

# State of Minnesota

## Financial Highlights Report



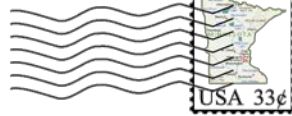
**For the Year Ended June 30, 2015**

Dear Friend,

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

Wish you were here!

Your friend



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

## Introduction

The Financial Highlights Report, also known as the Popular Annual Financial Report or PAFR, summarizes basic financial information about the State of Minnesota. You can find detailed information in the state's Comprehensive Annual Financial Report (CAFR) from Minnesota Management and Budget's website at [www.mn.gov/mmb/accounting/reports](http://www.mn.gov/mmb/accounting/reports).

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is independently audited by the Minnesota Office of the Legislative Auditor. In contrast, this report is unaudited and includes only select financial information. It is presented on a non-GAAP basis, excludes fiduciary fund and discretely-presented component unit information, contains condensed financial information, and does not provide all the necessary financial statements and note disclosures required by GAAP.

The primary source of all information is the 2015 and/or prior year CAFRs, unless otherwise indicated.

## Accomplishments

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

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

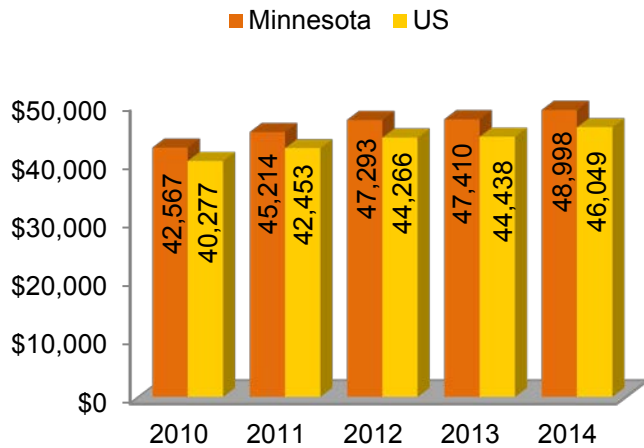
In the 2014 Legislative Session, Governor Dayton signed a law requiring up to thirty-three percent of any projected current biennium surplus in the yearly November Budget and Economic Forecast automatically be credited to the state's budget reserve account until it reaches a target recommended by Minnesota Management and Budget. The target is based on the volatility of General Fund revenue sources and is updated each September. The September 2015 report set the target at 4.8 percent of the non-dedicated revenues for fiscal years 2016-2017, or \$2.032 billion. This is an important step in strengthening the state's long-term fiscal health. At the end of the 2015 fiscal year, Minnesota's budget reserve was \$994 million and the cash flow reserve was \$350 million. As part of the November 2015 Budget and Economic Forecast, released December 3, 2015, \$594 million was automatically added to the budget reserve account in fiscal year 2016. After this deposit and other minor forecast allocations, the budget reserve account balance was \$1.597 billion, 3.8 percent of the forecast non-dedicated revenue for fiscal years 2016-2017.

## Economic Outlook

Minnesota's expansion continues to make steady progress:

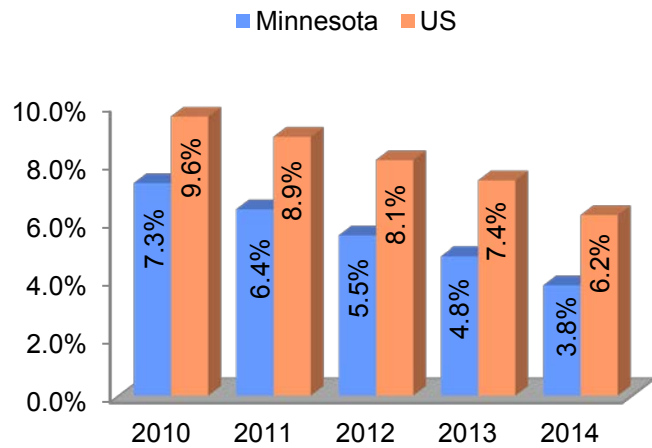
- Minnesota's wages grew 5.0 percent in fiscal year 2015
- Minnesota's unemployment rate was 3.7 percent in October 2015
  - Matching the low that has prevailed since mid-2014
  - Tighter labor market is leading to wage acceleration
- Minnesota added more than 50,000 jobs in the past two years
  - Job growth is expected to slow this year
  - Employment is forecast to grow 1.1 percent in fiscal year 2016, 1.2 percent in fiscal year 2017, and 1.0 percent in fiscal year 2018

