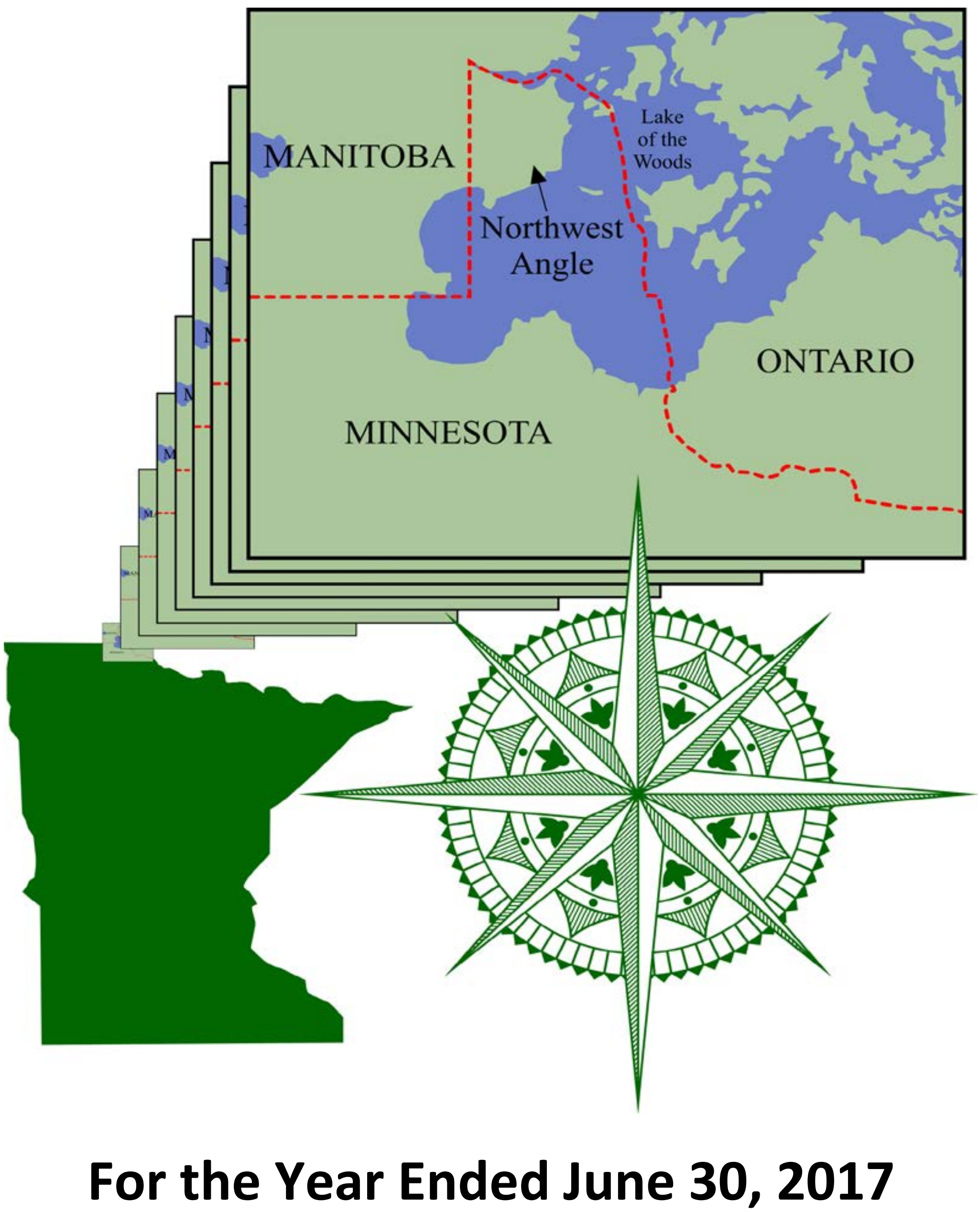
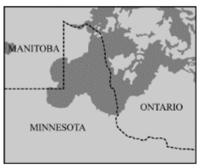
State of Minnesota

Comprehensive Annual Financial Report



For the Year Ended June 30, 2017



A fortunate mistake

A mistake made in 1783 has given Minnesota the distinction of being the most northern state in the contiguous 48. At the conclusion of the American Revolutionary War, the Treaty of Paris between the United States and Great Britain delineated the boundary between the U.S. territory and Canada as running "…through the Lake of the Woods to the northwestern-most point thereof, and from thence on a due west course to the river Mississippi…" The mistake was made when they relied on a map that showed the Mississippi extending far to the north.

In a subsequent agreement, the Anglo-American Convention of 1818, the error was corrected by having the western boundary run directly from the northwest point of the lake to the 49th parallel and then westward along it. When a survey team finally located the northwestern-most point of the lake, they determined that a portion of the U.S. territory was "cut off," jutting about 30 miles north of the 49th parallel. This portion of land, now known as the Northwest Angle (or "the Angle" by locals), remains a region of the state of Minnesota and, with the exception of Alaska, is the only part of the U.S. that is north of the 49th parallel.

The Northwest Angle, including several small islands, can only be accessed by air, water, or ice cover across the Lake of the Woods or by land through Canada. The border crossing is unstaffed. Travelers wishing to enter by land are expected to use a dedicated telephone at one of three locations to contact Canadian or U.S. Customs and make their declarations.

The Angle, a portion (70%) of which is held in trust by the Red Lake Indian Reservation, has a population of 119 (2010 census), 34 who live on surrounding islands. It is a popular destination for fishermen year-round and for snowmobilers in the winter.

The Northwest Angle is a treasured part of Minnesota, its history and its uniqueness, proving that not all mistakes are bad.

Artwork prepared by and for Minnesota Management & Budget

MINNESOTA

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

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

MINNESOTA

State of Minnesota

2017
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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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2017 Comprehensive Annual Financial Report
Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 15, 2017

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
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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, 2017. 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 unmodified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2017. 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, 2017. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2018.

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 ninth year of the current U.S. economic expansion, Minnesota's steady economic performance and tight labor market continue. The state is currently adding jobs at the same rate as the nation, and that steady job growth has kept the unemployment rate well below the U.S. rate. Statewide, there are about as many job vacancies as there are unemployed job seekers. Together, high demand for labor and low unemployment have supported growth in Minnesota wage and salary income. In October, average hourly wages by private sector employees in Minnesota were 3.9 percent higher than a year prior, ahead of the comparable rate for U.S. workers, 2.4 percent.

The state added more than 41,000 jobs in the 12 months ending in October, amounting to annual employment growth of 1.4 percent, the same as the U.S. growth rate over the same period. In this forecast, we expect slightly higher employment growth over the next few years than we had forecast in February.

Throughout 2017, Minnesota's labor force participation rate (LFPR) has trended upward. It reached 70.5 percent in October, 1.1 percentage points over a year ago and 7.8 percentage points higher than U.S. rate. The increased LFPR coincided with job growth in Minnesota that exceeded the U.S. rate during the middle months of this year. The increase is also notable, because Minnesota already had one of the highest LFPR's among U.S. states—and well above the U.S. rate—and it is occurring as baby boomers are retiring. That demographic reality, though, suggests that further large increases in Minnesota's LFPR are unlikely.

According to the Department of Employment and Economic Development's (DEED's) job vacancy report, in the second quarter of 2017, there were 0.9 unemployed persons for each vacancy compared to 1.2 a year earlier. The state's unemployed-to-job vacancy ratio has hovered between 0.9 and 1.2 since the end of 2014, indicating that the opportunities for job seekers in Minnesota have steadily improved since the recession. Geographically, about 60 percent of job vacancies were located in the Twin Cities seven-county area, and 40 percent were located in Greater Minnesota. With persistently high job vacancies, as baby boomer retirements continue, filling new positions is challenging for many of the state's employers.

We expect Minnesota's total wage and salary income to continue to grow at moderate rates of 4.3 to 4.8 percent per year over fiscal years 2018 to 2021. This is slower growth than expected in the February forecast, primarily because actual wage income growth in 2016—the base year for our forecast—was lower than expected, and that lower wage growth is forecast to continue. Annual wage growth is now forecast to be 4.6 percent in fiscal year 2018 and 4.8 percent in fiscal year 2019, compared to 5.2 percent in each of those years in the prior forecast.

Minnesota's housing market continues to show a persistent shortage of existing single family homes for sale. In October, year-to-date closed sales of homes in Minnesota were unchanged from the prior year. With persistently tight supply, median and mean sale prices continue to rise. According to the Minnesota Association of Realtors, the over-the-year increase in the median sale price was 6.8 percent in October, while the average sale price increased 6.9 percent. Statewide, there were about 21,538 homes available for sale on October, down 15.3 percent from an already low level (25,427) a year earlier.

Rising home prices pose a risk to affordability. The last time prices were as high as this year (in 2006), the 30-year fixed mortgage rate was about 6.5 percent. In contrast, rates are now averaging around 4.0 percent. While higher median prices increase monthly mortgage payments, lower rates constrain them. Combining these effects, affordability has declined since 2012, when Minnesota's housing affordability index—the ratio of median household income to the income needed to purchase a median-priced house—was around 300. The housing affordability index in October 2017 was 187, 11 percent lower than a year earlier. Nevertheless, affordability remains above 2004-2007 levels, when the index was less than 150.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2017 with an unassigned fund balance of $1.0 billion.

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 $3.417 billion for fiscal year 2017, a difference of $2.387 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 $1.579 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 $808 million. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

Minnesota Named Best-Run State in the Nation

Minnesota is the best-run state in the nation, according to a study from USA Today that cites Minnesota's strong fiscal management, low unemployment and poverty rates, above-average median household income, and the state's nearly perfect credit rating. Since ranking tenth in 2012, Minnesota has consistently climbed in the rankings under the same study, including ranking second last year.

The study notes Minnesota's strong economy and sound fiscal management have allowed the state to save more, approximately ten percent of our annual budget, which is more than most other individual states, and above the average of all states' savings, which is eight percent. The study also cites Minnesota's near-perfect credit rating from Fitch, and our currently stable long-term outlook.

The study also cites Minnesota's low unemployment and poverty rates. Minnesota's unemployment rate has been at or below 4 percent for 40 straight months, and recently hit 3.3 percent, the lowest it has been since 2000. Under Governor Dayton's leadership, Minnesota employers have added more than 290,000 jobs since 2011, and the state has made investments in education every year to grow greater opportunity for all Minnesota families. Wages also are growing in Minnesota, alongside an increase in the minimum wage Governor Dayton championed to keep up with the rising cost of living.

Premium Assistance Program

The state invested $312 million in a new, one-time emergency Premium Assistance Program. The Program is a first of its kind effort for Minnesota: A collaboration between the state and the health insurance carriers to prevent the collapse of the individual health insurance market and provide immediate relief to Minnesota families affected by drastic increases in health insurance premiums. The program provides eligible individuals with a 25 percent discount on their health care insurance policy premiums. Through June 2017, nearly 112,000 Minnesotans have benefited from this new program.

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, 2016. This was the thirty-second consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

Myron Frans
Commissioner

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

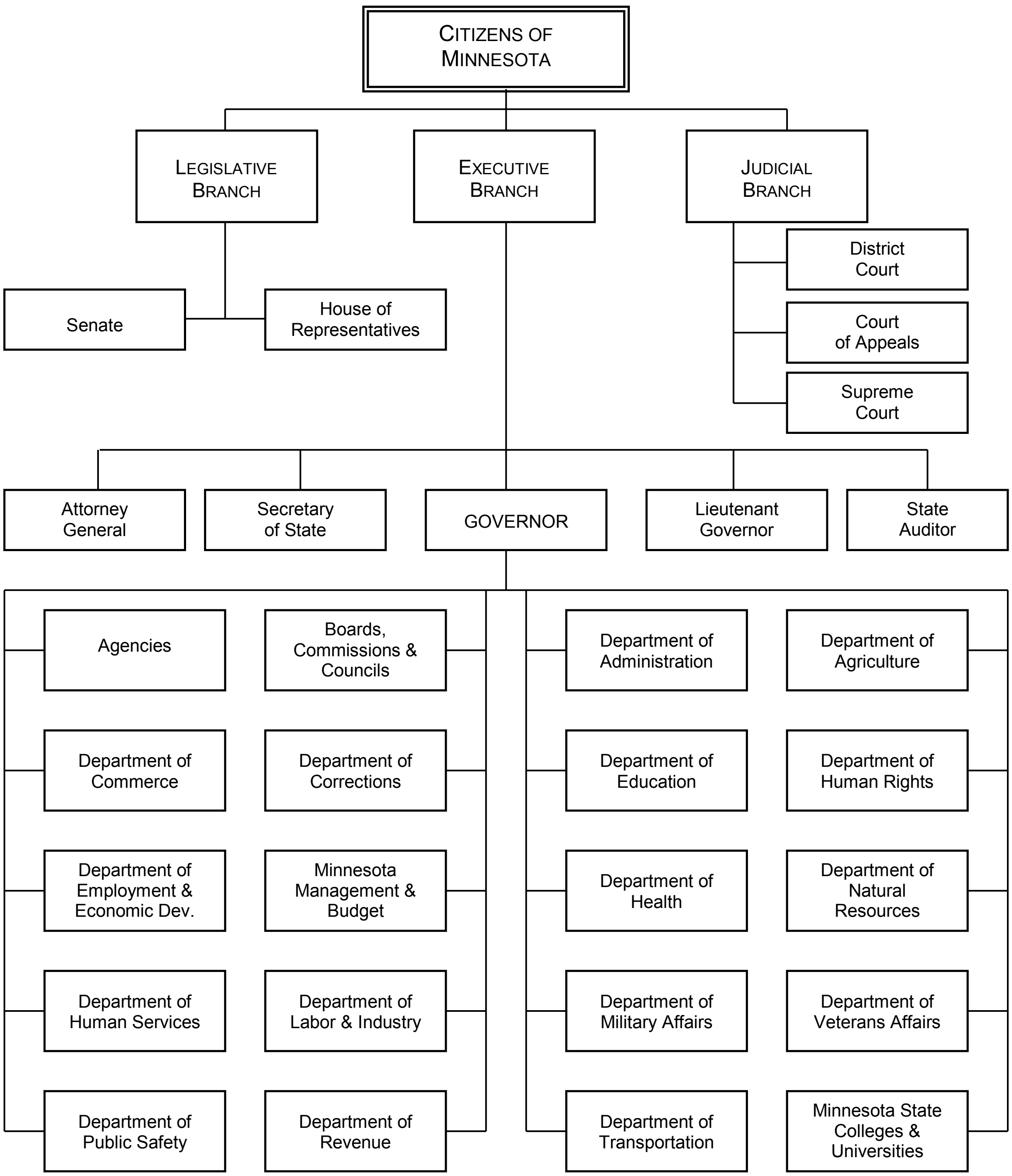
State of Minnesota

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

2017 Comprehensive Annual Financial Report
State Organization Chart



MINNESOTA

2017 Comprehensive Annual Financial Report
State Principal Officials

Executive Branch

Governor	Mark Dayton
Lieutenant Governor	Tina Smith
Attorney General	Lori Swanson
Secretary of State	Steve Simon
State Auditor	Rebecca Otto

Legislative Branch

Speaker of the House of Representatives	Kurt Daudt
President of the Senate	Michelle Fischbach

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea

MINNESOTA

State of Minnesota

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Financial Section

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, 2017, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 60 percent, 46 percent, and 35 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, 91 percent, and 97 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.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Phone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us • Website: www.auditor.leg.state.mn.us • Minnesota Relay: 1-800-627-3529 or 7-1-1

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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

James Nobles
Legislative Auditor

Scott Tjomsland, CPA, CISA
Audit Director

December 15, 2017

MINNESOTA

2017 Comprehensive Annual Financial Report

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2017, 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, 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) use 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 $16.4 billion at the end of fiscal year 2017, compared to $16.8 billion at the beginning of the year.

Net Position
June 30, 2017, and 2016
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current Assets[1]	$ 16,784,902	$ 15,335,211	$ 3,054,108	$ 3,162,343	$ 19,839,010	$ 18,497,554
Noncurrent Assets:						
Capital Assets[1]	16,908,948	16,169,021	2,267,243	2,270,299	19,176,191	18,439,320
Other Assets	749,115	751,107	101,975	107,467	851,090	858,574
Total Assets	$ 34,442,965	$ 32,255,339	$ 5,423,326	$ 5,540,109	$ 39,866,291	$ 37,795,448
Deferred Outflows of Resources	$ 7,942,864	$ 666,160	$ 1,461,097	$ 75,020	$ 9,403,961	$ 741,180
Current Liabilities	$ 6,373,620	$ 5,711,555	$ 475,567	$ 440,608	$ 6,849,187	$ 6,152,163
Noncurrent Liabilities	21,346,725	12,287,991	2,980,317	1,281,207	24,327,042	13,569,198
Total Liabilities	$ 27,720,345	$ 17,999,546	$ 3,455,884	$ 1,721,815	$ 31,176,229	$ 19,721,361
Deferred Inflows of Resources	$ 1,511,236	$ 1,828,043	$ 133,428	$ 217,337	$ 1,644,664	$ 2,045,380
Net Position:						
Net Investment in Capital Assets[1]	$ 12,659,739	$ 11,933,870	$ 1,650,940	$ 1,620,835	$ 14,310,679	$ 13,554,705
Restricted	5,523,662	5,633,354	1,896,802	2,120,972	7,420,464	7,754,326
Unrestricted[1]	(5,029,153)	(4,473,314)	(252,631)	(65,830)	(5,281,784)	(4,539,144)
Total Net Position	$ 13,154,248	$ 13,093,910	$ 3,295,111	$ 3,675,977	$ 16,449,359	$ 16,769,887

(1) 2016 has been restated to be consistent with 2017 presentation.

The largest portion, $14.3 billion of $16.4 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 Minnesotans. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

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

The remaining net position balance represents a deficit in unrestricted net position of $5.3 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 decreased $321 million (1.9 percent) over the course of this fiscal year. This resulted from a $60 million (.5 percent) increase in net position of governmental activities, and a $381 million (10.4 percent) decrease in net position of business-type activities.

Changes in Net Position
Fiscal Years Ended June 30, 2017, and 2016
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	$ 1,518,828	$ 1,454,645	$ 2,408,459	$ 2,638,382	$ 3,927,287	$ 4,093,027
Operating Grants and Contributions(1)	11,358,204	10,932,375	456,997	481,563	11,815,201	11,413,938
Capital Grants	142,942	194,056	-	-	142,942	194,056
General Revenues:						
Individual Income Taxes	11,307,961	10,969,019	-	-	11,307,961	10,969,019
Corporate Income Taxes(1)	1,270,423	1,361,681	-	-	1,270,423	1,361,681
Sales Taxes	5,779,685	5,534,870	-	-	5,779,685	5,534,870
Property Taxes	850,240	846,216	-	-	850,240	846,216
Motor Vehicle Taxes	1,518,531	1,428,134	-	-	1,518,531	1,428,134
Fuel Taxes	917,834	904,424	-	-	917,834	904,424
Other Taxes	2,833,543	2,801,323	-	-	2,833,543	2,801,323
Tobacco Settlement	165,244	170,179	-	-	165,244	170,179
Investment/Interest Income	66,639	35,289	45,797	44,919	112,436	80,208
Other Revenues	87,096	50,574	11,989	8,067	99,085	58,641
Total Revenues	$ 37,817,170	$ 36,682,785	$ 2,923,242	$ 3,172,931	$ 40,740,412	$ 39,855,716
Expenses:						
Agricultural, Environmental and Energy Resources	$ 1,254,115	$ 1,023,349	$ -	$ -	$ 1,254,115	$ 1,023,349
Economic and Workforce Development	806,872	658,893	-	-	806,872	658,893
General Education	9,836,193	9,434,928	-	-	9,836,193	9,434,928
General Government	1,589,095	1,151,991	-	-	1,589,095	1,151,991
Health and Human Services	16,396,755	15,590,493	-	-	16,396,755	15,590,493
Higher Education	987,375	976,351	-	-	987,375	976,351
Intergovernmental Aid	1,644,215	1,626,833	-	-	1,644,215	1,626,833
Public Safety and Corrections	1,360,363	1,005,349	-	-	1,360,363	1,005,349
Transportation	2,998,902	2,814,456	-	-	2,998,902	2,814,456
Interest	291,679	305,017	-	-	291,679	305,017
State Colleges and Universities	-	-	2,204,067	1,910,435	2,204,067	1,910,435
Unemployment Insurance	-	-	785,137	801,670	785,137	801,670
Lottery	-	-	429,843	446,860	429,843	446,860
Other	-	-	476,329	383,012	476,329	383,012
Total Expenses	$ 37,165,564	$ 34,587,660	$ 3,895,376	$ 3,541,977	$ 41,060,940	$ 38,129,637
Excess (Deficiency) Before Transfers	$ 651,606	$ 2,095,125	$ (972,134)	$ (369,046)	$ (320,528)	$ 1,726,079
Transfers	(591,268)	(661,843)	591,268	661,843	-	-
Change in Net Position	$ 60,338	$ 1,433,282	$ (380,866)	$ 292,797	$ (320,528)	$ 1,726,079
Net Position, Beginning(1)	$ 13,093,910	$ 11,660,628	$ 3,675,977	$ 3,383,180	$ 16,769,887	$ 15,043,808
Net Position, Ending	$ 13,154,248	$ 13,093,910	$ 3,295,111	$ 3,675,977	$ 16,449,359	$ 16,769,887

(1) 2016 has been restated to be consistent with 2017 presentation.

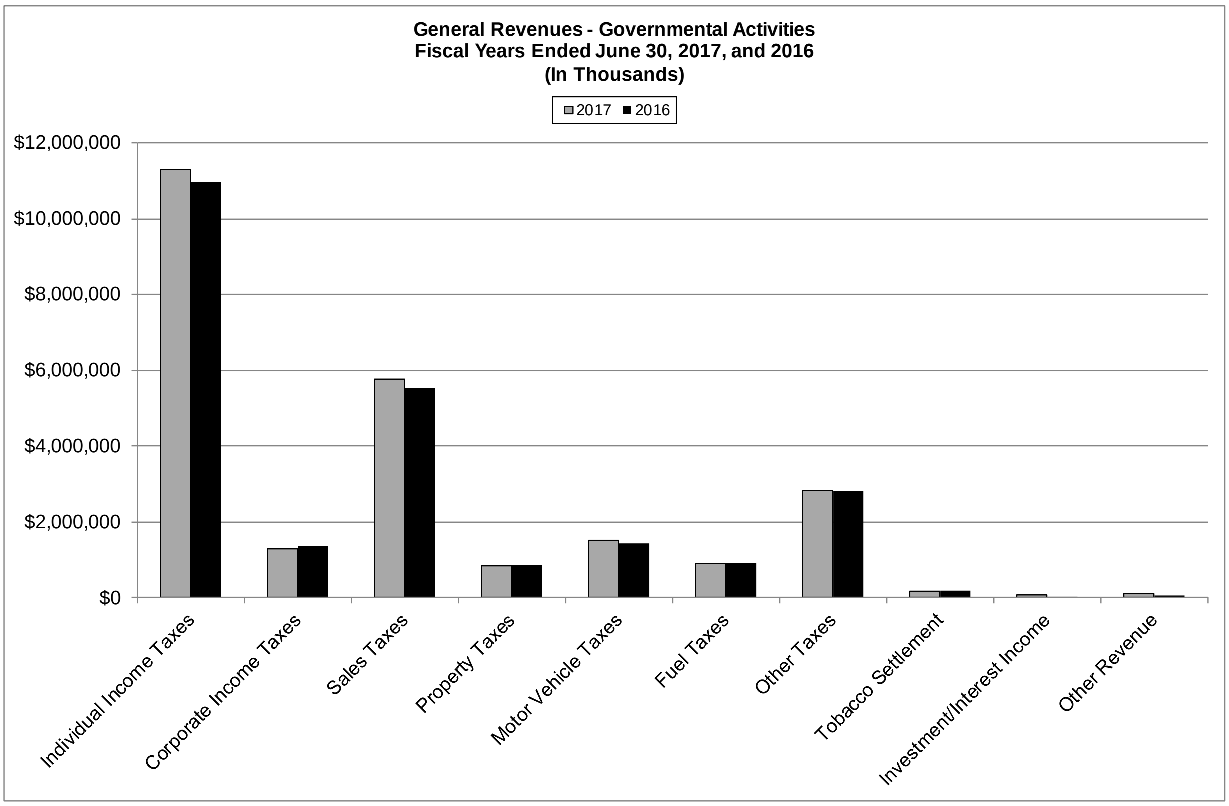
Approximately 60 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 10 percent of the total revenues. The remaining 1 percent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

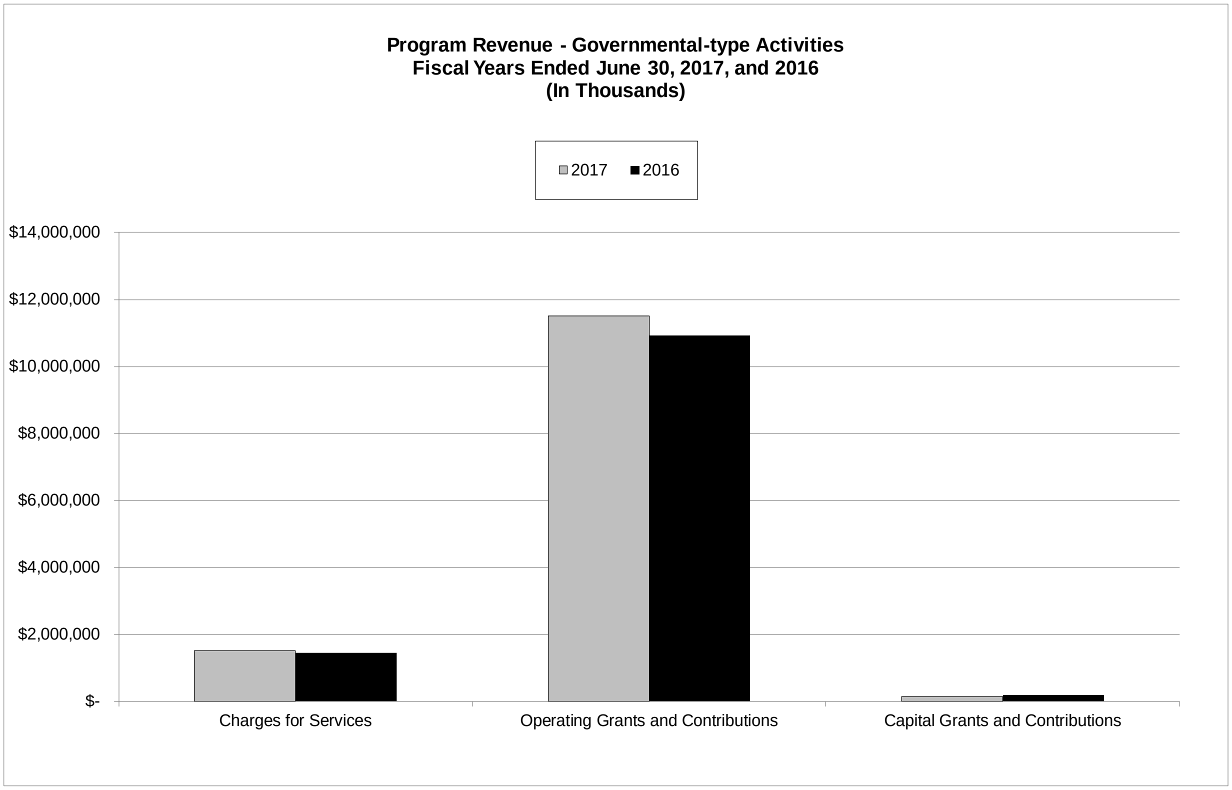
The state's expenses cover a range of services. The largest expenses were for general education and health and human services.

Governmental Activities

Governmental activities increased the state's net position by $60 million in the current year compared to an increase of $1.4 billion in the prior year.

Revenues increased slightly, $1.1 billion (3.1 percent) over prior year. Sales and individual income taxes grew slightly due to a growth in wages. Operating grants and contributions increased due to additional federal revenue as a result of the federal government's share of the increase in medical assistance and Minnesota Care expenses. Motor vehicle taxes grew slightly as a result of an increase in vehicle sales.

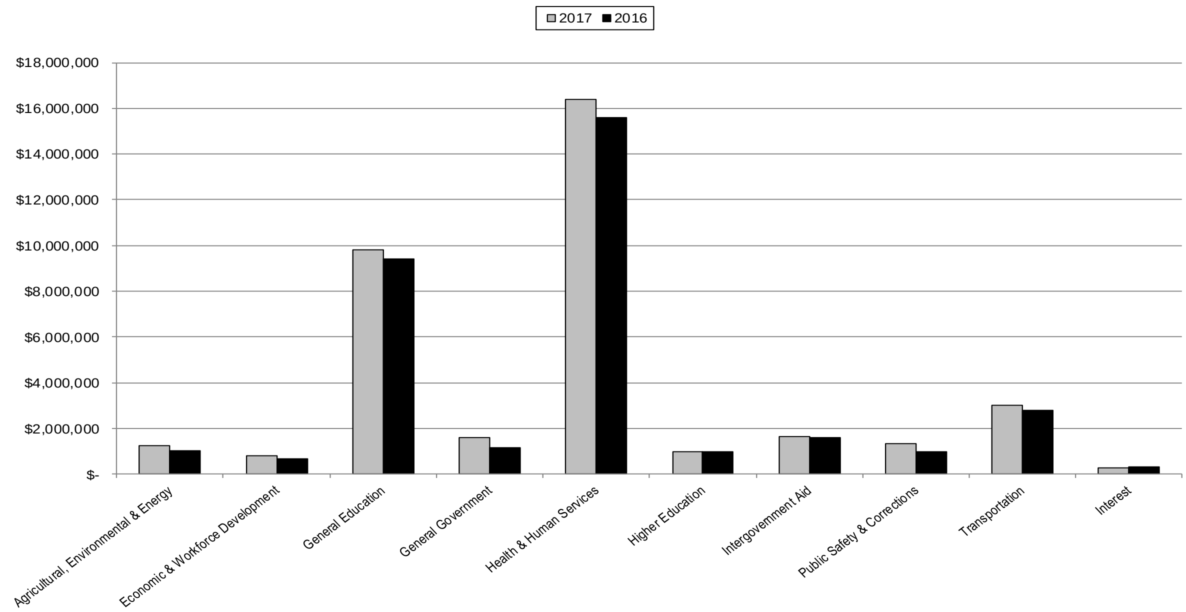




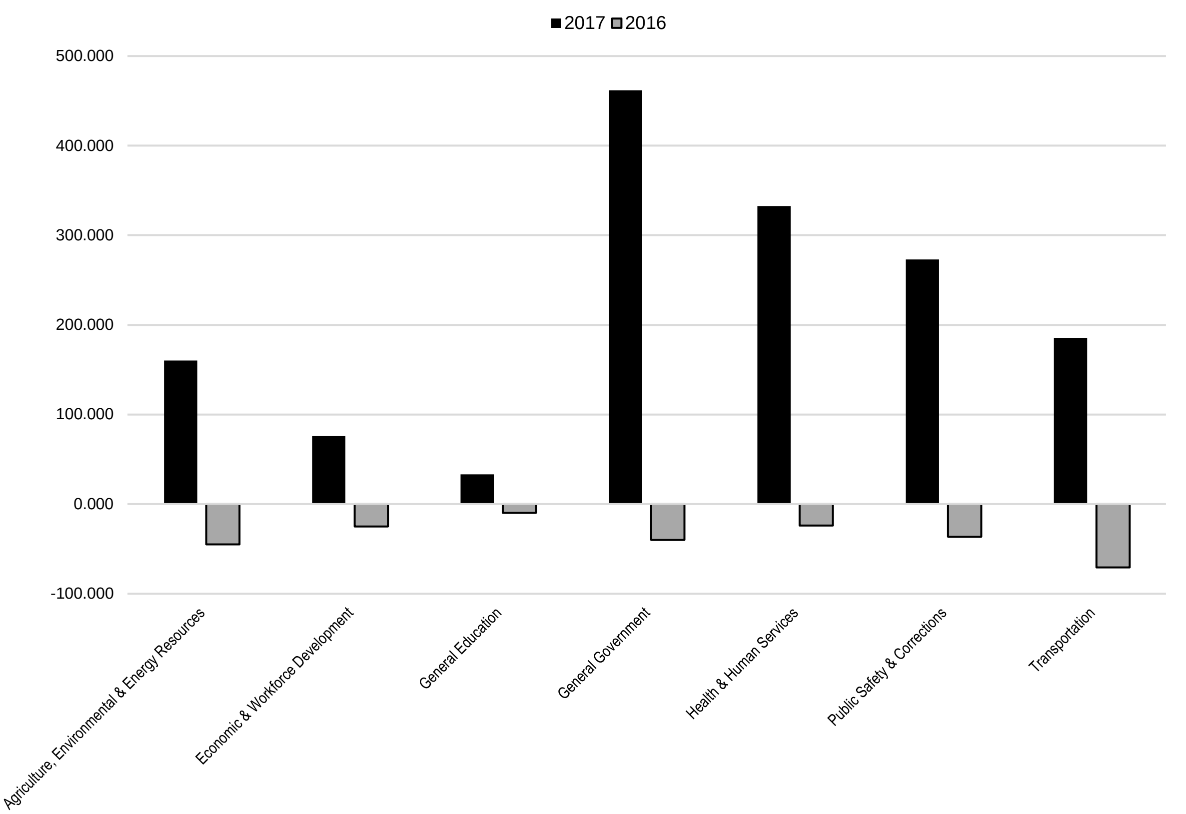
There was a $2.6 billion (7.5 percent) increase in expenses compared to the prior year. Approximately 70 percent of the increase in expenses relates to the impact of pension reporting. This reporting impacted all functional expenses except higher education and intergovernment aid. See chart on Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses.

Health and human services expenses also increased as a result of increased enrollment and a growth in cost for medical assistance. As previously noted, these expenses were partially reimbursed by the federal government. The additional increase in general education was primarily due to a two percent per pupil formula increase and a slight increase in the number of pupils. Economic and workforce development also increased due to grants for the expansion of broadband to rural communities. General government increased due to a new health insurance premium assistance program. These increases were offset by a decrease in grants to the Minnesota Sports Facilities Authority (component unit) as the professional football stadium was completed in July 2016. Public safety and corrections expenses also increased as a result of an increase in healthcare costs for inmates and an increase in costs for the Bureau of Criminal Apprehension’s crime lab. Transportation expenses increase related to pensions was slightly offset by a decrease caused by delays in projects as well as cost savings due to competition between contractors and lower bituminous costs.

Functional Expenses - Governmental Activities
Fiscal Year Ended June 30, 2017, and 2016
(In Thousands)



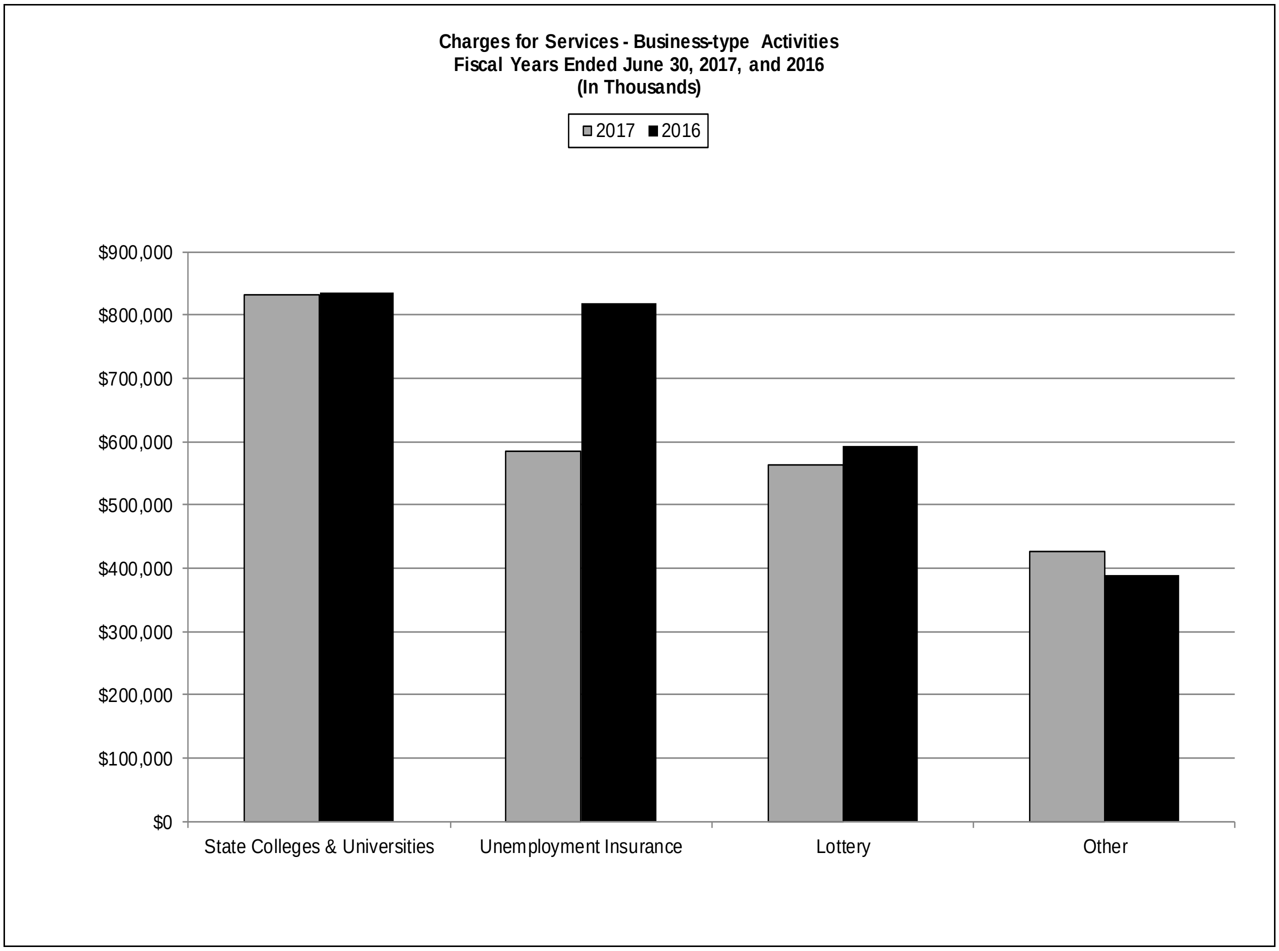
Change in Net Pension Liability and Related Deferred Inflows and Outflows - Governmental Activities
Fiscal Year Ended June 30, 2017 and 2016
In Millions



Business-type Activities

Net position for the state’s proprietary funds decreased by $381 million during the current year compared to an increase of $293 million in the prior year. This resulted primarily from a $220 million decrease in net position in the State Colleges and Universities Fund and a $164 million decrease in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund’s net position decreased $220 million during the current year compared to an increase of $118 million in the prior year. Most of this was attributable to an increase in net pension expense. The Unemployment Insurance Fund’s net position decreased $164 million during the current year compared to an increase of $61 million in the prior year. This was primarily attributed to a decrease in insurance premiums due to a premium reduction credit issued to employers in the current year.



Long-Term Liabilities

The state’s total long-term liabilities increased by $10.8 billion (75.6 percent) during the current fiscal year. The increase in Net Pension Liability increase of $10.9 billion is the primary reason for the significant increase.

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 $9.9 billion, an increase of $794 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 $1.5 billion, a decrease of $43 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, sales and individual income taxes grew slightly due to wage growth.

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. Economic and workforce development increased due to grants for the expansion of broadband to rural communities. General government decreased as due to a decrease in grants to the Minnesota Sports Facilities Authority (component unit). This decrease was partially offset by an increase due to a new health insurance premium assistance program. Public safety and corrections expenses increased as a result of an increase in healthcare costs for inmates and increase in costs for the Bureau of Criminal Apprehension's crime lab. Transportation expenses decreased due to delays in projects as well as cost savings due to competition between contractors and lower bituminous costs. In addition, Health and human services expenditures increased in the General Fund and Federal Fund as a result of an increase in enrollment and growth in costs for medical assistance. In addition, health and human services expenditures increased in the General Fund and decreased in the Health Care Access Fund (special revenue) due to the one-time shift of expenditures from the General Fund to the Health Care Access Fund in fiscal year 2016.

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 decreased by $381 million during the current year. This primarily resulted from a $220 million decrease in net position of the State Colleges and Universities Fund and a $164 million decrease 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 2017. These are material to understanding changes in General Fund balances that occurred in fiscal year 2017. 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 2017.

Actions Establishing the Fiscal Year 2017 Budget

The budget for state fiscal year 2017 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 the General Fund 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 million 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 2017 included $1.814 billion in carry forward from fiscal year 2016, $21.736 billion in General Fund revenues, $21.333 billion in General Fund spending, $1.344 billion in cash and budgetary reserves, $7 million in a stadium reserve account, and an $865 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2017

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 2017 reflected $21.399 billion in General Fund resources, $21.123 billion in General Fund spending, $1.947 billion in cash and budget reserves, $21 million in the stadium reserve, and a $900 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 2017 budget. Revenue changes resulted in a $56 million increase for fiscal year 2017. Spending changes were made in most areas with significant increases in E-12 education, health and human services, public safety, environment, agriculture, economic development and state government. Reduced expected debt service expenditures due to a failure to enact a bonding bill partially offset the overall increase in spending. After accounting for all changes, fiscal year 2017 spending increases totaled $235 million. After the legislative changes, fiscal year 2017 General Fund revenues were estimated to be $21.455 billion. Fiscal year 2017 General Fund expenditures were projected to be $21.358 billion. The Legislature made no reserve changes in the 2016 legislative session.

The November 2016 Budget and Economic Forecast improved the budget outlook for the FY 2016-17 biennium by $286 million. General fund revenue was forecast to be $41 million higher than prior estimates for the biennium while spending estimates were reduced $245 million. Statutory reserve allocations transferred $334 million of the balance to the budget reserve and $3 million to the stadium reserve, leaving as unallocated forecast balance of $678 million. Early in the 2017 legislative session, two bills with significant fiscal impact in fiscal year 2017 were signed into law. The first conformed Minnesota tax law to certain federal tax law changes and resulted in a projected $22 million reduction in revenue. The second bill established a program to provide health insurance premium assistance including a $327 million appropriation and a $327 million reduction in the budget reserve balance. The net impact of these bills reduced the projected balance in fiscal year 2017 to $656 million.

The February 2017 Budget and Economic Forecast increased expected fiscal year 2017 revenue by $75 million and reduced spending estimates by $14 million. Those changes, offset by a $1 million increase in the stadium reserve account increased the expected available balance in fiscal year 2017 to $744 million.

