u>\$ 286</u>
\$ 155	\$ 165	\$ 95	\$ 130	\$ 120	\$ 120
<u>134</u>	<u>124</u>	<u>71</u>	<u>49</u>	<u>48</u>	<u>46</u>
<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ 166</u>	<u>\$ 179</u>	<u>\$ 168</u>	<u>\$ 166</u>
1.10	1.23	1.48	1.36	1.64	1.72
\$ 3,835	\$ 3,138	\$ 3,580	\$ 3,419	\$ 3,407	\$ 3,362
<u>(6,005)</u>	<u>(5,641)</u>	<u>(7,372)</u>	<u>(8,452)</u>	<u>(6,025)</u>	<u>(6,580)</u>
<u>\$ (2,170)</u>	<u>\$ (2,503)</u>	<u>\$ (3,792)</u>	<u>\$ (5,033)</u>	<u>\$ (2,618)</u>	<u>\$ (3,218)</u>
\$ 11,310	\$ -	\$ -	\$ -	\$ -	\$ -
<u>630</u>	<u>15</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>1</u>
<u>\$ 11,940</u>	<u>\$ 15</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
(0.18)	(166.87)	(379.20)	-	-	(3,218.00)

**Schedule 9 - Pledged Revenue Coverage (continued)**  
**Last Ten Fiscal Years (In Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>D.J. Johnson Economic Protection Trust Fund<sup>(6)</sup></b>				
Taconite Production Tax <sup>(7)</sup>	\$ 4,709	\$ 4,388	\$ 3,902	\$ 5,006
Net Available Revenue	<u>\$ 4,709</u>	<u>\$ 4,388</u>	<u>\$ 3,902</u>	<u>\$ 5,006</u>
Debt Service:				
Principle <sup>(4)</sup>	\$ -	\$ 322	\$ 393	\$ 408
Interest	<u>264</u>	<u>320</u>	<u>305</u>	<u>289</u>
Total Debt Service	<u>\$ 264</u>	<u>\$ 642</u>	<u>\$ 698</u>	<u>\$ 697</u>
Coverage	17.84	6.83	5.59	7.18
<b>Iron Range Resources and Rehabilitation Agency (IRRA)<sup>(6)</sup></b>				
Taconite Production Tax <sup>(7)</sup>	\$ 708	\$ 706	\$ 705	\$ 704
Net Available Revenue	<u>\$ 708</u>	<u>\$ 706</u>	<u>\$ 705</u>	<u>\$ 704</u>
Debt Service:				
Principle	\$ -	\$ 322	\$ 393	\$ 408
Interest	<u>265</u>	<u>320</u>	<u>305</u>	<u>289</u>
Total Debt Service	<u>\$ 265</u>	<u>\$ 642</u>	<u>\$ 698</u>	<u>\$ 697</u>
Coverage	2.67	1.10	1.01	1.01
<b>911 Services Fund<sup>(8)</sup></b>				
911 Services Fees <sup>(9)</sup>	\$ 49,527	\$ 52,271	\$ 52,677	\$ 60,229
Less: Operating Expenses <sup>(2)</sup>	<u>(15,052)</u>	<u>(25,812)</u>	<u>(23,225)</u>	<u>(7,290)</u>
Net Available Revenue	<u>\$ 34,475</u>	<u>\$ 26,459</u>	<u>\$ 29,452</u>	<u>\$ 52,939</u>
Debt Service:				
Principal	\$ -	\$ 2,590	\$ 5,365	\$ 13,375
Interest	<u>976</u>	<u>1,672</u>	<u>2,453</u>	<u>4,642</u>
Total Debt Service	<u>\$ 976</u>	<u>\$ 4,262</u>	<u>\$ 7,818</u>	<u>\$ 18,017</u>
Coverage	35.32	6.21	3.77	2.94

<sup>(6)</sup> Iron Range issued Educational Facilities Revenue bonds of \$37.8 million on October 18, 2013. D.J. Johnson Economic Protection Trust Fund pays a portion of the debt.