### Income Per Capita



Source: 2015 CAFR & Bureau of Economic Analysis

### Unemployment Rate



Source: 2015 CAFR & Bureau of Labor Statistics

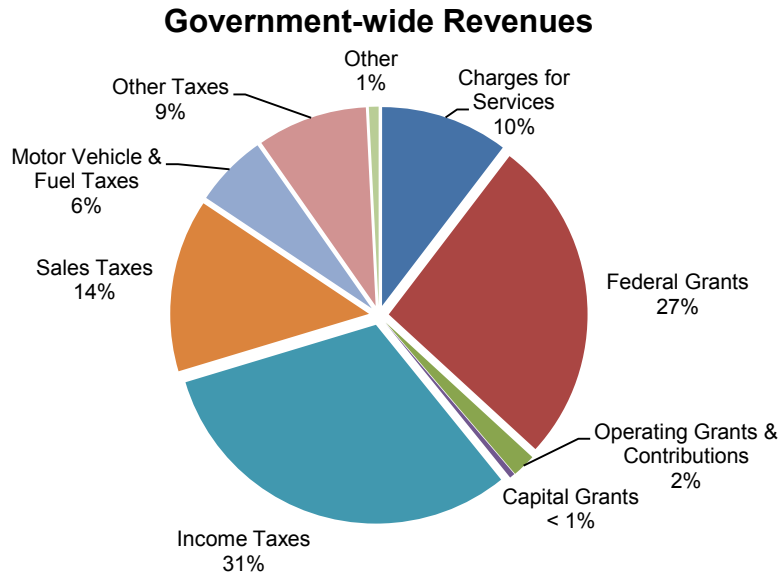
## Government-wide Financial Analysis

Government-wide activities provide a broad overview of the state's finances similar to private-sector accounting. The government-wide activities present the financial position and operating results of the state. As of June 30, 2015, the government-wide Statement of Net Position (Balance Sheet) of governmental activities and business-type activities reflects:

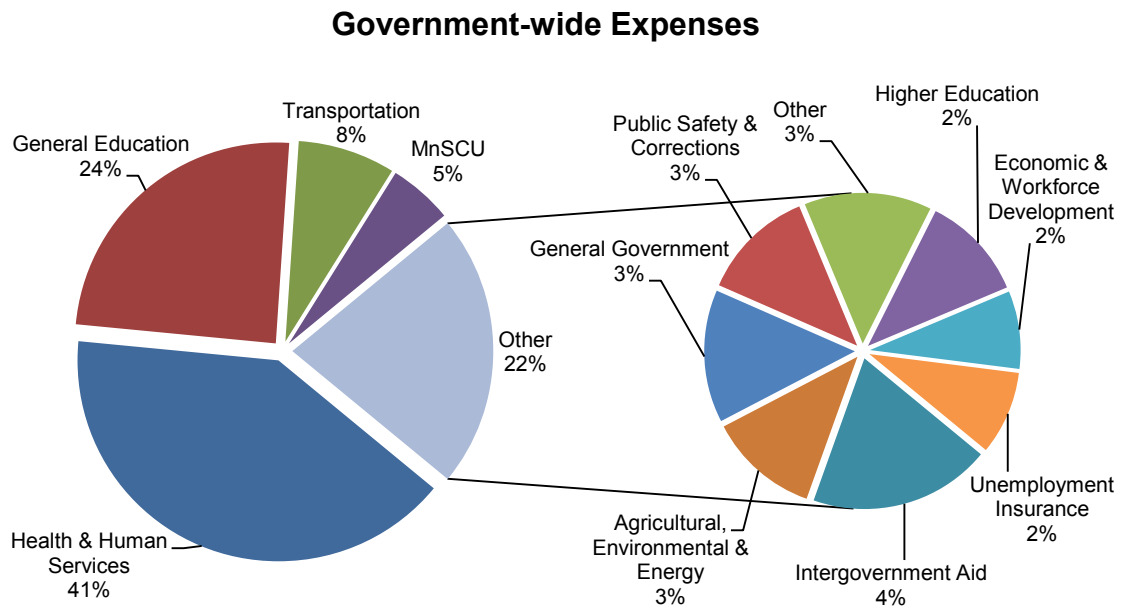
- Assets of \$36.5 billion (a \$2.7 billion increase from the prior year)
- Liabilities of \$19.5 billion (a \$1.1 billion decrease from the prior year, after being restated for the implementation of GASB 68)
- Net Position of \$14.9 billion (a \$2.0 billion or 15.6 percent increase from the prior year, after being restated for the implementation of GASB 68)