The 2017 regular legislative session ended in May. Changes with budgetary impact on fiscal year 2017 were minimal. Revenue changes were less than a million and spending increases were $14 million. After the legislative session, fiscal year 2017 expenditures were expected to be $21.678 million and revenues were projected to reach $21.284 billion; reserves and carryforward were unchanged leaving a projected budgetary balance of $730 million.

Fiscal year 2017 officially closed in August 2017. Actual revenues for fiscal year 2017 were $21.334 billion, $50 million higher than end of session estimates. Tax revenue at close was $83 million lower while non-tax revenue was $82 million higher than forecast; $52 million in transfers and prior period adjustments accounted for the revenue gain compared to estimates. Spending for fiscal year 2017 was $21.103 billion, $575 million below previous estimates; however, $358 million of unspent appropriations in fiscal year 2017 were authorized to carryforward into fiscal year 2018. The budgetary balance for fiscal year 2017 was $995 million, $265 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 2017 with a balance of $1.0 billion. On a GAAP basis, the General Fund reported a balance of $3.4 billion for fiscal year 2017, a difference of $2.4 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 $1.6 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 $798 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.

Minnesota's budget outlook for the 2018-19 biennium has worsened in the November 2017 Forecast. The February 2017 forecast projected a $1.651 billion balance for 2018-19 before the Legislature took actions on the budget for the current biennium. The enacted budget, after adjusting for the Governor's veto of the House and Senate appropriations and subsequent court ordered temporary funding, reduced that balance to $163 million.

Resources in the 2018-19 biennium increased $625 million from 2016-17 biennium closing balances which included the $265 million increased balance, plus $358 million in appropriation carryforward and a $2 million reserve increase. Offsetting the gain was a $559 million (1.2 percent) reduced revenue forecast and a $398 million (0.9 percent) increased spending estimate. A statutory deposit from the assigned risk plan added $5 million to the budget reserve while higher gambling tax receipts increased the projected stadium reserve balance by $15 million. These changes reduced the projected budgetary balance by $351 million and resulted in a forecast deficit of $188 million.

Total General Fund revenues for the 2018-19 biennium were forecast to be $44.447 billion, $559 million (1.2 percent) less than the February 2017 forecast adjusted for law changes. Total tax revenues for the biennium were forecast to be $42.624 billion, $622 million (1.4 percent) below the prior estimate. Lower expected individual, sales, corporate, and state general property tax revenue more than offset increased forecasts for other tax and non-tax revenue.

Total spending for the 2018-19 biennium was forecast to be $45.955 billion, $398 million (0.9 percent) higher than end of session estimates.

The largest portion of the higher spending, $358 million, in the 2018-19 biennium was the result of unspent appropriations from the previous biennium that carried forward and available to be spent in the current biennium. The largest portion of that carryforward was $270 million for the health insurance premium subsidy and transition of care programs at Minnesota Management and Budget (MMB). Of that amount, $99 million was canceled in fiscal year 2018 with the November 2017 forecast, and then made available via contingent appropriations in the 2017 session for health and human services in the 2018-19 biennium ($33 million) and in the 2020-21 biennium ($65 million).

A higher forecast for special education drove the increase of $121 million (0.6 percent) in E-12 education. Spending on special education services by school districts increased at a faster rate than previously projected.

In health and human services (HHS), savings from lower spending for long term care ($114 million lower), lower average payments for elderly and disabled basic care ($56 million savings) and lower enrollment of disabled individuals in basic care ($56 million lower) was offset by increased General Fund obligations due to congressional failure to appropriate funding for the Children's Health Insurance Program (CHIP). The forecast included $178 million in additional medical assistance spending in the 2018-19 biennium since congress had not authorized funding for this program that provides federal funding for certain children's health care. These changes in addition to other smaller changes in HHS resulted in a minimal overall increase of $13 million (0.1 percent) for the biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2017, was $23.2 billion, less accumulated depreciation of $4.0 billion, resulting in a net book value of $19.2 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2017, and 2016
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Capital Assets not Depreciated:						
Land	$ 2,617,361	$ 2,569,638	$ 92,545	$ 92,412	$ 2,709,906	$ 2,662,050
Buildings, Structures, Improvements	326,736	41,443	-	-	326,736	41,443
Construction in Progress	312,287	432,217	75,564	173,728	387,851	605,945
Development in Progress	83,341	60,034	-	-	83,341	60,034
Infrastructure	10,628,583	10,179,574	-	-	10,628,583	10,179,574
Easements	406,787	383,371	-	-	406,787	383,371
Art and Historical Treasures	7,559	7,168	-	-	7,559	7,168
Total Capital Assets not Depreciated	$ 14,382,654	$ 13,673,445	$ 168,109	$ 266,140	$ 14,550,763	$ 13,939,585
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 3,194,119	$ 3,134,263	$ 3,672,582	$ 3,459,873	$ 6,866,701	$ 6,594,136
Infrastructure	345,944	312,998	95	95	346,039	313,093
Internally Generated Computer Software	194,768	164,829	59,261	55,049	254,029	219,878
Easements	4,990	5,789	-	-	4,990	5,789
Library Collections	-	-	40,065	41,146	40,065	41,146
Equipment, Furniture, Fixtures	788,652	747,839	332,236	321,818	1,120,888	1,069,657
Total Capital Assets Depreciated	$ 4,528,473	$ 4,365,718	$ 4,104,239	$ 3,877,981	$ 8,632,712	$ 8,243,699
Less: Accumulated Depreciation	2,002,179	1,870,142	2,005,105	1,873,822	4,007,284	3,743,964
Capital Assets Net of Depreciation	$ 2,526,294	$ 2,495,576	$ 2,099,134	$ 2,004,159	$ 4,625,428	$ 4,499,735
Total	$ 16,908,948	$ 16,169,021	$ 2,267,243	$ 2,270,299	$ 19,176,191	$ 18,439,320

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 2016, indicated that the average PQI for principal arterial pavement was 3.5 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 2016, indicated that 95 percent of principal arterial system bridges and 95 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 costs of capitalized roads and bridges were lower than budget due to delays in projects as well as cost savings due to competition between contractors and lower bituminous costs.

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, 2017, as follows:

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

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 and state financed the Lewis and Clark Regional Water System project.

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

Outstanding Bonded Debt and Unamortized Premium June 30, 2017, and 2016 (In Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation	$ 6,999,510	$ 7,043,943	$ 238,637	$ 253,671	$ 7,238,147	$ 7,297,614
Revenue	39,365	42,103	392,070	431,289	431,435	473,392
State General Fund Appropriation Bonds	1,090,895	1,128,706	-	-	1,090,895	1,128,706
Certificate of Participation	104,875	115,870	-	-	104,875	115,870
Total	$ 8,234,645	$ 8,330,622	$ 630,707	$ 684,960	$ 8,865,352	$ 9,015,582

During fiscal year 2017, the state issued the following bonds:

- $265.9 million in general obligation state various purpose bonds
- $215.0 million in general obligation state trunk highway bonds
- $7.5 million in general obligation Rural Finance Authority bonds
- $310.6 million in general obligation state various purpose refunding bonds
- $55.1 million in revenue bonds for capital assets for State Colleges and Universities
- $91.7 million in revenue refunding bonds for the statewide 911 emergency response communication system
- $11.8 million in Lewis and Clark Regional Water System state appropriation 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 Minnesotans, 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
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658 Cedar Street
Saint Paul, Minnesota, 55155-1489
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https://www.mn.gov/mmb/

MINNESOTA

State of Minnesota

Basic Financial Statements

2017
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State of Minnesota

Government-wide Financial Statements

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STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 10,127,824	$ 2,592,835	$ 12,720,659	$ 1,340,939
Investments	2,558,774	21,910	2,580,684	583,943
Accounts Receivable	2,432,808	386,846	2,819,654	488,983
Due from Component Units	17,472	-	17,472	-
Due from Primary Government	-	-	-	111,345
Accrued Investment/Interest Income	25,306	-	25,306	32,154
Federal Aid Receivable	1,538,969	22,416	1,561,385	16,188
Inventories	40,885	25,001	65,886	52,206
Loans and Notes Receivable	17,020	4,413	21,433	444,733
Internal Balances	3,976	(3,976)	-	-
Other Assets	21,868	4,663	26,531	48,536
Total Current Assets	$ 16,784,902	$ 3,054,108	$ 19,839,010	$ 3,119,027
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 75,072	$ 75,072	$ 818,295
Investments-Restricted	-	296	296	2,085,414
Accounts Receivable-Restricted	-	-	-	17,146
Due from Primary Government-Restricted	-	-	-	3,097
Due from Primary Government	-	-	-	4,864
Due from Component Units	53,337	-	53,337	-
Investments	-	-	-	4,947,686
Accounts Receivable	539,788	1,456	541,244	452,935
Loans and Notes Receivable	150,323	25,151	175,474	3,200,086
Depreciable Capital Assets (Net)	2,526,294	2,099,134	4,625,428	7,117,789
Nondepreciable Capital Assets	3,754,071	168,109	3,922,180	1,476,461
Infrastructure (Not depreciated)	10,628,583	-	10,628,583	-
Other Assets	5,667	-	5,667	46,778
Total Noncurrent Assets	$ 17,658,063	$ 2,369,218	$ 20,027,281	$ 20,170,551
Total Assets	$ 34,442,965	$ 5,423,326	$ 39,866,291	$ 23,289,578
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 5,264
Bond Refunding	-	2,323	2,323	15,252
Deferred Pension Outflows	7,942,864	1,458,774	9,401,638	2,251,046
Total Deferred Outflows of Resources	$ 7,942,864	$ 1,461,097	$ 9,403,961	$ 2,271,562
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,057,552	$ 263,497	$ 5,321,049	$ 392,175
Due to Component Units	48,282	6	48,288	-
Due to Primary Government	-	-	-	31,785
Unearned Revenue	294,311	103,402	397,713	124,829
Accrued Interest Payable	119,175	3,469	122,644	58,114
Bonds and Notes Payable	616,373	59,115	675,488	610,496
Capital Leases Payable	9,305	4,338	13,643	5,277
Certificates of Participation Payable	10,355	-	10,355	-
Claims Payable	175,809	12,800	188,609	98,637
Compensated Absences Payable	42,458	19,162	61,620	222,398
Other Liabilities	-	9,778	9,778	-
Total Current Liabilities	$ 6,373,620	$ 475,567	$ 6,849,187	$ 1,543,711
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 93,107
Unearned Revenue-Restricted	-	-	-	84,197
Accrued Interest Payable-Restricted	-	-	-	12,106
Due to Primary Government	-	-	-	53,337
Unearned Revenue	176,110	418	176,528	10,608
Interest Rate Swap Agreements	-	-	-	5,264
Bonds and Notes Payable	7,536,649	574,144	8,110,793	6,197,913
Due to Component Units	4,864	-	4,864	-
Capital Leases Payable	71,576	22,658	94,234	19,523
Certificates of Participation Payable	94,520	-	94,520	-
Claims Payable	577,844	2,078	579,922	544,955
Compensated Absences Payable	273,558	135,977	409,535	32,358
Other Postemployment Benefits	327,428	47,138	374,566	249,355
Net Pension Liability	12,284,176	2,169,911	14,454,087	3,216,188
Funds Held in Trust	-	-	-	335,352
Other Liabilities	-	27,993	27,993	45,457
Total Noncurrent Liabilities	$ 21,346,725	$ 2,980,317	$ 24,327,042	$ 10,899,720
Total Liabilities	$ 27,720,345	$ 3,455,884	$ 31,176,229	$ 12,443,431

STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
DEFERRED INFLOWS OF RESOURCES				
Accumulated Increase in Fair Values of Derivatives	$ -	$ -	$ -	$ 935
Bond Refunding	52,472	4,127	56,599	1,769
Capital Lease Restructuring	14,542	-	14,542	-
Deferred Revenue	483,191	-	483,191	18,943
Deferred Pension Inflows	961,031	129,301	1,090,332	273,371
Total Deferred Inflows of Resources	$ 1,511,236	$ 133,428	$ 1,644,664	$ 295,018
NET POSITION				
Net Investment in Capital Assets	$ 12,659,739	$ 1,650,940	$ 14,310,679	$ 5,773,049
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 1,765,556	$ -	$ 1,765,556	$ -
Enhance Arts and Culture	18,662	-	18,662	-
Acquire, Maintain, and Improve Land and Buildings	-	503	503	-
Retire Indebtedness	489,613	117,935	607,548	-
Develop Economy and Workforce	170,596	4,265	174,861	-
Enhance E-12 Education	10,257	-	10,257	-
Enhance State Government	40,927	-	40,927	-
Enhance Health and Human Services	17,486	-	17,486	-
Enhance Higher Education	7	14,837	14,844	-
Enhance 911 Services and Increase Safety	49,824	20,364	70,188	-
School Aid-Expendable	8,455	-	8,455	-
School Aid-Nonexpendable	1,328,794	-	1,328,794	-
Construct Highways and Improve Infrastructure	1,623,485	-	1,623,485	-
Unemployment Benefits	-	1,677,206	1,677,206	-
Other Purposes	-	61,692	61,692	-
Component Units	-	-	-	6,712,960
Total Restricted	$ 5,523,662	$ 1,896,802	$ 7,420,464	$ 6,712,960
Unrestricted	$ (5,029,153)	$ (252,631)	$ (5,281,784)	$ 336,682
Total Net Position	$ 13,154,248	$ 3,295,111	$ 16,449,359	$ 12,822,691

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBU-TIONS	CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources	$ 1,254,115	$ 430,333	$ 336,784	$ 11,247
Economic and Workforce Development	806,872	58,317	222,364	-
General Education	9,836,193	23,477	903,711	28
General Government	1,589,095	340,021	36,531	-
Health and Human Services	16,396,755	437,726	9,048,622	-
Higher Education	987,375	-	583	-
Intergovernment Aid	1,644,215	-	-	-
Public Safety and Corrections	1,360,363	155,843	184,134	-
Transportation	2,998,902	73,111	625,475	131,667
Interest	291,679	-	-	-
Total Governmental Activities	$ 37,165,564	$ 1,518,828	$ 11,358,204	$ 142,942
Business-type Activities:				
State Colleges and Universities	$ 2,204,067	$ 833,494	$ 433,987	$ -
Unemployment Insurance	785,137	585,523	7,431	-
Lottery	429,843	563,507	-	-
Other	476,329	425,935	15,579	-
Total Business-type Activities	$ 3,895,376	$ 2,408,459	$ 456,997	$ -
Total Primary Government	$ 41,060,940	$ 3,927,287	$ 11,815,201	$ 142,942
Component Units:				
University of Minnesota	$ 4,180,858	$ 1,502,595	$ 993,782	$ 95,865
Metropolitan Council	1,262,636	376,315	498,438	221,550
Housing Finance	366,279	96,893	190,996	-
Others	537,974	181,514	53,499	224,046
Total Component Units	$ 6,347,747	$ 2,157,317	$ 1,736,715	$ 541,461

General Revenues:
Taxes:
Individual Income Taxes
Corporate Income Taxes
Sales Taxes
Property Taxes
Motor Vehicle Taxes
Fuel Taxes
Other Taxes
Tobacco Settlement
Unallocated Investment/Interest Income
Other Revenues
State Grants Not Restricted
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position, Beginning, as Reported
Prior Period Adjustments
Net Position, Beginning, as Restated
Net Position, Ending

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (475,751)		$ (475,751)	
(526,191)		(526,191)	
(8,908,977)		(8,908,977)	
(1,212,543)		(1,212,543)	
(6,910,407)		(6,910,407)	
(986,792)		(986,792)	
(1,644,215)		(1,644,215)	
(1,020,386)		(1,020,386)	
(2,168,649)		(2,168,649)	
(291,679)		(291,679)	
$ (24,145,590)		$ (24,145,590)	
	$ (936,586)	$ (936,586)	
	(192,183)	(192,183)	
	133,664	133,664	
	(34,815)	(34,815)	
	$ (1,029,920)	$ (1,029,920)	
$ (24,145,590)	$ (1,029,920)	$ (25,175,510)	
			$ (1,588,616)
			(166,333)
			(78,390)
			(78,915)
			$ (1,912,254)
$ 11,307,961	$ -	$ 11,307,961	$ -
1,270,423	-	1,270,423	-
5,779,685	-	5,779,685	-
850,240	-	850,240	-
1,518,531	-	1,518,531	-
917,834	-	917,834	-
2,833,543	-	2,833,543	84,667
165,244	-	165,244	-
66,639	45,797	112,436	356,296
87,096	11,989	99,085	628,801
-	-	-	996,148
(591,268)	591,268	-	-
$ 24,205,928	$ 649,054	$ 24,854,982	$ 2,065,912
$ 60,338	$ (380,866)	$ (320,528)	$ 153,658
$ 12,989,300	$ 3,675,977	$ 16,665,277	$ 12,669,033
104,610	-	104,610	-
$ 13,093,910	$ 3,675,977	$ 16,769,887	$ 12,669,033
$ 13,154,248	$ 3,295,111	$ 16,449,359	$ 12,822,691

MINNESOTA

State of Minnesota

Fund Financial Statements

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Major Governmental Funds

General Fund

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

Federal Fund

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 4,819,473	$ 142,889	$ 4,824,024	$ 9,786,386
Investments	994,436	-	1,564,338	2,558,774
Accounts Receivable	2,326,808	254,813	385,839	2,967,460
Interfund Receivables	130,181	3,503	135,364	269,048
Due from Component Unit	6,563	-	64,246	70,809
Accrued Investment/Interest Income	19,563	-	5,743	25,306
Federal Aid Receivable	-	1,471,608	67,361	1,538,969
Inventories	-	-	40,649	40,649
Loans and Notes Receivable	58,978	4,677	103,688	167,343
Investment in Land	-	-	15,962	15,962
Total Assets	$ 8,356,002	$ 1,877,490	$ 7,207,214	$ 17,440,706
LIABILITIES				
Liabilities:				
Accounts Payable	$ 2,988,778	$ 1,613,327	$ 515,447	$ 5,117,552
Interfund Payables	99,302	36	66,804	166,142
Due to Component Unit	30,777	8,051	8,827	47,655
Unearned Revenue	176,110	247,800	3,170	427,080
Total Liabilities	$ 3,294,967	$ 1,869,214	$ 594,248	$ 5,758,429
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	$ 1,654,302	$ -	$ 121,503	$ 1,775,805
Total Deferred Inflows of Resources	$ 1,654,302	$ -	$ 121,503	$ 1,775,805
FUND BALANCES				
Fund Balances:				
Nonspendable	$ 1,034,219	$ -	$ 1,369,443	$ 2,403,662
Restricted	86,942	8,276	3,620,953	3,716,171
Committed	-	-	952,613	952,613
Assigned	757,056	-	548,454	1,305,510
Unassigned	1,528,516	-	-	1,528,516
Total Fund Balances	$ 3,406,733	$ 8,276	$ 6,491,463	$ 9,906,472
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,356,002	$ 1,877,490	$ 7,207,214	$ 17,440,706

The notes are an integral part of the financial statements.

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

JUNE 30, 2017
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 9,906,472
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	$ 10,628,583	
Nondepreciable Capital Assets	3,689,794	
Depreciable Capital Assets	4,366,080	
Accumulated Depreciation	(1,903,861)	
		16,780,596
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.		1,293,132
Deferred Inflows resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position.		(67,014)
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.		(77,795)
Deferred pension outflows of $7,311,952 and inflows of $(895,256) resulting primarily from pension actuarial gains and losses to be amortized are included in the Statement of Net Position.		6,416,696
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	$ (119,148)	
General Obligation Bonds Payable	(6,174,315)	
State General Fund Appropriation Bonds Payable	(971,875)	
Revenue Bonds Payable	(39,365)	
Loans and Notes Payable	(769)	
Bond Premium Payable	(944,215)	
Due to Component Units	(5,491)	
Capital Leases Payable	(80,881)	
Certificate of Participation Payable	(93,120)	
Certificate of Participation Premium Payable	(11,755)	
Claims Payable	(663,961)	
Compensated Absences Payable	(283,767)	
Net Other Post-Employment Benefits	(325,955)	
Net Pension Liability	(11,383,222)	
		(21,097,839)
Net Position of Governmental Activities		$ 13,154,248

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 11,263,573	$ -	$ -	$ 11,263,573
Corporate Income Taxes	1,272,913	-	-	1,272,913
Sales Taxes	5,442,302	-	349,715	5,792,017
Property Taxes	848,463	-	-	848,463
Motor Vehicle Taxes	301,443	-	1,217,181	1,518,624
Fuel Taxes	-	-	917,956	917,956
Other Taxes	1,877,330	-	943,848	2,821,178
Tobacco Settlement	168,226	-	-	168,226
Federal Revenues	4,796	10,564,874	500,400	11,070,070
Licenses and Fees	233,905	5,283	368,564	607,752
Departmental Services	190,439	5,176	211,657	407,272
Investment/Interest Income	177,989	1,238	183,887	363,114
Other Revenues	330,477	42,468	327,496	700,441
Net Revenues	$ 22,111,856	$ 10,619,039	$ 5,020,704	$ 37,751,599
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 263,932	$ 163,460	$ 608,561	$ 1,035,953
Economic and Workforce Development	249,026	212,463	294,897	756,386
General Education	8,962,695	758,226	80,324	9,801,245
General Government	876,249	15,884	86,159	978,292
Health and Human Services	6,443,833	8,939,952	669,502	16,053,287
Higher Education	902,068	-	85,646	987,714
Intergovernmental Aid	1,644,033	-	182	1,644,215
Public Safety and Corrections	683,232	119,473	244,004	1,046,709
Transportation	452,701	244,455	2,075,386	2,772,542
Total Current Expenditures	$ 20,477,769	$ 10,453,913	$ 4,144,661	$ 35,076,343
Capital Outlay	52,135	113,194	705,266	870,595
Debt Service	27,341	-	1,011,874	1,039,215
Total Expenditures	$ 20,557,245	$ 10,567,107	$ 5,861,801	$ 36,986,153
Excess of Revenues Over (Under) Expenditures	$ 1,554,611	$ 51,932	$ (841,097)	$ 765,446
Other Financing Sources (Uses):				
Bond Issuance	$ -	$ -	$ 491,129	$ 491,129
Loan Proceeds	-	-	769	769
Issuance of Refunding Bonds	-	-	310,565	310,565
Payment to Refunded Bonds Escrow Agent	-	-	(310,565)	(310,565)
Bond Issue Premium	-	-	155,376	155,376
Transfers-In	402,721	1,391	1,090,700	1,494,812
Transfers-Out	(1,597,690)	(55,790)	(460,102)	(2,113,582)
Net Other Financing Sources (Uses)	$ (1,194,969)	$ (54,399)	$ 1,277,872	$ 28,504
Net Change in Fund Balances	$ 359,642	$ (2,467)	$ 436,775	$ 793,950
Fund Balances, Beginning, as Reported	$ 3,047,091	$ 10,743	$ 6,054,688	$ 9,112,522
Fund Balances, Ending	$ 3,406,733	$ 8,276	$ 6,491,463	$ 9,906,472

The notes are an integral part of the financial statements.

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

YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$ 793,950
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 $156,057 in the current period.	714,538
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.	(16,119)
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.	(79,437)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	(9,268)
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.	(957,839)
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.	(3,595)
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.	(1,388,742)
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.	1,064,346
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.	(57,496)
Change in Net Position of Governmental Activities	$ 60,338

The notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 11,122,600	$ 11,187,700	$ 10,931,183
Corporate Income Taxes	1,226,559	1,142,224	1,205,378
Sales Taxes	5,461,389	5,324,255	5,381,235
Property Taxes	847,399	838,331	858,390
Motor Vehicle Taxes	650	-	-
Other Taxes	1,839,073	1,823,873	1,856,401
Tobacco Settlements	160,252	158,453	168,226
Licenses and Fees	180,658	214,853	225,295
Departmental Services	118,570	79,035	93,398
Investment/Interest Income	13,051	26,042	37,144
Other Revenues	295,389	313,419	354,085
Net Revenues	$ 21,265,590	$ 21,108,185	$ 21,110,735
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 217,086	$ 221,268	$ 216,541
Economic and Workforce Development	205,520	208,698	202,820
General Education	8,908,094	8,958,593	8,955,254
General Government	888,759	945,322	931,964
Health and Human Services	6,276,926	6,085,835	5,796,269
Higher Education	875,587	875,898	875,693
Intergovernment Aid	1,650,701	1,650,701	1,650,667
Public Safety and Corrections	703,083	718,492	713,497
Transportation	128,186	129,760	128,716
Total Expenditures	$ 19,853,942	$ 19,794,567	$ 19,471,421
Excess of Revenues Over (Under) Expenditures	$ 1,411,648	$ 1,313,618	$ 1,639,314
Other Financing Sources (Uses):			
Transfers-In	$ 229,686	$ 226,367	$ 226,653
Transfers-Out	(1,695,910)	(1,707,460)	(1,707,460)
Net Other Financing Sources (Uses)	$ (1,466,224)	$ (1,481,093)	$ (1,480,807)
Net Change in Fund Balances	$ (54,576)	$ (167,475)	$ 158,507
Fund Balances, Beginning, as Reported	$ 3,147,685	$ 3,147,685	$ 3,147,685
Prior Period Adjustments	-	-	87,401
Fund Balances, Beginning, as Restated	$ 3,147,685	$ 3,147,685	$ 3,235,086
Budgetary Fund Balances, Ending	$ 3,093,109	$ 2,980,210	$ 3,393,593
Less: Appropriation Carryover	-	-	361,657
Less: Reserved for Long-Term Receivables	-	-	22,151
Less: Budgetary Reserve	-	-	1,980,264
Unassigned Fund Balance, Ending	$ 3,093,109	$ 2,980,210	$ 1,029,521

The notes are an integral part of the financial statements.

MINNESOTA

State of Minnesota

2017
Comprehensive
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Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 926,120	$ 1,457,954	$ 208,761	$ 2,592,835	$ 341,438
Investments	21,910	-	-	21,910	-
Accounts Receivable	55,064	303,829	27,953	386,846	124,377
Interfund Receivables	30,622	-	4,167	34,789	-
Federal Aid Receivable	20,165	430	1,821	22,416	-
Inventories	16,609	-	8,392	25,001	236
Loans and Notes Receivable	4,413	-	-	4,413	-
Prepaid Expenses	3,430	-	1,233	4,663	21,868
Total Current Assets	$ 1,078,333	$ 1,762,213	$ 252,327	$ 3,092,873	$ 487,919
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 75,072	$ -	$ -	$ 75,072	$ -
Investments-Restricted	296	-	-	296	-
Accounts Receivable	-	-	1,456	1,456	-
Loans and Notes Receivable	25,151	-	-	25,151	-
Depreciable Capital Assets (Net)	1,919,922	-	179,212	2,099,134	64,075
Nondepreciable Capital Assets	151,187	-	16,922	168,109	48,315
Prepaid Expenses	-	-	-	-	5,667
Total Noncurrent Assets	$ 2,171,628	$ -	$ 197,590	$ 2,369,218	$ 118,057
Total Assets	$ 3,249,961	$ 1,762,213	$ 449,917	$ 5,462,091	$ 605,976
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 2,323	$ -	$ -	$ 2,323	$ -
Deferred Pension Outflows	1,240,096	-	218,678	1,458,774	630,912
Total Deferred Outflows of Resources	$ 1,242,419	$ -	$ 218,678	$ 1,461,097	$ 630,912
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 166,528	$ 23,959	$ 73,010	$ 263,497	$ 59,461
Interfund Payables	-	14,152	24,613	38,765	98,710
Due to Component Unit	-	-	6	6	-
Unearned Revenue	51,137	46,896	5,369	103,402	43,859
Accrued Interest Payable	3,171	-	298	3,469	27
Bonds and Notes Payable	39,513	-	19,602	59,115	9,225
Capital Leases Payable	4,338	-	-	4,338	-
Claims Payable	2,539	-	10,261	12,800	89,692
Compensated Absences Payable	17,104	-	2,058	19,162	3,584
Other Liabilities	9,778	-	-	9,778	-
Total Current Liabilities	$ 294,108	$ 85,007	$ 135,217	$ 514,332	$ 304,558
Noncurrent Liabilities:					
Unearned Revenue	$ -	$ -	$ 418	$ 418	$ -
Bonds and Notes Payable	515,415	-	58,729	574,144	13,258
Capital Leases Payable	22,658	-	-	22,658	-
Claims Payable	2,078	-	-	2,078	-
Compensated Absences Payable	124,743	-	11,234	135,977	28,665
Other Postemployment Benefits	43,580	-	3,558	47,138	1,473
Net Pension Liability	1,844,012	-	325,899	2,169,911	900,954
Other Liabilities	27,993	-	-	27,993	-
Total Noncurrent Liabilities	$ 2,580,479	$ -	$ 399,838	$ 2,980,317	$ 944,350
Total Liabilities	$ 2,874,587	$ 85,007	$ 535,055	$ 3,494,649	$ 1,248,908
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ 4,127	$ -	$ -	$ 4,127	$ -
Deferred Pension Inflows	106,219	-	23,082	129,301	65,775
Total Deferred Inflows of Resources	$ 110,346	$ -	$ 23,082	$ 133,428	$ 65,775
NET POSITION					
Net Investment in Capital Assets	$ 1,526,372	$ -	$ 124,568	$ 1,650,940	$ 89,907
Restricted for:					
Bond Covenants	$ 68,977	$ -	$ -	$ 68,977	$ -
Capital Projects	503	-	-	503	-
Debt Service	48,958	-	-	48,958	-
Economic and Workforce Development	-	-	4,265	4,265	-
Higher Education	14,837	-	-	14,837	-
Public Safety and Corrections	-	-	20,364	20,364	-
Unemployment Benefits	-	1,677,206	-	1,677,206	-
Other Purposes	-	-	61,692	61,692	-
Total Restricted	$ 133,275	$ 1,677,206	$ 86,321	$ 1,896,802	$ -
Unrestricted	$ (152,200)	$ -	$ (100,431)	$ (252,631)	$ (167,702)
Total Net Position	$ 1,507,447	$ 1,677,206	$ 110,458	$ 3,295,111	$ (77,795)

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 704,540	$ -	$ -	$ 704,540	$ -
Restricted Student Payments, Net	113,509	-	-	113,509	-
Net Sales	-	-	833,527	833,527	546,639
Insurance Premiums	-	574,715	119,810	694,525	906,471
Other Income	15,445	10,808	36,105	62,358	10,570
Total Operating Revenues	$ 833,494	$ 585,523	$ 989,442	$ 2,408,459	$ 1,463,680
Less: Cost of Goods Sold	-	-	418,056	418,056	-
Gross Margin	$ 833,494	$ 585,523	$ 571,386	$ 1,990,403	$ 1,463,680
Operating Expenses:					
Purchased Services	$ 231,839	$ -	$ 78,698	$ 310,537	$ 220,860
Salaries and Fringe Benefits	1,568,310	-	217,221	1,785,531	414,759
Student Financial Aid	45,424	-	-	45,424	-
Unemployment Benefits	-	775,914	-	775,914	-
Claims	-	-	99,665	99,665	805,832
Depreciation and Amortization	128,354	-	19,235	147,589	16,404
Supplies and Materials	128,634	-	8,506	137,140	23,638
Repairs and Maintenance	27,323	-	1,551	28,874	17,908
Indirect Costs	-	-	5,251	5,251	2,528
Other Expenses	41,179	-	10,139	51,318	2,729
Total Operating Expenses	$ 2,171,063	$ 775,914	$ 440,266	$ 3,387,243	$ 1,504,658
Operating Income (Loss)	$ (1,337,569)	$ (190,391)	$ 131,120	$ (1,396,840)	$ (40,978)
Nonoperating Revenues (Expenses):					
Investment Income	$ 10,151	$ 34,412	$ 1,234	$ 45,797	$ 2,993
Federal Grants	298,244	-	15,579	313,823	-
Private Grants	28,825	-	-	28,825	-
Grants and Subsidies	106,918	7,431	-	114,349	-
Other Nonoperating Revenues	-	-	12,183	12,183	334
Interest and Financing Costs	(21,232)	-	(1,953)	(23,185)	(890)
Grants, Aids and Subsidies	(11,772)	(9,223)	(20,504)	(41,499)	-
Other Nonoperating Expenses	-	-	(25,393)	(25,393)	(7,529)
Gain (Loss) on Disposal of Capital Assets	(215)	-	21	(194)	(407)
Total Nonoperating Revenues (Expenses)	$ 410,919	$ 32,620	$ (18,833)	$ 424,706	$ (5,499)
Income (Loss) Before Transfers and Contributions	$ (926,650)	$ (157,771)	$ 112,287	$ (972,134)	$ (46,477)
Capital Contributions	31,936	-	-	31,936	-
Transfers-In	674,824	-	32,190	707,014	-
Transfers-Out	-	(5,731)	(141,951)	(147,682)	(32,960)
Change in Net Position	$ (219,890)	$ (163,502)	$ 2,526	$ (380,866)	$ (79,437)
Net Position, Beginning, as Reported	$ 1,727,337	$ 1,840,708	$ 107,932	$ 3,675,977	$ 1,642
Net Position, Ending	$ 1,507,447	$ 1,677,206	$ 110,458	$ 3,295,111	$ (77,795)

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 848,330	$ 607,562	$ 958,938	$ 2,414,830	$ 1,445,273
Receipts from Other Revenues	-	-	46,795	46,795	10,459
Receipts from Repayment of Program Loans	4,518	-	-	4,518	-
Financial Aid Disbursements	(46,163)	-	-	(46,163)	-
Payments to Claimants	-	(772,057)	(448,415)	(1,220,472)	(794,498)
Payments to Suppliers	(433,134)	-	(146,554)	(579,688)	(264,262)
Payments to Employees	(1,324,776)	-	(168,813)	(1,493,589)	(274,963)
Payments to Others	-	-	(54,185)	(54,185)	(14,074)
Payments of Program Loans	(4,040)	-	-	(4,040)	-
Net Cash Flows from Operating Activities	$ (955,265)	$ (164,495)	$ 187,766	$ (931,994)	$ 107,935
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 416,514	$ 7,777	$ 20,400	$ 444,691	$ -
Grant Disbursements	(12,083)	(9,610)	(20,504)	(42,197)	-
Transfers-In	674,824	-	32,190	707,014	-
Transfers-Out	-	(6,551)	(137,171)	(143,722)	(32,960)
Advances from Other Funds	-	-	-	-	37,651
Repayment of Advances from Other Funds	-	-	(1,132)	(1,132)	-
Proceeds from Bonds	-	-	100,170	100,170	-
Repayment of Bond Principal	-	-	(121,660)	(121,660)	-
Interest Paid	-	-	(12,351)	(12,351)	-
Net Cash Flows from Noncapital Financing Activities	$ 1,079,255	$ (8,384)	$ (140,058)	$ 930,813	$ 4,691
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 35,814	$ -	$ -	$ 35,814	$ -
Investment in Capital Assets	(112,150)	-	(17,997)	(130,147)	(61,377)
Proceeds from Disposal of Capital Assets	635	-	116	751	2,086
Proceeds from Capital Bonds	72,753	-	-	72,753	-
Proceeds from Loans	-	-	-	-	11,617
Capital Lease Payments	(4,275)	-	-	(4,275)	-
Repayment of Loan Principal	(600)	-	-	(600)	(12,471)
Repayment of Bond Principal	(90,884)	-	(165)	(91,049)	-
Interest Paid	(21,149)	-	(15)	(21,164)	(889)
Net Cash Flows from Capital and Related Financing Activities	$ (119,856)	$ -	$ (18,061)	$ (137,917)	$ (61,034)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 2,539	$ -	$ -	$ 2,539	$ -
Purchase of Investments	(546)	-	-	(546)	-
Investment Earnings	6,399	34,412	1,236	42,047	2,993
Net Cash Flows from Investing Activities	$ 8,392	$ 34,412	$ 1,236	$ 44,040	$ 2,993
Net Increase (Decrease) in Cash and Cash Equivalents	$ 12,526	$ (138,467)	$ 30,883	$ (95,058)	$ 54,585
Cash and Cash Equivalents, Beginning, as Reported	$ 988,666	$ 1,596,421	$ 177,878	$ 2,762,965	$ 286,853
Cash and Cash Equivalents, Ending	$ 1,001,192	$ 1,457,954	$ 208,761	$ 2,667,907	$ 341,438

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (1,337,569)	$ (190,391)	$ 131,120	$ (1,396,840)	$ (40,978)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 128,354	$ -	$ 19,235	$ 147,589	$ 16,404
Miscellaneous Nonoperating Revenues	-	-	12,170	12,170	334
Miscellaneous Nonoperating Expenses	-	-	(25,393)	(25,393)	(7,529)
Loan Principal Repayments	4,518	-	-	4,518	-
Loans Issued	(4,040)	-	-	(4,040)	-
Provision for Loan Defaults	74	-	-	74	-
Loans Forgiven	374	-	-	374	-
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	5,527	(1,047)	3,557	8,037	(14,173)
Inventories	(164)	-	868	704	(78)
Other Assets	-	-	36	36	(10,474)
Deferred Pension Outflows	(1,173,418)	-	(209,750)	(1,383,168)	(617,502)
Accounts Payable	(1,574)	(466)	(4,094)	(6,134)	9,573
Claims Payable	-	-	(167)	(167)	9,782
Compensated Absences Payable	2,900	-	(627)	2,273	5,861
Unearned Revenues	9,308	27,321	2,292	38,921	5,440
Net Pension Liability	1,479,249	-	274,381	1,753,630	796,049
Other Liabilities	1,331	88	701	2,120	377
Deferred Pension Inflows	(70,135)	-	(16,563)	(86,698)	(45,151)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 382,304	$ 25,896	$ 56,646	$ 464,846	$ 148,913
Net Cash Flows from Operating Activities	$ (955,265)	$ (164,495)	$ 187,766	$ (931,994)	$ 107,935
Noncash Investing, Capital and Financing Activities:					
Capital Assets Acquired Through Leases/Loans	7,946	-	-	7,946	-
Capital Asset Donations	6,523	-	-	6,523	-
Bond Premium Amortization	4,173	-	10,294	14,467	-

The notes are an integral part of the financial statements.

MINNESOTA

State of Minnesota

Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

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

Agency Fund

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

2017 Comprehensive Annual Financial Report

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 48,704	$ -	$ 123,668
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 3,458,726	$ 45,370	$ -
Investments	71,291,924	917,767	-
Accrued Interest and Dividends	138,784	2,007	-
Securities Trades Receivables (Payables)	(871,228)	(6,342)	-
Total Investment Pool Participation	$ 74,018,206	$ 958,802	$ -
Receivables:			
Accounts Receivable	$ -	$ -	$ 36,405
Interfund Receivables	7,483	-	-
Other Receivables	124,986	-	-
Total Receivables	$ 132,469	$ -	$ 36,405
Securities Lending Collateral	$ 6,744,325	$ 75,145	$ -
Depreciable Capital Assets (Net)	48,153	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 80,992,286	$ 1,033,947	$ 160,073
LIABILITIES			
Accounts Payable	$ 26,208	$ -	$ 160,073
Interfund Payables	7,703	-	-
Accrued Expense	41	-	-
Revenue Bonds Payable	14,586	-	-
Bond Interest	11	-	-
Compensated Absences Payable	2,828	-	-
Securities Lending Liabilities	6,744,325	75,145	-
Other Liabilities	2,277	-	-
Total Liabilities	$ 6,797,979	$ 75,145	$ 160,073
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 74,194,307	$ 958,802	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,303,849	$ -
Member	1,528,963	-
Contributions From Other Sources	11,867	-
Participating Plans	-	16,788
Total Contributions	$ 2,844,679	$ 16,788
Net Investment Income (Loss):		
Investment Income (Loss)	$ 9,633,454	$ 124,956
Less: Investment Expenses	(71,548)	(401)
Net Investment Income (Loss)	$ 9,561,906	$ 124,555
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 96,668	$ 1,206
Securities Lending Rebates and Fees	(54,002)	(669)
Net Securities Lending Revenue	$ 42,666	$ 537
Total Investment Income (Loss)	$ 9,604,572	$ 125,092
Transfers-In	$ 108,390	$ -
Other Additions	12,487	-
Total Additions	$ 12,570,128	$ 141,880
Deductions:		
Benefits	$ 4,813,459	$ -
Refunds and Withdrawals	335,841	46,984
Administrative Expenses	55,970	68
Transfers-Out	47,928	-
Total Deductions	$ 5,253,198	$ 47,052
Net Increase (Decrease)	$ 7,316,930	$ 94,828
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 66,867,194	$ 867,872
Change in Reporting Entity	6,285	-
Change in Fund Structure	3,898	(3,898)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 66,877,377	$ 863,974
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 74,194,307	$ 958,802

The notes are an integral part of the financial statements.