<sup>(7)</sup> 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.

<sup>(8)</sup> Revenue bonds of \$42.2 million were issued on November 13, 2008 for 911 services.

<sup>(9)</sup> 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.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,547	\$ 1,919	\$ 5,723	\$ 2,074	\$ 1,542	\$ 1,540
<u>\$ 1,547</u>	<u>\$ 1,919</u>	<u>\$ 5,723</u>	<u>\$ 2,074</u>	<u>\$ 1,542</u>	<u>\$ 1,540</u>
\$ 422	\$ 440	\$ 572	\$ 477	\$ 973	\$ 974
<u>273</u>	<u>256</u>	<u>123</u>	<u>417</u>	<u>853</u>	<u>547</u>
<u>\$ 695</u>	<u>\$ 696</u>	<u>\$ 695</u>	<u>\$ 894</u>	<u>\$ 1,826</u>	<u>\$ 1,521</u>
2.23	2.76	8.23	2.32	0.84	1.01
\$ 704	\$ 704	\$ 706	\$ 2,074	\$ 2,452	\$ 2,450
<u>\$ 704</u>	<u>\$ 704</u>	<u>\$ 706</u>	<u>\$ 2,074</u>	<u>\$ 2,452</u>	<u>\$ 2,450</u>
\$ 422	\$ 440	\$ 572	\$ 478	\$ 1,452	\$ 1,431
<u>273</u>	<u>256</u>	<u>124</u>	<u>615</u>	<u>1,343</u>	<u>992</u>
<u>\$ 695</u>	<u>\$ 696</u>	<u>\$ 696</u>	<u>\$ 1,093</u>	<u>\$ 2,795</u>	<u>\$ 2,423</u>
1.01	1.01	1.01	1.90	0.88	1.01
\$ 63,373	\$ 68,516	\$ 63,222	\$ 63,684	\$ 57,381	\$ 68,500
<u>(30,996)</u>	<u>(25,815)</u>	<u>(26,019)</u>	<u>(26,191)</u>	<u>(24,741)</u>	<u>(24,695)</u>
<u>\$ 32,377</u>	<u>\$ 42,701</u>	<u>\$ 37,203</u>	<u>\$ 37,493</u>	<u>\$ 32,640</u>	<u>\$ 43,805</u>
\$ 12,100	\$ 15,005	\$ 11,380	\$ 11,820	\$ 12,310	\$ 12,810
<u>5,150</u>	<u>7,260</u>	<u>6,918</u>	<u>6,443</u>	<u>5,924</u>	<u>5,403</u>
<u>\$ 17,250</u>	<u>\$ 22,265</u>	<u>\$ 18,298</u>	<u>\$ 18,263</u>	<u>\$ 18,234</u>	<u>\$ 18,213</u>
1.88	1.92	2.03	2.05	1.79	2.41





**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>
2006	5,163,555	\$ 203,478,772	\$ 39,407	36.6	4.0%
2007	5,207,203	\$ 214,836,931	\$ 41,258	36.8	4.3%
2008	5,247,018	\$ 225,518,558	\$ 42,980	37.1	4.8%
2009	5,281,203	\$ 215,149,426	\$ 40,739	37.2	6.8%
2010	5,310,903	\$ 223,700,193	\$ 42,121	37.4	7.7%
2011	5,348,119	\$ 238,638,075	\$ 44,621	37.5	7.0%
2012	5,380,443	\$ 254,020,529	\$ 47,212	37.6	6.0%
2013	5,420,541	\$ 256,039,772	\$ 47,235	37.7	5.3%
2014	5,457,125	\$ 268,126,460	\$ 49,133	37.8	4.6%
2015	5,489,594	\$ 279,262,704	\$ 50,871	37.9	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 2015 and Nine Years Ago**