On the Statement of Activities (Operating Statement), total revenue exceeded total expenditures by \$2.0 billion. See Management's Discussion & Analysis in the CAFR for an explanation of the increases and decreases.

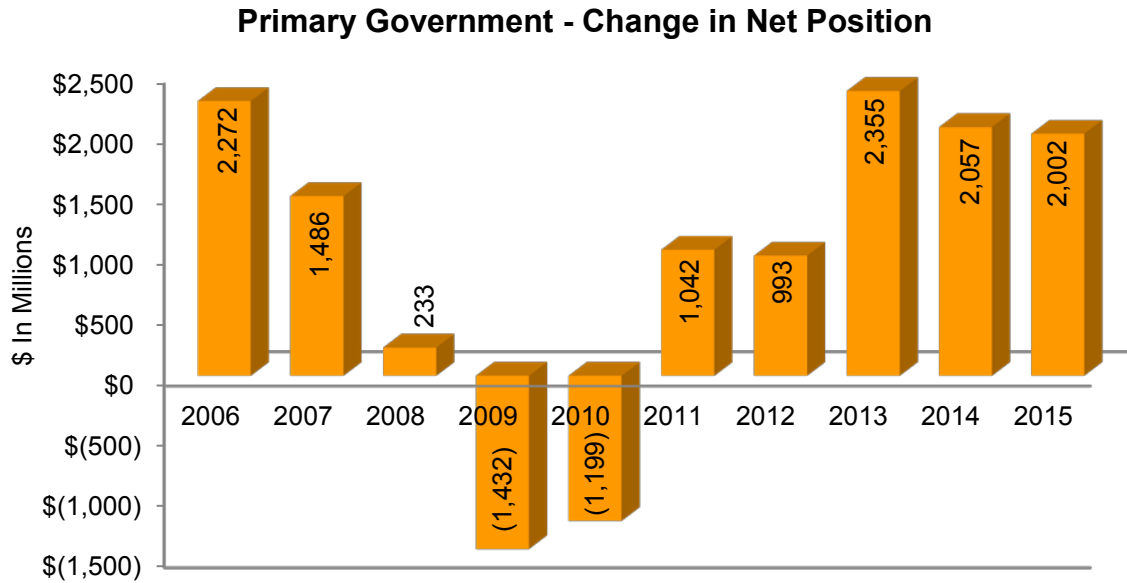
State revenue totaled \$39 billion in fiscal year 2015. These revenues and other state assets were used to support government programs. The accompanying chart shows revenue by source.



On a government-wide basis, the state spent \$37 billion. The following chart shows government-wide expenses by function. The second chart breaks down the “Other” category by function.

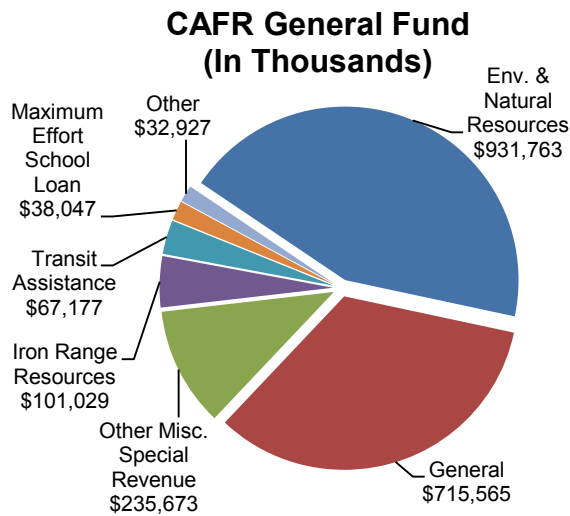


Net position is the residual of all other financial statements elements presented in the statement of financial position. It serves as a useful indicator of a government's financial position over time. The primary government's change in net position for the past ten years is shown below.