MINNESOTA

State of Minnesota

2017
Comprehensive
Annual
Financial Report

Major Discretely Presented Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

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

University of Minnesota

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

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2016, and JUNE 30, 2017
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 66,475	$ 131,465	$ 480,644	$ 662,355	$ 1,340,939
Investments	40,145	14,767	212,640	316,391	583,943
Accounts Receivable	1,838	35,211	406,783	45,151	488,983
Due from Primary Government	1,001	94,620	15,028	696	111,345
Accrued Investment/Interest Income	11,646	1,998	2,114	16,396	32,154
Federal Aid Receivable	2,103	12,030	-	2,055	16,188
Inventories	-	32,083	20,075	48	52,206
Loans and Notes Receivable	202,911	-	10,939	230,883	444,733
Prepaid Expenses	-	-	-	5,446	5,446
Other Assets	1,229	1,992	39,855	14	43,090
Total Current Assets	$ 327,348	$ 324,166	$ 1,188,078	$ 1,279,435	$ 3,119,027
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 372,709	$ 151,302	$ 49,193	$ 245,091	$ 818,295
Investments-Restricted	1,937,613	19	120,007	27,775	2,085,414
Accounts Receivable-Restricted	-	17,146	-	-	17,146
Due from Primary Government-Restricted	-	3,097	-	-	3,097
Due from Primary Government	-	-	-	4,864	4,864
Investments	-	557,038	4,378,929	11,719	4,947,686
Accounts Receivable	-	-	146,337	306,598	452,935
Loans and Notes Receivable	868,147	45,111	74,520	2,212,308	3,200,086
Depreciable Capital Assets (Net)	3,845	3,501,077	2,548,516	1,064,351	7,117,789
Nondepreciable Capital Assets	-	784,385	658,562	33,514	1,476,461
Prepaid Expenses	-	-	-	1,831	1,831
Other Assets	-	-	44,947	-	44,947
Total Noncurrent Assets	$ 3,182,314	$ 5,059,175	$ 8,021,011	$ 3,908,051	$ 20,170,551
Total Assets	$ 3,509,662	$ 5,383,341	$ 9,209,089	$ 5,187,486	$ 23,289,578
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 5,264	$ -	$ -	$ -	$ 5,264
Bond Refunding	137	-	-	15,115	15,252
Deferred Pension Outflows	53,275	850,672	1,328,796	18,303	2,251,046
Total Deferred Outflows of Resources	$ 58,676	$ 850,672	$ 1,328,796	$ 33,418	$ 2,271,562
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 9,740	$ 103,172	$ 250,446	$ 28,817	$ 392,175
Due to Primary Government	-	-	2,790	28,995	31,785
Unearned Revenue	-	14,241	62,552	48,036	124,829
Accrued Interest Payable	24,523	2,749	15,549	15,293	58,114
Bonds and Notes Payable	77,545	129,237	319,445	84,269	610,496
Capital Leases Payable	-	825	4,404	48	5,277
Claims Payable	-	7,237	38,766	52,634	98,637
Compensated Absences Payable	294	24,190	197,775	139	222,398
Total Current Liabilities	$ 112,102	$ 281,651	$ 891,727	$ 258,231	$ 1,543,711
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 38,845	$ 54,262	$ -	$ 93,107
Unearned Revenue-Restricted	-	84,020	-	177	84,197
Accrued Interest Payable-Restricted	-	12,106	-	-	12,106
Due to Primary Government	-	-	8,534	44,803	53,337
Unearned Revenue	-	-	86	10,522	10,608
Interest Rate Swap Agreements	5,264	-	-	-	5,264
Bonds and Notes Payable	2,291,978	1,391,729	1,150,614	1,363,592	6,197,913
Capital Leases Payable	-	6,260	13,033	230	19,523
Claims Payable	-	9,825	13,235	521,895	544,955
Compensated Absences Payable	2,063	7,064	22,456	775	32,358
Other Postemployment Benefits	300	92,247	156,722	86	249,355
Net Pension Liability	76,077	1,204,964	1,908,870	26,277	3,216,188
Funds Held in Trust	78,345	-	256,809	198	335,352
Other Liabilities	-	-	45,192	265	45,457
Total Noncurrent Liabilities	$ 2,454,027	$ 2,847,060	$ 3,629,813	$ 1,968,820	$ 10,899,720
Total Liabilities	$ 2,566,129	$ 3,128,711	$ 4,521,540	$ 2,227,051	$ 12,443,431
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Values of Derivatives	$ -	$ 935	$ -	$ -	$ 935
Bond Refunding	-	-	1,769	-	1,769
Deferred Revenue	13,993	4,950	-	-	18,943
Deferred Pension Inflows	5,554	93,113	172,273	2,431	273,371
Total Deferred Inflows of Resources	$ 19,547	$ 98,998	$ 174,042	$ 2,431	$ 295,018
NET POSITION					
Net Investment in Capital Assets	$ 3,845	$ 2,922,175	$ 1,749,543	$ 1,097,486	$ 5,773,049
Restricted-Expendable	978,817	329,707	2,107,900	1,809,986	5,226,410
Restricted-Nonexpendable	-	-	1,486,550	-	1,486,550
Unrestricted	-	(245,578)	498,310	83,950	336,682
Total Net Position	$ 982,662	$ 3,006,304	$ 5,842,303	$ 2,991,422	$ 12,822,691

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016, and JUNE 30, 2017
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 366,279	$ 1,262,636	$ 4,180,858	$ 537,974	$ 6,347,747
Program Revenues:					
Charges for Services	$ 96,893	$ 376,315	$ 1,502,595	$ 181,514	$ 2,157,317
Operating Grants and Contributions	190,996	498,438	993,782	53,499	1,736,715
Capital Grants and Contributions	-	221,550	95,865	224,046	541,461
Net (Expense) Revenue	$ (78,390)	$ (166,333)	$ (1,588,616)	$ (78,915)	$ (1,912,254)
General Revenues:					
Taxes	$ -	$ 81,859	$ -	$ 2,808	$ 84,667
Investment Income	-	30,545	318,950	6,801	356,296
Other Revenues	481	-	617,309	11,011	628,801
Total General Revenues before Grants	$ 481	$ 112,404	$ 936,259	$ 20,620	$ 1,069,764
State Grants Not Restricted	$ 62,200	$ -	$ 650,749	$ 283,199	$ 996,148
Total General Revenues	$ 62,681	$ 112,404	$ 1,587,008	$ 303,819	$ 2,065,912
Change in Net Position	$ (15,709)	$ (53,929)	$ (1,608)	$ 224,904	$ 153,658
Net Position, Beginning, as Reported	$ 998,371	$ 3,060,233	$ 5,843,911	$ 2,766,518	$ 12,669,033
Net Position, Ending	$ 982,662	$ 3,006,304	$ 5,842,303	$ 2,991,422	$ 12,822,691

The notes are an integral part of the financial statements.

MINNESOTA

2017 Comprehensive Annual Financial Report
Index of Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2017:

- GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets, not within the Scope of GASB 68" was issued in June 2015. This statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments. The intent is to provide better decision making information and create more transparency for all postemployment benefits. This statement has no impact on the state.

- GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued in June 2015. This statement results from a more comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits, including defined contribution plans, with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Since the state does not have any resources for postemployment benefits other than pensions in a trust, this statement has no impact on the state.

- GASB Statement No. 77 "Tax Abatement Disclosures" was issued in August 2015. This statement provides all users of the state and local government financial statements with information to assist in assessing (1) whether a government's current-year revenues are sufficient to pay current-year services, (2) whether a government complied with finance related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. See Note 20 – Tax Abatements for further information.

- GASB Statement No. 80 "Blending Requirements for Certain Component Units" was issued in January 2016. This statement clarifies the financial statement presentation requirements for certain component units. It amends the blending requirement established in paragraph 53 of statement No. 14 by requiring blending of component units incorporated as not-for-profit corporations where the primary government is the sole member. This statement has no 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 (MASC), consisting of 14 members 9 of which are appointed by the state, contracts with NSCF to operate various sports facilities, including the National Sports Center. The facilities are used 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 MASC appoints all 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 June 30. This is a change from prior years, when the fiscal year ended December 31. Therefore, MSFA’s financial statements presented in this report include 18 months of activity.

A discretely presented component unit is classified as major or non-major, 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 Wabasha Street, Suite 400 St. Paul, Minnesota 55102	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 83rd 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 4th Street South Minneapolis, Minnesota 55415-1752

In fiscal year 2018, the Minnesota Comprehensive Health Association (MCHA) will become a new component unit of the state. MCHA administers the state-based reinsurance program referred to as the Minnesota Premium Security Plan. This program was created to stabilize health insurance premiums in Minnesota's individual market. The board is comprised of 13 members: six selected by contributing members, subject to the approval of the Department of Commerce; two selected by the Department of Human Services; and five selected by the Department of Commerce. The state has appropriated funding for the program and has the ability to approve or reject the parameters for making payments to health carriers.

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but does not have financial accountability or the ability to impose the state's will on the entity. 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 7th 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 it's 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 another 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.

- The General Fund accounts for all financial resources not accounted for and reported in another fund. This fund encompasses many of the primary government's functions.

- Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

- Capital project funds 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.

- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

- Permanent Funds account 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. The state has only one permanent fund, the Permanent School Fund. Minnesota Constitution, Article XI, Section 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, which is the largest higher education system in the state. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Fund 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 the Agency Fund 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 a final date of 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 until the year they are converted.

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. The state measures 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 acquisition 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, 3-15 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 post closure 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 Minnesota 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.

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

<u>Cash and Cash Equivalents</u>

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.

<u>Deposits</u>

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.

<u>Investments</u>

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 should 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.

<u>Investment Derivative Instruments</u>

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, 2017, 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 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, 2017, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,486,261,000 that is $11,892,000 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 $90,941,000.

The following table summarizes, by derivative type, the investment derivative activity, and June 30 positions for fiscal year 2017:

Primary Government
Derivative Activity for the Year Ended June 30, 2017
By Derivative Type
(In Thousands)

Derivative Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
Governmental Activities:			
Futures	$ 10,305	$ -	$ 17
Fiduciary Activities:			
Futures	$ 83,605	$ -	$ (410,700)
Futures Options Bought	(4,511)	648	2,734
Futures Options Written	5,702	(163)	(1,391)
FX Forwards	3,749	(1,206)	380,156
Warrants/Stock Rights	1,392	4,163	1,010
Total Fiduciary Activities	$ 89,937	$ 3,442	$ (28,191)

Credit Risk: Minnesota is exposed to credit risk through eight counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of $2,294,000 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 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 rating 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 may not exceed 5 percent of the fair value 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; and
- Generally, investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation.

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

SBI invested in implicitly guaranteed items of the U.S. Government. Approximately five percent received a quality rating from Moody's or S&P. The remaining 95 percent were assigned an agency rating and represent approximately 80 percent of the total agency rating category.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2017
(In Thousands)

Quality Rating	Fair Value
AAA	$ 474,539
AA	1,193,985
A	1,276,520
BBB	427,690
BB	88,714
B	3,961
CCC	7,455
Unrated	6,980,595
Agencies	1,213,074
U.S. Governments	1,333,224
Total Debt Securities	$ 12,999,757

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2017
(In Thousands)

Quality Rating	Fair Value
AAA	$ 694,564
AA	431,710
A	716,915
BBB	2,319,890
BB	1,345,915
B	136,787
CCC	34,070
CC	28,998
C	7,398
D	7,911
Unrated	3,376,342
Agencies	3,520,330
U.S. Governments	3,584,620
Total Debt Securities	$ 16,205,450

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.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2017
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 1,198,784	2.54
U.S. Agencies	1,017,943	1.64
Mortgage-backed Securities	145,826	10.57
State or Local Government Bonds	77,409	4.86
Corporate Bonds	2,045,592	2.46
Yankee Bonds	409,148	1.41
Short Term Notes	8,105,055	0.15
Total Debt Securities	$ 12,999,757	
Equity Investments:		
Corporate Stock	$ 1,518,783	
Other Investments:		
Escheat Property	$ 15,362	
Money Market Accounts	12,366	
Total Other Investments	$ 27,728	
Total Investments	$ 14,546,268 (1)	

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

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2017
(In Thousands)

Security Type		Fair Value	Weighted Average Maturity in Years
Debt Securities:			
U.S. Treasury	$	3,584,620	9.61
U.S. Agencies		340,025	5.23
Mortgage-backed Securities		4,124,019	5.09
State or Local Government Bonds		127,199	16.50
Corporate Bonds		3,527,169	8.99
Yankee Bonds		998,992	7.76
Foreign Country Bonds		66,794	17.75
Asset-backed Securities		579,012	2.80
Short Term Notes		2,857,620	0.27
Total Debt Securities	$	16,205,450	
Equity Investments:			
Corporate Stock	$	42,245,176	
Alternative Equities		8,358,541	
Stock Rights/Warrants		4,163	
Total Equity Investments	$	50,607,880	
Other Investments:			
Guaranteed Investment Account:			
Synthetic Guaranteed Investment Contract (SGIC)	$	1,474,369	
Short Term Investment Pool		90,941	
Total Guaranteed Investment Account	$	1,565,310	
Futures Options	$	485	
Mutual Funds		7,360,945	
Total Other Investments	$	8,926,740	
Total Investments	$	75,740,070 [1]	

[1] Total Investments do not include $22,421 of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

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.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient, and 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 own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by SBI’s 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 the NAV has been determined using the March 31, 2017, values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated occurs over the life of the investment. Cash and short-term investments are not leveled under GASB 72.

SBI has 20 investments that are valued at the NAV that are currently in the liquidation mode, totaling one percent of the NAV. The majority of the remaining value of investments in the liquidation mode will be returned to SBI within a time period of three to five years. SBI has a total of $5,974,264,000 in unfunded commitments to the invested value of the NAV. Unfunded commitments is money that has been committed to an investment, but not yet transferred to the investor.

The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio composed of investments that provide diversification by industry type, stage of corporate development, and location. SBI has 122 private equity investments representing 61 percent of the NAV.

The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and Real Estate Investment Trusts (REITs). SBI has 17 real estate investments representing seven percent of the NAV.

The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments and energy service industry investments that are diversified by geographic area as well as by type. SBI has 33 resource funds' investments representing 23 percent of the NAV.

The strategy for yield-oriented investments is to target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical yield-oriented investments. SBI has 30 yield oriented funds' investments representing nine percent of the NAV.

Primary Government
Governmental, Proprietary, and Agency Funds
Fair Value of Investments
As of June 30, 2017
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 1,478,809	$ 1,474,875	$ 3,934	$ -
Real Estate Investment Trust	43,336	43,336	-	-
Equity Total	$ 1,522,145	$ 1,518,211	$ 3,934	$ -
Fixed Income:				
Asset-backed Securities	$ 106,045	$ -	$ 106,045	$ -
Mortgage-backed Securities	145,826	-	145,826	-
Corporate Bonds	2,324,551	-	2,294,551	30,000
Government Issues	3,451,071	11,205	3,439,866	-
Fixed Income Total	$ 6,027,493	$ 11,205	$ 5,986,288	$ 30,000
Total Investments by Fair Value	$ 7,549,638 (1)	$ 1,529,416	$ 5,990,222	$ 30,000

(1) 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 and are not included in this table.

Primary Government
Pension and Investment Trust Funds
Fair Value of Investments
As of June 30, 2017
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 39,755,047	$ 39,556,216	$ 168,961	$ 29,870
Real Estate Investment Trust	1,258,452	1,257,405	-	1,047
Other Equity	1,318,496	990,520	89,292	238,684
Equity Total	$ 42,331,995	$ 41,804,141	$ 258,253	$ 269,601
Fixed Income:				
Asset-backed Securities	$ 900,909	$ -	$ 884,007	$ 16,902
Mortgage-backed Securities	4,486,402	-	4,430,016	56,386
Corporate Bonds	4,957,346	-	4,957,344	2
Government Issues	4,633,213	-	4,633,213	-
Other Debt Instruments	449,822	-	449,822	-
Fixed Income Total	$ 15,427,692	$ -	$ 15,354,402	$ 73,290
Investment Derivatives - Options	$ 485	$ 485	$ -	$ -
Total Investments by Fair Value	$ 57,760,172	$ 41,804,626	$ 15,612,655	$ 342,891

Investments Measured at Net Asset Value (NAV):	NAV	Unfunded Commitments
Private Equity	$ 5,084,039	$ 4,019,961
Real Estate	558,855	484,054
Resource	1,894,567	720,509
Yield Oriented	724,848	749,740
Total Investments at NAV	$ 8,262,309	$ 5,974,264
Total Investments by Fair Value and NAV	$ 66,022,481 [1]	

[1] 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 and 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 have exposure to a single issuer that equals or exceeds five percent of the overall portfolio as of June 30, 2017. Federal Farm Credit Bank had an aggregate market value of 6.1 percent of the total debt security total of the Governmental, Proprietary, and Agency Funds.

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. 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 and investment trust funds, had no exposure to foreign currency risk as of June 30, 2017. The following table shows the foreign currency risk for the pension and investment trust funds.

Pension and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2017
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 8,924	$ -	$ 634,847
Brazilian Real	56	-	160,680
Canadian Dollar	9,233	492	862,624
Danish Krone	148	-	207,440
Euro Currency	9,733	839	3,864,275
Hong Kong Dollar	5,314	-	922,309
Indian Rupee	430	-	144,616
Indonesian Rupiah	30	-	92,495
Japanese Yen	14,252	23,231	2,241,413
Mexican Peso	1,082	-	94,452
New Taiwan Dollar	(669)	-	332,403
Pound Sterling	22,468	22,650	1,713,621
Singapore Dollar	1,681	-	118,473
South African Rand	112	-	153,707
South Korean Won	(18)	-	448,692
Swedish Krona	(20)	-	262,476
Swiss Franc	821	-	774,779
Other	696	-	459,490
Total	$ 74,273	$ 47,212	$ 13,488,792

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 federal 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, 2017, the investment pool had an average duration of 13.08 days and an average weighted maturity of 115.06 days for U.S. dollar 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, 2017, 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, 2017, were $15,095,895,000 and $14,430,837,000, 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 $6,819,470,000 is reported in the Fiduciary Funds Statement of Net Position as an asset and correspondingly liability. Some component units that are allocated a portion of the collateral have a December 31 year end.

Primary Government Pension and Investment Trust Funds Securities Loaned As of June 30, 2017 (In Thousands)	
Investment Type	Fair Value
Domestic Equities	$ 8,551,615
U.S. Government Bonds	3,036,850
International Equities	1,848,580
Domestic Corporate Bonds	989,950
International Corporate Bonds	3,842
Total	$ 14,430,837

Component Units

Housing Finance Agency

As of June 30, 2017, the Housing Finance Agency (HFA) had $439,184,000 of cash and cash equivalents and $1,977,758,000 of investments. As of June 30, 2017, $435,925,000 of deposits and $1,921,695,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 0.8 – 27.2 years.

HFA cash equivalents included $3,259,000 of investment agreements, which are generally uncollateralized interest-bearing contracts.

HFA investments had an estimated fair value of $1,977,758,000 as of June 30, 2017. Included in these investments were $8,265,000 in U.S. Treasuries (not rated), and $1,878,806,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional $31,365,000 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 $50,026,000 and $1,868,410,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of $59,322,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2017, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $552,651,000 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, 2017, as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2017, was reported in "Accumulated Decrease in Fair Value of Hedging Derivatives" deferred outflows of resources.

As of June 30, 2017, HFA had interest rate swap agreements with the following counterparties; the Bank of New York Mellon (four agreements), Royal Bank of Canada (five agreements) and Wells Fargo (one agreement) for total notional amounts of $39,365,000, $168,700,000 and $0, and fair values of ($1,945,000), ($5,579,000), and ($241,000), respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2017, decreased $1,249,000, decreased $4,735,000, and increased $241,000, respectively.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon, Royal Bank of Canada, and Wells Fargo have been rated by Moody's as Aa1, Aa3, and Aa1 respectively, and all are rated by S&P as AA-.

All swaps are pay-fixed, receive-variable. The initial notional amounts 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 rights on the underlying mortgage loans, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association). This has further reduced the notional balances of the swaps as needed 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 London Inter-Bank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (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, 2016, the Metropolitan Council (MC), had $282,767,000 in cash and cash equivalents and $571,824,000 in investments. Of this amount, $818,255,000 was subject to rating. Using the Moody's Investors Services rating scale, $587,217,000 of these investments were rated Aaa, while $231,038,000 were not rated. U.S. Treasury State and Local Government Securities (SLGS) of $19,000 and net outstanding checks of $36,317,000 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 $245,427,000 U.S. agency investments, MC has a custodial credit risk exposure of $2,021,000 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 $37,724,000 and $406,949,000 using Level 1 and Level 2 inputs, respectively. MC measured another $168,769,000 of investments at the net asset value, while the remaining $36,317,000 was cash and cash equivalents and $204,832,000 in the Internal Equity Pool with the State Board of Investment (SBI) was a trust account for other post-employment benefits (OPEB).

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, 2016. The investment portfolio excluding the cash and escrow accounts and the OPEB trust portfolio has an average yield of 1.51 percent, modified duration of 2.45 years, effective duration of 1.84 years, and convexity of -0.23.

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

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2016
(In Thousands)

Fair Value of Portfolio		Estimated Fair Value
Before Basis Point Increase	$	857,897
After Basis Point Increase of:		
50 Points	$	850,061
100 Points		845,179
150 Points		840,164
200 Points		835,122

MC has used commodity futures as an energy forward pricing mechanism 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 2016, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2016, MC had 302 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.68 million gallons) acquired from March 10, 2015, through December 22, 2016, to terminate on dates from January 31, 2017, through September 28, 2018. As of December 31, 2016, the heating oil futures contracts had a fair value of $22,478,000.

MC is using NYMEX heating oil futures to hedge its 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, 2017, the University of Minnesota (U of M), including its discretely presented component units, had $529,837,000 of cash and cash equivalents and $4,711,576,000 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 $436,705,000 and investments of $2,091,790,000.

As of June 30, 2017, U of M's bank balance of $298,257,000 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, 2017, $1,249,844,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,016,329,000 was rated AA or better
- $181,788,000 was rated BBB to A
- $51,727,000 was not rated

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

- $497,235,000 in government agencies with weighted average maturities of 1.4 to 3.3 years
- $104,023,000 in mortgage-backed securities with a weighted average maturity of 18.3 years
- $298,846,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $298,013,000 in mutual funds with a weighted average maturity of 5.3 years

As of June 30, 2017, U of M had $253,709,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $67,786,000 in Euro Currency and $32,702,000 in British Pound Sterling.

Several U of M investment holdings are subject to custodial credit risk. As of June 30, 2017 and 2016, U of M held in the custodial accounts was $642,074,000 and $759,409,000 in Temporary Investment Pool (TIP); $180,687,000 and $164,178,000 in Consolidated Endowment Fund (CEF); and $22,447,000 and $21,774,000 in Group Income Pool (GIP), respectively.

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." U of M measured investments of $360,210,000; $656,271,000; and $4,854,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $1,070,455,000 of investments at the net asset value.

As of June 30, 2017, U of M has one pay-fixed, receive-variable swap that is considered ineffective. At June 30, 2017, the total fair value was ($436,000), 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, 2016, or June 30, 2017, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 840	$ 21,624
National Sports Center Foundation	541	-
Office of Higher Education	431,999	-
Public Facilities Authority	424,752	18,327
Rural Finance Authority	13,374	-
Workers' Compensation Assigned Risk Plan	9,275	309,783
Minnesota Sports Facilities Authority	26,665	6,151
Total	$ 907,446	$ 355,885

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2017
(In Thousands)

	Governmental Activities			
Description	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 883,171	$ -	$ -	$ 883,171
Sales and Use	391,467	-	25,615	417,082
Property	394,457	-	-	394,457
Health Care Provider	308,044	-	114,869	422,913
Motor Vehicle/Fuel	-	-	75,015	75,015
Other	37,812	-	29,972	67,784
Child Support	39,840	40,534	245	80,619
Workers' Compensation	-	-	87,420	87,420
Other	272,276	214,279	57,580	544,135
Net Receivables	$ 2,327,067	$ 254,813	$ 390,716	$ 2,972,596

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ -	$ 303,829	$ -	$ 303,829
Tuition and Fees[3]	55,064	-	-	55,064
Other	-	-	29,409	29,409
Net Receivables	$ 55,064	$ 303,829	$ 29,409	$ 388,302
Total Government-wide Net Receivables				$ 3,360,898

[1] Includes $124,377 for Internal Service Funds, less Internal Service Fund eliminations of $119,500 among Governmental Activities.

[2] Includes $259 Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

[3] The revenue associated with tuition and fees is reduced by a scholarship allowance of $300,102.

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

- Corporate and Individual Taxes $124,633,000
- Sales and Use Taxes $35,122,000
- Child Support $177,939,000

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

- Corporate and Individual Taxes $178,193,000
- Sales and Use Taxes $85,726,000
- Child Support $78,685,000
- Health Care Provider $97,351,000
- Other Receivables $101,289,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2017
(In Thousands)

Loan Purpose	General Fund	Federal Fund	Nonmajor Special Revenue Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	$ -	$ -	$ -	$ 27,575	$ 27,575
Economic Development	51,849	4,677	40,913	-	97,439
School Districts	271	-	-	-	271
Agricultural, Environmental and Energy Resources	-	-	58,186	-	58,186
Transportation	-	-	3,442	-	3,442
Other	6,858	-	1,147	1,989	9,994
Total	$ 58,978	$ 4,677	$ 103,688	$ 29,564	$ 196,907

Component Units
Loans and Notes Receivable
As of December 31, 2016, or June 30, 2017, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 1,071,058
Metropolitan Council	45,111
University of Minnesota	85,459
Agricultural and Economic Development Board	114
National Sports Center Foundation	807
Office of Higher Education	536,601
Public Facilities Authority	1,848,136
Rural Finance Authority	57,533
Total	$ 3,644,819

Note 5 – Interfund Transactions

Primary Government

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

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

Primary Government
Interfund Receivables and Payables
As of June 30, 2017
(In Thousands)

Description		Amount
Due to the General Fund From:		
Federal Fund	$	36
Nonmajor Governmental Funds		10,724
Nonmajor Enterprise Funds		20,452
Internal Service Funds		98,710
Fiduciary Funds		259
Total Due to General Fund From Other Funds	$	130,181
Due to the Federal Fund From:		
General Fund	$	222
Nonmajor Governmental Funds		3,230
Unemployment Insurance Fund		51
Total Due to Federal Fund From Other Funds	$	3,503
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	30,622
Total Due to State Colleges and Universities Fund From Other Funds	$	30,622
Due to Nonmajor Enterprise Funds From:		
General Fund	$	2,262
Nonmajor Enterprise Funds		1,905
Total Due to Nonmajor Enterprise Funds From Other Funds	$	4,167
Due to Fiduciary Funds From:		
General Fund	$	39
Fiduciary Funds		7,444
Total Due to Fiduciary Funds From Other Funds	$	7,483
Due to Nonmajor Governmental Funds From:		
General Fund	$	96,779
Unemployment Insurance Fund		14,101
Nonmajor Governmental Funds		22,228
Nonmajor Enterprise Funds		2,256
Total Due to Nonmajor Governmental Funds From Other Funds	$	135,364

Primary Government
Interfund Transfers
Year Ended June 30, 2017
(In Thousands)

Description		Amount
Transfers to the General Fund From:		
Federal Fund	$	55,125
Nonmajor Governmental Funds		206,736
Nonmajor Enterprise Funds		115,289
Internal Service Funds		25,571
Total Transfers to General Fund From Other Funds	$	402,721
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	43
Nonmajor Governmental Funds		1,348
Total Transfers to Federal Fund From Other Funds	$	1,391
Transfers and Capital Contributions to the State Colleges and Universities Fund From:		
General Fund	$	673,629
Nonmajor Governmental Funds		33,131
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	$	706,760
Transfers to Fiduciary Funds From:		
General Fund	$	60,462
Fiduciary Funds		47,928
Total Transfers to Fiduciary Funds From Other Funds	$	108,390
Transfers to Nonmajor Governmental Funds From:		
General Fund	$	837,241
Federal Fund		665
Unemployment Insurance Fund		5,688
Nonmajor Governmental Funds		213,187
Nonmajor Enterprise Funds		26,530
Internal Service Funds		7,389
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	1,090,700
Transfers to Nonmajor Enterprise Funds From:		
General Fund	$	26,358
Nonmajor Governmental Funds		5,700
Nonmajor Enterprise Funds		132
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	32,190

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2016, or June 30, 2017, as applicable
(In Thousands)

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	$ 1,001	$ -
Metropolitan Council	97,717	-
University of Minnesota	15,028	11,324
Total Major Component Units	$ 113,746	$ 11,324
Nonmajor Component Units	$ 5,560	$ 73,798
Total Component Units	$ 119,306	$ 85,122

Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	$ 6,563	$ 30,777
Federal Fund	-	8,051
Total Major Governmental Funds	$ 6,563	$ 38,828
Nonmajor Governmental Funds	$ 64,246	$ 8,827
Nonmajor Enterprise Funds	$ -	$ 6
Total Primary Government	$ 70,809	$ 47,661 [1]

[1] Due to Component Units on the Government-wide Statement of Net Position totals $53,152 and includes $5,491 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due to Primary Government balance exceeds the Due from Component Units balance by $14,313,000 because the Metropolitan Council, the Workers' Compensation Assigned Risk Plan, and the National Sports Center Foundation use a different fiscal year end than the primary government. The $71,645,000 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 $5,491,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2017
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,569,638	$ 52,234	$ (4,511)	$ 2,617,361
Buildings, Structures, Improvements	41,443	285,293	-	326,736
Construction in Progress	432,217	256,273	(376,203)	312,287
Development in Progress	60,034	27,016	(3,709)	83,341
Infrastructure	10,179,574	453,153	(4,144)	10,628,583
Easements (1)	383,371	23,416	-	406,787
Art and Historical Treasures	7,168	391	-	7,559
Total Capital Assets not Depreciated	$ 13,673,445	$ 1,097,776	$ (388,567)	$ 14,382,654
Capital Assets Depreciated:				
Buildings, Structures, Improvements (1)	$ 3,134,263	$ 80,032	$ (20,176)	$ 3,194,119
Infrastructure	312,998	32,946	-	345,944
Internally Generated Computer Software	164,829	29,939	-	194,768
Easements	5,789	490	(1,289)	4,990
Equipment, Furniture, Fixtures	747,839	78,638	(37,825)	788,652
Total Capital Assets Depreciated	$ 4,365,718	$ 222,045	$ (59,290)	$ 4,528,473
Accumulated Depreciation for:				
Buildings, Structures, Improvements (1)	$ (1,252,174)	$ (84,807)	$ 8,789	$ (1,328,192)
Infrastructure	(89,510)	(10,937)	-	(100,447)
Internally Generated Computer Software	(59,134)	(24,570)	-	(83,704)
Easements (1)	(1,296)	(250)	120	(1,426)
Equipment, Furniture, Fixtures	(468,028)	(51,897)	31,515	(488,410)
Total Accumulated Depreciation	$ (1,870,142)	$ (172,461)	$ 40,424	$ (2,002,179)
Total Capital Assets Depreciated, Net	$ 2,495,576	$ 49,584	$ (18,866)	$ 2,526,294
Governmental Act. Capital Assets, Net	$ 16,169,021	$ 1,147,360	$ (407,433)	$ 16,908,948

(1) The beginning balance has been restated for the prior period adjustments.

Prior Period Adjustment Governmental Activities: During fiscal year 2017, non-depreciable easements increased by $70,256,000 and buildings increased by $38,578,000 and accumulated depreciation on buildings increased by $4,760,000 resulting in a prior period adjustment. This increase was attributable to the capitalization of building improvements and non-depreciable easements not previously recorded. Additionally, depreciable easements accumulated depreciation decreased by $536,000. This decrease was a result of eliminating accumulated depreciation on land that was transferred from depreciable easements to land.

Capital outlay expenditures in the governmental funds totaled $870,595,000 for fiscal year 2017. Donations of general capital assets received were valued at $13,032,000. Transfers of $374,817,000 were primarily from construction in progress for completed projects. Internal service funds additions were $61,377,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2017, 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, 2017
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 92,412	$ 133	$ -	$ 92,545
Construction in Progress	173,728	94,953	(193,117)	75,564
Total Capital Assets not Depreciated	$ 266,140	$ 95,086	$ (193,117)	$ 168,109
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,459,873	$ 212,709	$ -	$ 3,672,582
Infrastructure	95	-	-	95
Library Collections	41,146	5,273	(6,354)	40,065
Internally Generated Computer Software	55,049	5,642	(1,430)	59,261
Equipment, Furniture, Fixtures	321,818	20,315	(9,897)	332,236
Total Capital Assets Depreciated	$ 3,877,981	$ 243,939	$ (17,681)	$ 4,104,239
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,618,491)	$ (112,753)	$ -	$ (1,731,244)
Infrastructure	(53)	(3)	-	(56)
Library Collections	(24,095)	(5,724)	6,354	(23,465)
Internally Generated Computer Software	(10,181)	(5,696)	847	(15,030)
Equipment, Furniture, Fixtures	(221,002)	(24,122)	9,814	(235,310)
Total Accumulated Depreciation	$ (1,873,822)	$ (148,298)	$ 17,015	$ (2,005,105)
Total Capital Assets Depreciated, Net	$ 2,004,159	$ 95,641	$ (666)	$ 2,099,134
Business-type Act. Capital Assets, Net	$ 2,270,299	$ 190,727	$ (193,783)	$ 2,267,243
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 597	$ 195	$ (363)	$ 429
Total Capital Assets not Depreciated	$ 597	$ 195	$ (363)	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ -	$ -	$ 29,763
Internally Generated Computer Software	-	36,020	-	36,020
Equipment, Furniture, Fixtures	37,185	439	(32,125)	5,499
Total Capital Assets Depreciated	$ 66,948	$ 36,459	$ (32,125)	$ 71,282
Accumulated Depreciation for:				
Buildings	$ (11,167)	$ (766)	$ -	$ (11,933)
Internally Generated Computer Software	-	(6,566)	-	(6,566)
Equipment, Furniture, Fixtures	(7,925)	(391)	3,686	(4,630)
Total Accumulated Depreciation	$ (19,092)	$ (7,723)	$ 3,686	$ (23,129)
Total Capital Assets Depreciated, Net	$ 47,856	$ 28,736	$ (28,439)	$ 48,153
Fiduciary Funds, Capital Assets, Net	$ 48,453	$ 28,931	$ (28,802)	$ 48,582

Transfers-in for Business-type Activities resulted from $193,117,000 from construction in progress for completed projects and $1,292,000 in cost and $709,000 in accumulated depreciation to reclassify internally generated computer software from equipment, furniture, and fixtures. The fiduciary funds had similar transfers between classifications of $32,125,000 in cost and $3,686,000 in accumulated depreciation.

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2017
(In Thousands)

Function		Depreciation Expense
Governmental Activities:		
Agricultural, Environmental & Energy Resources	$	14,882
Economic and Workforce Development		7,801
General Education		5,052
General Government		30,173
Health and Human Services		27,350
Public Safety and Corrections		32,440
Transportation		38,359
Internal Service Funds		16,404
Total Governmental Activities	$	172,461
Business-type Activities:		
State Colleges and Universities	$	128,354
Lottery		532
Other		18,703
Total Business-type Activities	$	147,589

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2017
(In Thousands)

Description		Administration		Transportation
Authorization	$	650,018	$	1,329,137
Less: Expended through June 30, 2017		(437,373)		(780,333)
Less: Unexpended Commitment		(35,288)		(234,480)
Remaining Available Authorization	$	177,357	$	314,324

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, 2017, were 2,513,707.

Component Units

Component Units
Capital Assets
As of December 31, 2016, or June 30, 2017, as applicable
(In Thousands)

Asset Category	Major Component Units: Housing Finance Agency	Major Component Units: Metropolitan Council	Major Component Units: University of Minnesota	Nonmajor Component Units	Totals
Capital Assets not Depreciated:					
Land	$ -	$ 262,462	$ 154,416	$ 33,409	$ 450,287
Construction in Progress	-	521,923	258,090	105	780,118
Leased Buildings	-	-	160,990	-	160,990
Museums and Collections	-	-	85,063	-	85,063
Easements	-	-	3	-	3
Total Capital Assets not Depreciated	$ -	$ 784,385	$ 658,562	$ 33,514	$ 1,476,461
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ -	$ 4,375,518	$ 4,072,353	$ 893,682	$ 9,341,553
Infrastructure	-	-	459,970	-	459,970
Internally Generated Software	9,818	-	172,004	-	181,822
Equipment, Furniture, Fixtures	2,254	1,429,044	957,312	228,117	2,616,727
Other Intangibles	-	-	6,903	-	6,903
Total Capital Assets Depreciated	$ 12,072	$ 5,804,562	$ 5,668,542	$ 1,121,799	$ 12,606,975
Total Accumulated Depreciation	$ (8,227)	$ (2,303,485)	$ (3,186,045)	$ (57,448)	$ (5,555,205)
Total Capital Assets Depreciated, Net(1)	$ 3,845	$ 3,501,077	$ 2,482,497	$ 1,064,351	$ 7,051,770
Component Units Capital Assets, Net	$ 3,845	$ 4,285,462	$ 3,141,059	$ 1,097,865	$ 8,528,231

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $66,019 as of June 30, 2017.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2017
(In Thousands)

	Governmental Activities			
Description	General Fund[1]	Federal Fund	Nonmajor Governmental Funds[2][3]	Total
School Aid Programs	$ 971,654	$ 167,483	$ 1,383	$ 1,140,520
Tax Refunds	567,172	-	-	567,172
Medical Care Programs	782,983	1,220,311	25,141	2,028,435
Grants	331,680	162,059	214,629	708,368
Salaries and Benefits	93,965	15,323	60,156	169,444
Vendors/Service Providers	241,363	48,151	154,099	443,613
Net Payables	$ 2,988,817	$ 1,613,327	$ 455,408	$ 5,057,552

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 118,431	$ -	$ 8,083	$ 126,514
Vendors/Service Providers	48,097	23,959	64,927	136,983
Net Payables	$ 166,528	$ 23,959	$ 73,010	$ 263,497
Total Government-wide Net Payables				$ 5,321,049

(1) Includes a $39 Interfund Payable to the Fiduciary Funds that was reclassified as Accounts Payable on the Government-wide Statement of Net Position.

(2) Includes $59,461 for Internal Service Funds.

(3) Amounts are shown net of Internal Service Fund eliminations of $119,500 among Governmental Activities.

Note 8 – Pension and Investment Trust Funds

Primary Government Administered Plans

The state performs a fiduciary role for several pension and investment 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, 2017, 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.

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 2044, instead of not attaining the funding ratio threshold 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.

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. For the step rate method, 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. For the level rate method, applicable rate for each year of allowable service based on the member's high-five average for basic members and for coordinated members are 2.7 and 1.7 percent, 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 2036 instead of not attaining the funding ratio threshold for the benefit increase within the next 75 years as in the current measurement period. For fiscal year 2018's measurement period, the annual benefit increase will change to 1.0 percent per year through 2044 and 2.5 percent thereafter.

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 a 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 2.5 percent each year, and if the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Approximately 600 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. For the prior measurement period, the benefit increase of 2.5 percent was projected to start in 2037 instead of not attaining the funding ratio threshold for the benefit increase as in the current measurement period. For fiscal year 2018's measurement period, the benefit increase of 2.5 percent is projected to start in 2045.

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

Description	SERF	CERF	GERF[1]	TRF
Statutory Authority Minnesota Chapter(s)	352.04	352.92	353.27 353.505	354.42 354.435,436
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%[2]
Non-Employer Contributing Entity	$ -	$ -	$ 6,000	$ 31,087
Primary Government Contributions – Reporting Period	$ 116,552	$ 31,663	$ 9,155	$ 45,972

[1] Required contribution is $6,000 for fiscal year 2017, $16,000 for fiscal years 2018 and 2019, and $6,000 for fiscal year 2020 and thereafter.

[2] 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, 2017
(In Thousands)

Description	SERF[1]	CERF[1]	GERF[1]	TRF[1]	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 9,160,172	$ 1,331,563	$ 58,119	$ 888,788	$ 11,438,642
Non-Employer Contributing Entity	-	-	104,677	1,900,653	2,005,330
Total	$ 9,160,172	$ 1,331,563	$ 162,796	$ 2,789,441	$ 13,443,972
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:					
Current Year Measurement Date	73.88%	99.91%	2.01%	11.69%	
Prior Year Measurement Date	73.93%	99.86%	4.18%	13.62%	
Deferred Outflows of Resources	$ 6,406,366	$ 622,632	$ 101,260	$ 1,890,667	$ 9,020,925
Deferred Inflows of Resources	$ 676,929	$ 74,153	$ 105,065	$ 108,685	$ 964,832
Net Pension Expense	$ 1,328,047	$ 178,518	$ 8,909	$ 415,676	$ 1,931,150

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

Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions

Description	SERF[1]	CERF[1]	GERF[1]	TRF[1]
Actuarial Valuation/ Measurement Date	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
Long-Term Expected Rate	7.50%	7.50%	7.50%	8.00%[2]
20 Year Municipal Bond Rate[3]	2.85%	2.85%	2.85%	3.01%
Experience Study Dates	2008-2014	2011-2015	2008-2014	2008-2014
Inflation	2.50%	2.50%	2.50%	2.75%
Salary Increases	Service Related Rates	Service Related Rates	3.50-11.50%	3.50-9.50%
Payroll Growth	3.25%	3.25%	3.25%	3.50%

[1] For SERF, GERF and TRF mortality rate assumptions, the RP–2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015. For CERF, the RP-2000 table based on Scale AA was still used. There are various adjustments in each plan to match experience.

[2] The long-term expected rate of return for fiscal year 2018 will change to 7.50% for TRF.

[3] 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, 2017
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
Difference Between Expected and Actual Experience	$ 12,535	$ 6,788	$ 482	$ 27,324	$ 47,129
Changes in Assumption	5,857,907	539,678	35,111	1,590,645	8,023,341
Net Difference Between Projected and Actual Earnings on Investment	403,111	43,994	18,175	120,673	585,953
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	16,261	509	38,337	106,053	161,160
Contributions Subsequent to the Measurement Date	116,552	31,663	9,155	45,972	203,342
Total	$ 6,406,366	$ 622,632	$ 101,260	$ 1,890,667	$ 9,020,925

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2017
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
Difference Between Expected and Actual Experience	$ 231,631	$ 610	$ 13,225	$ 78	$ 245,544
Changes in Assumption	436,567	73,466	-	-	510,033
Change in Proportionate Share of Contributions	8,731	77	91,840	108,607	209,255
Total	$ 676,929	$ 74,153	$ 105,065	$ 108,685	$ 964,832

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, 2017
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
2018	$ 1,212,118	$ 116,890	$ 709	$ 353,243	$ 1,682,960
2019	1,212,121	116,892	(599)	353,244	1,681,658
2020	1,586,162	132,635	(16,952)	385,742	2,087,587
2021	1,602,484	150,399	3,882	354,692	2,111,457
2022	-	-	-	289,089	289,089
Net Pension Expense	$ 5,612,885	$ 516,816	$ (12,960)	$ 1,736,010	$ 7,852,751
Deferred Outflow of Resources as a Reduction to Net Pension Liability	116,552	31,663	9,155	45,972	203,342
Net Deferred Outflows (Inflows) of Resources	$ 5,729,437	$ 548,479	$ (3,805)	$ 1,781,982	$ 8,056,093

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 of 2.0 percent was projected to start in 2041 and 2.5 percent in 2051, instead of 2055 and 2066, respectively as in the current measurement period.

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

Description	SPTRF
Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.5-10.0%
Employer(s)	6.25-9.75%[1]
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$ 10,665
Primary Government Contributions - Reporting Period	$ 10,731

[1] Required contribution rates increase to 6.50 to 10.0 percent for employers, on June 30, 2017.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2017
(In Thousands)

Description	SPTRF[1]
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	$ 1,082
Non-Employer Contributing Entity	182,226
Total	$ 183,308
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	28.96%
Prior Measurement Date	29.76%
Deferred Outflows of Resources	$ 31,843
Deferred Inflows of Resources	$ 20,789
Net Pension Expense	$ 12,615

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

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Actuarial Assumptions

Description	SPTRF[1]
Actuarial Valuation/Measurement Date	June 30, 2016
Long-Term Expected Rate	8.00%
20 Year Municipal Bond Rate[2]	2.85%
Experience Study Dates	2006-2011
Inflation	3.00%
Salary Increases	4.00-8.90%
Payroll Growth	4.00%

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

[2] Source: Federal Reserve Board.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Outflows of Resources
As of June 30, 2017
(In Thousands)

Description	SPTRF
Changes in Assumption	$ 4,593
Net Difference Between Projected and Actual Earnings on Investment	16,519
Contributions Subsequent to the Measurement Date	10,731
Total	$ 31,843

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2017
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 14,048
Change in Proportionate Share of Contributions	6,741
Total	$ 20,789

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, 2017
(In Thousands)

Description	SPTRF
2018	$ (2,783)
2019	(2,780)
2020	1,467
2021	4,419
Net Pension Expense	$ 323
Deferred Outflow of Resources as a Reduction to Net Pension Liability	10,731
Net Deferred Outflows (Inflows) of Resources	$ 11,054

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 112 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 71 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. For the prior measurement period, the benefit increase of 1.75 percent was projected indefinitely instead of 1.75 percent through 2041, 2.0 percent through 2054, and 2.5 percent thereafter. For fiscal year 2018's measurement period, the benefit increase will change to 1.75 percent through 2038, 2.0 percent through 2053, and 2.5 percent thereafter.