<u>Employer</u>	<u>2006</u>			<u>2015</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	55,442	1	2.01%	55,032	1	1.91%
Mayo Clinic	35,931	2	1.30%	41,892	2	1.46%
United States Government	33,624	3	1.22%	33,370	3	1.16%
Target Corp.	25,125	4	0.91%	26,694	4	0.93%
Allina Health System	22,690	5	0.82%	26,000	5	0.90%
Wells Fargo Bank Minnesota	21,078	6	0.76%	20,000	9	0.70%
Fairview Health Services	19,000	7	0.69%	22,000	8	0.77%
University of Minnesota	18,899	8	0.68%	25,960	6	0.90%
Wal-Mart Stores Inc.	18,407	9	0.67%	-	-	0.00%
3M Company	16,614	10	0.60%	-	-	0.00%
Health Partners Inc.	-	-	0.00%	22,500	7	0.78%
United Health Group Inc.	-	-	0.00%	15,750	10	0.55%
Total	<u>266,810</u>			<u>289,198</u>		
Total State Employment	<u>2,762,900</u>			<u>2,875,700</u>		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published March 2, 2007, and July 8, 2016.  
Minnesota Department of Employment and Economic Development

**Schedule 12**  
**Full-Time Equivalent State Employees By Function**  
**Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Primary Government:				
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	4,322	4,465	4,515	4,467
Economic and Workforce Development <sup>(1)</sup>	3,486	2,379	2,499	2,661
General Education	935	897	882	880
General Government	6,559	7,393	8,393	6,868
Health and Human Services	8,042	9,587	8,257	9,167
Higher Education	14,437	14,841	15,592	15,835
Public Safety and Corrections	6,198	6,447	6,517	6,553
Transportation	4,435	4,544	4,713	4,969
Total	<u>48,414</u>	<u>50,553</u>	<u>51,368</u>	<u>51,400</u>

<sup>(1)</sup> 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
4,416	4,221	4,543	4,532	4,622	4,576
2,621	2,368	2,468	2,378	2,373	2,332
877	851	898	915	900	846
7,005	6,867	7,228	7,552	7,606	8,666
8,997	8,694	9,143	9,613	9,909	9,062
15,851	15,554	15,584	15,481	15,090	14,810
6,569	6,457	6,521	6,519	6,598	6,761
<u>4,964</u>	<u>4,514</u>	<u>4,915</u>	<u>4,970</u>	<u>4,815</u>	<u>4,654</u>
<u>51,300</u>	<u>49,526</u>	<u>51,300</u>	<u>51,960</u>	<u>51,913</u>	<u>51,707</u>