## Comprehensive Annual Financial Report (CAFR) General Fund Balance



The General Fund is the chief operating fund of the state. It accounts for all financial resources not accounted for and reported in another fund. At June 30, 2015, the General Fund had the following balances:

- \$7.0 billion in assets
- \$4.8 billion in liabilities and deferred inflows
- \$2.1 billion in fund balance (an increase of \$345 million from 2014)

The fund balance is comprised of approximately:

- \$1.0 billion Nonspendable and Restricted funds
- \$1.1 billion Assigned and Unassigned funds

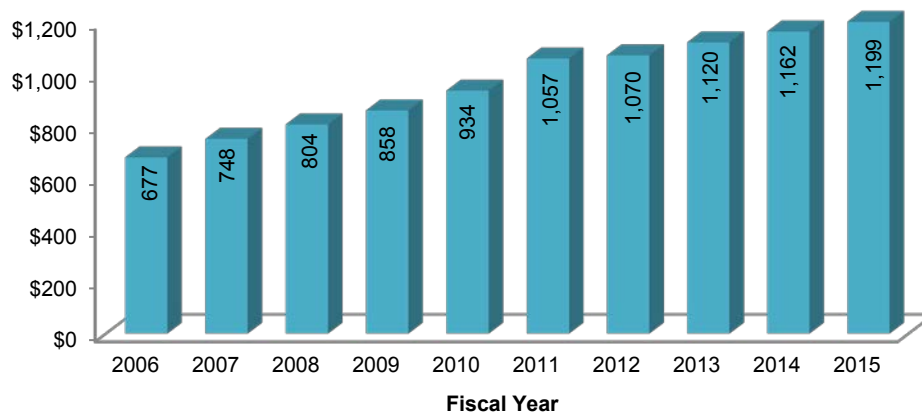
## State Debt

The Minnesota Legislature authorizes the issuance of all bond sales and the Commissioner of Management and Budget, by law, is given the responsibility of issuing the state's general obligation bonds. The proceeds from the sale of the bonds are used to pay the cost of capital projects, programs, or purposes that are approved by the Legislature. The state's bond ratings on general obligation bonds are:

- Moody's Aa1
- Standard & Poor's AA+
- Fitch AA+

General obligation debt per capita is the amount the state will pay per person for the general obligation debt of the state. Based on the U.S. Census Bureau population statistics, this amount for fiscal year 2015 was \$1,199. The following chart shows the general obligation debt per capita for the past ten years.