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 2.0 percent through 2043 and 2.5 percent thereafter instead projected at 2.0 percent indefinitely as in the current measurement period. 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 2031, 1.5 percent through 2052, and 2.5 percent thereafter instead of 1.0 percent indefinitely as in the current measurement period. For fiscal year 2018's measurement period, the benefit increase will change to 1.0 percent through 2064, and 1.5 percent thereafter.

Primary Government Administered Single-Employer Plans
Statutory Contribution Rates
(In Thousands)

Description	JRF	LRF	SPRF
Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	14.4%
Employer	22.5%	N/A[1]	21.6%
Primary Government Contributions – Reporting Period	$ 13,759	$ 8,716	$ 15,783

[1] Employer contributions are based on a pay-as-you-go basis.

Primary Government Administered Single-Employer Plans
Membership Statistics

Description	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	350	372	1,048
Members Entitled To, But Not Receiving Benefits	17	52	75
Active Members	311	23	892

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2017
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 179,129	$ 154,700	$ 492,978	$ 826,807
Deferred Outflows of Resources	$ 42,587	$ 8,716	$ 297,567	$ 348,870
Deferred Inflows of Resources	$ 74,592	$ 147	$ 29,972	$ 104,711
Net Pension Expense	$ 5,720	$ 18,525	$ 68,951	$ 93,196

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation / Measurement Date	June 30, 2016	June 30, 2016	June 30, 2016
Long-Term Expected Rate	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	2.85%	2.85%	2.85%
Experience Study Dates	2011-2015	N/A	2011-2015
Inflation	2.50%	2.50%	2.50%
Salary Increases	2.50%	4.50%	Service Related Rates
Payroll Growth	2.50%	N/A	3.25%

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

(2) Source: Federal Reserve Board.

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2017
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 13,711	$ 495	$ 16,555	$ 30,761
Interest on the Total Pension Liability	21,349	5,332	64,592	91,273
Difference Between Expected and Actual Experience of the Total Pension Liability	7,135	(1,597)	(22,222)	(16,684)
Changes in Assumptions	(85,756)	14,653	283,584	212,481
Benefit Payments, Including Refunds of Member Contributions	(22,378)	(8,536)	(57,774)	(88,688)
Net Change in Total Pension Liability	$ (65,939)	$ 10,347	$ 284,735	$ 229,143
Total Pension Liability – Beginning	$ 410,972	$ 144,353	$ 838,235	$ 1,393,560
Total Pension Liability – Ending	$ 345,033	$ 154,700	$ 1,122,970	$ 1,622,703
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 10,219	$ 5,087	$ 14,938	$ 30,244
Contributions – Member	3,763	89	9,292	13,144
Net Investment Income	(186)	(69)	(774)	(1,029)
Benefit Payments, Including Refunds of Member Contributions	(22,378)	(8,536)	(57,774)	(88,688)
Pension Plan Administrative Expenses	(94)	(42)	(220)	(356)
Other Changes	-	41	-	41
Net Change in Plan Fiduciary Net Position	$ (8,676)	$ (3,430)	$ (34,538)	$ (46,644)
Plan Fiduciary Net Position – Beginning	$ 174,580	$ 3,430	$ 664,530	$ 842,540
Plan Fiduciary Net Position – Ending	$ 165,904	$ -	$ 629,992	$ 795,896
Net Pension Liability (NPL)	$ 179,129	$ 154,700	$ 492,978	$ 826,807

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2017
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 7,740	$ -	$ -	$ 7,740
Changes in Assumption	13,018	-	251,348	264,366
Net Difference Between Projected and Actual Earnings on Investment	8,070	-	30,436	38,506
Contributions Subsequent to the Measurement Date	13,759	8,716	15,783	38,258
Total	$ 42,587	$ 8,716	$ 297,567	$ 348,870

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2017
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 2,620	$ -	$ 29,972	$ 32,592
Changes in Assumption	71,972	-	-	71,972
Net Difference Between Projected and Actual Earnings on Investment	-	147	-	147
Total	$ 74,592	$ 147	$ 29,972	$ 104,711

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, 2017
(In Thousands)

Description	JRF	LRF	SPRF	Total
2018	$ (12,213)	$ (132)	$ 48,042	$ 35,697
2019	(12,215)	(131)	48,042	35,696
2020	(8,338)	76	60,366	52,104
2021	(12,998)	40	51,803	38,845
2022	-	-	43,559	43,559
Net Pension Expense	$ (45,764)	$ (147)	$ 251,812	$ 205,901
Deferred Outflow of Resources as a Reduction to Net Pension Liability	13,759	8,716	15,783	38,258
Net Deferred Outflows (Inflows) of Resources	$ (32,005)	$ 8,569	$ 267,595	$ 244,159

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans As of June 30, 2017 (In Thousands)				
Description	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	$ 13,443,972	$ 183,308	$ 826,807	$ 14,454,087
Deferred Outflows of Resources	$ 9,020,925	$ 31,843	$ 348,870	$ 9,401,638
Deferred Inflows of Resources	$ 964,832	$ 20,789	$ 104,711	$ 1,090,332
Net Pension Expense	$ 1,931,150	$ 12,615	$ 93,196	$ 2,036,961

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

Primary Government Administered Plans Asset Class Target Allocation and Expected Return As of June 30, 2017		
Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	45%	5.50%
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Unallocated Cash	2	0.50
Total	100%	

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.

Primary Government Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2017
(In Thousands)

	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Plan	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF[3][4]	3.17%	$ 12,077,217	4.17%[2]	$ 9,160,172	5.17%	$ 6,814,925
CERF[3][4]	3.24	1,740,577	4.24[2]	1,331,563	5.24	1,008,279
GERF[3]	6.50	231,219	7.50	162,796	8.50	106,434
TRF[3][4]	3.66	3,593,497	4.66[2]	2,789,441	5.66	2,134,564
SPTRF	7.00	232,908	8.00	183,308	9.00	141,765
JRF[3]	6.50	213,206	7.50	179,129	8.50	149,781
LRF[3][4]	1.85	173,150	2.85[2]	154,700	3.85	139,340
SPRF[3][4]	4.31	648,622	5.31[2]	492,978	6.31	365,920

[1] Net Pension Liability.

[2] The long-term projected rate of return was used through 2042, 2045, 2052, and 2052 for SERF, CERF, TRF, and SPRF, respectively. Municipal bond rates were used subsequent to these years. For LRF, the municipal bond rate was used for all years.

[3] The discount rate changed from 7.90, 6.25, 7.90, 8.00, 5.25, 3.80, and 7.90 percent for SERF, CERF, GERF, TRF, JRF, LRF, and SPRF, respectively.

[4] The discount rate for fiscal year 2018 will change to 5.42, 5.02, 5.12, 3.56, and 6.38 percent for SERF, CERF, TRF, LRF, and SPRF, respectively.

Defined Contribution Plans

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

Plan Descriptions and Contribution Information

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

Health Care Savings Fund (HCSF), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan, by or on behalf of an employee, are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. Benefits are the participant's account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. The employee contributions were $138,807,000 for the fiscal year ended June 30, 2017.

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 the employer. 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 employer 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 employer and employees with contribution maximums between $1,700 and $2,700 depending on the member group. Minnesota Statutes allow additional employer and employee contributions under specific circumstances.

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

Primary Government Defined Contribution Plans Contributions As of June 30, 2017 (In Thousands)						
Description	HCSRF	UERF	DCPF	DCF	CURF	Total
Member Contributions	$ 160	$ 6,635	$ 270,665	$ 1,739	$ 37,077	$ 316,276
Employer Contributions:						
Primary Government Contributions	$ -	$ 6,391	$ -	$ -	$ 44,349	$ 50,740
Other Employer Contributions	160	554	-	1,822	-	2,536
Total Employer Contributions	$ 160	$ 6,945	$ -	$ 1,822	$ 44,349	$ 53,276

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)
- Public Facilities Authority (PFA)
- Minnesota Sports Facilities Authority (MSFA)

Component Unit
Summary of Pension Amounts
State Employee Retirement Fund
As of June 30, 2017
(In Thousands)

	Major Component Units			Non-Major Component Units			
Description	HFA	MC	U of M	OHE	PFA	MSFA	Total
Proportionate Share of the Net Pension Liability	$ 76,077	$ 1,164,752	$ 1,884,630	$ 15,549	$ 8,124	$ 2,604	$ 3,151,736
Deferred Outflows of Resources	$ 53,275	$ 821,659	$ 1,311,348	$ 10,888	$ 5,689	$ 1,726	$ 2,204,585
Deferred Inflows of Resources	$ 5,554	$ 88,532	$ 169,383	$ 1,135	$ 594	$ 702	$ 265,900
Net Pension Expense	$ 11,030	$ 174,431	$ 257,176	$ 2,161	$ 3,029	$ 188	$ 448,015

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of June 30, 2017
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 40,212	$ 24,240	$ 64,452
Deferred Outflows of Resources	$ 29,013	$ 17,448	$ 46,461
Deferred Inflows of Resources	$ 4,581	$ 2,890	$ 7,471
Net Pension Expense	$ 6,375	$ 3,712	$ 10,087

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 $1,730,000 during fiscal year ended June 30, 2017, with a remaining liability as of June 30, 2017, of $2,756,000.

Primary Government – Postemployment Benefits Other Than Pensions

<u>Plan Description</u>

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, 2016, there were approximately 2,400 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, 2016, there were approximately 950 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, 2017, the state contributed $33,002,000 to the plan. Plan member retirees receiving benefits through the implicit rate subsidy contributed $23,420,000 through their average required contribution of $589 per month for retiree-only coverage and $1,731 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 2.85 percent discount rate. For year ending June 30, 2017, the state's ARC is $72,069,000.

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

OPEB Disclosures
As of June 30, 2017
(In Thousands)

Description		Amount
Annual Required Contributions (ARC)(1)	$	72,069
Interest on Net OPEB Obligation (NOO)(1)		9,593
Amortization Adjustment to ARC(1)		(10,516)
Annual OPEB Cost (Expense)	$	71,146
Contributions		(33,002)
Increase in NOO	$	38,144
NOO, Beginning Balance	$	336,557
NOO, Ending(2)	$	374,701

(1) Components of annual OPEB cost.

(2) Governmental Activities, Business-type Activities, and Fiduciary Funds include $327,428; $47,138; and $135, 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 2017, 2016, and 2015 are as follows:

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 71,146	46%	$ 374,701
June 30, 2016	$ 75,641	48%	$ 336,557
June 30, 2015	$ 72,065	45%	$ 296,900

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $616,648,000. 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 $3,619,205,000 and the ratio of the UAAL to the covered payroll was 17.0 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, 2016.
- Expected investment return is 2.85 percent based on Bond Buyer 20-Bond General Obligation Index.
- Inflation rate is 2.75 percent.
- Projected salary increases are a level 3.50 percent.

- The annual health care cost trend rate is 6.40 percent initially, reduced by increments to an ultimate rate of 3.8 percent by 2073 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 $229,272,000 as of December 31, 2016, for this purpose. The annual required contribution for 2016 was $22,106,000 or 5.83 percent of annual covered payroll. As of December 31, 2016, 2015, and 2014, the net OPEB obligation was $92,247,000, $87,231,000, and $83,577,000, respectively. The actuarial accrued liability (AAL) for benefits was $215,484,000 as of December 31, 2016, all of which was unfunded. The covered payroll was $379,435,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 56.8 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, 2017, was $29,191,000 or 2.1 percent of annual covered payroll. As of June 30, 2017, 2016, and 2015, the net OPEB obligation was $156,722,000, $138,200,000, and $120,227,000. The actuarial accrued liability (AAL) for benefits was $105,952,000 as of June 30, 2017. The covered payroll was $1,384,251,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.7 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 taxes, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2017, were as follows:

Primary Government
Encumbrances
As of June 30, 2017
(In Thousands)

Description	Amount
Major Fund: General Fund	$ 454,057
Non-Major Governmental Funds	1,541,116
Total Encumbrances	$ 1,995,173

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $18,146,000 for construction and renovation of college and university facilities as of June 30, 2017.

Component Units

As of June 30, 2017, the Housing Finance Agency had committed approximately $354,917,000 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, 2016, unpaid commitments for Metro Transit Bus services were approximately $301,230,000. Future commitments for Metro Transit Light Rail were approximately $58,436,000, while future commitments for Metro Transit Commuter Rail were approximately $9,106,000. Future commitments for Regional Transit and Environmental Services were approximately $40,888,000 and $89,141,000, respectively. Finally, amounts authorized and initiated in the calendar year 2016 budget but not completely expended in calendar year 2016 were $1,009,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $327,861,000 as of June 30, 2017. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2017, the Public Facilities Authority (PFA) had committed approximately $87,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $34,000,000 for grants.

As of June 30, 2017, the Minnesota Sports Facilities Authority had committed approximately $12,207,000 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, 2017, totaled approximately $88,064,000 and $21,309,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2016, totaled approximately $1,827,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2018	$ 84,478	2018	$ 10,490	2017	$ 1,134
2019	69,473	2019	9,658	2018	1,051
2020	56,031	2020	6,566	2019	668
2021	50,027	2021	6,031	2020	399
2022	42,944	2022	5,033	2021	284
2023-2027	121,466	2023-2027	19,295	2022-2026	159
2028-2032	2,430	2028-2032	9,733	2027-2031	142
2033-2037	255	2033-2037	5,089	2032-2036	136
2038-2042	-	2038-2042	1,412	2037-2041	9
2043-2047	-	2043-2047	1,035	2042-2046	-
Total	$ 427,104	Total	$ 74,342	Total	$ 3,982

Note 12 – Long-Term Liabilities – Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2017
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 7,043,943	$ 945,280	$ 989,713	$ 6,999,510	$ 563,723
Revenue Bonds	42,103	-	2,738	39,365	2,570
State General Fund Appropriation Bonds	1,128,706	11,790	49,601	1,090,895	40,855
Loans	23,337	12,386	12,471	23,252	9,225
Due to Component Unit	7,817	-	2,326	5,491	627
Capital Leases	89,854	-	8,973	80,881	9,305
Certificates of Participation	115,870	-	10,995	104,875	10,355
Claims	727,634	906,763	880,744	753,653	175,809
Compensated Absences	305,707	307,354	297,045	316,016	42,458
Net Other Postemployment Benefits	292,616	63,082	28,270	327,428	-
Net Pension Liability	3,158,316	9,429,399	303,539	12,284,176	-
Total	$ 12,935,903	$ 11,676,054	$ 2,586,415	$ 22,025,542	$ 854,927
Business-type Activities:					
General Obligation Bonds	$ 253,671	$ 11,248	$ 26,282	$ 238,637	$ 21,292
Revenue Bonds	431,289	161,675	200,894	392,070	37,315
Loans [1]	3,152	-	600	2,552	508
Capital Leases [1]	23,325	7,946	4,275	26,996	4,338
Claims	14,890	101,748	101,760	14,878	12,800
Compensated Absences	152,748	32,770	30,379	155,139	19,162
Net Other Postemployment Benefits	43,826	8,000	4,688	47,138	-
Net Pension Liability	416,281	1,784,908	31,278	2,169,911	-
Total	$ 1,339,182	$ 2,108,295	$ 400,156	$ 3,047,321	$ 95,415

(1) The beginning balance for Loans and Capital Leases has been restated as a result of the reclassification of a lease from Loans to Capital Leases.

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2017
(In Thousands)

Liability Type	Governmental Activities: General Fund	Governmental Activities: Special Revenue Funds	Governmental Activities: Internal Service Funds	Business-type Activities	Total
General Obligation Bonds	$ 5,014,110	$ 1,985,400	$ -	$ 238,637	$ 7,238,147
Revenue Bonds	14,077	25,288	-	392,070	431,435
State General Fund Appropriation Bonds	1,090,895	-	-	-	1,090,895
Loans	-	769	22,483	2,552	25,804
Due to Component Unit	-	5,491	-	-	5,491
Capital Leases	80,881	-	-	26,996	107,877
Certificates of Participation	104,875	-	-	-	104,875
Claims	111,195	552,766	89,692	14,878	768,531
Compensated Absences	150,317	133,450	32,249	155,139	471,155
Net Other Postemployment Benefits	325,955	-	1,473	47,138	374,566
Net Pension Liability	11,383,222	-	900,954	2,169,911	14,454,087
Total	$ 18,275,527	$ 2,703,164	$ 1,046,851	$ 3,047,321	$ 25,072,863

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

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 563,723	$ 268,667	$ 21,292	$ 10,051	$ 585,015	$ 278,718
2019	519,468	242,819	20,267	8,847	539,735	251,666
2020	506,234	218,362	19,756	7,891	525,990	226,253
2021	472,273	194,783	18,892	6,952	491,165	201,735
2022	466,024	172,135	18,381	6,044	484,405	178,179
2023-2027	1,911,217	565,294	72,893	18,704	1,984,110	583,998
2028-2032	1,273,470	214,624	37,795	6,237	1,311,265	220,861
2033-2037	461,906	33,981	12,324	954	474,230	34,935
Total	$ 6,174,315	$ 1,910,665	$ 221,600	$ 65,680	$ 6,395,915	$ 1,976,345
Bond Premium	$ 825,195	$ -	$ 17,037	$ -	$ 842,232	$ -
Total	$ 6,999,510	$ 1,910,665	$ 238,637	$ 65,680	$ 7,238,147	$ 1,976,345

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 2,570	$ 1,383	$ 37,315	$ 14,990	$ 39,885	$ 16,373
2019	2,645	1,298	39,195	13,167	41,840	14,465
2020	2,740	1,205	40,665	11,536	43,405	12,741
2021	2,830	1,109	29,370	9,837	32,200	10,946
2022	2,935	1,014	19,835	8,642	22,770	9,656
2023-2027	9,365	4,147	96,705	31,621	106,070	35,768
2028-2032	11,150	2,289	83,475	12,431	94,625	14,720
2033-2037	5,130	222	24,650	1,534	29,780	1,756
2038-2042	-	-	650	11	650	11
Total	$ 39,365	$ 12,667	$ 371,860	$ 103,769	$ 411,225	$ 116,436
Bond Premium	$ -	$ -	$ 20,210	$ -	$ 20,210	$ -
Total	$ 39,365	$ 12,667	$ 392,070	$ 103,769	$ 431,435	$ 116,436

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2018	$ 40,855	$ 46,299
2019	41,650	44,416
2020	43,410	42,409
2021	45,245	40,346
2022	47,390	38,133
2023-2027	272,565	154,318
2028-2032	227,555	86,518
2033-2037	100,205	53,469
2038-2042	124,285	26,482
2043-2047	28,715	1,439
Total	$ 971,875	$ 533,829
Bond Premium	$ 119,020	$ -
Total	$ 1,090,895	$ 533,829

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2018	$ 9,852	$ 441	$ 508	$ 106	$ 10,360	$ 547
2019	6,892	306	375	89	7,267	395
2020	5,016	212	270	74	5,286	286
2021	2,959	143	288	62	3,247	205
2022	1,132	97	223	48	1,355	145
2023-2027	1,740	305	888	85	2,628	390
2028-2032	895	74	-	-	895	74
2033-2037	257	16	-	-	257	16
Total	$ 28,743	$ 1,594	$ 2,552	$ 464	$ 31,295	$ 2,058

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2018	$ 9,305	$ 3,968	$ 4,338	$ 1,672	$ 13,643	$ 5,640
2019	9,712	3,545	4,522	1,663	14,234	5,208
2020	10,162	3,077	4,439	1,741	14,601	4,818
2021	10,655	2,569	2,083	657	12,738	3,226
2022	11,171	2,036	1,678	388	12,849	2,424
2023-2027	29,876	2,653	3,683	1,252	33,559	3,905
2028-2032	-	-	4,046	582	4,046	582
2033-2037	-	-	2,207	115	2,207	115
Total	$ 80,881	$ 17,848	$ 26,996	$ 8,070	$ 107,877	$ 25,918

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2018	$ 10,355	$ 4,656
2019	10,620	4,137
2020	2,180	3,607
2021	2,290	3,498
2022	2,405	3,384
2023-2027	13,955	14,991
2028-2032	17,815	11,134
2033-2037	22,735	6,212
2038-2042	10,765	814
Total	$ 93,120	$ 52,433
Premium on Certificates of Participation	$ 11,755	$ -
Total	$ 104,875	$ 52,433

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 2017, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2017
(In Thousands)

Fund Type		Amount
General Fund	$	689,237
Special Revenue Funds:		
Trunk Highway Fund	$	193,539
Miscellaneous Special Revenue Fund		1,213
Total Special Revenue Funds	$	194,752
Capital Projects Fund – Building Fund	$	49
Internal Service Fund – Plant Management Fund	$	6,085
Total Transfers to Debt Service Fund	$	890,123

General Obligation Bond Issues

In August 2016, the state issued $798,955,000 general obligation bonds, Series 2016A through Series 2016D:

- Series 2016A for $265,890,000 in state various purpose bonds were issued at a true interest rate of 2.29 percent.
- Series 2016B for $215,000,000 in state trunk highway bonds were issued at a true interest rate of 2.13 percent.
- Series 2016C for $7,500,000 in taxable state bonds were issued at a true interest rate of 1.38 percent.
- Series 2016D for $310,565,000 in state various purpose refunding bonds were issued at a true interest rate of 1.57 percent. The aggregate debt service payments decreased by $40,627,000 and the economic gain (the present value of the debt service savings) for the state was $40,413,000.

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

Primary Government
Outstanding Defeased Debt
General Obligation Bonds
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	June 30, 2017 Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	$ 5,449	$ 5,705	$ 4,760	October 1, 2021
August 21, 2014	9,727	10,185	9,055	August 1, 2022
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
August 11, 2016	126,762	139,860	139,860	December 1, 2019
August 11, 2016	85,514	94,350	94,350	August 1, 2019
August 11, 2016	98,289	108,445	108,445	November 1, 2019
Total	$ 716,660	$ 791,295	$ 789,220	

Primary Government
Outstanding Defeased Debt
Business-Type Activities
Revenue Bonds
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	June 30, 2017 Outstanding Amount	Refunded Bond Call/Maturity Date
November 1, 2016	$ 18,945	$ 19,365	$ 16,890	June 1, 2018
November 1, 2016	33,438	34,180	30,625	June 1, 2019
November 1, 2016	39,332	40,205	36,580	June 1, 2019
Total	$ 91,715	$ 93,750	$ 84,095	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2017. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2017
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	$ -	$ 910	5.00%
Rural Finance Authority	35,035	27,359	1.40-5.00%
State Building	677	-	N/A
State Operated Community Services	-	172	5.00%
State Transportation	178,471	210,601	2.50-5.00%
Trunk Highway	1,290,057	1,726,795	2.00-5.00%
Trunk Highway Refunding Bonds	-	258,605	2.00-5.00%
Various Purpose	1,126,990	2,506,693	1.25-5.00%
Various Purpose Refunding Bonds	-	1,664,780	1.39-5.00%
Total	$ 2,631,230	$ 6,395,915	

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, as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed $22,500,000 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 in fiscal year 2017, state General Fund appropriation bonds of $11,790,000 were issued at a true interest rate of 2.83 percent. On November 9, 2017, state General Fund appropriation bonds of $7,570,000 were issued at a true interest rate of 3.23 percent. See Note 22 - Subsequent Events.

The following table is a schedule of state General Fund appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2017.

Primary Government
State General Fund Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2017
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	$ -	$ 436,630	1.68-5.00%
Pay-for-Performance	10,000	-	N/A
Refund Tobacco Securitization Authority	-	524,625	3.00-5.00%
Lewis and Clark Regional Water System	10,710	10,620	0.85-3.20%
Total	$ 20,710	$ 971,875	

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). $5,491,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) was outstanding for transportation projects. Other governmental activities loans are loans from energy companies to improve energy efficiencies and internal service fund loans for equipment purchases.

Business-type activities loans are loans to purchase equipment.

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, 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 are 3.00 percent for the remaining five years 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 $3,992,000 for fiscal year 2017, have averaged less than eight 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 2017, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $3,952,000. The total principal and interest remaining to be paid as of June 30, 2017, is $52,032,000 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 were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. On August 16, 2011, $60,380,000 in revenue bonds were issued at a true interest rate of 2.96 percent. On November 1, 2016, $91,715,000 in revenue refunding bonds were issued at a true interest rate of 1.06 percent. The proceeds of the bonds were 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 state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 35 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2017, is $79,648,000 payable through June 2026. Principal and interest paid during fiscal year 2017 and total 911 fee revenues were $22,995,000 and $76,324,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund).

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 5.30 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 2038. 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 $394,260,000. Principal and interest paid for the current year and total customer net revenues were $26,818,000 and $120,262,000, respectively. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2038. 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 $1,721,000. Principal and interest paid and total customer net revenues during fiscal year 2017 were $174,000 and $493,000, respectively. These revenue bonds have a variable interest rate of 1.75 percent to 3.65 percent. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

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 $243,008,000 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 five more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $103,112,000; approximately 40 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. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement, and cost recovery actions. 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. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan are for a thirty year period after closure if determine that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. 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, 2017, were $77,117,000. Of this total, $65,275,000 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. These statutes require 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. As of July 2017, the Petroleum Tank Cleanup Fund has reimbursed eligible applicants approximately $445,000,000 since program inception in 1987. Future expenditures from the Petroleum Tank Cleanup Fund 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.

The governmental activities’ and business-type activities’ liability for workers' compensation of $80,836,000 and $4,617,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2017, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $28,500,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $234,500,000 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 2044 for second injuries.

The remaining $8,816,000 is for claims in the Risk Management Fund (internal service fund), $80,876,000 in the Employee Insurance Fund (internal service fund), and $10,261,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $316,016,000 and $155,139,000 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 2017, 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 2017, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $2,078,000. The total principal and interest remaining to be paid as of June 30, 2017, is $15,568,000, payable through fiscal year 2025.

Long-Term Debt Repayment Schedule
Fiduciary Funds
Revenue Bonds – SERF, TRF, and GERF
(In Thousands)

Year Ended June 30	Principal	Interest
2018	$ 1,710	$ 370
2019	1,760	336
2020	1,785	300
2021	1,835	265
2022	1,875	228
2023-2025	4,760	344
Total	$ 13,725	$ 1,843
Bond Premium	$ 861	$ -
Total	$ 14,586	$ 1,843

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 $1,517,964,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2016, including unamortized discounts/premiums. During calendar year 2016, MC issued general obligation parks, transit, and wastewater bonds for a total of $164,080,000.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2017, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $868,156,000 and $339,583,000, respectively.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC			U of M	
Year Ended December 31	Principal	Interest[1]	Year Ended June 30	Principal	Interest
2017	$ 127,640	$ 42,379	2018	$ 46,080	$ 37,288
2018	117,477	38,709	2019	47,860	35,181
2019	118,327	35,359	2020	36,550	33,293
2020	122,910	31,851	2021	37,960	31,567
2021	124,659	28,076	2022	40,185	29,709
2022-2026	486,809	86,604	2023-2027	173,390	122,688
2027-2031	250,184	30,003	2028-2032	189,000	75,359
2032-2036	92,695	5,682	2033-2037	132,205	37,559
2037-2041	-	-	2038-2042	72,510	11,916
2042-2046	-	-	2043-2047	17,145	1,035
Total	$ 1,440,701	$ 298,663	Total	$ 792,885	$ 415,595
Unamortized Discounts / Premiums and Issuance Costs	$ 77,263	$ -	Unamortized Discounts / Premiums and Issuance Costs	$ 75,271	$ -
Total	$ 1,517,964	$ 298,663	Total	$ 868,156	$ 415,595

[1] 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, 2017, including unamortized discounts/premiums, was $2,339,523,000.

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, 2017, the outstanding principal of revenue bonds was $468,218,000, including 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 $2,000,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2017, including unamortized discounts/premiums, was $976,500,000.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

	HFA			U of M	
Year Ended June 30	Principal	Interest	Year Ended June 30	Principal	Interest[1]
2018	$ 47,545	$ 67,744	2018	$ 11,045	$ 12,998
2019	41,585	67,000	2019	11,590	12,453
2020	37,510	66,161	2020	12,160	11,870
2021	38,830	65,248	2021	12,755	11,283
2022	40,030	64,220	2022	13,375	10,666
2023-2027	224,545	301,181	2023-2027	77,610	42,548
2028-2032	278,000	259,009	2028-2032	102,725	23,276
2033-2037	294,725	214,490	2033-2037	54,405	7,439
2038-2042	253,113	170,198	2038-2042	15,135	235
2043-2047	1,067,029	95,697	2043-2047	-	-
2048-2052	5,380	263	2048-2052	-	-
Total	$ 2,328,292	$ 1,371,211	Total	$ 310,800	$ 132,768
Unamortized Discounts / Premiums and Issuance Costs	$ 11,231	$ -	Unamortized Discounts / Premiums and Issuance Costs	$ 28,783	$ -
Total	$ 2,339,523	$ 1,371,211	Total	$ 339,583	$ 132,768

[1] Excludes interest on variable rate bonds with an outstanding principal balance of $32,850.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2018	$ 4,255	$ 6,663	$ 79,740	$ 42,661
2019	4,905	6,450	84,840	38,697
2020	4,600	6,204	86,190	34,467
2021	4,185	5,987	86,605	30,196
2022	3,625	5,819	74,510	26,324
2023-2027	-	28,371	253,990	90,300
2028-2032	-	28,371	154,905	36,926
2033-2037	27,100	28,371	70,405	9,015
2038-2042	134,300	24,216	-	-
2043-2047	185,000	13,417	-	-
2048	100,000	1,439	-	-
Total	$ 467,970	$ 155,308	$ 891,185	$ 308,586
Unamortized Discounts / Premiums and Issuance Costs	$ 248	$ -	$ 85,315	$ -
Total	$ 468,218	$ 155,308	$ 976,500	$ 308,586

Loans and Notes Payable

Metropolitan Council

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, 2016. 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 $1,597,000 on December 31, 2016.

University of Minnesota

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, 2017, the outstanding taxable commercial paper notes were $49,420,000 and tax-exempt notes were $212,900,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

Housing Finance Agency

On June 30, 2017, the Housing Finance Agency had in place a revolving line of credit with an outstanding balance of $30,000,000. The line of credit is classified as a current liability on the financial statements.

National Sports Center Foundation

On December 31, 2016, the National Sports Center Foundation's total outstanding loans and notes payable was $3,143,000.

Capital Leases

Metropolitan Council

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, 2016, the present value of the minimum lease payments was $7,085,000.

University of Minnesota

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, 2017, the net present value of the minimum lease payments was $17,437,000.

National Sports Center Foundation

In calendar year 2016, the National Sports Center Foundation entered into a capital lease agreement. On December 31, 2016, the total minimum lease payment was $278,000.

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, 2017, this swap was considered an ineffective hedge, where the change in fair value was included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

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

The rates on the tax-exempt Series 2011A and 2011B bonds are determined by a remarketing agent. The rates on the Series 2011A and 2011B bonds cannot exceed 12.0 percent. Interest payments on the Series 2011A and 2011B bonds are payable semi-annually and no principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.89 percent for the year ended June 30, 2017.

The rates on the tax-exempt Series 2012B bonds are both fixed rate and variable rate. For the fixed rate bonds, the rate is set at 2.58 percent. For the variable rate bonds, the rate is a percentage of the one-month London Inter-Bank Offered Rate (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.

Housing Finance Agency

As of June 30, 2017, 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, 2017, 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. The revenue bonds were redeemed on August 1, 2016 and are no longer outstanding. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $80,000 outstanding as of June 30, 2017. 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, 2017.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2017
(In Thousands)

Description	State Colleges and Universities (MnSCU) Revenue Fund	State Colleges and Universities (MnSCU) Itasca Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	$ 93,201	$ 464	$ 37,285
Restricted Assets	73,862	296	-
Capital Assets	421,003	2,715	119,834
Total Assets	$ 588,066	$ 3,475	$ 157,119
Deferred Outflows of Resources	$ 25,364	$ -	$ 10,657
Liabilities:			
Current Liabilities	$ 42,660	$ 142	$ 22,908
Noncurrent Liabilities	335,286	1,340	74,979
Total Liabilities	$ 377,946	$ 1,482	$ 97,887
Deferred Inflows of Resources	$ 2,153	$ -	$ 1,111
Net Position:			
Net Investment in Capital Assets	$ 142,868	$ 1,245	$ 48,414
Restricted	90,463	296	20,364
Unrestricted	-	452	-
Total Net Position	$ 233,331	$ 1,993	$ 68,778
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues - Customer Charges	$ 120,261	$ 493	$ 76,324
Depreciation Expense	(22,729)	(119)	(10,913)
Other Operating Expenses	(85,050)	(245)	(25,244)
Operating Income (Loss)	$ 12,482	$ 129	$ 40,167
Nonoperating Revenues (Expenses):			
Interest Income	$ 1,256	$ 5	$ 10
Capital Contributions	1,194	-	-
Interest Expense	(9,395)	(45)	(1,953)
Other	(33)	-	(16,352)
Transfers-In (Out)	-	-	(683)
Change in Net Position	$ 5,504	$ 89	$ 21,189
Beginning Net Position	227,827	1,904	47,589
Ending Net Position	$ 233,331	$ 1,993	$ 68,778
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	$ 37,679	$ 243	$ 53,892
Noncapital Financing Activities	(50)	-	(50,793)
Capital and Related Financing Activities	(43,473)	(175)	(7,657)
Investing Activities	1,593	5	10
Net Increase (Decrease)	$ (4,251)	$ 73	$ (4,548)
Beginning Cash and Cash Equivalents	$ 166,157	$ 351	$ 40,739
Ending Cash and Cash Equivalents	$ 161,906	$ 424	$ 36,191

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 Halls account 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 October 2017, there was $80,745,000 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 October 2017, $171,655,000 was outstanding on these bonds.

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 October 2017, there was $24,720,000 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. In fiscal year 2015, the Minnesota Legislature appropriated from the General Fund an additional $800,000 per year beginning in fiscal year 2018 through 2039 to pay a portion of the bonds. In fiscal year 2017, the Minnesota Legislature appropriated from the General Fund up to an additional $2,800,000 per year beginning in fiscal year 2019 through 2040. HFA issued state-secured appropriation bonds of $12,690,000 in October 2017. See Note 22 – Subsequent Events. As of October 2017, $116,185,000 was outstanding on these bonds.

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 October 2017 was $13.2 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of October 2017, the total general obligation bonds guaranteed by the state through 2045, was $643 million.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

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

Primary Government
Restricted Net Position Balances
As of June 30, 2017
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 1,486,323	$ 247,857	$ 31,376	$ 1,765,556
Enhance Arts and Culture	18,662	-	-	18,662
Acquire, Maintain, and Improve Land and Buildings	-	-	503	503
Retire Indebtedness	486,613	-	120,935	607,548
Develop Economy and Workforce	-	169,892	4,969	174,861
Enhance E-12 Education	-	7,025	3,232	10,257
Enhance State Government	-	32,008	8,919	40,927
Enhance Health and Human Services	-	15,539	1,947	17,486
Enhance Higher Education	-	-	14,844	14,844
Enhance 911 Services and Increase Safety	-	49,557	20,631	70,188
School Aid - Expendable	8,455	-	-	8,455
School Aid - Nonexpendable	1,327,794	-	1,000	1,328,794
Construct Highways and Improve Infrastructure	1,563,945	58,658	882	1,623,485
Unemployment Benefits	-	-	1,677,206	1,677,206
Other Purposes	-	-	61,692	61,692
Total Restricted Net Position	$ 4,891,792	$ 580,536	$ 1,948,136	$ 7,420,464

Fund Balances – Primary Government

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

Governmental Funds
Fund Balances
As of June 30, 2017
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ -	$ -	$ 40,649	$ 40,649
Trust or Permanent Fund Principal	1,034,219	-	1,328,794	2,363,013
Total Nonspendable Fund Balances	$ 1,034,219	$ -	$ 1,369,443	$ 2,403,662
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ -	$ 138	$ 758,258	$ 758,396
Enhance Arts and Culture	-	-	18,662	18,662
Acquire, Maintain, and Improve Land and Buildings	-	-	63,226	63,226
Retire Indebtedness	-	-	911,545	911,545
Develop Economy and Workforce	86,464	241	148,804	235,509
Enhance E-12 Education	478	-	17,660	18,138
Enhance State Government	-	7,142	32,930	40,072
Enhance Health and Human Services	-	-	17,071	17,071
Enhance Higher Education	-	-	7	7
Enhance 911 Services and Increase Safety	-	-	48,376	48,376
Construct Highways and Improve Infrastructure	-	755	1,604,414	1,605,169
Total Restricted Fund Balances	$ 86,942	$ 8,276	$ 3,620,953	$ 3,716,171

Continued

Governmental Funds
Fund Balances (continued)
As of June 30, 2017
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Purpose of Commitment:				
Improve Agricultural, Environmental, and Energy Resources	$ -	$ -	$ 129,699	$ 129,699
Develop Economy and Workforce	-	-	259,558	259,558
Enhance E-12 Education	-	-	7,985	7,985
Enhance State Government	-	-	25,409	25,409
Enhance Health and Human Services	-	-	362,297	362,297
Enhance 911 Services and Increase Safety	-	-	113,989	113,989
Construct Highways and Improve Infrastructure	-	-	53,676	53,676
Total Committed Fund Balances	$ -	$ -	$ 952,613	$ 952,613
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 186,541	$ -	$ -	$ 186,541
Acquire, Maintain, and Improve Land and Buildings	-	-	43,454	43,454
Develop Economy and Workforce	171,344	-	-	171,344
Enhance E-12 Education	58,104	-	-	58,104
Enhance State Government	92,650	-	-	92,650
Enhance Health and Human Services	148,235	-	505,000	653,235
Enhance Higher Education	27,095	-	-	27,095
Enhance 911 Services and Increase Safety	43,018	-	-	43,018
Construct Highways and Improve Infrastructure	30,069	-	-	30,069
Total Assigned Fund Balances	$ 757,056	$ -	$ 548,454	$ 1,305,510
Unassigned	$ 1,528,516	$ -	$ -	$ 1,528,516
Total Fund Balances	$ 3,406,733	$ 8,276	$ 6,491,463	$ 9,906,472

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2017:

Net Position Deficits
As of June 30, 2017
(In Thousands)

Fund Type		Net Position
Enterprise Funds:		
Behavioral Services	$	(17,875)
State Auditor		(6,708)
State Lottery		(14,843)
State Operated Community Services		(46,345)
Internal Service Funds:		
Central Services	$	(2,234)
MN.IT Services		(266,653)
Plant Management		(3,751)

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 2017 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.

Three of the enterprise funds have net position deficits for in excess of the pension reporting noted above. See the following for explanations:

Behavioral Services Fund has been undergoing a restructuring of services due to a shift in service demand. This restructuring has included the closure of one site and the downsizing of a second site. These changes have resulted in additional costs to the program during the fiscal year as well as a loss of revenue. Final restructuring of the services will continue into fiscal year 2018 and it is anticipated additional one-time costs will be incurred.

State Auditor Fund will be closing into the General Fund. The Minnesota Laws of 2017, Chapter 4, Article 2, Section 57 require that all receipts for fiscal year 2018 and beyond, as well as those previously collected in the State Auditor Fund be credited to the General Fund. It also required that amounts remaining in the State Auditor Fund at the close of fiscal year 2017 be transferred to the General Fund. In compliance with this law, the State Auditor Fund transferred approximately $977,000 to the General Fund at the close of fiscal year 2017, which contributed to the deficit net position.

State Operated Community Services Fund has been undergoing a restructuring of services that is intended to change the population being serviced by focusing on individuals that require a more intense level of service. This change in focus is part of an ongoing five year plan that began two years ago and will continue over the next three fiscal years.

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 (SEGIP)

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 $2,406,000 less than coverage during the fiscal year ended June 30, 2017.

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 in the Public Employee Insurance Fund (enterprise fund). 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 Minnesota Laws of 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, 2017, was 11,612 members and their dependents. The members of the pool include 83 school districts, 44 cities/townships, 10 counties, and 18 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.

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund:				
Fiscal Year Ended 6/30/16	$ 11,751	$ 1,140	$ 3,368	$ 9,523
Fiscal Year Ended 6/30/17	$ 9,523	$ 3,429	$ 4,136	$ 8,816
Tort Claims:				
Fiscal Year Ended 6/30/16	$ -	$ 920	$ 920	$ -
Fiscal Year Ended 6/30/17	$ -	$ 982	$ 982	$ -
Workers’ Compensation:				
Fiscal Year Ended 6/30/16	$ 92,917	$ 15,606	$ 19,368	$ 89,155
Fiscal Year Ended 6/30/17	$ 89,155	$ 15,365	$ 19,067	$ 85,453
State Employee Group Insurance:				
Fiscal Year Ended 6/30/16	$ 71,280	$ 770,413	$ 771,306	$ 70,387
Fiscal Year Ended 6/30/17	$ 70,387	$ 802,403	$ 791,914	$ 80,876

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

Description	Year Ended June 30 2017	2016
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 10,428	$ 8,376
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 99,399	$ 97,089
Increases (Decreases) in Provision for Insured Events of Prior Years	264	1,163
Total Incurred Claims and Claim Adjustment Expenses	$ 99,663	$ 98,252
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 90,091	$ 87,378
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	9,739	8,822
Total Payments	$ 99,830	$ 96,200
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 10,261	$ 10,428

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 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 $2,000,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include both workers' compensation claims and $228,000 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, however 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 two 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)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation:				
Fiscal Year Ended 12/31/15	$ 16,672	$ 11,281	$ 6,279	$ 21,674
Fiscal Year Ended 12/31/16	$ 21,674	$ 1,805	$ 6,645	$ 16,834
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/16	$ 6,706	$ 2,297	$ 825	$ 8,178
Fiscal Year Ended 6/30/17	$ 8,178	$ 3,145	$ 2,068	$ 9,255
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/16	$ 13,974	$ 3,640	$ 4,849	$ 12,765
Fiscal Year Ended 6/30/17	$ 12,765	$ 3,357	$ 2,404	$ 13,718
University of Minnesota - Medical/Dental:				
Fiscal Year Ended 6/30/16	$ 20,227	$ 255,957	$ 249,957	$ 26,227
Fiscal Year Ended 6/30/17	$ 26,227	$ 264,437	$ 261,636	$ 29,028

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.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2017
(In Thousands)

Description	Amount
GAAP Basis Fund Balance	$ 3,406,733
Less: Encumbrances[1]	306,907
Unassigned Fund Balance	$ 3,099,826
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (497,374)
Tax Refunds Payable	477,710
Human Services Receivable	(112,419)
Unearned Revenue	176,110
Escheat Asset	(15,362)
Other Receivables	(6,945)
Permanent School Fund Reimbursement	(1,400)
Investments at Market	8,846
Expenditure Accruals/Adjustments:	
Medical Care Programs	782,983
Human Services Grants Payable	50,581
Education Aids	889,762
Police and Fire Aid	101,127
Other Payables	28,909
Other Financial Sources (Uses):	
Transfer-In	(17,013)
Transfer-Out	7,685
Perspective Differences:	
Account with no Legally Adopted Budget	(1,579,433)
Long-Term Receivables	(22,151)
Appropriation Carryover	(361,657)
Budgetary Reserve	(1,980,264)
Budgetary Basis:	
Unassigned Fund Balance	$ 1,029,521

[1] Encumbrances related to funds included in the budgetary General Fund.