**Schedule 13 - Operating and Capital Asset Indicators By Function  
Last Ten Years**

	2007	2008	2009	2010
<b>Agricultural, Environmental and Energy Resources:</b>				
Recreational Fishing Licenses Issued/License Year	1,386,087	1,326,087	1,363,841	1,247,885
Watercraft Licenses Issued/Calendar Year	866,971	870,736	873,986	908,232
Acres of State Land Managed by Forestry/Fiscal Year	3,852,000	3,847,000	3,922,744	3,915,225
Farms/Calendar Year	81,000	81,000	81,000	80,500
Acres of Farmland/Calendar Year (1,000 Acres)	26,900	26,900	26,900	26,900
Agricultural Production-Crops/Calendar Year (In Thousands)	\$ 6,848,553	\$ 10,288,852	\$ 8,760,107	\$ 8,495,302
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$ 5,849,694	\$ 6,095,538	\$ 5,185,204	\$ 6,180,768
<b>Economic and Workforce Development:</b>				
Unemployment Claims Filed	228,664	193,499	336,266	350,443
Workplace Injuries Reported	39,827	38,178	35,416	32,828
<b>General Education: <sup>(1)</sup></b>				
Kindergarten Through Grade 12 Students	827,197	823,755	821,021	821,923
School Districts	340	340	340	337
Charter Schools	131	143	153	154
Special Education Age 0-21 Child Count	121,511	123,269	124,592	126,108
<b>General Government:</b>				
Individual Income Tax Payers/Calendar Year	2,602,439	2,715,679	2,687,864	2,695,214
Corporate Income Tax Returns/Calendar Year	38,339	40,900	33,822	32,115
Sales Tax Permit Holders/Calendar Year	256,000	277,000	277,000	284,000
<b>Health and Human Services:</b>				
Average Monthly Cash Recipients	159,390	158,556	164,293	174,372
Average Monthly Health Care Enrollees	661,265	667,086	707,006	776,430
Health Care Providers	3,695	3,931	4,153	4,366
<b>Higher Education:</b>				
Full Year Student Equivalents	135,839	139,885	143,924	155,422
Number of Students Graduated	33,796	33,328	35,026	36,464
Square Footage of Buildings	26,007,169	26,065,364	26,672,956	26,792,759
<b>Public Safety and Corrections:</b>				
Incarcerated Inmates	8,900	9,270	9,217	9,619
Offenders on Supervision	18,979	20,132	20,974	20,559
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	1,402,284	1,436,622	1,268,416	1,277,295
Crashes Investigated By State Patrol	20,975	20,198	20,297	20,324
<b>Transportation:</b>				
Miles of Highways	29,200	29,191	29,228	29,370
Trunk Highway Bridges	2,924	2,981	3,021	2,988
Acres of Right-of-Way	254,087	254,074	254,269	254,880

**Notes:**

N/A = Information not available.

Of the \$18.3 billion in capital assets owned by the state as of June 30, 2016, \$12.0 billion (65.6 percent) of the assets represent infrastructure and right of way under the Transportation function.

The remaining \$6.3 billion in capital assets is allocated to other functions.

<sup>(1)</sup> Current year amounts are estimated.

2011	2012	2013	2014	2015	2016
1,317,401	1,394,075	1,340,327	1,364,293	1,363,641	N/A
928,540	970,091	957,061	958,111	960,418	N/A
3,915,178	3,914,875	4,008,450	4,014,742	4,014,641	4,030,652
79,800	74,500	74,400	74,000	73,600	73,150
26,850	26,000	25,900	25,900	25,900	25,775
\$ 9,948,783	\$ 13,548,317	\$ 12,764,118	\$ 9,160,551	\$ 8,693,526	\$ 8,621,562
\$ 7,008,028	\$ 7,434,242	\$ 7,625,406	\$ 8,949,037	\$ 7,880,843	\$ 7,521,701
353,277	319,473	282,339	268,800	242,214	240,570
33,889	33,757	34,303	34,963	33,786	33,915
823,347	824,922	831,722	837,616	845,527	850,408
337	337	336	332	332	332
149	147	148	150	157	162
127,863	128,430	128,812	129,669	130,886	133,742
2,708,203	2,766,477	2,794,748	2,854,888	2,894,528	2,938,183
38,072	33,404	36,223	35,857	35,534	34,713
284,000	256,439	284,000	155,000	155,000	160,000
185,739	183,983	181,900	176,300	166,428	163,859
832,903	855,643	864,365	929,455	1,139,325	1,191,630
4,442	4,680	4,780	4,931	4,724	4,533
157,903	153,447	149,905	144,524	138,657	135,192
38,765	39,617	39,800	39,148	38,220	37,427
27,248,375	27,835,651	27,968,002	27,998,859	28,042,641	28,473,676
9,429	9,345	9,452	9,768	9,947	10,105
19,727	19,697	19,968	19,343	20,418	20,011
10	10	10	10	10	10
1,277,132	1,319,334	1,625,547	1,420,951	1,177,543	1,343,989
25,768	20,527	23,229	25,670	23,278	25,113
29,347	29,310	29,323	29,288	29,288	29,288
2,985	2,985	3,017	3,032	3,036	3,022
254,852	254,958	255,714	255,453	256,265	256,483