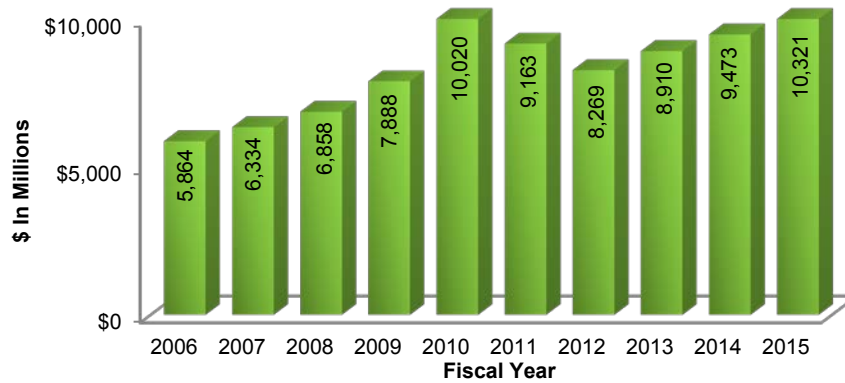
## General Obligation Debt Per Capita



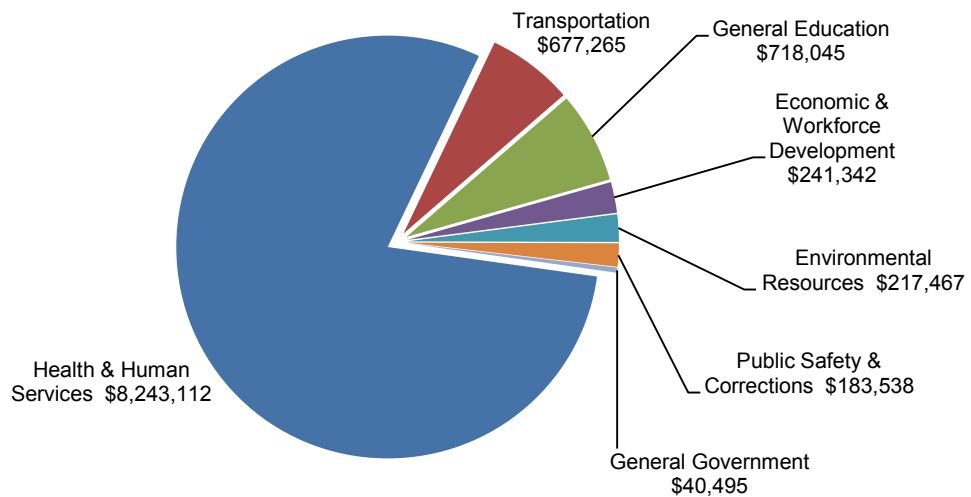
## Federal Grant Revenue for Governmental Funds

The federal government gives financial assistance to the state in the form of federal grants. Federal grant revenue increased during the recession and decreased in the years following, as shown below.

**Federal Grant Revenue**



**Federal Grant Revenue by Function  
(In Thousands)**





## Governmental Expenditures

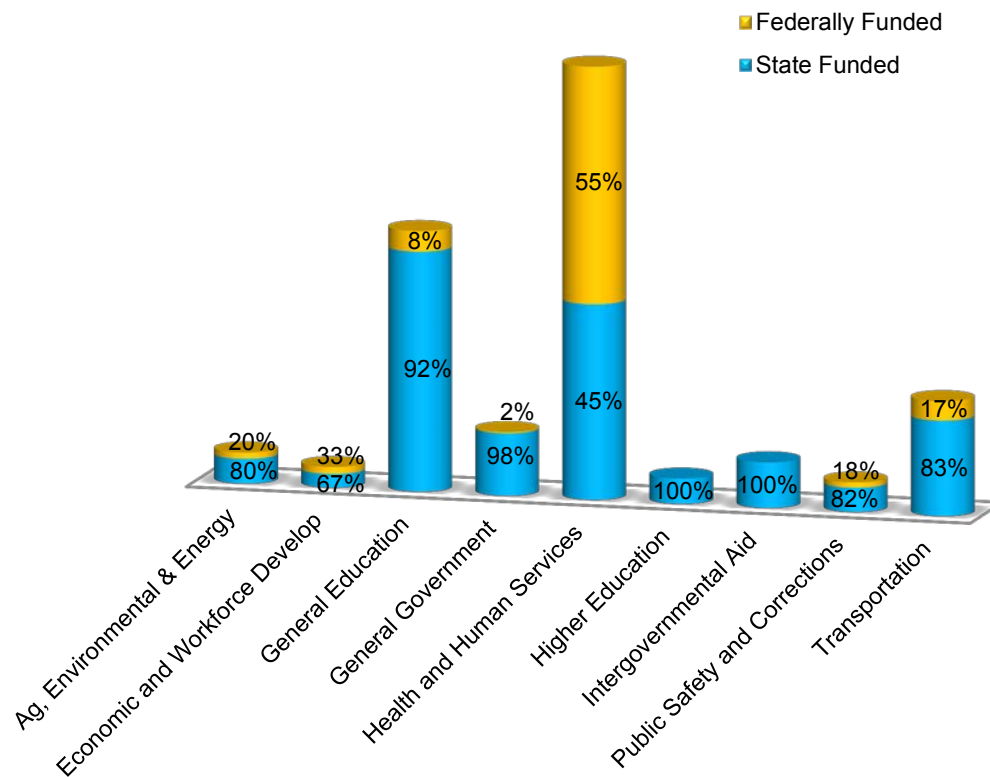
Governmental fund expenditures totaled \$35.3 billion for fiscal year 2015. These expenditures include:

- \$30.4 billion for costs related to operating services and other charges
- \$2.8 billion for payroll and related employee costs
- \$1.1 billion for capital outlay
- \$964 million for debt service

The sources of funding for these expenditures include:

- \$25.0 billion in state funding
- \$10.3 billion in federal funding

### Percentage of State Funded Expenditures to Federally Funded Expenditures for Governmental Funds by Category

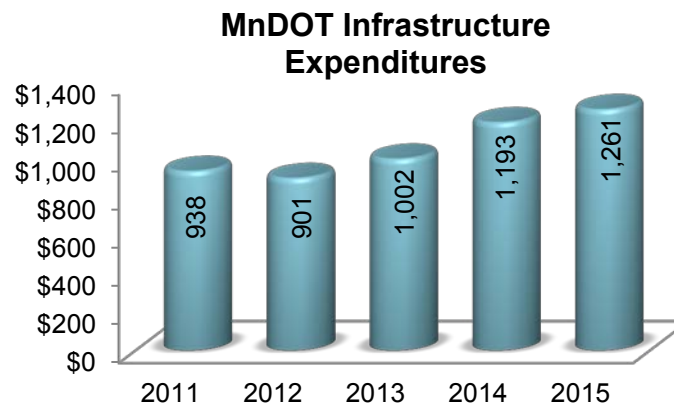


## Transportation

Minnesota reports selected infrastructure assets under the “modified approach” following GAAP. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation. The state maintains approximately:

- 3,000 bridges and tunnels
- 29,000 lane miles of roads and streets

The Minnesota Department of Transportation (MnDOT) evaluates the structural condition of roads, bridges, and tunnels to determine the serviceable level and to plan for future construction and maintenance needs. The following chart illustrates MnDOT’s actual spending for the capitalization, preservation, and maintenance of the infrastructure assets under the modified approach.



## State Employers

The State of Minnesota was the largest employer in the state, with 52,208 state civil service employees in 2014. The following table shows the ten largest employers within the state in 2014, the most recent year available.

Principal Employers 2014		
	Employer	Employees
		Percent of Total State Employment
1	State of Minnesota <sup>(1)</sup>	52,208
2	Mayo Foundation	39,518
3	United States Government	31,434
4	Target Corp.	29,896
5	Allina Health System	26,022
6	University of Minnesota	25,836
7	Health Partners Inc.	22,500
8	Wal-Mart Stores Inc.	21,564
9	Fairview Health Services	21,000
10	Wells Fargo Bank	20,000
		289,978
	Total State Employment	2,857,200

<sup>(1)</sup> Includes Minnesota State Colleges and Universities

## Glossary of Terms

**Assets:** Resources with present service capacity that the government presently controls.

**Assigned fund balance:** The portion of the net position of a governmental fund that represents resources set aside or earmarked by the government for a particular purpose.

**Capital outlay:** Money spent to acquire, maintain, repair, or upgrade capital assets, which include equipment, land, buildings, infrastructure, intangible assets, and art and historical treasures.

**Debt service:** Payment of principal and interest due on an existing debt.

**Deferred inflows of resources:** An acquisition of net position by the government that is applicable to a future reporting period.

**Discretely-presented component units:** Legally separate organization that must be included in the financial report of the primary government yet whose data is reported separately from the primary government.

**Fiduciary funds:** A category of funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

**Fund balance:** Net position of a governmental fund. The difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources.

**GASB 68:** Governmental Accounting Standards Board Statement No. 68 "Accounting and Financial Reporting for Pensions." The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions.

**Generally Accepted Accounting Principles (GAAP):** Conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.

**GDP (Gross Domestic Product):** The monetary value of all the finished goods and services produced within a country's borders in a specified time period.

**Liabilities:** Present obligations to sacrifice resources that the government has little or no discretion to avoid.

**Net Position:** The residual of all other financial statement elements presented in a statement of financial position.

**Nonspendable fund balance:** The portion of the net position of a governmental fund that cannot be spent either because the underlying resources are not in spendable form or because the government is legally or contractually required to maintain the resources intact.

**Restricted fund balance:** The portion of the net position of a governmental fund that represents resources subject to externally enforceable constraints.

**Unassigned fund balance:** The difference between total fund balance in a governmental fund and its nonspendable, restricted, committed, and assigned components.