Note 19 – Litigation

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, 2018 and 2019 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.

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.

- 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).

- *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.

- *Foster v. State of Minnesota et al.* (Eighth Circuit Court of Appeals). Plaintiff sued the state, the current Attorney General, and the Commissioner of the Minnesota Department of Management and Budget alleging an unconstitutional taking of her property based on the release of statutory consumer fraud claims against major tobacco companies in 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 alleged the same takings theory in a state court action. The state district court dismissed the case both for failing to state a claim and for failing to commence it within 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, and the Minnesota Supreme Court denied Plaintiff's petition for 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 can be pursued separately in federal court. The federal district court dismissed the case, and Plaintiff appealed to the Eighth Circuit. The case has been briefed and it will be argued in December court at a date to be determined.

- *Hall v. State of Minnesota et al.* (Minnesota Supreme Court). 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. 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. The defendants' appealed the denial of their motion to dismiss, and the court of appeals held that MUPA is constitutional and reversed the district court's legal conclusions. The case is now pending at the Minnesota Supreme Court.

- *H.B. Fuller Co. and Subsidiaries v. Commissioner of Revenue, and other similar matters* (Minnesota Tax Court and Second Judicial District Court – Ramsey County). This is a corporate franchise tax case filed in October 2016 involving computation of the research credit allowed by Minnesota Statutes, Section 290.068. The Department of Revenue estimates that if similarly situated taxpayers make a similar claim, the total exposure may exceed $15 million. Several other cases raising the same issue have since been filed in the Minnesota Tax Court and in state district court, including a $33 million dollar claim by IBM. All of the cases are scheduled for briefing due in February 2018 with hearings scheduled in the tax court at a date to be determined. The Department of Revenue estimates that if similarly situated taxpayers make similar claims, the total refund exposure may exceed $140 million.

- *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.

- *Kiminski v. Hunt et al (formerly Beach/Ness v. Hunt et al.)* and similar matters. In January 2013, the Department of Natural Resources (DNR) notified approximately 5,000 residents that their drivers' license data may have been improperly viewed by a former DNR employee. Five putative class actions were then filed in federal court against DNR, the Department of Public Safety (DPS), and various state employees in their individual and official capacities alleging violations of federal and state law resulting from Hunt's conduct. All were dismissed and not appealed, but approximately 40 additional lawsuits were later filed that alleged county, municipal, and private parties improperly accessed driver's license data and that state employees, in their official capacities, were liable for failing to prevent the allegedly unauthorized access. The suits request relief under the federal Drivers Privacy Protection Act and 42 U.S.C. § 1983, seeking statutory damages, actual damages, punitive damages, injunctive relief, and attorneys' fees. The state employees have been dismissed from every lawsuit at the district court level. The Eighth Circuit has affirmed the dismissal of state defendants in each case it has decided. Several cases remain pending in the district court while it addresses the claims against non-state defendants. The U.S. Supreme Court denied certiorari review of the cases in which the plaintiffs sought review.

- *Ligons, et al. v. Minnesota Department of Corrections, et al. (U.S. Dist. Ct., Minnesota).* Two inmates filed a lawsuit seeking treatment for inmates with a Hepatitis C infection (HCV). The state defendants moved for summary judgment on all claims in March 2017. In April 2017, the two named plaintiffs filed their motion seeking to certify classes of Minnesota inmates. One class is framed as consisting of inmates in Minnesota prisons who are infected with HCV and who wish to receive treatment with direct-acting antiviral medication. The state defendants filed their memorandum opposing class certification in June 2017. The summary judgment motion and class certification motion were argued on July 26, 2017 and are currently being held in abeyance to the plaintiff's retention of new class counsel. On October 3, 2017, new counsel filed a notice of appearance on behalf of the plaintiffs. On October 4, 2017, the Court denied the state defendants' motion for summary judgment and the plaintiff's motion for class certification without prejudice. Plaintiffs have until December 4, 2017 to file a third amended complaint.

- *Minnesota Energy Resources Corp. (MERC) v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation's real, personal, and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008-2012 are consolidated. MERC has also filed separate appeals for the 2013 and 2014 years. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value, as defined in Minnesota Statutes, Section 272.03, subdivision 8, of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (Article X, Section 1) and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 million under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. MERC objects to both the old and new rules. Specifically, MERC disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation and the weighting of cost factors and, thus, claims 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. 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. MERC has now filed separate appeals for 2015 and 2016, which have been stayed along with the 2013 and 2014 separate appeals. On April 17, 2017, the Tax Court issued its order, which did not change the refund amount. MERC has filed another appeal in the Minnesota Supreme Court for the 2008 through 2012 case.

- *Murphy, et al. v. Minnesota Department of Human Services (DHS) et al.* (United States District Court, District of Minnesota). In Murphy, the plaintiffs receive Medicaid Home and Community Based Waiver Services (HCBS) programs 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. The court also ordered discovery to proceed. The Defendants motion to dismiss was denied, and the district court certified a class. Although the exact relief the class seeks is unclear, at a minimum they contend DHS over relies on Community Residential Settings and must facilitate individualized housing and other services for each waiver recipient.

- *Walgreens Specialty Pharmacy v. Commissioner of Revenue* (Minnesota Tax Court). This is a Legend Drug Use Tax case. Appellant sought a refund totaling approximately $14.4 million for tax years 2008 through 2013, which was denied. Appellant argues that the Minnesota Department of Revenue (DOR) misapplied the applicable statute. Dispositive motions were filed and hear on July 14, 2017. On October 16, 2017, the Minnesota Tax Court granted Walgreens' Specialty Pharmacy's motion for summary judgment. The Commissioner will have until December 15, 2017 to appeal to the Minnesota Supreme Court. DOR estimates that if similarly-situated taxpayers successfully brought refund claims, the total refund exposure would exceed $84 million.

Note 20 – Tax Abatements

The state of Minnesota provides tax abatement through five programs operated by the Minnesota Department of Employment and Economic Development and Minnesota Department of Revenue: the Greater MN Job Expansion Program, Job Opportunity Building Zones, Biopharmaceutical Manufacturing Facility, Border City Enterprise Zones, and Angel Tax Credit. Minnesota Statutes, Section 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, with the exception of Border City Enterprise Zones program and the Angel Tax Credit program.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to $5,000,000 annually and $40,000,000 during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least $200,000,000 over a ten year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes, Section 116J.8738.

The Job Opportunity Building Zones program provides tax abatements to expand employment in economically distressed regions of the state. Taxes abated include: individual income taxes, corporate income taxes, sales and use taxes, motor vehicles taxes, property taxes, and wind energy production taxes. A qualified business must be located within a job opportunity building zone, which are designated by the state. The business must enter into a business subsidy agreement with the state indicating it will meet employment expansion and wage level requirements. The program sunset date was December 31, 2015 so no new businesses may enroll in the program. However, three current businesses met the requirements under Minnesota Statutes, Section 469.312 and was eligible to receive benefits through 2018. Individual income taxes are reduced through business income exemptions based on zone percentages, qualified net rents determined by formula, and capital gains exemption determined by formula. Corporate income tax exemptions are based on zone percentages. Sales and use tax, and motor vehicle sales tax are reduced for qualified property or services used in the job opportunity building zone. Property taxes are reduced through exemptions for improvements to real property. Wind energy production taxes are reduced for electricity produced by wind energy conversion systems within a job opportunity building zone. A business that relocates from outside the zone into a zone qualifies for the program only if it agrees to increase full-time employment during the first year by a minimum of five jobs or 20 percent of the employer’s workforce prior to entering into the business subsidy agreement. Employers must repay all tax benefits received during the two years prior to the point in time that it ceased to be in compliance with the business subsidy agreement. The authority for Job Opportunity Building Zone tax abatements are Minnesota Statutes, Section 469.310 – 469.3201.

The Biopharmaceutical Manufacturing Facility program provides sales tax abatements to create new jobs in the biopharmaceutical industry. Qualified manufacturing facilities are eligible for a sales tax refund on materials and supplies used in construction, improvement, or expansion of biopharmaceutical manufacturing facilities, paid annually at 25 percent of the total allowable refund. To be eligible for the exemption, the biopharmaceutical manufacturing facility must have a total capital investment exceeding $50,000,000, and the facility must create and maintain at least 190 new Minnesota full-time equivalent (FTE) employees at the facility. A qualified manufacturing facilities must meet its minimum FTE requirements to remain eligible. The authority for the sales tax abatement is Minnesota Statute, Section 297A.71, Subdivision 45.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by

Minnesota Statutes, Section 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to $3,000 per employee per year. Additionally income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota statutes, Section 469.169. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number of quality new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Business which receive tax abatements that cease to operate within the city must repay the tax abatement received during the prior two years; other recapture provisions may exist between the border city and the business. The authority for Border City Enterprise Zone tax abatements are Minnesota Statutes, Section 469.166 – 469.1735.

The Angel Tax Credit program provides income tax abatements as an incentive for investors to make investments in start-up businesses by helping to raise the equity financing needed to further business growth and the potential to create jobs. Qualified investors are eligible for up to 25 percent of the investment made and must receive an annual certification to make investments in a qualified small business. Qualified investors are required to hold investments in a qualified business for a period of at least three years. If it is determined that a qualified investor does not meet the three year holding requirement, the investor must repay the income tax credit. A qualified small business must satisfy all of the following conditions: be headquartered in Minnesota, have at least 51 percent of its employees and payroll in Minnesota, and be engaged in or committed to engage in innovation in Minnesota. The primary business activity must be in the fields of a qualified technology, agriculture, tourism, forestry, mining, manufacturing, or transportation. The business must have fewer than 25 employees, and must pay employees annual wages of at least 175 percent of federal poverty guidelines for a family of four. The business may not have previously received private equity investments of more than $4,000,000, be disqualified under section 80A.50 of the law, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which Food and Drug Administration approval is required. If it is determined that a qualified business did not maintain at least 51 percent of its employees and payroll in Minnesota during the first five years following its most recent qualified investment, the business must repay the income tax credit provided to its investors based on a fixed percentage scale. The authority for the tax abatement is Minnesota Statutes, Section 116J.8737.

Tax Abatements
Year Ended June 30, 2017
(In Thousands)

Description		Amount
Border City Enterprise Zones:		
Corporate Taxes	$	245
Income Taxes		117
Property Taxes		18
Total Border City Enterprise Zones	$	380
Angel Tax Credit: Income Taxes	$	14,807
Total	$	15,187

Note 21 – Prior Period Adjustment, Change in Reporting Entity and Change in Fund Structure

Primary Government

Prior Period Adjustments

During fiscal year 2017, the Department of Board of Water, Soil and Resources increased nondepreciable easements in governmental activities for unrecorded easements. A prior period adjustment of $70,256,000 was reflected in Governmental Activities in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

During fiscal year 2017, the Department of Administration increased buildings and accumulated depreciation on buildings in governmental activities for unrecorded buildings and accumulated depreciation. A prior period adjustment of $33,818,000 was reflected in Governmental Activities in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

During fiscal year 2017, the Department of Transportation decreased accumulated depreciation on depreciable easements in governmental activities for depreciation previously recorded on land that was transferred to nondepreciable land in the current year. A prior period adjustment of $536,000 was reflected in Governmental Activities in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

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 2017, seventeen firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of $6,285,000 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 2017, twelve 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 $3,898,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Note 22 – Subsequent Events

Primary Government

On October 11, 2017, the state sold $312.3 million of general obligation state various purpose bonds Series 2017A at a true interest rate of 2.74 percent, $114.0 million of general obligation state trunk highway bonds Series 2017B at a true interest rate of 2.57 percent, $27.0 million general obligation taxable state various purpose bonds Series 2017C at a true interest rate of 2.02 percent, $323.8 million of general obligation state various purpose refunding bonds Series 2017D at a true interest rate of 2.07 percent, and $81.1 million of general obligation state trunk highway refunding bonds Series 2017E at a true interest rate of 1.92 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

On November 9, 2017, the state sold $7.6 million of state General Fund appropriation bonds taxable Series 2017A at a true interest rate of 3.23 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 October 12, 2017, the Housing Finance Agency (HFA) issued state appropriation bonds (Housing Infrastructure) for $12.7 million Series 2017A at a true interest rate of 3.01 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 $2.8 million per year beginning in fiscal year 2019 through fiscal year 2040 for the payment of the bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.

MINNESOTA

State of Minnesota

Required Supplementary Information

2017
Comprehensive
Annual
Financial Report

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
2016	3.46	3.31
2015	3.42	3.32
2014	3.41	3.35

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	2016	2015	2014
Fair to Good	95.0%	94.9%	95.2%

All Other Systems	2016	2015	2014
Fair to Good	95.0%	94.4%	93.8%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the pavement 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			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2017	$ 149,000	$ 376,000	$ 525,000	$ 100,000	$ 500,000	$ 600,000	$ 1,125,000
	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
Actual	2017	$ 114,106	$ 337,294	$ 451,400	$ 84,046	$ 526,975	$ 611,021	$ 1,062,421
	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

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 plan, 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)

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

	SERF				CERF			
	2014	2015[2]	2016	2017	2014	2015[3]	2016	2017
Statutorily Required Contribution as an Employer[1]	$ 93,957	$ 107,313	$ 110,804	$ 116,552	$ 26,421	$ 29,378	$ 30,624	$ 31,663
Covered-Member Payroll	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,113,550	$ 218,860	$ 231,126	$ 241,020	$ 244,830
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%	5.5%	12.1%	12.7%	12.7%	12.9%

[1] Statutorily required contributions equal actual required contributions.
[2] SERF 2015: The required contribution rate for employers increased from 5.0% to 5.5%.
[3] CERF 2015: The required contribution rate for employers increased from 12.1% to 12.9%.

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)

	GERF				MERF[3]	
	2014	2015[2]	2016	2017	2014	2015
Statutorily Required Contribution as an:						
Employer[1]	$ 2,782	$ 2,655	$ 2,540	$ 3,155	$ -	$ -
Non-Employer Contributing Entity[1]	-	-	6,000	6,000	24,000	24,000
Total Statutorily Required Contribution	$ 2,782	$ 2,655	$ 8,540	$ 9,155	$ 24,000	$ 24,000
Covered-Member Payroll	$ 37,715	$ 34,289	$ 41,328	$ 38,686	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%	8.2%	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) GERF 2015: The required contribution rates for employers increased from 7.3% - 11.8% to 7.5% - 11.8% on January 1, 2015.
(3) MERF merged with GERF in reporting fiscal year 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)

	TRF			
	2014	2015[2]	2016	2017
Statutorily Required Contribution as an:				
Employer[1]	$ 13,206	$ 14,542	$ 14,514	$ 14,885
Non-Employer Contributing Entity[1]	16,501	29,831	31,088	31,087
Total Statutorily Required Contribution	$ 29,707	$ 44,373	$ 45,602	$ 45,972
Covered-Member Payroll	$ 167,667	$ 166,870	$ 168,264	$ 174,717
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%	8.5%

[1] Statutorily required contributions equal actual required contributions.
[2] 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[2]		SPTRF			
	2014	2015	2014	2015[3]	2016[4]	2017[5]
Statutorily Required Contribution as an:						
Employer[1]	$ 55	$ 56	$ 109	$ 86	$ 64	$ 66
Non-Employer Contributing Entity[1]	6,555	6,346	10,665	9,827	10,665	10,665
Total Statutorily Required Contribution	$ 6,610	$ 6,402	$ 10,774	$ 9,913	$ 10,729	$ 10,731
Covered-Member Payroll	$ 729	760	$ 1,749	$ 628	$ 443	$ 446
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.5%	7.4%	6.2%	13.7%	14.4%	14.8%

[1] Statutorily required contributions equal actual required contributions.
[2] DTRF merged with TRF in reporting fiscal year 2015.
[3] SPTRF 2015: The required contribution rate for employers increased from 5.25% - 8.75% to 5.50% - 9.00%.
[4] SPTRF 2016: The required contribution rate for employers increased to 6.00% - 9.50%.
[5] SPTRF 2017: The required contribution rate for employers increased to 6.25% - 9.75%.

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[1]	2017[2]	2015	2016[3]	2017[4]	2015	2016[5]	2017[6]
Primary Government's Proportion of the Net Pension Liability as an:									
Employer	73.38%	73.93%	73.88%	99.80%	99.86%	99.91%	0.70%	0.62%	0.72%
Non-Employer Contributing Entity	-	-	-	-	-	-	-	3.56%	1.29%
Total Primary Government's Proportion of the Net Pension Liability	73.38%	73.93%	73.88%	99.80%	99.86%	99.91%	0.70%	4.18%	2.01%
Primary Government's Proportionate Share of the Net Pension Liability as an:									
Employer	$ 1,189,902	$ 1,138,125	$ 9,160,172	$ 475,387	$ 653,352	$ 1,331,563	$ 33,103	$ 32,022	$ 58,119
Non-Employer Contributing Entity	-	-	-	-	-	-	-	184,478	104,677
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 1,189,902	$ 1,138,125	$ 9,160,172	$ 475,387	$ 653,352	$ 1,331,563	$ 33,103	$ 216,500	$ 162,796
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 218,860	$ 231,126	$ 241,020	$ 37,715	$ 34,289	$ 41,328
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9%	56.7%	443.2%	217.2%	282.7%	552.5%	87.8%	93.4%	140.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	88.3%	47.5%	64.8%	58.1%	40.3%	78.7%	78.2%	68.9%

[1] SERF 2016: Benefit increase of 2.5% was projected to start in 2044 instead of 2016.
[2] SERF 2017: Benefit increase was changed to 2.0% for all future years. The discount rate was changed from 7.9% to 4.17%.
[3] CERF 2016: Benefit increase was projected to remain at 2.0% instead of increasing to 2.5% in 2016.
[4] CERF 2017: The discount rate changed from 6.25% to 4.24%.
[5] GERF 2016: Benefit increase of 2.5% was projected to start in 2036 instead of 2031.
[6] GERF 2017: Benefit increase changed to 1.0% for all future years. The discount rate changed from 7.9% to 7.5%.

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[1]	TRF			DTRF[4]	SPTRF		
	2015	2015	2016[2]	2017[3]	2015	2015	2016[5]	2017[6]
Primary Government's Proportion of the Net Pension Liability as an:								
Employer	-	4.13%	3.88%	3.72%	0.55%	0.31%	0.24%	0.17%
Non-Employer Contributing Entity	43.35%	5.17%	9.74%	7.97%	64.98%	30.34%	29.52%	28.79%
Total Primary Government's Proportion of the Net Pension Liability	43.35%	9.30%	13.62%	11.69%	65.53%	30.65%	29.76%	28.96%
Primary Government's Proportionate Share of the Net Pension Liability as an:								
Employer	$ -	$ 190,460	$ 239,701	$ 888,788	$ 1,401	$ 1,666	$ 1,385	$ 1,082
Non-Employer Contributing Entity	95,900	237,958	602,738	1,900,653	166,948	162,576	171,776	182,226
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 95,900	$ 428,418	$ 842,439	$ 2,789,441	$ 168,349	$ 164,242	$ 173,161	$ 183,308
Primary Government's Covered-Member Payroll – Measurement Period	N/A	$ 167,667	$ 166,870	$ 168,264	$ 729	$ 1,749	$ 628	$ 443
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%	528.2%	192.2%	95.3%	220.5%	244.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	81.5%	76.8%	44.9%	46.8%	66.1%	63.6%	60.3%

(1) MERF merged with GERF in reporting fiscal year 2015.
(2) TRF 2016: The discount rate changed from 8.25% to 8.00%.
(3) TRF 2017: A benefit increase is not projected to be attained instead of 2.5% in 2037. The discount rate changed from 8.0% to 4.66%
(4) DTRF merged with TRF in reporting fiscal year 2015.
(5) SPTRF 2016: Benefit increase if the plan is at least 90% funded was up to 2.5% instead of up to 5.0%.
(6) SPTRF 2017: Benefit increase of 2.0% is projected to start in 2055 and 2.5% in 2066 instead of 2041 and 2051, respectively.

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)

	2008	2009	2010	2011	2012	2013	2014[2]	2015	2016	2017
Statutorily Required Contribution[1]	$ 7,935	$ 8,219	$ 8,283	$ 8,297	$ 7,922	$ 8,177	$ 9,426	$ 9,776	$ 10,219	$ 13,759
Covered-Member Payroll	$ 38,296	$ 39,444	$ 39,291	$ 40,473	$ 38,644	$ 39,888	$ 41,893	$ 43,449	$ 45,418	$ 45,838
Contributions as a Percentage of Covered-Member Payroll	20.7%	20.8%	21.1%	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%	30.0%

(1) Statutorily required contributions equal actual required contributions.
(2) 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Statutorily Required Contribution[1]	$ 2,217	$ 1,269	$ 1,975	$ 2,805	$ 3,935	$ 3,399	$ 3,436	$ 3,216	$ 5,087	$ 8,716
Covered-Member Payroll	$ 1,993	$ 1,963	$ 1,877	$ 1,774	$ 1,378	$ 1,233	$ 1,122	$ 1,700	$ 989	$ 889
Contributions as a Percentage of Covered-Member Payroll	111.2%	64.6%	105.2%	158.1%	285.6%	275.7%	306.2%	189.2%	514.4%	980.4%

(1) 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)

	2008[2]	2009[3]	2010[4]	2011	2012[5]	2013	2014	2015[6]	2016	2017[7]
Statutorily Required Contribution[1]	$ 8,279	$ 9,178	$ 10,104	$ 9,873	$ 11,620	$ 11,482	$ 12,894	$ 13,763	$ 13,938	$ 15,783
Covered-Member Payroll	$ 60,029	$ 61,511	$ 63,250	$ 63,250	$ 62,524	$ 62,121	$ 63,952	$ 68,463	$ 69,343	$ 72,738
Contributions as a Percentage of Covered-Member Payroll	13.8%	14.9%	16.0%	15.6%	18.6%	18.5%	20.2%	20.1%	20.1%	21.7%

(1) Statutorily required contributions equal actual required contributions.
(2) 2008: The required employer contribution rate changed from 12.6% to 13.6%
(3) 2009: The required employer contribution rate changed to 14.6%
(4) 2010: The required employer contribution rate changed to 15.6%
(5) 2012: The required employer contribution rate changed to 18.6%
(6) 2015: The required employer contribution rate changed to 20.1%
(7) 2017: The required employer contribution rate changed to 21.6%

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[(1)]	2017[(2)]	2015	2016[(3)]	2017[(4)]	2015	2016[(5)]	2017[(6)]
Total Pension Liability									
Service Cost	$ 12,075	$ 12,251	$ 13,711	$ 398	$ 428	$ 495	$ 14,514	$ 16,144	$ 16,555
Interest on the Total Pension Liability	20,535	21,773	21,349	6,177	6,113	5,332	60,183	63,753	64,592
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(237)	(7,303)	(1,597)	(5,771)	(12,855)	(22,222)
Changes in Assumptions	(8,416)	21,696	(85,756)	11,201	7,057	14,653	30,058	-	283,584
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(8,486)	(8,441)	(8,536)	(53,722)	(55,480)	(57,774)
Net Change in Total Pension Liability	$ 8,472	$ 29,461	$ (65,939)	$ 9,053	$ (2,146)	$ 10,347	$ 45,262	$ 11,562	$ 284,735
Total Pension Liability – Beginning	$ 373,039	$ 381,511	$ 410,972	$ 137,446	$ 146,499	$ 144,353	$ 781,411	$ 826,673	$ 838,235
Total Pension Liability – Ending	$ 381,511	$ 410,972	$ 345,033	$ 146,499	$ 144,353	$ 154,700	$ 826,673	$ 838,235	$ 1,122,970
Fiduciary Net Position									
Contributions – Employer	$ 9,426	$ 9,776	$ 10,219	$ 3,436	$ 3,216	$ 5,087	$ 12,894	$ 14,763	$ 14,938
Contributions – Member	3,578	3,629	3,763	101	153	89	7,930	9,174	9,292
Net Investment Income	28,011	7,572	(186)	1,750	281	(69)	107,187	28,903	(774)
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(8,486)	(8,441)	(8,536)	(53,722)	(55,480)	(57,774)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(36)	(37)	(42)	(150)	(170)	(220)
Other Changes	-	-	-	-	-	41	-	-	-
Net Change in Plan Fiduciary Net Position	$ 20,158	$ (976)	$ (8,676)	$ (3,235)	$ (4,828)	$ (3,430)	$ 74,139	$ (2,810)	$ (34,538)
Plan Fiduciary Net Position – Beginning as Restated	$ 155,398	$ 175,556	$ 174,580	$ 11,493	$ 8,258	$ 3,430	$ 593,201	$ 667,340	$ 664,530
Plan Fiduciary Net Position – Ending	$ 175,556	$ 174,580	$ 165,904	$ 8,258	$ 3,430	$ -	$ 667,340	$ 664,530	$ 629,992
Net Pension Liability	$ 205,955	$ 236,392	$ 179,129	$ 138,241	$ 140,923	$ 154,700	$ 159,333	$ 173,705	$ 492,978
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	42.5%	48.1%	5.6%	2.4%	0.0%	80.7%	79.3%	56.1%
Covered-Member Payroll – measurement period	$ 41,893	$ 43,449	$ 45,418	$ 1,122	$ 1,700	$ 989	$ 63,952	$ 68,463	$ 69,343
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	394.4%	12,320.9%	8,289.6%	15,642.1%	249.1%	253.7%	710.9%

(1) JRF 2016: The discount rate changed from 5.78% to 5.25%.
(2) JRF 2017: The discount rate changed to 7.50%. Benefit increase of 1.75% was projected for all future years changed to 1.75% through 2041, 2.0% from 2042 through 2054, and 2.5% thereafter.
(3) 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.
(4) LRF 2017: The discount rate changed to 2.85%. Benefit increase changed to 2.0% for all future years.
(5) 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.
(6) SPRF 2017: The discount rate changed from 7.9% to 5.31%. Benefit increase changed to 1.0% for all future years.

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			7/1/2016 [1]
			7/1/2014
			7/1/2012
Actuarial Value of Plan Assets	7/1/2016	$	-
	7/1/2014	$	-
	7/1/2012	$	-
Actuarial Accrued Liability	7/1/2016	$	616,648
	7/1/2014	$	666,638
	7/1/2012	$	651,890
Total Unfunded Actuarial Liability	7/1/2016	$	616,648
	7/1/2014	$	666,638
	7/1/2012	$	651,890
Funded Ratio[2]	7/1/2016		0%
	7/1/2014		0%
	7/1/2012		0%
Annual Covered Payroll	7/1/2016	$	3,619,205
	7/1/2014	$	3,243,316
	7/1/2012	$	2,819,463
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2016		17%
	7/1/2014		21%
	7/1/2012		23%

(1) The July 1, 2016, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.

(2) Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claim 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).

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required Contribution and Investment Revenue:										
Earned	$ 13,439	$ 12,286	$ 25,031	$ 34,161	$ 45,413	$ 49,244	$ 90,110	$ 96,008	$109,484	$120,780
Ceded	(1,298)	(1,218)	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)	(4,607)	-	-
Net Earned	$ 12,141	$ 11,068	$ 22,347	$ 31,501	$ 41,911	$ 44,662	$ 81,738	$ 91,401	$109,484	$120,780
2. Unallocated Expenses:	$ 1,505	$ 1,534	$ 2,037	$ 2,411	$ 3,018	$ 3,612	$ 6,390	$ 7,435	$ 7,846	$ 8,518
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 10,748	$ 9,473	$ 19,350	$ 24,134	$ 38,173	$ 41,959	$ 73,795	$ 86,276	$ 97,089	$ 99,399
Ceded	(380)	(667)	(562)	(1,491)	(2,149)	(4,909)	(5,767)	(7,571)	-	-
Net Incurred	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 9,403	$ 7,921	$ 16,848	$ 20,720	$ 32,176	$ 33,836	$ 60,813	$ 70,741	$ 87,378	$ 90,091
One Year Later	10,415	8,482	18,828	23,219	35,718	37,353	68,176	79,461	$ 96,681	
Two Years Later	10,413	8,454	18,826	23,200	35,946	37,608	68,256	79,762		
Three Years Later	10,413	8,454	18,826	23,303	35,986	37,629	68,391			
Four Years Later	10,413	8,454	18,826	23,303	35,986	37,629				
Five Years Later	10,413	8,454	18,826	23,303	35,986					
Six Years Later	10,413	8,454	18,826	23,303						
Seven Years Later	10,413	8,454	18,826							
Eight Years Later	10,413	8,454								
Nine Years Later	10,413									
5. Reestimated Ceded Claims and Expenses:										
	$ 380	$ 667	$ 562	$ 1,491	$ 2,149	$ 4,909	$ 5,767	$ 7,515	$ -	$ -
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399
One Year Later	10,425	8,502	18,848	23,249	36,006	37,673	68,588	80,027	$ 97,415	
Two Years Later	10,413	8,454	18,826	23,304	35,946	37,608	68,408	79,981		
Three Years Later	10,413	8,454	18,826	23,303	35,986	37,629	68,391			
Four Years Later	10,413	8,454	18,826	23,303	35,986	37,629				
Five Years Later	10,413	8,454	18,826	23,303	35,986					
Six Years Later	10,413	8,454	18,826	23,303						
Seven Years Later	10,413	8,454	18,826							
Eight Years Later	10,413	8,454								
Nine Years Later	10,413									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	$ 45	$ (352)	$ 38	$ 660	$ (38)	$ 579	$ 363	$ 1,276	$ 326	$ -

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

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.

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2017
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 3,791,919	$ 796,852	$ 74,110	$ 161,143	$ 4,824,024
Investments	239,218	77,450	1,247,670	-	1,564,338
Accounts Receivable	382,419	-	3,420	-	385,839
Interfund Receivables	123,814	-	-	11,550	135,364
Due from Component Unit	-	64,246	-	-	64,246
Accrued Investment/Interest Income	679	707	4,357	-	5,743
Federal Aid Receivable	67,361	-	-	-	67,361
Inventories	40,649	-	-	-	40,649
Loans and Notes Receivable	103,688	-	-	-	103,688
Investment in Land	-	-	15,962	-	15,962
Total Assets	$ 4,749,747	$ 939,255	$ 1,345,519	$ 172,693	$ 7,207,214
LIABILITIES					
Liabilities:					
Accounts Payable	$ 457,903	$ 29	$ 70	$ 57,445	$ 515,447
Interfund Payables	26,982	27,681	9,200	2,941	66,804
Due to Component Unit	3,200	-	-	5,627	8,827
Unearned Revenue	3,170	-	-	-	3,170
Total Liabilities	$ 491,255	$ 27,710	$ 9,270	$ 66,013	$ 594,248
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	$ 121,257	$ -	$ 246	$ -	$ 121,503
Total Deferred Inflows of Resources	$ 121,257	$ -	$ 246	$ -	$ 121,503
FUND BALANCES					
Fund Balances:					
Nonspendable	$ 41,649	$ -	$ 1,327,794	$ -	$ 1,369,443
Restricted	2,637,973	911,545	8,209	63,226	3,620,953
Committed	952,613	-	-	-	952,613
Assigned	505,000	-	-	43,454	548,454
Total Fund Balances	$ 4,137,235	$ 911,545	$ 1,336,003	$ 106,680	$ 6,491,463
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,749,747	$ 939,255	$ 1,345,519	$ 172,693	$ 7,207,214

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 349,715	$ -	$ -	$ -	$ 349,715
Motor Vehicle Taxes	1,217,181	-	-	-	1,217,181
Fuel Taxes	917,956	-	-	-	917,956
Other Taxes	943,848	-	-	-	943,848
Federal Revenues	500,400	-	-	-	500,400
Licenses and Fees	368,426	-	138	-	368,564
Departmental Services	189,982	-	21,675	-	211,657
Investment/Interest Income	60,060	11,139	112,676	12	183,887
Other Revenues	327,227	46	223	-	327,496
Net Revenues	$ 4,874,795	$ 11,185	$ 134,712	$ 12	$ 5,020,704
Expenditures:					
Current:					
Agricultural, Environmental and Energy Resources	$ 575,299	$ -	$ 9,453	$ 23,809	$ 608,561
Economic and Workforce Development	211,244	-	-	83,653	294,897
General Education	40,466	-	29,959	9,899	80,324
General Government	83,317	426	234	2,182	86,159
Health and Human Services	658,182	-	-	11,320	669,502
Higher Education	31,639	-	-	54,007	85,646
Intergovernmental Aid	182	-	-	-	182
Public Safety and Corrections	244,004	-	-	-	244,004
Transportation	1,986,626	-	-	88,760	2,075,386
Total Current Expenditures	$ 3,830,959	$ 426	$ 39,646	$ 273,630	$ 4,144,661
Capital Outlay	373,775	-	-	331,491	705,266
Debt Service	4,694	1,007,084	-	96	1,011,874
Total Expenditures	$ 4,209,428	$ 1,007,510	$ 39,646	$ 605,217	$ 5,861,801
Excess of Revenues Over (Under) Expenditures	$ 665,367	$ (996,325)	$ 95,066	$ (605,205)	$ (841,097)
Other Financing Sources (Uses):					
Bond Issuance	$ -	$ 11,126	$ -	$ 480,003	$ 491,129
Loan Proceeds	769	-	-	-	769
Issuance of Refunding Bonds	-	310,565	-	-	310,565
Payment to Refunded Bonds Escrow Agent	-	(310,565)	-	-	(310,565)
Bond Issue Premium	-	94,322	-	61,054	155,376
Transfers-In	188,679	890,123	348	11,550	1,090,700
Transfers-Out	(426,922)	-	-	(33,180)	(460,102)
Net Other Financing Sources (Uses)	$ (237,474)	$ 995,571	$ 348	$ 519,427	$ 1,277,872
Net Change in Fund Balances	$ 427,893	$ (754)	$ 95,414	$ (85,778)	$ 436,775
Fund Balances, Beginning, as Reported	$ 3,709,342	$ 912,299	$ 1,240,589	$ 192,458	$ 6,054,688
Fund Balances, Ending	$ 4,137,235	$ 911,545	$ 1,336,003	$ 106,680	$ 6,491,463

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Nonmajor Special Revenue Funds

Trunk Highway Fund

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

Highway User Tax Distribution Fund

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

State Airports Fund

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

Municipal State-Aid Street Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels to plan, design, construct, and maintain the municipal state aid street system.

County State-Aid Highway Fund

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

Petroleum Tank Cleanup Fund

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

Nonmajor Special Revenue Funds – Continued

Natural Resources Fund

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

Game and Fish Fund

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

Environmental and Remediation Fund

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

Douglas J. Johnson Economic Protection Trust Fund

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

Heritage Fund

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

Endowment Fund

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

Special Compensation Fund

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

Health Care Access Fund

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

Workforce Development Fund

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

Miscellaneous Special Revenue Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
ASSETS			
Cash and Cash Equivalents	$ 859,948	$ 7,556	$ 32,352
Investments	-	-	-
Accounts Receivable	47,057	3,509	1,653
Interfund Receivables	3,658	1,618	304
Accrued Investment/Interest Income	-	-	-
Federal Aid Receivable	63,810	-	-
Inventories	40,639	-	-
Loans and Notes Receivable	-	-	1,692
Total Assets	$ 1,015,112	$ 12,683	$ 36,001
LIABILITIES			
Liabilities:			
Accounts Payable	$ 148,988	$ 1,095	$ 541
Interfund Payables	-	10,504	-
Due to Component Unit	175	-	-
Unearned Revenue	-	-	-
Total Liabilities	$ 149,163	$ 11,599	$ 541
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ 1,203	$ 154	$ -
Total Deferred Inflows of Resources	$ 1,203	$ 154	$ -
FUND BALANCES			
Fund Balances:			
Nonspendable	$ 40,639	$ -	$ -
Restricted	824,107	930	35,460
Committed	-	-	-
Assigned	-	-	-
Total Fund Balances	$ 864,746	$ 930	$ 35,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,015,112	$ 12,683	$ 36,001

	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
	$ 186,245	$ 615,252	$ 29,921	$ 58,698	$ 39,009	$ 24,765
	-	-	-	-	22,769	87,304
	6,415	24,415	113	1,862	1,194	11,665
	-	33,388	-	21,301	2,078	11,310
	-	-	-	-	57	221
	8	26	-	-	3,517	-
	-	-	-	-	-	-
	-	-	-	-	-	460
	$ 192,668	$ 673,081	$ 30,034	$ 81,861	$ 68,624	$ 135,725
	$ 16,824	$ 125,846	$ 4,864	$ 6,794	$ 7,896	$ 6,810
	-	-	1,714	-	400	-
	31	100	-	-	193	218
	-	-	-	-	-	-
	$ 16,855	$ 125,946	$ 6,578	$ 6,794	$ 8,489	$ 7,028
	$ 168	$ 639	$ 103	$ 450	$ 383	$ 4,530
	$ 168	$ 639	$ 103	$ 450	$ 383	$ 4,530
	$ -	$ -	$ -	$ -	$ -	$ -
	175,645	546,496	23,353	-	59,752	124,167
	-	-	-	74,617	-	-
	-	-	-	-	-	-
	$ 175,645	$ 546,496	$ 23,353	$ 74,617	$ 59,752	$ 124,167
	$ 192,668	$ 673,081	$ 30,034	$ 81,861	$ 68,624	$ 135,725

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2017
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
ASSETS			
Cash and Cash Equivalents	$ 70,197	$ 361,357	$ 39,038
Investments	127,670	-	1,475
Accounts Receivable	2,804	25,628	76
Interfund Receivables	-	34,534	-
Accrued Investment/Interest Income	397	-	4
Federal Aid Receivable	-	-	-
Inventories	-	-	-
Loans and Notes Receivable	34,896	-	-
Total Assets	$ 235,964	$ 421,519	$ 40,593
LIABILITIES			
Liabilities:			
Accounts Payable	$ 215	$ 27,608	$ 518
Interfund Payables	-	83	-
Due to Component Unit	-	576	17
Unearned Revenue	-	-	-
Total Liabilities	$ 215	$ 28,267	$ 535
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ 2,804	$ -	$ 3
Total Deferred Inflows of Resources	$ 2,804	$ -	$ 3
FUND BALANCES			
Fund Balances:			
Nonspendable	$ -	$ -	$ 1,000
Restricted	-	393,252	39,055
Committed	232,945	-	-
Assigned	-	-	-
Total Fund Balances	$ 232,945	$ 393,252	$ 40,055
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 235,964	$ 421,519	$ 40,593

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 64,234	$ 741,729	$ 46,437	$ 615,181	$ 3,791,919
-	-	-	-	239,218
87,420	114,869	17,713	36,026	382,419
597	-	121	14,905	123,814
-	-	-	-	679
-	-	-	-	67,361
-	-	-	10	40,649
-	-	-	66,640	103,688
$ 152,251	$ 856,598	$ 64,271	$ 732,762	$ 4,749,747
$ 19,589	$ 11,810	$ 4,691	$ 73,814	$ 457,903
2,000	4,280	-	8,001	26,982
-	513	-	1,377	3,200
-	3,170	-	-	3,170
$ 21,589	$ 19,773	$ 4,691	$ 83,192	$ 491,255
$ 88,886	$ 4,399	$ 1,568	$ 15,967	$ 121,257
$ 88,886	$ 4,399	$ 1,568	$ 15,967	$ 121,257
$ -	$ -	$ -	$ 10	$ 41,649
41,776	-	58,012	315,968	2,637,973
-	327,426	-	317,625	952,613
-	505,000	-	-	505,000
$ 41,776	$ 832,426	$ 58,012	$ 633,603	$ 4,137,235
$ 152,251	$ 856,598	$ 64,271	$ 732,762	$ 4,749,747

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
Net Revenues:			
Sales Taxes	$ -	$ -	$ 6,501
Motor Vehicle Taxes	710,318	-	11,208
Fuel Taxes	522,943	2,499	5,791
Other Taxes	-	56	-
Federal Revenues	452,595	-	-
Licenses and Fees	7,370	1,545	647
Departmental Services	6,732	503	3
Investment/Interest Income	7,940	125	275
Other Revenues	30,120	-	-
Net Revenues	$ 1,738,018	$ 4,728	$ 24,425
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources	$ -	$ -	$ -
Economic and Workforce Development	-	-	-
General Education	-	-	-
General Government	-	2,291	-
Health and Human Services	-	-	-
Higher Education	-	-	-
Intergovernmental Aid	-	-	-
Public Safety and Corrections	109,411	936	-
Transportation	1,065,184	117	23,303
Total Current Expenditures	$ 1,174,595	$ 3,344	$ 23,303
Capital Outlay	330,241	-	433
Debt Service	2,166	16	-
Total Expenditures	$ 1,507,002	$ 3,360	$ 23,736
Excess of Revenues Over (Under) Expenditures	$ 231,016	$ 1,368	$ 689
Other Financing Sources (Uses):			
Loan Proceeds	$ -	$ -	$ -
Transfers-In	4,962	-	-
Transfers-Out	(193,539)	(1,037)	-
Net Other Financing Sources (Uses)	$ (188,577)	$ (1,037)	$ -
Net Change in Fund Balances	$ 42,439	$ 331	$ 689
Fund Balances, Beginning, as Reported	$ 822,307	$ 599	$ 34,771
Fund Balances, Ending	$ 864,746	$ 930	$ 35,460

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ -	$ 33,388	$ -	$ -	$ -	$ -
103,111	392,544	-	-	-	-
75,911	288,995	-	21,817	-	-
-	-	-	-	-	60,043
209	140	-	1,675	33,519	-
-	-	24,284	25,327	62,930	38,508
-	-	-	29,377	1,621	2,715
1,677	5,844	193	153	2,897	10,212
-	-	15	1,485	146	1,373
$ 180,908	$ 720,911	$ 24,492	$ 79,834	$ 101,113	$ 112,851
$ -	$ -	$ 6,463	$ 79,889	$ 109,048	$ 107,118
-	-	9,337	-	-	988
-	-	-	160	-	-
-	-	-	-	-	368
-	-	-	-	-	1,146
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	70
157,557	647,307	-	5,670	-	-
$ 157,557	$ 647,307	$ 15,800	$ 85,719	$ 109,048	$ 109,690
-	358	-	1,665	326	-
-	-	-	-	-	-
$ 157,557	$ 647,665	$ 15,800	$ 87,384	$ 109,374	$ 109,690
$ 23,351	$ 73,246	$ 8,692	$ (7,550)	$ (8,261)	$ 3,161
$ -	$ -	$ -	$ -	$ -	$ -
-	-	947	17,270	14,216	10,304
(9)	(30)	(9,557)	(2,285)	(1,646)	(952)
$ (9)	$ (30)	$ (8,610)	$ 14,985	$ 12,570	$ 9,352
$ 23,342	$ 73,216	$ 82	$ 7,435	$ 4,309	$ 12,513
$ 152,303	$ 473,280	$ 23,271	$ 67,182	$ 55,443	$ 111,654
$ 175,645	$ 546,496	$ 23,353	$ 74,617	$ 59,752	$ 124,167

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
Net Revenues:			
Sales Taxes	$ -	$ 309,826	$ -
Motor Vehicle Taxes	-	-	-
Fuel Taxes	-	-	-
Other Taxes	5,707	-	-
Federal Revenues	-	-	-
Licenses and Fees	-	-	-
Departmental Services	109	-	-
Investment/Interest Income	15,249	3,702	522
Other Revenues	-	19	11,561
Net Revenues	$ 21,065	$ 313,547	$ 12,083
Expenditures:			
Current:			
Agricultural, Environmental and Energy Resources	$ -	$ 183,806	$ 2,924
Economic and Workforce Development	5,520	28,163	158
General Education	-	16,363	1,782
General Government	-	42,865	785
Health and Human Services	-	4,699	551
Higher Education	-	-	-
Intergovernmental Aid	-	-	-
Public Safety and Corrections	-	-	292
Transportation	-	19,292	-
Total Current Expenditures	$ 5,520	$ 295,188	$ 6,492
Capital Outlay	-	35,916	1,458
Debt Service	1,525	-	-
Total Expenditures	$ 7,045	$ 331,104	$ 7,950
Excess of Revenues Over (Under) Expenditures	$ 14,020	$ (17,557)	$ 4,133
Other Financing Sources (Uses):			
Loan Proceeds	$ -	$ -	$ -
Transfers-In	1,432	30	1,900
Transfers-Out	(5,700)	(195)	(135)
Net Other Financing Sources (Uses)	$ (4,268)	$ (165)	$ 1,765
Net Change in Fund Balances	$ 9,752	$ (17,722)	$ 5,898
Fund Balances, Beginning, as Reported	$ 223,193	$ 410,974	$ 34,157
Fund Balances, Ending	$ 232,945	$ 393,252	$ 40,055

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ 349,715
-	-	-	-	1,217,181
-	-	-	-	917,956
80,710	711,241	59,023	27,068	943,848
-	-	-	12,262	500,400
2,267	-	-	205,548	368,426
3,785	35,953	-	109,184	189,982
779	7,766	421	2,305	60,060
-	76	-	282,432	327,227
$ 87,541	$ 755,036	$ 59,444	$ 638,799	$ 4,874,795
$ 728	$ -	$ -	$ 85,323	$ 575,299
73,334	-	50,576	43,168	211,244
-	-	-	22,161	40,466
7,341	1,968	-	27,699	83,317
-	346,947	-	304,839	658,182
-	2,157	-	29,482	31,639
-	-	-	182	182
-	-	-	133,295	244,004
-	-	-	68,196	1,986,626
$ 81,403	$ 351,072	$ 50,576	$ 714,345	$ 3,830,959
-	-	-	3,378	373,775
-	576	-	411	4,694
$ 81,403	$ 351,648	$ 50,576	$ 718,134	$ 4,209,428
$ 6,138	$ 403,388	$ 8,868	$ (79,335)	$ 665,367
$ -	$ -	$ -	$ 769	$ 769
-	-	-	137,618	188,679
(1,991)	(180,408)	(1,348)	(28,090)	(426,922)
$ (1,991)	$ (180,408)	$ (1,348)	$ 110,297	$ (237,474)
$ 4,147	$ 222,980	$ 7,520	$ 30,962	$ 427,893
$ 37,629	$ 609,446	$ 50,492	$ 602,641	$ 3,709,342
$ 41,776	$ 832,426	$ 58,012	$ 633,603	$ 4,137,235

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2017 (IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	1,215,035	1,205,309
Fuel Taxes	-	-	910,600	910,640
Other Taxes	-	-	-	-
Federal Revenue	457,275	587,537	-	-
Licenses and Fees	6,531	7,431	2,000	1,544
Departmental Services	8,770	11,369	942	734
Investment/Interest Income	7,464	7,259	1,123	1,295
Other Revenues	27,770	30,493	-	-
Net Revenues	$ 507,810	$ 644,089	$ 2,129,700	$ 2,119,522
Expenditures:				
Agricultural Environmental and Energy Resources	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	-	-	2,327	2,296
Health and Human Services	-	-	-	-
Higher Education	-	-	-	-
Intergovernmental Aid	-	-	16	16
Public Safety and Corrections	111,067	110,895	3,607	936
Transportation	1,688,923	1,624,365	117	117
Total Expenditures	$ 1,799,990	$ 1,735,260	$ 6,067	$ 3,365
Excess of Revenues Over (Under) Expenditures	$ (1,292,180)	$ (1,091,171)	$ 2,123,633	$ 2,116,157
Other Financing Sources (Uses):				
Transfers-In	$ 1,243,323	$ 1,237,776	$ -	$ -
Transfers-Out	(193,539)	(193,539)	(2,115,768)	(2,115,768)
Net Other Financing Sources (Uses)	$ 1,049,784	$ 1,044,237	$ (2,115,768)	$ (2,115,768)
Net Change in Fund Balances	$ (242,396)	$ (46,934)	$ 7,865	$ 389
Fund Balances, Beginning, as Reported	$ 382,741	$ 382,741	$ 11,044	$ 11,044
Prior Period Adjustments	-	41,244	-	(28)
Fund Balances, Beginning, as Restated	$ 382,741	$ 423,985	$ 11,044	$ 11,016
Budgetary Fund Balances, Ending	$ 140,345	$ 377,051	$ 18,909	$ 11,405
Less: Appropriation Carryover	-	45,545	-	-
Less: Reserved for Long-Term Receivables	-	-	-	-
Unassigned Fund Balance, Ending	$ 140,345	$ 331,506	$ 18,909	$ 11,405

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 6,000	$ 6,501	$ -	$ -	$ 13,535	$ 13,211
11,000	11,208	-	-	-	-
6,400	5,843	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,402	1,675
713	641	27,006	24,283	24,935	25,324
2	3	-	-	24,795	27,861
301	275	140	193	98	153
33	31	100	55	1,286	1,486
$ 24,449	$ 24,502	$ 27,246	$ 24,531	$ 66,051	$ 69,710
$ -	$ -	$ 5,556	$ 5,173	$ 106,859	$ 95,255
-	-	9,171	9,171	-	-
-	-	-	-	160	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,027	23,907	-	-	5,670	5,670
$ 24,027	$ 23,907	$ 14,727	$ 14,344	$ 112,689	$ 101,085
$ 422	$ 595	$ 12,519	$ 10,187	$ (46,638)	$ (31,375)
$ -	$ -	$ 947	$ 947	$ 33,085	$ 33,601
-	-	(9,556)	(9,556)	(4,097)	(4,097)
$ -	$ -	$ (8,609)	$ (8,609)	$ 28,988	$ 29,504
$ 422	$ 595	$ 3,910	$ 1,578	$ (17,650)	$ (1,871)
$ 19,775	$ 19,775	$ 14,410	$ 14,410	$ 42,216	$ 42,216
-	593	-	1,108	-	1,318
$ 19,775	$ 20,368	$ 14,410	$ 15,518	$ 42,216	$ 43,534
$ 20,197	$ 20,963	$ 18,320	$ 17,096	$ 24,566	$ 41,663
-	3,951	-	3,651	-	9,565
-	1,692	-	-	-	-
$ 20,197	$ 15,320	$ 18,320	$ 13,445	$ 24,566	$ 32,098

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ 13,535	$ 13,211	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	-	-	58,716	59,569
Federal Revenue	31,400	33,520	-	-
Licenses and Fees	62,629	62,663	40,932	38,512
Departmental Services	1,477	1,625	1,867	2,715
Investment/Interest Income	168	298	173	215
Other Revenues	134	138	1,256	1,375
Net Revenues	$ 109,343	$ 111,455	$ 102,944	$ 102,386
Expenditures:				
Agricultural Environmental and Energy Resources	$ 118,960	112,967	$ 108,583	$ 108,376
Economic and Workforce Development	-	-	1,340	1,340
General Education	-	-	-	-
General Government	-	-	416	379
Health and Human Services	-	-	1,177	1,173
Higher Education	-	-	-	-
Intergovernmental Aid	-	-	-	-
Public Safety and Corrections	-	-	73	70
Transportation	-	-	-	-
Total Expenditures	$ 118,960	$ 112,967	$ 111,589	$ 111,338
Excess of Revenues Over (Under) Expenditures	$ (9,617)	$ (1,512)	$ (8,645)	$ (8,952)
Other Financing Sources (Uses):				
Transfers-In	$ 951	$ 951	$ 12,089	$ 10,303
Transfers-Out	(1,646)	(1,646)	(952)	(952)
Net Other Financing Sources (Uses)	$ (695)	$ (695)	$ 11,137	$ 9,351
Net Change in Fund Balances	$ (10,312)	$ (2,207)	$ 2,492	$ 399
Fund Balances, Beginning, as Reported	$ 41,945	$ 41,945	$ 28,363	$ 28,363
Prior Period Adjustments	-	810	-	1,261
Fund Balances, Beginning, as Restated	$ 41,945	$ 42,755	$ 28,363	$ 29,624
Budgetary Fund Balances, Ending	$ 31,633	$ 40,548	$ 30,855	$ 30,023
Less: Appropriation Carryover	-	8,478	-	7,633
Less: Reserved for Long-Term Receivables	-	-	-	460
Unassigned Fund Balance, Ending	$ 31,633	$ 32,070	$ 30,855	$ 21,930

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 304,323	$ 308,105	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	85,340	82,053	686,149	707,535
-	-	-	-	-	-
-	-	2,107	1,786	-	-
-	-	4,430	3,426	44,964	36,003
2,516	3,702	-	754	5,210	7,766
8	130	-	-	12,648	11,018
$ 306,847	$ 311,937	$ 91,877	$ 88,019	$ 748,971	$ 762,322
$ 220,461	218,086	$ 787	$ 725	$ -	$ -
27,167	27,167	72,072	71,917	-	-
19,806	19,735	-	-	-	-
44,468	44,210	7,880	7,523	1,969	1,969
4,724	4,715	-	-	383,641	361,028
-	-	-	-	2,157	2,157
-	-	-	-	576	576
-	-	-	-	-	-
19,292	19,292	-	-	-	-
$ 335,918	$ 333,205	$ 80,739	$ 80,165	$ 388,343	$ 365,730
$ (29,071)	$ (21,268)	$ 11,138	$ 7,854	$ 360,628	$ 396,592
$ 30	$ 30	$ -	$ -	$ -	$ -
(179)	(179)	(2,000)	(2,000)	(180,408)	(180,408)
$ (149)	$ (149)	$ (2,000)	$ (2,000)	$ (180,408)	$ (180,408)
$ (29,220)	$ (21,417)	$ 9,138	$ 5,854	$ 180,220	$ 216,184
$ 163,042	$ 163,042	$ 50,499	$ 50,499	$ 495,605	$ 495,605
-	19,348	-	(86)	-	1,175
$ 163,042	$ 182,390	$ 50,499	$ 50,413	$ 495,605	$ 496,780
$ 133,822	$ 160,973	$ 59,637	$ 56,267	$ 675,825	$ 712,964
-	149,954	-	16,307	-	3,981
-	-	-	-	-	-
$ 133,822	$ 11,019	$ 59,637	$ 39,960	$ 675,825	$ 708,983

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ 337,393	$ 341,028
Motor Vehicle Taxes	-	-	1,226,035	1,216,517
Fuel Taxes	-	-	917,000	916,483
Other Taxes	54,766	56,425	884,971	905,582
Federal Revenue	-	-	490,077	622,732
Licenses and Fees	-	-	166,853	162,184
Departmental Services	-	-	87,247	83,736
Investment/Interest Income	140	421	17,333	22,331
Other Revenues	-	-	43,235	44,726
Net Revenues	$ 54,906	$ 56,846	$ 4,170,144	$ 4,315,319
Expenditures:				
Agricultural Environmental and Energy Resources	$ -	$ -	$ 561,206	$ 540,582
Economic and Workforce Development	58,207	57,387	167,957	166,982
General Education	-	-	19,966	19,895
General Government	-	-	57,060	56,377
Health and Human Services	-	-	389,542	366,916
Higher Education	-	-	2,157	2,157
Intergovernmental Aid	-	-	592	592
Public Safety and Corrections	-	-	114,747	111,901
Transportation	-	-	1,738,029	1,673,351
Total Expenditures	$ 58,207	$ 57,387	$ 3,051,256	$ 2,938,753
Excess of Revenues Over (Under) Expenditures	$ (3,301)	$ (541)	$ 1,118,888	$ 1,376,566
Other Financing Sources (Uses):				
Transfers-In	$ -	$ -	$ 1,290,425	$ 1,283,608
Transfers-Out	-	-	(2,508,145)	(2,508,145)
Net Other Financing Sources (Uses)	$ -	$ -	$ (1,217,720)	$ (1,224,537)
Net Change in Fund Balances	$ (3,301)	$ (541)	$ (98,832)	$ 152,029
Fund Balances, Beginning, as Reported	$ 15,163	$ 15,163	$ 1,264,803	$ 1,264,803
Prior Period Adjustments	-	7,501	-	74,244
Fund Balances, Beginning, as Restated	$ 15,163	$ 22,664	$ 1,264,803	$ 1,339,047
Budgetary Fund Balances, Ending	$ 11,862	$ 22,123	$ 1,165,971	$ 1,491,076
Less: Appropriation Carryover	-	641	-	249,706
Less: Reserved for Long-Term Receivables	-	-	-	2,152
Unassigned Fund Balance, Ending	$ 11,862	$ 21,482	$ 1,165,971	$ 1,239,218

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, 2017
(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:	$ 864,746	$ 930	$ 35,460	$ 23,353	$ 74,617	$ 59,752	$ 124,167	$ 393,252	$ 41,776	$ 832,426	$ 58,012
Less: Nonspendable Inventory	40,639	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	816,408	8	13,661	6,248	11,686	5,692	5,315	215,219	352	19,458	19,491
Unassigned Fund Balance	$ 7,699	$ 922	$ 21,799	$ 17,105	$ 62,931	$ 54,060	$ 118,852	$ 178,033	$ 41,424	$ 812,968	$ 38,521
Basis of Accounting Differences:											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ (43,027)	$ -	$ (836)	$ -	$ -	$ -	$ (7,073)	$ (25,643)	$ -	$ (110,750)	$ (16,277)
Other Receivables	-	(21)	-	(9)	(19,308)	(1,097)	-	(15)	(2,183)	(219)	(121)
Investments at Market	-	-	-	-	-	(11,688)	(882)	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	4,565	-
Other Payables	146	10,504	-	-	-	-	321	8,598	17,026	6,400	-
Other Financing Sources (Uses):											
Transfers-In	-	-	-	-	(1,960)	(1,127)	-	-	-	-	-
Transfers-Out	-	-	-	-	-	400	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(81,195)	-	-	-	-
Long-Term Receivables	-	-	(1,692)	-	-	-	(460)	-	-	-	-
Long-Term Commitments	412,233	-	-	-	-	-	-	-	-	-	-
Appropriation Carryover	(45,545)	-	(3,951)	(3,651)	(9,565)	(8,478)	(7,633)	(149,954)	(16,307)	(3,981)	(641)
Budgetary Basis:											
Unassigned Fund Balance	$ 331,506	$ 11,405	$ 15,320	$ 13,445	$ 32,098	$ 32,070	$ 21,930	$ 11,019	$ 39,960	$ 708,983	$ 21,482

MINNESOTA

State of Minnesota

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Nonmajor Capital Projects Funds

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

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

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

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 88,704	$ 36,665	$ 35,774	$ 161,143
Interfund Receivables	-	11,550	-	11,550
Total Assets	$ 88,704	$ 48,215	$ 35,774	$ 172,693
LIABILITIES				
Liabilities:				
Accounts Payable	$ 35,322	$ 4,761	$ 17,362	$ 57,445
Interfund Payables	2,941	-	-	2,941
Due to Component Unit	5,627	-	-	5,627
Total Liabilities	$ 43,890	$ 4,761	$ 17,362	$ 66,013
FUND BALANCES				
Fund Balances:				
Restricted	$ 44,814	$ -	$ 18,412	$ 63,226
Assigned	-	43,454	-	43,454
Total Fund Balances	$ 44,814	$ 43,454	$ 18,412	$ 106,680
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 88,704	$ 48,215	$ 35,774	$ 172,693

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 12	$ -	$ -	$ 12
Net Revenues	$ 12	$ -	$ -	$ 12
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 20,645	$ 3,164	$ -	$ 23,809
Economic and Workforce Development	54,487	29,166	-	83,653
General Education	9,899	-	-	9,899
General Government	-	2,115	67	2,182
Health and Human Services	11,320	-	-	11,320
Higher Education	54,007	-	-	54,007
Transportation	30,702	15,052	43,006	88,760
Total Current Expenditures	$ 181,060	$ 49,497	$ 43,073	$ 273,630
Capital Outlay	133,551	11,709	186,231	331,491
Debt Service	96	-	-	96
Total Expenditures	$ 314,707	$ 61,206	$ 229,304	$ 605,217
Excess of Revenues Over (Under) Expenditures	$ (314,695)	$ (61,206)	$ (229,304)	$ (605,205)
Other Financing Sources (Uses):				
Bond Issuance	$ 249,775	$ -	$ 230,228	$ 480,003
Bond Issue Premium	57,382	-	3,672	61,054
Transfers-In	-	11,550	-	11,550
Transfers-Out	(33,180)	-	-	(33,180)
Net Other Financing Sources (Uses)	$ 273,977	$ 11,550	$ 233,900	$ 519,427
Net Change in Fund Balances	$ (40,718)	$ (49,656)	$ 4,596	$ (85,778)
Fund Balances, Beginning, as Reported	$ 85,532	$ 93,110	$ 13,816	$ 192,458
Fund Balances, Ending	$ 44,814	$ 43,454	$ 18,412	$ 106,680

MINNESOTA

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Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

MNsure Fund

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

911 Services Fund

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

Public Employees Insurance Fund

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

State Auditor Fund

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

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.

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,245	$ 44,136	$ 6,474	$ 13,601
Accounts Receivable	1,288	6,096	62	6,100
Interfund Receivables	-	-	-	-
Federal Aid Receivable	-	-	-	-
Inventories	-	623	240	6,312
Prepaid Expenses	-	-	-	562
Total Current Assets	$ 2,533	$ 50,855	$ 6,776	$ 26,575
Noncurrent Assets:				
Accounts Receivable	$ 815	$ 5	$ -	$ -
Depreciable Capital Assets (Net)	364	369	22,669	7,527
Nondepreciable Capital Assets	-	3	2,262	-
Total Noncurrent Assets	$ 1,179	$ 377	$ 24,931	$ 7,527
Total Assets	$ 3,712	$ 51,232	$ 31,707	$ 34,102
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows	$ 20,643	$ 14,081	$ 3,060	$ 29,438
Total Deferred Outflows of Resources	$ 20,643	$ 14,081	$ 3,060	$ 29,438
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 8,406	$ 27,691	$ 727	$ 1,585
Interfund Payables	1,905	-	-	-
Due to Component Unit	-	-	-	-
Unearned Revenue	-	16	-	-
Accrued Interest Payable	-	-	-	-
Bonds and Notes Payable	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences Payable	22	77	16	200
Total Current Liabilities	$ 10,333	$ 27,784	$ 743	$ 1,785
Noncurrent Liabilities:				
Unearned Revenue	$ -	$ -	$ -	$ -
Bonds and Notes Payable	-	-	-	-
Compensated Absences Payable	159	638	113	1,200
Other Postemployment Benefits	109	117	28	208
Net Pension Liability	29,477	20,111	4,369	55,660
Total Noncurrent Liabilities	$ 29,745	$ 20,866	$ 4,510	$ 57,068
Total Liabilities	$ 40,078	$ 48,650	$ 5,253	$ 58,853
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Inflows	$ 2,152	$ 1,468	$ 318	$ 3,355
Total Deferred Inflows of Resources	$ 2,152	$ 1,468	$ 318	$ 3,355
NET POSITION				
Net Investment in Capital Assets	$ 364	$ 372	$ 24,931	$ 7,527
Restricted for:				
Economic and Workforce Development	$ -	$ -	$ 4,265	$ -
Public Safety and Corrections	-	-	-	-
Other Purposes	-	14,823	-	-
Total Restricted	$ -	$ 14,823	$ 4,265	$ -
Unrestricted	$ (18,239)	$ -	$ -	$ (6,195)
Total Net Position	$ (17,875)	$ 15,195	$ 29,196	$ 1,332

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 9,804	$ 36,191	$ 61,820	$ 491	$ 27,344	$ 7,655	$ 208,761
3,983	-	2,561	1,303	5,175	1,385	27,953
1,168	1,094	-	-	-	1,905	4,167
1,821	-	-	-	-	-	1,821
-	-	-	-	1,217	-	8,392
-	-	-	-	490	181	1,233
$ 16,776	$ 37,285	$ 64,381	$ 1,794	$ 34,226	$ 11,126	$ 252,327
$ -	$ 26	$ -	$ -	$ -	$ 610	$ 1,456
39,398	105,937	-	27	1,376	1,545	179,212
-	13,871	-	-	-	786	16,922
$ 39,398	$ 119,834	$ -	$ 27	$ 1,376	$ 2,941	$ 197,590
$ 56,174	$ 157,119	$ 64,381	$ 1,821	$ 35,602	$ 14,067	$ 449,917
$ 22,581	$ 10,657	$ 399	$ 11,713	$ 27,884	$ 78,222	$ 218,678
$ 22,581	$ 10,657	$ 399	$ 11,713	$ 27,884	$ 78,222	$ 218,678
$ 8,618	$ 3,072	$ 2,245	$ 320	$ 11,040	$ 9,306	$ 73,010
-	-	-	977	21,731	-	24,613
-	6	-	-	-	-	6
-	-	4,744	-	609	-	5,369
-	298	-	-	-	-	298
-	19,430	-	-	-	172	19,602
-	-	10,261	-	-	-	10,261
88	102	8	155	204	1,186	2,058
$ 8,706	$ 22,908	$ 17,258	$ 1,452	$ 33,584	$ 10,664	$ 135,217
$ -	$ -	$ -	$ -	$ 418	$ -	$ 418
-	58,729	-	-	-	-	58,729
524	511	41	744	1,398	5,906	11,234
65	522	2	99	202	2,206	3,558
32,247	15,217	569	16,726	39,820	111,703	325,899
$ 32,836	$ 74,979	$ 612	$ 17,569	$ 41,838	$ 119,815	$ 399,838
$ 41,542	$ 97,887	$ 17,870	$ 19,021	$ 75,422	$ 130,479	$ 535,055
$ 2,354	$ 1,111	$ 41	$ 1,221	$ 2,907	$ 8,155	$ 23,082
$ 2,354	$ 1,111	$ 41	$ 1,221	$ 2,907	$ 8,155	$ 23,082
$ 39,398	$ 48,414	$ -	$ 27	$ 1,376	$ 2,159	$ 124,568
$ -	$ -	$ -	$ -	$ -	$ -	$ 4,265
-	20,364	-	-	-	-	20,364
-	-	46,869	-	-	-	61,692
$ -	$ 20,364	$ 46,869	$ -	$ -	$ -	$ 86,321
$ (4,539)	$ -	$ -	$ (6,735)	$ (16,219)	$ (48,504)	$ (100,431)
$ 34,859	$ 68,778	$ 46,869	$ (6,708)	$ (14,843)	$ (46,345)	$ 110,458

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ 8,884	$ 28,971	$ 4,343	$ 48,849
Insurance Premiums	-	-	-	-
Other Income	-	1,227	-	4,541
Total Operating Revenues	$ 8,884	$ 30,198	$ 4,343	$ 53,390
Less: Cost of Goods Sold	-	375	720	19,881
Gross Margin	$ 8,884	$ 29,823	$ 3,623	$ 33,509
Operating Expenses:				
Purchased Services	$ 2,621	$ 4,550	$ 4,753	$ 3,584
Salaries and Fringe Benefits	13,666	10,987	2,680	20,845
Claims	-	-	-	-
Depreciation and Amortization	53	76	1,837	1,268
Supplies and Materials	773	381	1,219	1,039
Repairs and Maintenance	25	38	1	451
Indirect Costs	159	213	-	1,231
Other Expenses	32	71	358	8,854
Total Operating Expenses	$ 17,329	$ 16,316	$ 10,848	$ 37,272
Operating Income (Loss)	$ (8,445)	$ 13,507	$ (7,225)	$ (3,763)
Nonoperating Revenues (Expenses):				
Investment Income	$ 33	$ 11	$ -	$ 119
Federal Grants	-	-	-	-
Other Nonoperating Revenues	-	-	-	-
Interest and Financing Costs	-	-	-	-
Grants, Aids and Subsidies	(1)	-	(9)	(3,121)
Other Nonoperating Expenses	-	(13,204)	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	$ 32	$ (13,193)	$ (9)	$ (3,002)
Income (Loss) Before Transfers and Contributions	$ (8,413)	$ 314	$ (7,234)	$ (6,765)
Transfers-In	6,113	1,518	10,427	-
Transfers-Out	(132)	-	-	(1,000)
Change in Net Position	$ (2,432)	$ 1,832	$ 3,193	$ (7,765)
Net Position, Beginning, as Reported	$ (15,443)	$ 13,363	$ 26,003	$ 9,097
Net Position, Ending	$ (17,875)	$ 15,195	$ 29,196	$ 1,332

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 76,324	$ -	$ 6,817	$ 563,507	$ 95,832	$ 833,527
-	-	119,810	-	-	-	119,810
29,758	-	579	-	-	-	36,105
$ 29,758	$ 76,324	$ 120,389	$ 6,817	$ 563,507	$ 95,832	$ 989,442
-	-	-	-	397,080	-	418,056
$ 29,758	$ 76,324	$ 120,389	$ 6,817	$ 166,427	$ 95,832	$ 571,386
$ 19,926	$ 15,116	$ 8,073	$ 644	$ 12,455	$ 6,976	$ 78,698
18,270	8,306	257	8,244	18,281	115,685	217,221
-	-	99,663	-	-	2	99,665
4,457	10,913	-	27	532	72	19,235
143	1,295	1	76	1,137	2,442	8,506
40	423	-	10	-	563	1,551
89	69	2	-	-	3,488	5,251
-	35	312	8	358	111	10,139
$ 42,925	$ 36,157	$ 108,308	$ 9,009	$ 32,763	$ 129,339	$ 440,266
$ (13,167)	$ 40,167	$ 12,081	$ (2,192)	$ 133,664	$ (33,507)	$ 131,120
$ 27	$ 10	$ 517	$ -	$ 390	$ 127	$ 1,234
15,579	-	-	-	-	-	15,579
12,170	-	-	-	13	-	12,183
-	(1,953)	-	-	-	-	(1,953)
-	(16,269)	-	-	-	(1,104)	(20,504)
(12,189)	-	-	-	-	-	(25,393)
-	(83)	-	-	-	104	21
$ 15,587	$ (18,295)	$ 517	$ -	$ 403	$ (873)	$ (18,833)
$ 2,420	$ 21,872	$ 12,598	$ (2,192)	$ 134,067	$ (34,380)	$ 112,287
-	-	-	-	-	14,132	32,190
-	(683)	-	(977)	(139,159)	-	(141,951)
$ 2,420	$ 21,189	$ 12,598	$ (3,169)	$ (5,092)	$ (20,248)	$ 2,526
$ 32,439	$ 47,589	$ 34,271	$ (3,539)	$ (9,751)	$ (26,097)	$ 107,932
$ 34,859	$ 68,778	$ 46,869	$ (6,708)	$ (14,843)	$ (46,345)	$ 110,458

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 10,686	$ 27,484	$ 4,345	$ 48,601
Receipts from Other Revenues	-	1,227	-	4,541
Payments to Claimants	-	-	-	-
Payments to Suppliers	(3,922)	(15,279)	(7,868)	(31,600)
Payments to Employees	(11,663)	(8,721)	(1,944)	(11,779)
Payments to Others	(216)	(10)	-	(3,049)
Net Cash Flows from Operating Activities	$ (5,115)	$ 4,701	$ (5,467)	$ 6,714
Cash Flows from Noncapital Financing Activities:				
Grant Receipts	$ -	$ -	$ -	$ -
Grant Disbursements	(1)	-	(9)	(3,121)
Transfers-In	6,113	1,518	10,427	-
Transfers-Out	-	-	-	(1,000)
Repayment of Advances from Other Funds	-	-	-	-
Proceeds from Bonds	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ 6,112	$ 1,518	$ 10,418	$ (4,121)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (112)	$ -	$ (2,915)	$ (2,564)
Proceeds from Disposal of Capital Assets	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (112)	$ -	$ (2,915)	$ (2,564)
Cash Flows from Investing Activities:				
Investment Earnings	$ 35	$ 11	$ -	$ 119
Net Cash Flows from Investing Activities	$ 35	$ 11	$ -	$ 119
Net Increase (Decrease) in Cash and Cash Equivalents	$ 920	$ 6,230	$ 2,036	$ 148
Cash and Cash Equivalents, Beginning, as Reported	$ 325	$ 37,906	$ 4,438	$ 13,453
Cash and Cash Equivalents, Ending	$ 1,245	$ 44,136	$ 6,474	$ 13,601
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (8,445)	$ 13,507	$ (7,225)	$ (3,763)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 53	$ 76	$ 1,837	$ 1,268
Miscellaneous Nonoperating Revenues	-	-	-	-
Miscellaneous Nonoperating Expenses	-	(13,204)	-	-
Change in Assets, Liabilities, Deferred Outflows and Inflows:				
Accounts Receivable	1,801	(1,499)	-	(248)
Inventories	-	46	(56)	811
Other Assets	-	-	-	53
Deferred Pension Outflows	(19,292)	(13,714)	(3,002)	(25,424)
Accounts Payable	(526)	3,592	(772)	(491)
Claims Payable	-	-	-	-
Compensated Absences Payable	(966)	168	(44)	76
Unearned Revenues	-	(1)	-	-
Net Pension Liability	25,404	17,238	3,922	36,089
Other Liabilities	(156)	64	28	18
Deferred Pension Inflows	(2,988)	(1,572)	(155)	(1,675)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 3,330	$ (8,806)	$ 1,758	$ 10,477
Net Cash Flows from Operating Activities	$ (5,115)	$ 4,701	$ (5,467)	$ 6,714
Noncash Investing, Capital and Financing Activities:				
Bond Premium Amortization	-	-	-	-

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 76,328	$ 122,797	$ 6,757	$ 563,135	$ 98,805	$ 958,938
41,010	-	-	-	17	-	46,795
-	-	(97,255)	-	(351,160)	-	(448,415)
(21,272)	(16,865)	(8,213)	(724)	(31,855)	(8,956)	(146,554)
(13,913)	(5,571)	(178)	(5,911)	(13,021)	(96,112)	(168,813)
(12,192)	-	(663)	-	(33,891)	(4,164)	(54,185)
$ (6,367)	$ 53,892	$ 16,488	$ 122	$ 133,225	$ (10,427)	$ 187,766
$ 20,400	$ -	$ -	$ -	$ -	$ -	$ 20,400
-	(16,269)	-	-	-	(1,104)	(20,504)
-	-	-	-	-	14,132	32,190
-	(683)	-	-	(135,488)	-	(137,171)
(1,000)	-	-	-	-	(132)	(1,132)
-	100,170	-	-	-	-	100,170
-	(121,660)	-	-	-	-	(121,660)
-	(12,351)	-	-	-	-	(12,351)
$ 19,400	$ (50,793)	$ -	$ -	$ (135,488)	$ 12,896	$ (140,058)
$ (4,126)	$ (7,657)	$ -	$ -	$ (623)	$ -	$ (17,997)
-	-	-	-	12	104	116
-	-	-	-	-	(165)	(165)
-	-	-	-	-	(15)	(15)
$ (4,126)	$ (7,657)	$ -	$ -	$ (611)	$ (76)	$ (18,061)
$ 27	$ 10	$ 517	$ -	$ 390	$ 127	$ 1,236
$ 27	$ 10	$ 517	$ -	$ 390	$ 127	$ 1,236
$ 8,934	$ (4,548)	$ 17,005	$ 122	$ (2,484)	$ 2,520	$ 30,883
$ 870	$ 40,739	$ 44,815	$ 369	$ 29,828	$ 5,135	$ 177,878
$ 9,804	$ 36,191	$ 61,820	$ 491	$ 27,344	$ 7,655	$ 208,761
$ (13,167)	$ 40,167	$ 12,081	$ (2,192)	$ 133,664	$ (33,507)	$ 131,120
$ 4,457	$ 10,913	$ -	$ 27	$ 532	$ 72	$ 19,235
12,170	-	-	-	-	-	12,170
(12,189)	-	-	-	-	-	(25,393)
(919)	4	1,683	(60)	(178)	2,973	3,557
-	-	-	-	67	-	868
-	-	-	-	(17)	-	36
(22,065)	(10,427)	(390)	(11,454)	(27,238)	(76,744)	(209,750)
(1,076)	73	354	25	(5,735)	462	(4,094)
-	-	(167)	-	-	-	(167)
101	16	-	(18)	(59)	99	(627)
-	-	2,459	-	(166)	-	2,292
28,211	13,417	500	14,702	34,766	100,132	274,381
23	522	-	11	25	166	701
(1,913)	(793)	(32)	(919)	(2,436)	(4,080)	(16,563)
$ 6,800	$ 13,725	$ 4,407	$ 2,314	$ (439)	$ 23,080	$ 56,646
$ (6,367)	$ 53,892	$ 16,488	$ 122	$ 133,225	$ (10,427)	$ 187,766
-	10,294	-	-	-	-	10,294

MINNESOTA

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Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Employee Insurance Fund

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

MN.IT Services Fund

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

Plant Management Fund

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

Risk Management Fund

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,858	$ 2,127	$ 259,472
Accounts Receivable	1,592	3,107	18,334
Inventories	-	2	-
Prepaid Expenses	1	797	-
Total Current Assets	$ 3,451	$ 6,033	$ 277,806
Noncurrent Assets:			
Depreciable Capital Assets (Net)	$ 27,340	$ 545	$ -
Nondepreciable Capital Assets	-	-	-
Prepaid Expenses	-	-	-
Total Noncurrent Assets	$ 27,340	$ 545	$ -
Total Assets	$ 30,791	$ 6,578	$ 277,806
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	$ 1,455	$ 10,639	$ 8,989
Total Deferred Outflows of Resources	$ 1,455	$ 10,639	$ 8,989
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 2,645	$ 1,597	$ 17,962
Interfund Payables	-	1,042	-
Unearned Revenue	-	-	5,506
Accrued Interest Payable	17	-	-
Bonds and Notes Payable	5,190	-	-
Claims Payable	-	-	80,876
Compensated Absences Payable	11	35	42
Total Current Liabilities	$ 7,863	$ 2,674	$ 104,386
Noncurrent Liabilities:			
Bonds and Notes Payable	$ 8,386	$ -	$ -
Compensated Absences Payable	69	415	378
Other Postemployment Benefits	12	62	54
Net Pension Liability	2,078	15,190	12,837
Total Noncurrent Liabilities	$ 10,545	$ 15,667	$ 13,269
Total Liabilities	$ 18,408	$ 18,341	$ 117,655
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	$ 152	$ 1,110	$ 938
Total Deferred Inflows of Resources	$ 152	$ 1,110	$ 938
NET POSITION			
Net Investment in Capital Assets	$ 13,764	$ 545	$ -
Unrestricted	$ (78)	$ (2,779)	$ 168,202
Total Net Position	$ 13,686	$ (2,234)	$ 168,202

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 47,640	$ 6,974	$ 23,367	$ 341,438
96,578	4,700	66	124,377
-	234	-	236
20,995	1	74	21,868
$ 165,213	$ 11,909	$ 23,507	$ 487,919
$ 28,625	$ 7,306	$ 259	$ 64,075
48,054	261	-	48,315
5,667	-	-	5,667
$ 82,346	$ 7,567	$ 259	$ 118,057
$ 247,559	$ 19,476	$ 23,766	$ 605,976
$ 574,332	$ 32,935	$ 2,562	$ 630,912
$ 574,332	$ 32,935	$ 2,562	$ 630,912
$ 33,309	$ 3,751	$ 197	$ 59,461
97,668	-	-	98,710
38,179	5	169	43,859
10	-	-	27
4,035	-	-	9,225
-	-	8,816	89,692
3,218	242	36	3,584
$ 176,419	$ 3,998	$ 9,218	$ 304,558
$ 4,872	$ -	$ -	$ 13,258
26,224	1,365	214	28,665
996	333	16	1,473
820,159	47,032	3,658	900,954
$ 852,251	$ 48,730	$ 3,888	$ 944,350
$ 1,028,670	$ 52,728	$ 13,106	$ 1,248,908
$ 59,874	$ 3,434	$ 267	$ 65,775
$ 59,874	$ 3,434	$ 267	$ 65,775
$ 67,772	$ 7,567	$ 259	$ 89,907
$ (334,425)	$ (11,318)	$ 12,696	$ (167,702)
$ (266,653)	$ (3,751)	$ 12,955	$ (77,795)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales	$ 11,800	$ 18,139	$ -
Insurance Premiums	-	-	895,039
Other Income	-	2,077	7,437
Total Operating Revenues	$ 11,800	$ 20,216	$ 902,476
Operating Expenses:			
Purchased Services	$ 1,517	$ 14,046	$ 75,415
Salaries and Fringe Benefits	961	6,829	5,974
Claims	-	-	802,403
Depreciation and Amortization	4,538	61	-
Supplies and Materials	3,239	176	38
Repairs and Maintenance	1,408	291	5
Indirect Costs	337	62	26
Other Expenses	329	13	2,110
Total Operating Expenses	$ 12,329	$ 21,478	$ 885,971
Operating Income (Loss)	$ (529)	$ (1,262)	$ 16,505
Nonoperating Revenues (Expenses):			
Investment Income	$ 148	$ -	$ 2,486
Other Nonoperating Revenues	-	-	-
Interest and Financing Costs	(201)	-	-
Other Nonoperating Expenses	(220)	-	-
Gain (Loss) on Disposal of Capital Assets	494	2	-
Total Nonoperating Revenues (Expenses)	$ 221	$ 2	$ 2,486
Income (Loss) Before Transfers and Contributions	$ (308)	$ (1,260)	$ 18,991
Transfers-Out	-	-	(20)
Change in Net Position	$ (308)	$ (1,260)	$ 18,971
Net Position, Beginning, as Reported	$ 13,994	$ (974)	$ 149,231
Net Position, Ending	$ 13,686	$ (2,234)	$ 168,202

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 446,026	$ 70,632	$ 42	$ 546,639
-	-	11,432	906,471
-	1,056	-	10,570
$ 446,026	$ 71,688	$ 11,474	$ 1,463,680
$ 113,035	$ 12,129	$ 4,718	$ 220,860
376,720	22,623	1,652	414,759
-	-	3,429	805,832
11,018	750	37	16,404
17,497	2,680	8	23,638
8,819	7,385	-	17,908
900	947	256	2,528
33	242	2	2,729
$ 528,022	$ 46,756	$ 10,102	$ 1,504,658
$ (81,996)	$ 24,932	$ 1,372	$ (40,978)
$ 113	$ -	$ 246	$ 2,993
-	334	-	334
(689)	-	-	(890)
(4,158)	-	(3,151)	(7,529)
-	(903)	-	(407)
$ (4,734)	$ (569)	$ (2,905)	$ (5,499)
$ (86,730)	$ 24,363	$ (1,533)	$ (46,477)
(39)	(32,901)	-	(32,960)
$ (86,769)	$ (8,538)	$ (1,533)	$ (79,437)
$ (179,884)	$ 4,787	$ 14,488	$ 1,642
$ (266,653)	$ (3,751)	$ 12,955	$ (77,795)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:			
Receipts from Customers	$ 11,455	$ 18,120	$ 894,199
Receipts from Other Revenues	-	2,077	7,436
Payments to Claimants	-	-	(790,640)
Payments to Suppliers	(6,434)	(14,201)	(73,642)
Payments to Employees	(710)	(4,892)	(4,157)
Payments to Others	(220)	-	(4,545)
Net Cash Flows from Operating Activities	$ 4,091	$ 1,104	$ 28,651
Cash Flows from Noncapital Financing Activities:			
Transfers-Out	$ -	$ -	$ (20)
Advances from Other Funds	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ -	$ (20)
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets	$ (7,777)	$ (27)	$ -
Proceeds from Disposal of Capital Assets	2,057	6	-
Proceeds from Loans	6,953	-	-
Repayment of Loan Principal	(6,746)	-	-
Interest Paid	(200)	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (5,713)	$ (21)	$ -
Cash Flows from Investing Activities:			
Investment Earnings	$ 148	$ -	$ 2,486
Net Cash Flows from Investing Activities	$ 148	$ -	$ 2,486
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,474)	$ 1,083	$ 31,117
Cash and Cash Equivalents, Beginning, as Reported	3,332	1,044	228,355
Cash and Cash Equivalents, Ending	$ 1,858	$ 2,127	$ 259,472
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (529)	$ (1,262)	$ 16,505
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	$ 4,538	$ 61	$ -
Miscellaneous Nonoperating Revenues		-	-
Miscellaneous Nonoperating Expenses	(220)	-	-
Accounts Receivable	(345)	(24)	(1,803)
Inventories	-	3	-
Other Assets	-	341	-
Deferred Pension Outflows	(1,419)	(10,392)	(8,788)
Accounts Payable	397	33	1,456
Claims Payable	-	-	10,489
Compensated Absences Payable	15	16	11
Unearned Revenues	-	-	224
Net Pension Liability	1,798	13,261	11,269
Other Liabilities	-	(3)	9
Deferred Pension Inflows	(144)	(930)	(721)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 4,620	$ 2,366	$ 12,146
Net Cash Flows from Operating Activities	$ 4,091	$ 1,104	$ 28,651

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 443,057	$ 66,991	$ 11,451	$ 1,445,273
-	946	-	10,459
-	-	(3,858)	(794,498)
(139,766)	(25,143)	(5,076)	(264,262)
(247,880)	(16,115)	(1,209)	(274,963)
(4,158)	(2,000)	(3,151)	(14,074)
$ 51,253	$ 24,679	$ (1,843)	$ 107,935
$ (39)	$ (32,901)	$ -	$ (32,960)
37,651	-	-	37,651
$ 37,612	$ (32,901)	$ -	$ 4,691
$ (53,128)	$ (445)	$ -	$ (61,377)
-	23	-	2,086
4,664	-	-	11,617
(5,725)	-	-	(12,471)
(689)	-	-	(889)
$ (54,878)	$ (422)	$ -	$ (61,034)
$ 113	$ -	$ 246	$ 2,993
$ 113	$ -	$ 246	$ 2,993
$ 34,100	$ (8,644)	$ (1,597)	$ 54,585
13,540	15,618	24,964	286,853
$ 47,640	$ 6,974	$ 23,367	$ 341,438
$ (81,996)	$ 24,932	$ 1,372	$ (40,978)
$ 11,018	$ 750	$ 37	$ 16,404
-	334	-	334
(4,158)	-	(3,151)	(7,529)
(8,156)	(3,798)	(47)	(14,173)
-	(81)	-	(78)
(10,780)	-	(35)	(10,474)
(562,212)	(32,192)	(2,499)	(617,502)
11,298	(3,841)	230	9,573
-	-	(707)	9,782
5,781	25	13	5,861
5,187	5	24	5,440
725,334	41,219	3,168	796,049
329	39	3	377
(40,392)	(2,713)	(251)	(45,151)
$ 133,249	$ (253)	$ (3,215)	$ 148,913
$ 51,253	$ 24,679	$ (1,843)	$ 107,935

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Pension Trust Funds

Minnesota State Retirement System

State Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

Correctional Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for offenders at Minnesota correctional facilities.

Judges Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county, and probate court judges, supreme court justices, and various court referees.

Legislators Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

State Patrol Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers, and crime bureau personnel.

Hennepin County Supplemental Retirement Fund

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

Pension Trust Funds – Continued

Health Care Savings Fund

The fund includes contributions by or on behalf of employees and accumulated earnings for reimbursement of health-related expenses of the employee or dependents after retirement.

Unclassified Employees Retirement Fund

The fund includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

Minnesota Deferred Compensation Fund

The fund includes contributions by participants toward a voluntary retirement savings plan.

Public Employees Retirement Association

General Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

Minneapolis Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of the City of Minneapolis.

Police and Fire Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

Public Employees Correctional Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible correctional employees of various local units of government.

Volunteer Firefighter Retirement Fund

The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

Defined Contribution Fund

The fund is an IRC Section 401(a) deferred compensation plan administered by the Public Employees Retirement Association.

Teachers Retirement Association

Teachers Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

State Colleges and Universities

State Colleges and Universities Retirement Fund

The fund includes unclassified teachers, librarians, administrators, and certain other staff members who have been employed fulltime for a minimum of two academic years.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
ASSETS			
Cash and Cash Equivalent Investments	$ 17,495	$ 2,283	$ 616
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 576,886	$ 49,470	$ 9,522
Investments	11,998,770	982,238	176,967
Accrued Interest and Dividends	26,387	2,163	389
Securities Trades Receivables (Payables)	(165,869)	(13,596)	(2,456)
Total Investment Pool Participation	$ 12,436,174	$ 1,020,275	$ 184,422
Receivables:			
Interfund Receivables	$ 5,727	$ 1	$ -
Other Receivables	18,218	2,779	237
Total Receivables	$ 23,945	$ 2,780	$ 237
Securities Lending Collateral	$ 1,284,498	$ 105,150	$ 18,943
Depreciable Capital Assets (Net)	18,368	-	-
Nondepreciable Capital Assets	88	-	-
Total Assets	$ 13,780,568	$ 1,130,488	$ 204,218
LIABILITIES			
Accounts Payable	$ 4,284	$ 254	$ 47
Interfund Payables	1	848	87
Accrued Expense	-	-	-
Revenue Bonds Payable	4,014	-	-
Bond Interest	-	-	-
Compensated Absences Payable	925	-	-
Securities Lending Liabilities	1,284,498	105,150	18,943
Other Liabilities	1,231	418	-
Total Liabilities	$ 1,294,953	$ 106,670	$ 19,077
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 12,485,615	$ 1,023,818	$ 185,141

MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
$ 259	$ 1,088	$ 21	$ 538	$ 51	$ 9,690
$ -	$ 32,412	$ 16,506	$ 312,964	$ 11,135	$ 71,703
-	664,831	137,975	637,765	294,897	6,413,981
-	1,463	267	1,470	416	62
-	(9,211)	(1,734)	(9,491)	(2,190)	-
$ -	$ 689,495	$ 153,014	$ 942,708	$ 304,258	$ 6,485,746
$ 39	$ -	$ -	$ 4	$ -	$ -
-	1,390	14	11,047	741	10,797
$ 39	$ 1,390	$ 14	$ 11,051	$ 741	$ 10,797
$ -	$ 71,169	$ 2,139	$ 13,183	$ 4,253	$ 90,781
-	-	-	-	-	-
-	-	-	-	-	-
$ 298	$ 763,142	$ 155,188	$ 967,480	$ 309,303	$ 6,597,014
$ 2	$ 170	$ 36	$ 827	$ 53	$ 1,235
296	204	10	2,580	380	1,585
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	71,169	2,139	13,183	4,253	90,781
-	-	-	88	27	513
$ 298	$ 71,543	$ 2,185	$ 16,678	$ 4,713	$ 94,114
$ -	$ 691,599	$ 153,003	$ 950,802	$ 304,590	$ 6,502,900

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
ASSETS			
Cash and Cash Equivalent Investments	$ 6,740	$ 2,500	$ 505
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 912,112	$ 356,620	$ 27,730
Investments	19,371,957	7,635,806	580,709
Accrued Interest and Dividends	42,590	16,787	1,274
Securities Trades Receivables (Payables)	(267,885)	(105,610)	(7,981)
Total Investment Pool Participation	$ 20,058,774	$ 7,903,603	$ 601,732
Receivables:			
Interfund Receivables	$ 1,640	$ 54	$ 6
Other Receivables	39,225	18,294	712
Total Receivables	$ 40,865	$ 18,348	$ 718
Securities Lending Collateral	$ 2,073,806	$ 817,426	$ 62,168
Depreciable Capital Assets (Net)	6,736	-	-
Nondepreciable Capital Assets	170	-	-
Total Assets	$ 22,187,091	$ 8,741,877	$ 665,123
LIABILITIES			
Accounts Payable	$ 6,197	$ 4,546	$ 157
Interfund Payables	211	1,026	338
Accrued Expense	-	-	-
Revenue Bonds Payable	5,328	-	-
Bond Interest	-	-	-
Compensated Absences Payable	970	-	-
Securities Lending Liabilities	2,073,806	817,426	62,168
Other Liabilities	-	-	-
Total Liabilities	$ 2,086,512	$ 822,998	$ 62,663
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 20,100,579	$ 7,918,879	$ 602,460

PUBLIC EMPLOYEES RETIREMENT					
VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 13	$ 113	$ 6,792	$ -	$ 48,704
$ 5,587	$ 4,426	$ 1,071,653	$ -	$ 3,458,726
71,974	60,315	20,386,445	1,877,294	71,291,924
259	131	45,126	-	138,784
(2,388)	(986)	(281,831)	-	(871,228)
$ 75,432	$ 63,886	$ 21,221,393	$ 1,877,294	$ 74,018,206
$ 12	$ -	$ -	$ -	$ 7,483
164	87	21,281	-	124,986
$ 176	$ 87	$ 21,281	$ -	$ 132,469
$ 10,872	$ 7,538	$ 2,182,399	$ -	$ 6,744,325
-	-	23,049	-	48,153
-	-	171	-	429
$ 86,493	$ 71,624	$ 23,455,085	$ 1,877,294	$ 80,992,286
$ 17	$ 16	$ 8,367	$ -	$ 26,208
-	137	-	-	7,703
-	-	41	-	41
-	-	5,244	-	14,586
-	-	11	-	11
-	-	933	-	2,828
10,872	7,538	2,182,399	-	6,744,325
-	-	-	-	2,277
$ 10,889	$ 7,691	$ 2,196,995	$ -	$ 6,797,979
$ 75,604	$ 63,933	$ 21,258,090	$ 1,877,294	$ 74,194,307

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
Additions:			
Contributions:			
Employer	$ 158,352	$ 31,763	$ 10,759
Member	161,670	22,648	3,932
Contributions From Other Sources	-	-	-
Total Contributions	$ 320,022	$ 54,411	$ 14,691
Net Investment Income (Loss):			
Investment Income (Loss)	$ 1,672,416	$ 135,748	$ 24,801
Less: Investment Expenses	(12,932)	(1,050)	(192)
Net Investment Income (Loss)	$ 1,659,484	$ 134,698	$ 24,609
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 18,318	$ 1,500	$ 270
Securities Lending Rebates and Fees	(10,241)	(839)	(150)
Net Securities Lending Revenue	$ 8,077	$ 661	$ 120
Total Investment Income (Loss)	$ 1,667,561	$ 135,359	$ 24,729
Transfers-In	$ 47,513	$ -	$ 3,000
Other Additions	189	-	-
Total Additions	$ 2,035,285	$ 189,770	$ 42,420
Deductions:			
Benefits	$ 750,525	$ 63,221	$ 22,785
Refunds and Withdrawals	11,576	1,466	310
Administrative Expenses	10,219	857	89
Transfers-Out	415	-	-
Total Deductions	$ 772,735	$ 65,544	$ 23,184
Net Increase (Decrease)	$ 1,262,550	$ 124,226	$ 19,236
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 11,223,065	$ 899,592	$ 165,905
Change in Reporting Entity	-	-	-
Change in Fund Structure	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 11,223,065	$ 899,592	$ 165,905
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 12,485,615	$ 1,023,818	$ 185,141

MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
$ -	$ 15,783	$ 160	$ -	$ 6,945	$ -
80	10,521	160	138,807	6,635	270,665
-	-	-	-	-	-
$ 80	$ 26,304	$ 320	$ 138,807	$ 13,580	$ 270,665
$ -	$ 93,350	$ 17,828	$ 65,526	$ 37,748	$ 668,385
-	(721)	(90)	(556)	(179)	(3,828)
$ -	$ 92,629	$ 17,738	$ 64,970	$ 37,569	$ 664,557
$ -	$ 1,015	$ 40	$ 247	$ 80	$ 1,698
-	(568)	(22)	(133)	(43)	(915)
$ -	$ 447	$ 18	$ 114	$ 37	$ 783
$ -	$ 93,076	$ 17,756	$ 65,084	$ 37,606	$ 665,340
$ 8,716	$ -	$ -	$ -	$ 415	$ -
-	1,000	89	4,220	207	3,839
$ 8,796	$ 120,380	$ 18,165	$ 208,111	$ 51,808	$ 939,844
$ 8,716	$ 58,560	$ 5,396	$ 74,686	$ -	$ 41,524
-	5	3,434	-	4,068	255,567
39	208	175	9,610	410	8,383
-	-	-	-	47,513	-
$ 8,755	$ 58,773	$ 9,005	$ 84,296	$ 51,991	$ 305,474
$ 41	$ 61,607	$ 9,160	$ 123,815	$ (183)	$ 634,370
$ (41)	$ 629,992	$ 143,843	$ 826,987	$ 304,773	$ 5,868,530
-	-	-	-	-	-
-	-	-	-	-	-
$ (41)	$ 629,992	$ 143,843	$ 826,987	$ 304,773	$ 5,868,530
$ -	$ 691,599	$ 153,003	$ 950,802	$ 304,590	$ 6,502,900

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
Additions:			
Contributions:			
Employer	$ 477,888	$ 166,329	$ 17,489
Member	400,204	101,984	11,666
Contributions From Other Sources	-	-	-
Total Contributions	$ 878,092	$ 268,313	$ 29,155
Net Investment Income (Loss):			
Investment Income (Loss)	$ 2,690,684	$ 1,062,022	$ 78,582
Less: Investment Expenses	(20,822)	(8,220)	(610)
Net Investment Income (Loss)	$ 2,669,862	$ 1,053,802	$ 77,972
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 29,571	$ 11,656	$ 887
Securities Lending Rebates and Fees	(16,532)	(6,516)	(496)
Net Securities Lending Revenue	$ 13,039	$ 5,140	$ 391
Total Investment Income (Loss)	$ 2,682,901	$ 1,058,942	$ 78,363
Transfers-In	$ 6,000	$ 9,000	$ -
Other Additions	411	24	-
Total Additions	$ 3,567,404	$ 1,336,279	$ 107,518
Deductions:			
Benefits	$ 1,413,448	$ 512,379	$ 11,033
Refunds and Withdrawals	37,234	2,119	1,478
Administrative Expenses	11,292	992	330
Transfers-Out	-	-	-
Total Deductions	$ 1,461,974	$ 515,490	$ 12,841
Net Increase (Decrease)	$ 2,105,430	$ 820,789	$ 94,677
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 17,995,149	$ 7,098,090	$ 507,783
Change in Reporting Entity	-	-	-
Change in Fund Structure	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 17,995,149	$ 7,098,090	$ 507,783
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 20,100,579	$ 7,918,879	$ 602,460

	PUBLIC EMPLOYEES RETIREMENT				
	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
	$ 4,419	$ 1,822	$ 367,791	$ 44,349	$ 1,303,849
	-	1,739	361,175	37,077	1,528,963
	-	-	6,495	5,372	11,867
	$ 4,419	$ 3,561	$ 735,461	$ 86,798	$ 2,844,679
	$ 6,927	$ 7,266	$ 2,863,554	$ 208,617	$ 9,633,454
	(234)	(54)	(22,060)	-	(71,548)
	$ 6,693	$ 7,212	$ 2,841,494	$ 208,617	$ 9,561,906
	$ 129	$ 136	$ 31,121	$ -	$ 96,668
	(75)	(74)	(17,398)	-	(54,002)
	$ 54	$ 62	$ 13,723	$ -	$ 42,666
	$ 6,747	$ 7,274	$ 2,855,217	$ 208,617	$ 9,604,572
	$ 2,659	$ -	$ 31,087	$ -	$ 108,390
	98	7	2,403	-	12,487
	$ 13,923	$ 10,842	$ 3,624,168	$ 295,415	$ 12,570,128
	$ 2,700	$ -	$ 1,765,573	$ 82,913	$ 4,813,459
	116	5,233	13,235	-	335,841
	61	137	11,702	1,466	55,970
	-	-	-	-	47,928
	$ 2,877	$ 5,370	$ 1,790,510	$ 84,379	$ 5,253,198
	$ 11,046	$ 5,472	$ 1,833,658	$ 211,036	$ 7,316,930
	$ 54,375	$ 58,461	$ 19,424,432	$ 1,666,258	$ 66,867,194
	6,285	-	-	-	6,285
	3,898	-	-	-	3,898
	$ 64,558	$ 58,461	$ 19,424,432	$ 1,666,258	$ 66,877,377
	$ 75,604	$ 63,933	$ 21,258,090	$ 1,877,294	$ 74,194,307

MINNESOTA

State of Minnesota

Investment Trust Funds

2017 Comprehensive Annual Financial Report

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.

INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET POSITION
JUNE 30, 2017
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 18,531	$ 26,839	$ 45,370
Investments	579,314	338,453	917,767
Accrued Interest and Dividends	1,187	820	2,007
Securities Trades Receivables (Payables)	(6,231)	(111)	(6,342)
Total Investment Pool Participation	$ 592,801	$ 366,001	$ 958,802
Securities Lending Collateral	$ 75,145	$ -	$ 75,145
Total Assets	$ 667,946	$ 366,001	$ 1,033,947
LIABILITIES			
Securities Lending Liabilities	$ 75,145	$ -	$ 75,145
Total Liabilities	$ 75,145	$ -	$ 75,145
NET POSITION			
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 592,801	$ 366,001	$ 958,802

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 4,935	$ 11,853	$ 16,788
Total Contributions	$ 4,935	$ 11,853	$ 16,788
Net Investment Income (Loss):			
Investment Income (Loss)	$ 84,161	$ 40,795	$ 124,956
Less: Investment Expenses	(401)	-	(401)
Net Investment Income (Loss)	$ 83,760	$ 40,795	$ 124,555
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 1,206	$ -	$ 1,206
Securities Lending Rebates and Fees	(669)	-	(669)
Net Securities Lending Revenue	$ 537	$ -	$ 537
Total Investment Income (Loss)	$ 84,297	$ 40,795	$ 125,092
Total Additions	$ 89,232	$ 52,648	$ 141,880
Deductions:			
Refunds and Withdrawals	$ 39,460	$ 7,524	$ 46,984
Administrative Expenses	36	32	68
Total Deductions	$ 39,496	$ 7,556	$ 47,052
Net Increase (Decrease)	$ 49,736	$ 45,092	$ 94,828
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 546,963	$ 320,909	$ 867,872
Change in Fund Structure	(3,898)	-	(3,898)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 543,065	$ 320,909	$ 863,974
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 592,801	$ 366,001	$ 958,802

MINNESOTA

State of Minnesota

2017
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Agency Fund

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalent Investments.......	$ 133,677	$ 910,246	$ 920,255	$ 123,668
Accounts Receivable...................................	33,499	36,405	33,499	36,405
Total Assets..	$ 167,176	$ 946,651	$ 953,754	$ 160,073
LIABILITIES				
Accounts Payable.......................................	$ 167,176	$ 946,651	$ 953,754	$ 160,073
Total Liabilities......................................	$ 167,176	$ 946,651	$ 953,754	$ 160,073

MINNESOTA

State of Minnesota

2017
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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

The foundation is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

Office of Higher Education

The office makes and guarantees loans to qualified post secondary students.

Public Facilities Authority

The authority provides financial assistance to eligible municipalities with high cost wastewater infrastructure projects.

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

The plan is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

Minnesota Sports Facilities Authority

The authority provides for the construction, financing, and long-term use and operations of a new multi-purpose stadium and related stadium infrastructure. The purpose of the stadium is to hold professional football games as well as a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2016, and JUNE 30, 2017
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 840	$ 541	$ 187,496
Investments	-	-	-
Accounts Receivable	-	664	1,799
Due from Primary Government	-	-	69
Accrued Investment/Interest Income	71	-	2,139
Federal Aid Receivable	-	-	-
Inventories	-	48	-
Loans and Notes Receivable	21	54	85,615
Prepaid Expenses	-	578	-
Other Assets	-	-	-
Total Current Assets	$ 932	$ 1,885	$ 277,118
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 244,503
Investments-Restricted	21,624	-	-
Due from Primary Government	-	-	-
Investments	-	-	-
Accounts Receivable	-	-	-
Loans and Notes Receivable	93	753	450,986
Depreciable Capital Assets (Net)	-	5,759	-
Nondepreciable Capital Assets	-	1,531	-
Prepaid Expenses	-	-	-
Total Noncurrent Assets	$ 21,717	$ 8,043	$ 695,489
Total Assets	$ 22,649	$ 9,928	$ 972,607
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	$ -	$ -	$ -
Deferred Pension Outflows	-	-	10,888
Total Deferred Outflows of Resources	$ -	$ -	$ 10,888
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 2	$ 1,294	$ 4,338
Due to Primary Government	-	-	6,563
Unearned Revenue	-	794	43
Accrued Interest Payable	-	-	1,073
Bonds and Notes Payable	-	274	4,255
Capital Leases Payable	-	48	-
Claims Payable	-	-	-
Compensated Absences Payable	-	-	51
Total Current Liabilities	$ 2	$ 2,410	$ 16,323
Noncurrent Liabilities:			
Unearned Revenue-Restricted	$ -	$ -	$ -
Due to Primary Government	-	-	-
Unearned Revenue	-	-	-
Bonds and Notes Payable	-	2,869	463,963
Capital Leases Payable	-	230	-
Claims Payable	-	-	-
Compensated Absences Payable	4	-	466
Other Postemployment Benefits	-	-	86
Net Pension Liability	-	-	15,549
Funds Held in Trust	-	-	-
Other Liabilities	-	250	-
Total Noncurrent Liabilities	$ 4	$ 3,349	$ 480,064
Total Liabilities	$ 6	$ 5,759	$ 496,387
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	$ -	$ -	$ 1,135
Total Deferred Inflows of Resources	$ -	$ -	$ 1,135
NET POSITION			
Net Investment in Capital Assets	$ -	$ 6,911	$ -
Restricted-Expendable	-	-	489,793
Unrestricted	22,643	(2,742)	(3,820)
Total Net Position	$ 22,643	$ 4,169	$ 485,973

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
$ 424,752	$ 13,374	$ 9,275	$ 26,077	$ 662,355
6,608	-	309,783	-	316,391
-	-	35,544	7,144	45,151
627	-	-	-	696
13,158	-	1,028	-	16,396
2,055	-	-	-	2,055
-	-	-	-	48
140,711	4,482	-	-	230,883
-	-	4,121	747	5,446
-	-	14	-	14
$ 587,911	$ 17,856	$ 359,765	$ 33,968	$ 1,279,435
$ -	$ -	$ -	$ 588	$ 245,091
-	-	-	6,151	27,775
4,864	-	-	-	4,864
11,719	-	-	-	11,719
-	-	306,598	-	306,598
1,707,425	53,051	-	-	2,212,308
-	-	-	1,058,592	1,064,351
-	-	-	31,983	33,514
-	-	-	1,831	1,831
$ 1,724,008	$ 53,051	$ 306,598	$ 1,099,145	$ 3,908,051
$ 2,311,919	$ 70,907	$ 666,363	$ 1,133,113	$ 5,187,486
$ 15,115	$ -	$ -	$ -	$ 15,115
5,689	-	-	1,726	18,303
$ 20,804	$ -	$ -	$ 1,726	$ 33,418
$ 14,560	$ -	$ 3,349	$ 5,274	$ 28,817
-	8,119	14,313	-	28,995
-	-	24,172	23,027	48,036
14,220	-	-	-	15,293
79,740	-	-	-	84,269
-	-	-	-	48
-	-	52,634	-	52,634
41	-	-	47	139
$ 108,561	$ 8,119	$ 94,468	$ 28,348	$ 258,231
$ -	$ -	$ -	$ 177	$ 177
-	44,803	-	-	44,803
-	-	-	10,522	10,522
896,760	-	-	-	1,363,592
-	-	-	-	230
-	-	521,895	-	521,895
283	-	-	22	775
-	-	-	-	86
8,124	-	-	2,604	26,277
-	-	-	198	198
15	-	-	-	265
$ 905,182	$ 44,803	$ 521,895	$ 13,523	$ 1,968,820
$ 1,013,743	$ 52,922	$ 616,363	$ 41,871	$ 2,227,051
$ 594	$ -	$ -	$ 702	$ 2,431
$ 594	$ -	$ -	$ 702	$ 2,431
$ -	$ -	$ -	$ 1,090,575	$ 1,097,486
1,315,806	-	4,387	-	1,809,986
2,580	17,985	45,613	1,691	83,950
$ 1,318,386	$ 17,985	$ 50,000	$ 1,092,266	$ 2,991,422

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016, and JUNE 30, 2017
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 69	$ 13,767	$ 262,646
Program Revenues:			
Charges for Services	$ 32	$ 13,539	$ 25,346
Operating Grants and Contributions	-	-	5,994
Capital Grants and Contributions	-	-	-
Net (Expense) Revenue	$ (37)	$ (228)	$ (231,306)
General Revenues:			
Taxes	$ -	$ -	$ -
Investment Income (Loss)	(36)	-	-
Other Revenues	-	973	-
Total General Revenues before Grants	$ (36)	$ 973	$ -
State Grants Not Restricted	-	-	249,140
Total General Revenues	$ (36)	$ 973	$ 249,140
Change in Net Position	$ (73)	$ 745	$ 17,834
Net Position, Beginning, as Reported	$ 22,716	$ 3,424	$ 468,139
Net Position, Ending	$ 22,643	$ 4,169	$ 485,973

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
$ 81,013	$ 590	$ 64,758	$ 115,131	$ 537,974
$ 36,162	$ 2,165	$ 57,991	$ 46,279	$ 181,514
38,399	-	-	9,106	53,499
-	-	-	224,046	224,046
$ (6,452)	$ 1,575	$ (6,767)	$ 164,300	$ (78,915)
$ -	$ -	$ -	$ 2,808	$ 2,808
-	-	6,767	70	6,801
-	-	-	10,038	11,011
$ -	$ -	$ 6,767	$ 12,916	$ 20,620
34,059	-	-	-	283,199
$ 34,059	$ -	$ 6,767	$ 12,916	$ 303,819
$ 27,607	$ 1,575	$ -	$ 177,216	$ 224,904
$ 1,290,779	$ 16,410	$ 50,000	$ 915,050	$ 2,766,518
$ 1,318,386	$ 17,985	$ 50,000	$ 1,092,266	$ 2,991,422

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 17	$ 2,164	$ 2,181
Rental and Service Fees	-	1	1
Other Income	15	-	15
Total Operating Revenues	$ 32	$ 2,165	$ 2,197
Operating Expenses:			
Economic and Manpower Development	$ 69	$ 590	$ 659
Total Operating Expenses	$ 69	$ 590	$ 659
Operating Income (Loss)	$ (37)	$ 1,575	$ 1,538
Nonoperating Revenues (Expenses):			
Investment/Interest Income (Loss)	$ (36)	$ -	$ (36)
Total Nonoperating Revenues (Expenses)	$ (36)	$ -	$ (36)
Change in Net Position	$ (73)	$ 1,575	$ 1,502
Net Position, Beginning, as Reported	$ 22,716	$ 16,410	$ 39,126
Net Position, Ending	$ 22,643	$ 17,985	$ 40,628

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 95	$ 9,553	$ 9,648
Receipts from Other Revenues	-	12,113	12,113
Payments to Customers	-	(10,604)	(10,604)
Payments to Suppliers	(49)	-	(49)
Payments to Employees	(19)	-	(19)
Payments to Others	-	(10,670)	(10,670)
Net Cash Flows from Operating Activities	$ 27	$ 392	$ 419
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -
Purchase of Investments	(1,825)	-	(1,825)
Investment Interest	331	-	331
Net Cash Flows from Investing Activities	$ (1,494)	$ -	$ (1,494)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,467)	$ 392	$ (1,075)
Cash and Cash Equivalents, Beginning, as Reported	$ 2,307	$ 12,982	$ 15,289
Cash and Cash Equivalents, Ending	$ 840	$ 13,374	$ 14,214
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (37)	$ 1,575	$ 1,538
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 64	$ (2,935)	$ (2,871)
Due to Primary Government	-	1,752	1,752
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 64	$ (1,183)	$ (1,119)
Net Cash Flows from Operating Activities	$ 27	$ 392	$ 419

MINNESOTA

State of Minnesota

General Obligation Debt Schedule

2017
Comprehensive
Annual
Financial Report

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2017
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued as Par Bonds	Previously Issued as Premium [(1)]	Remaining Authorization
Building [2, 28, 29, 30, 31]	1990,Ch.610	$ 270,126.0	$ 270,126.0	$ -	$ -
Building [2, 9, 22, 25, 27, 29]	1994,Ch.643	523,849.0	523,849.0	-	-
Building [2, 20, 21, 22, 25]	X1997, Ch. 2	37,335.0	37,335.0	-	-
Building [2, 9, 20, 21, 22, 23, 25, 26]	1999, Ch. 240	439,212.6	438,536.0	-	676.6
Various Purpose [2, 5, 7, 9, 14, 16, 20, 21, 22, 24]	2000, Ch. 492	518,703.1	518,529.6	44.4	129.1
Various Purpose [2, 4, 7, 9, 14, 15, 16, 18, 20, 22, 23]	2002, Ch. 393	599,607.9	599,592.6	-	15.3
Various Purpose [2, 16, 20]	X2002, Ch. 1	15,055.0	14,755.0	-	300.0
Trunk Highway [2, 16]	X2003, Ch. 19, Art.3	399,990.0	399,990.0	-	-
Trunk Highway [2, 16]	X2003, Ch. 19, Art.4	105,700.0	105,700.0	-	-
Various Purpose	X2003, Ch. 20	219,010.0	218,434.0	-	576.0
Various Purpose [2, 4, 5, 7, 9, 12, 14, 15, 18]	2005, Ch. 20	913,869.0	913,410.6	458.4	-
Various Purpose [4, 5, 7, 9, 14, 15, 18, 19]	2006, Ch. 258	991,022.7	989,617.6	906.4	498.7
Trunk Highway [4, 5, 9, 15]	2008, Ch. 152	1,782,245.9	1,536,678.0	-	245,567.9
Various Purpose [4, 5, 7, 9, 12, 15, 17]	2008, Ch. 179	789,746.4	785,466.9	2,480.1	1,799.4
Various Purpose [4, 5, 7, 9]	2008, Ch. 365	104,806.0	104,493.4	312.6	-
Trunk Highway [5]	2009, Ch. 36	39,942.0	39,942.0	-	-
Various Purpose [4, 5, 7, 10, 15]	2009, Ch. 93	255,463.0	248,731.8	3,063.2	3,668.0
Various Purpose [4, 5, 7, 13]	2010, Ch. 189	707,588.2	693,131.1	12,207.9	2,249.2
Trunk Highway [8, 13]	2010, Ch. 189	24,952.0	24,952.0	-	-
Various Purpose [4, 5, 7, 11]	X2010, Ch. 1	31,122.9	26,424.5	2,013.5	2,684.9
Various Purpose [4]	X2011, Ch. 12	553,821.4	510,612.3	23,337.7	19,871.4
Trunk Highway [8]	2012, Ch. 287	17,613.0	17,310.0	-	303.0
Various Purpose [4]	2012, Ch. 293	563,641.9	515,529.0	48,112.9	-
Various Purpose [4]	X2012, Ch. 1	52,914.5	42,796.5	6,003.4	4,114.6
Trunk Highway [4]	X2012, Ch. 1	34,064.1	32,155.0	-	1,909.1
Trunk Highway	2013, Ch. 117	300,300.0	249,405.1	-	50,894.9
Various Purpose	2013, Ch. 136	178,795.0	137,885.1	17,614.9	23,295.0
Various Purpose [2, 6]	2014, Ch. 294	894,703.0	641,745.9	125,334.1	127,623.0
Various Purpose	X2015, Ch. 5	190,697.0	91,097.1	19,472.9	80,127.0
Trunk Highway	X2015, Ch. 5	140,140.0	89,698.0	-	50,442.0
Various Purpose	2017, Ch. 4	35,035.0	-	-	35,035.0
Trunk Highway [3]	X2017, Ch. 3	940,940.0	-	-	940,940.0
Various Purpose	X2017, Ch. 8	1,038,510.0	-	-	1,038,510.0
Totals		$ 13,710,521.6	$ 10,817,929.1	$ 261,362.4	$ 2,631,230.1

(1) Minnesota Statutes 16A.641, Subdivision 7b, requires the premium received on the sale of bonds after December 1, 2012, to be deposited to either the bond proceeds fund where it is used to reduce the par amount of the bonds issued or to the state bond fund or used to reduce the par amount of the bond issue at the time of the sale.

(2) Special Session Laws 2017, Chapter 8, Article 1 reduced Various Purpose Bonds authorized in Laws 1990, Chapter 610 by $3,129; Laws 1994, Chapter 643 by $24,480; Second Special Session Laws 1997, Chapter 2 by $96,992; Laws 1999, Chapter 240 by $212,472; Laws 2000, Chapter 492 by $7,933,358; Laws 2002, Chapter 393 by $188,471; Special Session Laws 2002, Chapter 1 by $217,959; Special Session Laws 2003, Chapter 19, Article 3 by $201,530; Special Session Laws 2003, Chapter 19, Article 4 by $326,534; Laws 2005, Chapter 20 by $3,366,628; Laws 2014, Chapter 294 by $1,200,000. The legislation also cancelled the bond authorizations listed in the Cancellation Report of January 2017, as noted in footnote 4 below, on May 31, 2017, rather than the statutory cancellation date of July 1, 2017.

(3) Special Session Laws 2017, Chapter 3, Article 2 increased Trunk Highway bond authorizations by $940,940,000. However, the effective date on the article is July 1, 2017.

(4) Minnesota Statutes 16A.642, required that on January 1, 2017, 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, 2017. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2002, Chapter 393 by $793,110; Laws 2005, Chapter 20 by $396,889; Laws 2006, Chapter 258 by $135,297; Laws 2008, Chapter 179 by $697,986; Laws 2008, Chapter 365 by $150; Laws 2009, Chapter 93 by $637,749; Laws 2010, Chapter 189 by $550,379; Special Session Laws 2010, Chapter 1 by $290,140; Special Session Laws 2011, Chapter 12 by $1,318,615; Laws 2012, Chapter 293 by $3,750,772; and Special Session Laws 2012, Chapter 1 by $3,780,466. The Cancellation Report also reduced Trunk Highway Bond Authorization of Laws 2008, Chapter 152 by $202,248; and Special Session Laws 2012, Chapter 1 by $975,880.

(5) 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; 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; and Laws 2009, Chapter 36 by $58,003.

(6) Special Session Laws 2015, Chapter 5, Article 1 reduced Various Purpose Bonds authorized in Laws 2014, Chapter 294 by $50,000.

(7) 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, 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.

(8) 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.

(9) 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; 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.

(10) Laws 2013, Chapter 136 reduced Various Purpose Bonds authorized in Laws 2009, Chapter 93 by $2,000,000.

(11) Special Session Laws 2012, Chapter 1 reduced Various Purpose Bonds authorized in Special Session Laws 2010, Chapter 1 by $2,133,000.

(12) 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.

(13) 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.

(14) 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.

(15) 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; 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.

(16) 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.

(17) Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by $223,588,000.

(18) 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.

(19) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by $150,000.

(20) 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.

(21) 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.

(22) 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.

(23) 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 25 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.

(24) 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.

(25) 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.

(26) 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.

(27) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by $1,350,000.

(28) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $9,260,000.

(29) 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.

(30) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $115,000.

(31) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $2,500,000.

State of Minnesota

2017
Comprehensive
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Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

Revenue Capacity

These schedules contain information to assess the state's most significant revenue source, individual income taxes. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

Debt Capacity

These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.

MINNESOTA

2017 Comprehensive Annual Financial Report
Index of Statistical Section

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

	2008	2009	2010	2011
Governmental Activities:				
Net Investment in Capital Assets	$ 8,023,304	$ 8,450,334	$ 9,064,443	$ 9,304,511
Restricted	2,693,756	2,552,659	3,060,905	3,396,243
Unrestricted	489,661	(917,895)	(2,463,184)	(2,320,765)
Total Governmental Activities Net Position	$ 11,206,721	$ 10,085,098	$ 9,662,164	$ 10,379,989
Business-type Activities:				
Net Investment in Capital Assets	$ 1,125,602	$ 1,243,286	$ 1,293,856	$ 1,352,739
Restricted	1,140,070	737,400	509,705	643,700
Unrestricted	(5,900)	(38,907)	(300,615)	(82,907)
Total Business-type Activities Net Position	$ 2,259,772	$ 1,941,779	$ 1,502,946	$ 1,913,532
Primary Government:				
Net Investment in Capital Assets	$ 9,148,906	$ 9,693,620	$ 10,358,299	$ 10,657,250
Restricted	3,833,826	3,290,059	3,570,610	4,039,943
Unrestricted	483,761	(956,802)	(2,763,799)	(2,403,672)
Total Primary Government Net Position	$ 13,466,493	$ 12,026,877	$ 11,165,110	$ 12,293,521

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 has caused some funds to end in a deficit net position.

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

2012	2013	2014	2015	2016	2017
$ 10,010,130	$ 10,376,465	$ 11,125,938	$ 11,768,063	$ 12,421,870	$ 12,659,739
3,546,397	4,050,489	5,508,417	5,392,483	5,633,354	5,484,209
(2,784,715)	(1,992,703)	(2,494,395)	(5,510,119)	(4,961,314)	(4,989,700)
$ 10,771,812	$ 12,434,251	$ 14,139,960	$ 11,650,427	$ 13,093,910	$ 13,154,248
$ 1,394,303	$ 1,456,939	$ 1,489,631	$ 1,510,882	$ 1,620,835	$ 1,650,940
1,252,075	1,899,250	2,279,417	1,992,311	2,120,972	1,896,802
(6,409)	(8,257)	(8,450)	(120,013)	(65,830)	(252,631)
$ 2,639,969	$ 3,347,932	$ 3,760,598	$ 3,383,180	$ 3,675,977	$ 3,295,111
$ 11,404,433	$ 11,833,404	$ 12,615,569	$ 13,278,945	$ 14,042,705	$ 14,310,679
4,798,472	5,949,739	7,787,834	7,384,794	7,754,326	7,381,011
(2,791,124)	(2,000,960)	(2,502,845)	(5,630,132)	(5,027,144)	(5,242,331)
$ 13,411,781	$ 15,782,183	$ 17,900,558	$ 15,033,607	$ 16,769,887	$ 16,449,359

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

	2008	2009	2010	2011
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Agricultural, Environmental and Energy Resources(1).....	$ 360,056	$ 339,523	$ 358,666	$ 369,400
Economic and Workforce Development(1)......................	52,400	47,377	49,212	46,764
General Education...	54,662	42,192	21,342	19,403
General Government...	240,331	270,153	266,565	265,022
Health and Human Services..	330,570	285,963	353,929	424,670
Higher Education...	-	-	3	3
Public Safety and Corrections...	143,073	159,155	156,139	157,201
Transportation...	21,474	45,385	25,397	21,782
Operating Grants and Contributions:				
Health and Human Services..	4,909,527	5,996,063	6,913,844	6,692,535
All Others...	1,767,796	1,758,923	3,388,958	2,706,074
Capital Grants and Contributions..	450,101	274,981	215,439	203,750
Total Governmental Activities Program Revenues...............	$ 8,329,990	$ 9,219,715	$ 11,749,494	$ 10,906,604
Business-type Activities:				
Charges for Services:				
State Colleges and Universities.......................................	$ 794,091	$ 827,997	$ 771,104	$ 851,754
Unemployment Insurance..	835,725	800,590	972,425	1,211,352
Lottery..	461,565	482,738	499,271	504,514
Other..	233,944	232,570	246,829	260,247
Operating Grants and Contributions...	217,224	872,484	1,958,195	1,697,323
Capital Grants and Contributions..	1,142	4,262	1,554	1,515
Total Business-type Activities Program Revenues...............	$ 2,543,691	$ 3,220,641	$ 4,449,378	$ 4,526,705
Total Primary Government Program Revenues..................	$ 10,873,681	$ 12,440,356	$ 16,198,872	$ 15,433,309
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources(1).....	$ 825,842	$ 834,458	$ 950,738	$ 969,947
Economic and Workforce Development(1)......................	704,501	695,314	715,085	695,050
General Education...	7,675,567	7,811,723	8,042,744	7,499,159
General Government...	816,111	800,123	762,238	832,859
Health and Human Services..	10,300,189	11,248,700	11,950,195	12,243,662
Higher Education...	981,943	912,011	981,859	892,921
Intergovernmental Aid...	1,511,715	1,435,897	1,558,453	1,339,943
Public Safety and Corrections...	868,477	944,400	940,685	976,261
Transportation...	1,900,382	2,058,526	2,456,008	2,843,127
Interest...	221,162	210,435	261,802	322,773
Total Governmental Activities Expenses.............................	$ 25,805,889	$ 26,951,587	$ 28,619,807	$ 28,615,702
Business-type Activities:				
State Colleges and Universities.......................................	$ 1,675,051	$ 1,743,609	$ 1,802,527	$ 1,903,985
Unemployment Insurance..	828,857	1,865,939	3,038,557	2,228,405
Lottery..	346,834	363,832	377,025	382,759
Other..	210,895	209,070	222,110	269,880
Total Business-type Activities Expenses.............................	$ 3,061,637	$ 4,182,450	$ 5,440,219	$ 4,785,029
Total Primary Government Expenses.................................	$ 28,867,526	$ 31,134,037	$ 34,060,026	$ 33,400,731

(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.

2012	2013	2014	2015	2016	2017
$ 384,593	$ 326,696	$ 350,950	$ 401,687	$ 355,269	$ 430,333
59,481	40,093	60,754	57,819	58,939	58,317
23,418	24,120	22,042	22,136	22,646	23,477
249,824	381,788	279,835	305,057	327,487	340,021
399,963	547,216	407,644	424,520	416,068	437,726
636	346	337	315	20	-
159,882	157,198	158,690	161,205	159,549	155,843
19,146	30,280	28,386	23,811	114,667	73,111
6,369,736	6,844,284	7,371,378	8,350,067	8,716,931	9,048,622
2,040,575	2,318,910	2,407,201	2,205,884	2,215,444	2,309,582
137,497	172,725	250,709	170,102	194,056	142,942
$ 9,844,751	$ 10,843,656	$ 11,337,926	$ 12,122,603	$ 12,581,076	$ 13,019,974
$ 848,541	$ 851,377	$ 824,190	$ 815,508	$ 835,447	$ 833,494
1,444,622	1,469,936	1,188,214	937,851	820,322	585,523
520,049	560,448	531,550	546,812	592,806	563,507
274,825	272,822	333,425	351,662	389,807	425,937
1,113,581	710,153	551,820	525,297	481,563	456,997
-	-	-	-	-	-
$ 4,201,618	$ 3,864,736	$ 3,429,199	$ 3,177,130	$ 3,119,945	$ 2,865,458
$ 14,046,369	$ 14,708,392	$ 14,767,125	$ 15,299,733	$ 15,701,021	$ 15,885,432
$ 916,001	$ 954,721	$ 955,339	$ 932,235	$ 1,013,148	$ 1,254,115
543,680	571,265	641,424	677,044	658,893	806,872
7,890,863	8,207,311	9,048,212	9,087,613	9,434,928	9,836,193
860,883	971,198	1,013,415	1,153,921	1,151,991	1,589,095
12,472,172	13,146,913	13,647,672	15,016,278	15,590,493	16,396,755
778,389	849,510	912,083	912,909	976,351	987,375
1,358,521	1,269,078	1,291,075	1,583,636	1,626,833	1,644,215
952,585	970,095	998,054	985,399	1,005,349	1,360,363
2,280,481	2,683,545	2,685,688	2,898,216	2,814,456	2,998,902
506,909	218,218	177,244	291,983	305,017	291,679
$ 28,560,484	$ 29,841,854	$ 31,370,206	$ 33,539,234	$ 34,577,459	$ 37,165,564
$ 1,816,268	$ 1,891,779	$ 1,936,061	$ 1,905,845	$ 1,910,435	$ 2,204,067
1,490,943	1,060,431	888,665	726,529	801,670	785,137
396,590	425,541	404,705	410,237	446,860	429,843
270,276	288,146	350,729	408,408	383,012	476,331
$ 3,974,077	$ 3,665,897	$ 3,580,160	$ 3,451,019	$ 3,541,977	$ 3,895,378
$ 32,534,561	$ 33,507,751	$ 34,950,366	$ 36,990,253	$ 38,119,436	$ 41,060,942

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

	2008	2009	2010	2011
Net (Expense)/Revenue:				
Governmental Activities	$ (17,475,899)	$ (17,731,872)	$ (16,870,313)	$ (17,709,098)
Business-type Activities	(517,946)	(961,809)	(990,841)	(258,324)
Total Primary Government Net Expense	$ (17,993,845)	$ (18,693,681)	$ (17,861,154)	$ (17,967,422)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual Income Taxes	$ 7,929,096	$ 7,203,337	$ 6,792,510	$ 7,883,583
Corporate Income Taxes	1,039,843	741,049	539,534	1,204,521
Sales Taxes	4,474,576	4,338,748	4,379,236	4,760,684
Property Taxes	703,972	733,899	746,685	771,020
Motor Vehicle Taxes	1,011,494	955,785	997,214	1,074,769
Fuel Taxes	651,988	758,271	826,574	851,245
Other Taxes	2,149,162	2,206,648	2,268,560	2,192,739
Tobacco Settlement	186,425	176,140	157,924	172,207
Unallocated Investment/Interest Income	121,638	57,790	21,242	19,836
Other Revenues	103,416	95,316	145,608	139,406
Transfers	(654,359)	(610,880)	(543,525)	(584,171)
Total Governmental Activities	$ 17,717,251	$ 16,656,103	$ 16,331,562	$ 18,485,839
Business-type Activities:				
Unallocated Investment/Interest Income	$ 48,126	$ 32,306	$ 8,483	$ 7,058
Other Revenues	1,649	630	-	18,765
Transfers	654,359	610,880	543,525	584,171
Total Business-type Activities	$ 704,134	$ 643,816	$ 552,008	$ 609,994
Total Primary Government General Revenues	$ 18,421,385	$ 17,299,919	$ 16,883,570	$ 19,095,833
Change in Net Position:				
Governmental Activities	$ 241,352	$ (1,075,769)	$ (538,751)	$ 776,741
Change in Accounting Principle	91,812	(45,854)	115,817	-
Change in Fund Structure	-	-	-	(58,916)
Business-type Activities	186,188	(317,993)	(438,833)	351,670
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	-	-	58,916
Total Primary Government Change in Net Position	$ 519,352	$ (1,439,616)	$ (861,767)	$ 1,128,411

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

	2012	2013	2014	2015	2016	2017
	$ (18,715,733)	$ (18,998,198)	$ (20,032,280)	$ (21,416,631)	$ (21,996,383)	$ (24,145,590)
	227,541	198,839	(150,961)	(273,889)	(422,032)	(1,029,920)
	$ (18,488,192)	$ (18,799,359)	$ (20,183,241)	$ (21,690,520)	$ (22,418,415)	$ (25,175,510)
	$ 8,409,530	$ 9,209,954	$ 9,915,021	$ 10,607,930	$ 10,969,019	$ 11,307,961
	953,428	1,242,912	1,308,578	1,507,608	1,361,681	1,270,423
	4,849,514	5,004,330	5,283,785	5,469,773	5,534,870	5,779,685
	809,044	831,316	823,949	839,939	846,216	850,240
	1,150,343	1,241,242	1,312,982	1,395,872	1,428,134	1,518,531
	849,955	860,837	883,619	908,278	904,424	917,834
	2,253,625	2,436,828	2,489,475	2,651,969	2,801,323	2,833,543
	166,154	171,338	175,386	170,424	170,179	165,244
	12,873	23,129	26,728	25,378	35,289	66,639
	133,285	128,115	27,339	63,101	50,574	87,096
	(480,195)	(489,364)	(520,134)	(554,346)	(661,843)	(591,268)
	$ 19,107,556	$ 20,660,637	$ 21,726,728	$ 23,085,926	$ 23,439,866	$ 24,205,928
	$ 6,567	$ 17,545	$ 33,688	$ 40,583	$ 44,919	$ 45,796
	12,134	2,215	9,107	7,028	8,067	11,990
	480,195	489,364	520,134	554,346	661,843	591,268
	$ 498,896	$ 509,124	$ 562,929	$ 601,957	$ 714,829	$ 649,054
	$ 19,606,452	$ 21,169,761	$ 22,289,657	$ 23,687,883	$ 24,154,695	$ 24,854,982
	$ 391,823	$ 1,662,439	$ 1,694,448	$ 1,669,295	$ 1,443,483	$ 60,338
	-	-	11,959	(4,158,828)	-	-
	-	-	(698)	-	-	-
	726,437	707,963	411,968	328,068	292,797	(380,866)
	-	-	-	(705,486)		
	-	-	698	-	-	-
	$ 1,118,260	$ 2,370,402	$ 2,118,375	$ (2,866,951)	$ 1,736,280	$ (320,528)

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

	2008	2009	2010	2011
General Fund:				
Reserved..	$ 153,150	$ 111,182	$ -	$ -
Designated..	689,476	-	-	-
Undesignated..	-	(752,490)	-	-
Total General Fund.......................................	$ 842,626	$ (641,308)	$ -	$ -
All Other Governmental Funds:				
Reserved..	$ 1,931,753	$ 1,858,589	$ -	$ -
Designated, Reported In:				
Special Revenue Funds...................	1,266,623	1,214,750	-	-
Debt Service Fund............................	707,086	742,069	-	-
Permanent Funds.............................	9,479	5,862	-	-
Undesignated, Reported In:				
Special Revenue Funds..................	339,989	344,884	-	-
Capital Projects Funds....................	(12,873)	2,472	-	-
Total All Other Governmental Funds............	$ 4,242,057	$ 4,168,626	$ -	$ -
Total Governmental Funds.................................	$ 5,084,683	$ 3,527,318	$ -	$ -

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.

	2012	2013	2014	2015	2016	2017
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -

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

	2008	2009	2010	2011
General Fund:				
Nonspendable	$ -	$ -	$ 465,601	$ 579,800
Restricted	-	-	173,687	171,033
Assigned	-	-	-	-
Unassigned	-	-	(1,386,945)	(731,567)
Total General Fund	$ -	$ -	$ (747,657)	$ 19,266
All Other Governmental Funds:				
Nonspendable	$ -	$ -	$ 718,469	$ 833,403
Restricted	-	-	2,380,542	2,450,612
Committed	-	-	537,009	382,939
Assigned	-	-	3,920	2,306
Unassigned	-	-	-	(19,905)
Total All Other Governmental Funds	$ -	$ -	$ 3,639,940	$ 3,649,355
Total Governmental Funds	$ -	$ -	$ 2,892,283	$ 3,668,621

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.

	2012	2013	2014	2015	2016	2017
	$ 625,689	$ 750,071	$ 912,814	$ 931,595	$ 929,967	$ 1,034,219
	148,483	105,581	128,025	119,108	180,272	86,942
	-	219,562	231,559	322,780	365,054	757,056
	(840,928)	218,474	530,549	782,405	1,571,798	1,528,516
	$ (66,756)	$ 1,293,688	$ 1,802,947	$ 2,155,888	$ 3,047,091	$ 3,406,733

	$ 892,478	$ 992,738	$ 1,154,936	$ 1,224,853	$ 1,275,357	$ 1,369,443
	2,300,043	2,754,222	4,011,252	3,708,694	3,482,136	3,629,229
	561,628	714,304	642,573	861,685	709,828	952,613
	642,158	1,152	199,900	682,373	598,110	548,454
	(97,404)	-	-	-	-	-
	$ 4,298,903	$ 4,462,416	$ 6,008,661	$ 6,477,605	$ 6,065,431	$ 6,499,739
	$ 4,232,147	$ 5,756,104	$ 7,811,608	$ 8,633,493	$ 9,112,522	$ 9,906,472

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

	2008	2009	2010	2011
Revenues:				
Individual Income Taxes	$ 7,932,036	$ 7,162,974	$ 6,729,244	$ 7,828,818
Corporate Income Taxes	1,024,040	727,928	540,504	1,135,193
Sales Taxes	4,499,550	4,279,178	4,411,277	4,681,525
Property Taxes	704,246	729,373	766,830	766,926
Motor Vehicle Taxes	1,011,494	955,785	997,214	1,074,769
Fuel Taxes	651,860	756,381	825,341	852,765
Federal Revenues	6,858,191	7,887,945	10,159,045	9,162,775
Other Taxes and Revenues	4,005,067	3,810,907	4,074,393	4,249,437
Total Revenues	$ 26,686,484	$ 26,310,471	$ 28,503,848	$ 29,752,208
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources(1)	$ 782,381	$ 866,963	$ 918,410	$ 1,022,523
Economic and Workforce Development(1)	719,801	704,736	755,337	720,542
General Education	7,673,220	7,808,279	8,038,447	7,494,180
General Government	772,835	753,882	730,091	787,042
Health and Human Services	10,298,462	11,238,043	11,929,558	12,222,063
Higher Education	983,319	913,292	981,868	892,947
Intergovernment Aid	1,511,715	1,435,897	1,549,453	1,317,185
Public Safety and Corrections	858,385	891,480	901,983	911,490
Transportation	2,029,762	2,040,334	2,416,333	2,673,915
Securities Lending Rebates and Fees	21,534	1,237	132	89
Capital Outlay	818,701	746,955	643,736	699,583
Debt Service:				
Principal	372,882	389,909	395,045	347,934
Interest	221,694	230,107	282,774	349,326
Total Expenditures	$ 27,064,691	$ 28,021,114	$ 29,543,167	$ 29,438,819
Excess of Revenues Over (Under) Expenditures	$ (378,207)	$ (1,710,643)	$ (1,039,319)	$ 313,389
Other Financing Sources (Uses):				
Bond Issuance	$ 637,744	$ 675,810	$ 722,904	$ 843,496
Certificates of Participation Issuance	-	-	74,980	-
Loan Proceeds	414	549	5,729	677
Issuance of Refunding Bonds	-	155,415	426,505	907,785
Payment to Refunded Bonds Escrow Agent	-	(155,415)	(426,505)	(907,785)
Bond Issue Premium	34,016	56,112	108,704	233,570
Certificates of Participation Premium	-	-	7,411	-
Net Transfers In (Out)	(622,455)	(580,540)	(523,176)	(557,776)
Capital Leases	1,308	-	3,356	-
Net Other Financing Sources (Uses)	$ 51,027	$ 151,931	$ 399,908	$ 519,967
Change in Inventory	2,287	1,347	4,376	1,898
Change in Fund Structure	-	-	-	(58,916)
Net Change in Fund Balances	$ (324,893)	$ (1,557,365)	$ (635,035)	$ 776,338
Debt Service as a Percentage of Noncapital Expenditures	2.3%	2.3%	2.3%	2.4%

(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.

2012	2013	2014	2015	2016	2017
$ 8,267,608	$ 9,257,352	$ 9,859,403	$ 10,640,365	$ 11,013,385	$ 11,263,573
996,524	1,273,112	1,302,563	1,503,461	1,414,531	1,272,913
4,871,038	5,028,616	5,281,384	5,455,081	5,558,870	5,792,017
813,723	817,895	830,759	836,257	855,032	848,463
1,150,343	1,241,242	1,312,837	1,395,959	1,428,000	1,518,624
851,410	861,780	882,649	908,740	904,475	917,956
8,268,573	8,920,572	9,492,563	10,330,369	10,751,013	11,070,070
4,101,994	4,550,709	4,654,510	4,660,862	4,792,065	5,092,983
$ 29,321,213	$ 31,951,278	$ 33,616,668	$ 35,731,094	$ 36,717,371	$ 37,776,599
$ 904,313	$ 961,993	$ 951,403	$ 951,901	$ 1,008,712	$ 1,035,953
588,847	623,810	647,590	694,016	720,340	756,386
7,885,111	8,201,852	9,042,621	9,088,463	9,438,526	9,801,245
747,209	825,528	900,517	1,066,108	1,022,298	978,292
12,451,737	13,130,238	13,626,375	15,057,706	15,595,280	16,078,287
777,958	849,506	911,986	912,947	976,387	987,714
1,358,520	1,269,078	1,291,075	1,583,636	1,626,833	1,644,215
893,858	909,426	939,855	965,508	974,864	1,046,709
2,300,784	2,610,632	2,630,645	2,883,144	2,840,880	2,772,542
-	-	-	-	-	-
573,631	646,086	939,987	1,090,210	1,183,985	870,595
467,870	326,989	410,450	598,590	650,190	647,020
571,656	295,231	251,606	365,231	390,603	392,195
$ 29,521,494	$ 30,650,369	$ 32,544,110	$ 35,257,460	$ 36,428,898	$ 37,011,153
$ (200,281)	$ 1,300,909	$ 1,072,558	$ 473,634	$ 288,473	$ 765,446
$ 1,517,849	$ 1,296,087	$ 1,348,259	$ 720,300	$ 670,905	$ 491,129
-	-	-	80,100	-	-
-	1,597	-	-	-	769
-	-	373,940	153,905	391,555	310,565
(400,775)	(768,450)	(373,940)	(153,905)	(391,555)	(310,565)
142,273	200,932	180,783	123,666	163,418	155,376
-	-	-	-	-	-
(495,540)	(507,118)	(546,096)	(575,815)	(643,767)	(618,770)
-	-	-	-	-	-
$ 763,807	$ 223,048	$ 982,946	$ 348,251	$ 190,556	$ 28,504
-	-	-	-	-	-
-	-	-	-	-	-
$ 563,526	$ 1,523,957	$ 2,055,504	$ 821,885	$ 479,029	$ 793,950
3.6%	2.1%	2.1%	2.8%	3.0%	2.9%

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

	2007	2008	2009	2010
Farm Earnings	$ 2,515,102	$ 4,059,542	$ 2,224,254	$ 3,287,574
Nonfarm Earnings:				
Private Earnings:				
Forestry, Fishing, Related Activities	$ 253,541	$ 257,785	$ 253,343	$ 321,147
Mining	481,801	713,793	583,824	944,822
Utilities	1,359,161	1,521,288	1,478,767	1,548,536
Construction	9,833,599	9,313,108	8,222,053	7,919,310
Manufacturing:				
Durable Goods Manufacturing	15,665,642	15,661,493	13,765,946	13,983,671
Nondurable Goods Manufacturing	7,311,823	7,537,492	7,074,136	6,998,774
Wholesale Trade	10,793,810	11,356,300	10,609,139	10,849,264
Retail Trade	9,444,817	9,269,767	9,069,439	9,414,354
Transportation and Warehousing	5,656,876	5,701,048	5,148,306	5,206,575
Information	4,853,013	4,879,158	4,631,883	4,367,170
Finance and Insurance	13,692,672	12,864,970	11,767,315	12,738,316
Real Estate and Rental and Leasing	2,346,902	2,490,053	2,515,835	2,311,487
Professional and Technical Services	13,137,681	14,164,307	13,224,466	13,235,346
Management of Companies and Enterprises	8,087,680	9,704,580	7,911,994	9,151,495
Administrative and Waste Services	5,118,987	5,220,556	4,878,169	5,201,266
Educational Services	2,133,007	2,314,489	2,495,446	2,600,327
Health Care and Social Assistance	19,248,932	20,324,871	21,080,465	21,994,737
Arts, Entertainment, and Recreation	1,287,561	1,405,193	1,303,850	1,396,561
Accommodation and Food Services	3,821,444	3,903,476	3,752,511	3,749,606
Other Services, Except Public Administration	6,025,460	5,927,595	5,874,202	5,836,609
Total Private Earnings	$ 140,554,409	$ 144,531,322	$ 135,641,089	$ 139,769,373
Government and Government Enterprises:				
Federal, Civilian	$ 2,761,415	$ 2,873,085	$ 2,942,734	$ 2,991,515
Military	802,050	788,946	855,721	846,077
State and Local	19,406,409	20,405,075	20,853,112	21,178,166
Total Government and Government Enterprises	$ 22,969,874	$ 24,067,106	$ 24,651,567	$ 25,015,758
Total Nonfarm Earnings	163,524,283	168,598,428	160,292,656	164,785,131
Total Earnings By Industry	$ 166,039,385	$ 172,657,970	$ 162,516,910	$ 168,072,705
Derivation of Personal Income:				
Earnings By Place of Work	$ 166,039,385	$ 172,657,970	$ 162,516,910	$ 168,072,705
Other Personal Income(1)	48,797,546	52,860,588	52,632,516	55,627,488
Personal Income	$ 214,836,931	$ 225,518,558	$ 215,149,426	$ 223,700,193

(1) Adjustments for Residence, Dividends, Interest, Rent and Transfer Receipts less Social Security Benefits

Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry last updated September 26, 2017. Revised estimates for 2014-2016.

Note: The estimates for 2007-2010 are based on the 2007 North American Industry Classification System (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.

2011	2012	2013	2014	2015	2016
$ 4,497,149	$ 6,234,574	$ 6,055,896	$ 3,957,930	$ 3,436,873	$ 2,134,638
$ 313,714	$ 377,581	$ 375,183	$ 372,518	$ 405,253	$ 424,616
1,175,135	1,195,976	940,241	836,803	711,097	567,153
1,696,883	1,598,936	1,753,610	1,819,167	1,813,182	1,872,657
8,610,456	9,695,487	10,307,393	11,256,047	12,199,335	12,845,658
14,945,794	15,477,077	15,769,874	16,463,894	17,276,885	17,438,243
7,376,995	7,865,499	7,976,017	8,866,827	9,169,634	9,357,227
11,521,480	12,015,927	12,457,480	12,670,150	13,096,562	12,945,024
9,838,374	10,267,848	10,568,505	10,934,279	11,384,942	11,789,700
5,752,355	5,944,742	6,131,364	6,468,497	6,743,929	7,336,944
4,554,992	4,501,266	4,506,448	4,720,952	4,851,528	4,689,082
13,498,147	16,305,898	15,853,822	15,939,115	16,821,074	16,837,111
2,835,593	3,766,233	4,020,944	4,248,409	4,464,110	3,983,710
14,232,902	14,850,286	15,577,864	16,890,612	17,816,158	19,890,779
9,380,832	9,729,235	10,194,587	10,605,646	10,841,476	10,879,965
5,659,208	5,769,149	5,871,881	6,229,435	6,499,176	6,924,327
2,729,144	2,796,682	2,766,270	2,865,504	2,918,287	3,085,382
22,453,534	23,162,318	24,004,913	24,990,069	26,435,203	28,175,658
1,427,418	1,446,421	1,576,030	1,884,804	2,004,934	2,212,728
4,028,151	4,314,959	4,480,084	4,746,770	5,159,435	5,517,804
6,040,975	6,294,864	6,401,623	6,886,532	7,151,982	7,369,166
$ 148,072,082	$ 157,376,384	$ 161,534,133	$ 169,696,030	$ 177,764,182	$ 184,142,934
$ 3,024,745	$ 3,007,494	$ 2,978,551	$ 3,039,703	$ 3,169,588	$ 3,254,830
784,391	748,232	709,513	665,703	623,320	657,201
20,989,028	21,119,824	21,944,845	22,804,710	23,628,074	24,423,598
$ 24,798,164	$ 24,875,550	$ 25,632,909	$ 26,510,116	$ 27,420,982	$ 28,335,629
172,870,246	182,251,934	187,167,042	196,206,146	205,185,164	212,478,563
$ 177,367,395	$ 188,486,508	$ 193,222,938	$ 200,164,076	$ 208,622,037	$ 214,613,201
$ 177,367,395	$ 188,486,508	$ 193,222,938	$ 200,164,076	$ 208,622,037	$ 214,613,201
61,270,680	65,534,021	62,816,834	68,365,869	71,784,447	72,636,608
$ 238,638,075	$ 254,020,529	$ 256,039,772	$ 268,529,945	$ 280,406,484	$ 287,249,809

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2008 through 2017

Tax Year 2008

	5.35% Up To	7.05%			7.85% Over
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

	5.35% Up To	7.05%			7.85% Over
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

	5.35% Up To	7.05%			7.85% Over
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

	5.35% Up To	7.05%			7.85% Over
Married Joint......................	$33,770	$33,771	-	$134,170	$134,170
Married Separate...............	16,890	16,891	-	67,090	67,090
Single................................	23,100	23,101	-	75,890	75,890
Head of Household............	28,440	28,441	-	114,290	114,290

Tax Year 2012

	5.35% Up To	7.05%			7.85% Over
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

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 2008 through 2017 (continued)

Tax Year 2013

	5.35% Up To	7.05%			7.85%			9.85% Over
Married Joint......................	$35,480	$35,481	-	$140,960	$140,961	-	$250,000	$250,000
Married Separate...............	17,740	17,741	-	70,480	70,481	-	125,000	125,000
Single................................	24,270	24,271	-	79,730	79,731	-	150,000	150,000
Head of Household............	29,880	29,881	-	120,070	120,071	-	200,000	200,000

Tax Year 2014

	5.35% Up To	7.05%			7.85%			9.85% Over
Married Joint......................	$36,080	$36,081	-	$143,350	$143,351	-	$254,240	$254,240
Married Separate...............	18,040	18,041	-	71,680	71,681	-	127,120	127,120
Single................................	24,680	24,681	-	81,080	81,081	-	152,540	152,540
Head of Household............	30,390	30,391	-	122,110	122,111	-	203,390	203,390

Tax Year 2015

	5.35% Up To	7.05%			7.85%			9.85% Over
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

Tax Year 2016

	5.35% Up To	7.05%			7.85%			9.85% Over
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

Tax Year 2017

	5.35% Up To	7.05%			7.85%			9.85% Over
Married Joint......................	$37,110	$37,111	-	$147,450	$147,451	-	$261,510	$261,510
Married Separate...............	18,560	18,561	-	73,730	73,731	-	130,760	130,760
Single................................	25,390	25,391	-	83,400	83,401	-	156,900	156,900
Head of Household............	31,260	31,261	-	125,600	125,601	-	209,200	209,200

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 2006 and 2015

Calendar Year 2006

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	243,769	9.79%	$ 1,397,391	0.02%
5,000 – 9,999	182,854	7.35%	8,101,942	0.12%
10,000 – 19,999	337,448	13.56%	74,220,155	1.09%
20,000 – 29,999	301,433	12.11%	183,537,354	2.68%
30,000 – 39,999	255,998	10.29%	272,683,823	3.99%
40,000 – 49,999	202,136	8.12%	312,448,591	4.57%
50,000 – 99,999	630,585	25.34%	1,811,828,216	26.50%
100,000 – 249,999	274,710	11.04%	1,891,550,944	27.67%
250,000 – 499,999	36,476	1.47%	692,810,683	10.13%
500,000 & Over	23,345	0.94%	1,587,397,373	23.22%
Total	2,488,754	100.00%	$ 6,835,976,472	100.00%

Calendar Year 2015

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	209,277	7.56%	$ 2,776,468	0.03%
5,000 – 9,999	187,743	6.78%	5,765,093	0.06%
10,000 – 19,999	322,372	11.64%	57,846,971	0.56%
20,000 – 29,999	299,308	10.81%	156,473,433	1.52%
30,000 – 39,999	265,301	9.58%	264,287,102	2.57%
40,000 – 49,999	220,253	7.96%	331,739,296	3.22%
50,000 – 99,999	692,331	25.01%	1,987,156,482	19.30%
100,000 – 249,999	468,680	16.93%	3,359,778,205	32.63%
250,000 – 499,999	67,094	2.42%	1,359,604,474	13.21%
500,000 & Over	35,971	1.30%	2,770,093,547	26.91%
Total	2,768,330	100.00%	$ 10,295,521,071	100.00%

[1] Total number of returns filed.

[2] Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2015 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)

	2008	2009	2010	2011
Governmental Activities:				
General Obligation Bonds(1)	$ 4,330,291	$ 4,667,902	$ 5,103,210	$ 5,814,900
Revenue Bonds	14,500	13,715	12,900	12,055
State General Fund Appropriation Bonds(1)	-	-	-	-
Loans	59,889	53,658	41,319	31,583
Capital Leases	167,877	161,629	158,175	151,156
Certificates of Participation	-	-	80,649	79,408
Total Governmental Activities	$ 4,572,557	$ 4,896,904	$ 5,396,253	$ 6,089,102
Business-type Activities:				
General Obligation Bonds(1)	$ 224,090	$ 241,946	$ 250,353	$ 260,618
Revenue Bonds	209,719	278,246	320,779	375,409
Loans	5,829	5,582	603,020	465,280
Capital Leases	22,647	20,324	18,662	46,168
Total Business-type Activities	$ 462,285	$ 546,098	$ 1,192,814	$ 1,147,475
Total Debt to the Primary Government	$ 5,034,842	$ 5,443,002	$ 6,589,067	$ 7,236,577
Less: Set Aside to Repay General Debt	$ (368,800)	$ (406,310)	$ (420,055)	$ (463,165)
Net Debt to the Primary Government	$ 4,666,042	$ 5,036,692	$ 6,169,012	$ 6,773,412
Total Personal Income	$ 214,836,931	$ 225,518,558	$ 215,149,426	$ 223,700,193
Ratio of Total Debt to Personal Income	2.34%	2.41%	3.06%	3.23%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 967	$ 1,037	$ 1,248	$ 1,363
Ratio of Net General Obligation Debt to Personal Income	1.95%	2.00%	2.29%	2.51%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 804	$ 858	$ 934	$ 1,057

(1) Net of applicable premium or discount.

Sources: The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis U.S. Department of Commerce as of September 26, 2017, with revised estimates for 2014-2016.

	2012	2013	2014	2015	2016	2017
	$ 5,772,034	$ 6,157,536	$ 6,649,907	$ 6,885,776	$ 7,043,943	$ 6,999,510
	794,574	10,260	47,255	44,757	42,103	39,365
	-	774,770	1,230,408	1,175,677	1,128,706	1,090,895
	28,612	35,982	28,610	24,966	23,337	23,252
	144,319	115,300	106,821	98,512	89,854	80,881
	70,742	49,440	41,981	125,875	115,870	104,875
	$ 6,810,281	$ 7,143,288	$ 8,104,982	$ 8,355,563	$ 8,443,813	$ 8,338,778
	$ 249,636	$ 250,321	$ 256,886	$ 260,431	$ 253,671	$ 238,637
	431,952	470,498	444,231	460,484	431,289	392,070
	5,015	4,414	3,635	3,794	4,842	2,552
	40,137	35,281	30,519	25,968	21,635	26,996
	$ 726,740	$ 760,514	$ 735,271	$ 750,677	$ 711,437	$ 660,255
	$ 7,537,021	$ 7,903,802	$ 8,840,253	$ 9,106,240	$ 9,155,250	$ 8,999,033
	$ (301,320)	$ (383,740)	$ (604,165)	$ (605,850)	$ (613,385)	$ (625,870)
	$ 7,235,701	$ 7,520,062	$ 8,236,088	$ 8,500,390	$ 8,541,865	$ 8,373,163
	$ 238,638,075	$ 254,020,529	$ 256,039,772	$ 268,529,945	$ 280,406,484	$ 287,249,809
	3.16%	3.11%	3.45%	3.39%	3.26%	3.13%
	$ 1,409	$ 1,469	$ 1,631	$ 1,670	$ 1,670	$ 1,630
	2.40%	2.37%	2.46%	2.44%	2.38%	2.30%
	$ 1,069	$ 1,120	$ 1,163	$ 1,199	$ 1,219	$ 1,198

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

	2008	2009	2010	2011
State University Board Revenue Segment of College and University Enterprise Fund				
Gross Revenues(1)	$ 83,619	$ 93,781	$ 101,311	$ 108,102
Less: Operating Expenses(2)	(65,166)	(69,867)	(71,426)	(72,391)
Net Available Revenue	$ 18,453	$ 23,914	$ 29,885	$ 35,711
Debt Service:				
Principal	$ 1,945	$ 2,945	$ 6,125	$ 7,870
Interest	5,374	7,091	10,816	8,070
Total Debt Service	$ 7,319	$ 10,036	$ 16,941	$ 15,940
Coverage	2.52	2.38	1.76	2.24
Vermilion Community College(3) and Itasca Community College Student Housing Segments of College and University Enterprise Fund				
Gross Revenues(1)	$ 1,019	$ 608	$ 628	$ 667
Less: Operating Expenses(2)	(675)	(346)	(338)	(348)
Net Available Revenue	$ 344	$ 262	$ 290	$ 319
Debt Service:				
Principal	$ 135	$ 145	$ 145	$ 155
Interest	155	148	141	134
Total Debt Service	$ 290	$ 293	$ 286	$ 289
Coverage	1.19	0.89	1.01	1.10
Giants Ridge Enterprise Fund(4)				
Gross Revenues(5)	$ 4,216	$ 4,091	$ 4,083	$ 3,835
Less: Operating Expenses(2)	(5,447)	(5,796)	(5,889)	(6,005)
Net Available Revenue	$ (1,231)	$ (1,705)	$ (1,806)	$ (2,170)
Debt Service:				
Principle	$ 705	$ 760	$ 815	$ 11,310
Interest	963	917	858	630
Total Debt Service	$ 1,668	$ 1,677	$ 1,673	$ 11,940
Coverage	(0.74)	(1.02)	(1.08)	(0.18)

(1) Revenues from student fees and the operation of the financed buildings are pledged to repay revenue bonds. This amount is net of cost of goods sold.

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

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

(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000. In 2011, the entire $11.3 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed $8.7 million.

(5) Revenues from golf course and ski area are pledged to repay revenue bonds. This amount is net of cost of goods sold.

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

	2012	2013	2014	2015	2016	2017
	$ 111,168	$ 109,368	$ 109,857	$ 112,662	$ 119,182	$ 120,261
	(74,432)	(78,410)	(81,624)	(78,856)	(80,031)	(85,050)
	$ 36,736	$ 30,958	$ 28,233	$ 33,806	$ 39,151	$ 35,211
	$ 7,545	$ 11,575	$ 12,425	$ 14,060	$ 14,385	$ 16,315
	11,889	11,129	12,452	11,847	12,342	10,503
	$ 19,434	$ 22,704	$ 24,877	$ 25,907	$ 26,727	$ 26,818
	1.89	1.36	1.13	1.30	1.46	1.31
	$ 690	$ 450	$ 473	$ 478	$ 495	$ 493
	(334)	(205)	(230)	(203)	(209)	(245)
	$ 356	$ 245	$ 243	$ 275	$ 286	$ 248
	$ 165	$ 95	$ 130	$ 120	$ 120	$ 130
	124	71	49	48	46	44
	$ 289	$ 166	$ 179	$ 168	$ 166	$ 174
	1.23	1.48	1.36	1.64	1.72	1.43
	$ 3,138	$ 3,580	$ 3,419	$ 3,407	$ 3,362	$ 3,623
	(5,641)	(7,372)	(8,452)	(6,025)	(6,580)	(9,011)
	$ (2,503)	$ (3,792)	$ (5,033)	$ (2,618)	$ (3,218)	$ (5,388)
	$ -	$ -	$ -	$ -	$ -	$ -
	15	10	-	-	1	-
	$ 15	$ 10	$ -	$ -	$ 1	$ -
	(166.87)	(379.20)	-	-	(3,218.00)	-

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

	2008	2009	2010	2011
D.J. Johnson Economic Protection Trust Fund[6]				
Taconite Production Tax(7)	$ 4,388	$ 3,902	$ 5,006	$ 1,547
Net Available Revenue	$ 4,388	$ 3,902	$ 5,006	$ 1,547
Debt Service:				
Principle(4)	$ 322	$ 393	$ 408	$ 422
Interest	320	305	289	273
Total Debt Service	$ 642	$ 698	$ 697	$ 695
Coverage	6.83	5.59	7.18	2.23
Iron Range Resources and Rehabilitation Agency (IRRRA)[6]				
Taconite Production Tax(7)	$ 706	$ 705	$ 704	$ 704
Net Available Revenue	$ 706	$ 705	$ 704	$ 704
Debt Service:				
Principle	$ 322	$ 393	$ 408	$ 422
Interest	320	305	289	273
Total Debt Service	$ 642	$ 698	$ 697	$ 695
Coverage	1.10	1.01	1.01	1.01
911 Services Fund[8]				
911 Services Fees(9)	$ 52,271	$ 52,677	$ 60,229	$ 63,373
Less: Operating Expenses(2)	(25,812)	(23,225)	(7,290)	(30,996)
Net Available Revenue	$ 26,459	$ 29,452	$ 52,939	$ 32,377
Debt Service:				
Principal	$ 2,590	$ 5,365	$ 13,375	$ 12,100
Interest	1,672	2,453	4,642	5,150
Total Debt Service	$ 4,262	$ 7,818	$ 18,017	$ 17,250
Coverage	6.21	3.77	2.94	1.88

[6] 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.

[7] Taconite production tax revenues pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J. Johnson Economic Protection Trust Funds.

[8] Revenue bonds of $42.2 million were issued on November 13, 2008 for 911 services.

[9] 911 fees assessed on wireless and wire-line telephone services are pledged to repay the 911 revenue bonds.

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

2012	2013	2014	2015	2016	2017
$ 1,919	$ 5,723	$ 2,074	$ 1,542	$ 1,540	$ 1,540
$ 1,919	$ 5,723	$ 2,074	$ 1,542	$ 1,540	$ 1,540
$ 440	$ 572	$ 477	$ 973	$ 974	$ 1,007
256	123	417	853	547	518
$ 696	$ 695	$ 894	$ 1,826	$ 1,521	$ 1,525
2.76	8.23	2.32	0.84	1.01	1.01
$ 704	$ 706	$ 2,074	$ 2,452	$ 2,450	$ 2,452
$ 704	$ 706	$ 2,074	$ 2,452	$ 2,450	$ 2,452
$ 440	$ 572	$ 478	$ 1,452	$ 1,431	$ 1,483
256	124	615	1,343	992	944
$ 696	$ 696	$ 1,093	$ 2,795	$ 2,423	$ 2,427
1.01	1.01	1.90	0.88	1.01	1.01
$ 68,516	$ 63,222	$ 63,684	$ 57,381	$ 68,500	$ 76,324
(25,815)	(26,019)	(26,191)	(24,741)	(24,695)	(25,244)
$ 42,701	$ 37,203	$ 37,493	$ 32,640	$ 43,805	$ 51,080
$ 15,005	$ 11,380	$ 11,820	$ 12,310	$ 12,810	$ 20,320
7,260	6,918	6,443	5,924	5,403	2,675
$ 22,265	$ 18,298	$ 18,263	$ 18,234	$ 18,213	$ 22,995
1.92	2.03	2.05	1.79	2.41	2.22

Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2007	5,207,203	$ 214,836,931	$ 41,258	36.8	4.6%
2008	5,247,018	$ 225,518,558	$ 42,980	37.1	5.4%
2009	5,281,203	$ 215,149,426	$ 40,739	37.2	7.8%
2010	5,311,147	$ 223,700,193	$ 42,119	37.4	7.4%
2011	5,348,562	$ 238,638,075	$ 44,617	37.5	6.5%
2012	5,380,285	$ 254,020,529	$ 47,213	37.6	5.6%
2013	5,418,521	$ 256,039,772	$ 47,253	37.7	5.0%
2014	5,453,109	$ 268,529,945	$ 49,243	37.7	4.2%
2015	5,482,435	$ 280,406,484	$ 51,146	37.8	3.7%
2016	5,519,952	$ 287,249,809	$ 52,038	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 2016 and Nine Years Ago

	2007			2016		
Employer	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	55,865	1	2.02%	52,456	1	1.81%
Mayo Clinic	37,022	2	1.34%	41,620	2	1.44%
United States Government	32,313	3	1.17%	31,900	3	1.10%
Target Corp.	27,756	4	1.00%	26,271	6	0.91%
Allina Health System	23,653	5	0.85%	27,635	4	0.95%
Wells Fargo Bank Minnesota	20,884	6	0.75%	20,000	9	0.69%
Fairview Health Services	20,148	7	0.73%	24,000	7	0.83%
Wal-Mart Stores Inc.	19,733	8	0.71%	-	-	0.00%
University of Minnesota	18,470	9	0.67%	26,436	5	0.91%
3M Company	16,500	10	0.60%	-	-	0.00%
Health Partners Inc.	-	-	0.00%	23,000	8	0.79%
United Health Group Inc.	-	-	0.00%	17,000	10	0.59%
Total	272,344			290,318		
Total State Employment	2,768,913			2,895,598		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published March 7, 2008 and July 14, 2017
State of Minnesota Full-Time Employee data for 2016, provided by the Minnesota Department of Employment and Economic Development

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

	2008	2009	2010	2011
Primary Government:				
Agricultural, Environmental and Energy Resources	4,465	4,515	4,467	4,416
Economic and Workforce Development	2,379	2,499	2,661	2,621
General Education	897	882	880	877
General Government	7,393	8,393	6,868	7,005
Health and Human Services	9,587	8,257	9,167	8,997
Higher Education	14,841	15,592	15,835	15,851
Public Safety and Corrections	6,447	6,517	6,553	6,569
Transportation	4,544	4,713	4,969	4,964
Total	50,553	51,368	51,400	51,300

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2012	2013	2014	2015	2016	2017
4,221	4,543	4,532	4,622	4,576	4,459
2,368	2,468	2,378	2,373	2,332	2,242
851	898	915	900	846	859
6,867	7,228	7,552	7,606	8,666	9,347
8,694	9,143	9,613	9,909	9,062	9,452
15,554	15,584	15,481	15,090	14,810	14,576
6,457	6,521	6,519	6,598	6,761	6,728
4,514	4,915	4,970	4,815	4,654	4,793
49,526	51,300	51,960	51,913	51,707	52,456

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

		2008		2009		2010		2011
Agricultural, Environmental and Energy Resources:								
Recreational Fishing Licenses Issued/License Year........		1,326,087		1,363,841		1,247,885		1,317,401
Watercraft Licenses Issued/Calendar Year.....................		870,736		873,986		908,232		928,540
Acres of State Land Managed by Forestry/Fiscal Year....		3,847,000		3,922,744		3,915,225		3,915,178
Farms/Calendar Year		81,000		81,000		80,500		79,800
Acres of Farmland/Calendar Year (1,000 Acres).............		26,900		26,900		26,900		26,850
Agricultural Production-Crops/Calendar Year.................. (In Thousands)	$	10,288,852	$	8,760,107	$	8,495,341	$	9,948,617
Agricultural Production-Livestock/Calendar Year............ (In Thousands)	$	6,095,538	$	5,185,204	$	6,180,769	$	7,008,030
Economic and Workforce Development:								
Unemployment Claims Filed...		193,499		336,266		350,443		353,277
Workplace Injuries Reported...		38,178		35,416		32,828		33,889
General Education: [1]								
Pre-kindergarten (handicapped only) through Grade 12 Students..		823,755		821,021		821,923		823,347
School Districts..		340		340		337		337
Charter Schools...		143		153		154		149
Special Education Age 0-21 Child Count.........................		123,269		124,592		126,108		127,863
General Government:								
Individual Income Tax Payers/Calendar Year..................		2,715,679		2,687,864		2,695,214		2,708,203
Corporate Income Tax Returns/Calendar Year................		40,900		33,822		32,115		38,072
Sales Tax Permit Holders/Calendar Year........................		277,000		277,000		284,000		284,000
Health and Human Services:								
Average Monthly Cash Recipients...................................		158,556		164,293		174,372		185,739
Average Monthly Health Care Enrollees..........................		667,086		707,006		776,430		832,903
Health Care Providers		3,931		4,153		4,366		4,442
Higher Education:								
Full Year Student Equivalents...		139,885		143,924		155,422		157,903
Number of Students Graduated.......................................		33,328		35,026		36,464		38,765
Square Footage of Buildings...		26,065,364		26,672,956		26,792,759		27,248,375
Public Safety and Corrections:								
Incarcerated Inmates...		9,270		9,217		9,619		9,429
Offenders on Supervision..		20,132		20,974		20,559		19,727
Correctional Facilities..		10		10		10		10
Reassignment of Minnesota Certificates of Title		1,436,622		1,268,416		1,277,295		1,277,132
Crashes Investigated By State Patrol..............................		20,198		20,297		20,324		25,768
Transportation:								
Miles of Highways..		29,191		29,228		29,370		29,347
Trunk Highway Bridges..		2,981		3,021		2,988		2,985
Acres of Right-of-Way..		254,074		254,269		254,880		254,852

Notes:

N/A = Information not available.

Of the $19.2 billion in capital assets owned by the state as of June 30, 2017, $12.5 billion (65.1 percent) of the assets represent infrastructure and right of way under the Transportation function.
The remaining $6.7 billion in capital assets are allocated to other functions.

[1] Current year amounts are estimated.

2012	2013	2014	2015	2016	2017
1,394,075	1,340,327	1,364,293	1,363,641	1,375,334	N/A
970,091	957,061	958,111	960,418	976,329	N/A
3,914,875	4,008,450	4,014,742	4,014,641	4,030,652	4,200,338
74,500	74,400	74,000	73,600	73,300	72,845
26,000	25,900	25,900	25,900	25,900	25,775
$ 13,547,827	$ 12,763,802	$ 8,981,160	$ 9,359,125	$ 8,720,433	$ 8,290,126
$ 7,434,338	$ 7,621,957	$ 9,614,139	$ 7,858,145	$ 7,560,945	$ 7,520,072
319,473	282,339	268,800	242,214	240,570	225,711
33,757	34,303	34,963	33,786	33,915	33,006
824,922	831,722	837,616	845,527	852,399	861,191
337	336	332	332	332	332
147	148	150	157	165	165
128,430	128,812	129,669	130,886	133,742	137,601
2,766,477	2,794,748	2,854,888	2,894,528	2,942,829	2,936,859
33,404	36,223	35,857	35,534	35,613	33,872
256,439	284,000	155,000	155,000	160,000	160,000
183,983	181,900	176,300	166,428	163,859	168,518
855,643	864,365	929,455	1,139,325	1,191,630	1,169,864
4,680	4,780	4,931	4,724	4,533	4,582
153,447	149,905	144,524	138,657	135,192	131,640
39,617	39,800	39,148	38,220	37,427	36,846
27,835,651	27,968,002	27,998,859	28,042,641	28,473,676	28,675,891
9,345	9,452	9,768	9,947	10,105	9,869
19,697	19,968	19,343	20,418	20,011	20,168
10	10	10	10	10	10
1,319,334	1,625,547	1,420,951	1,177,543	1,343,989	1,399,009
20,527	23,229	25,670	23,278	25,113	28,200
29,310	29,323	29,288	29,288	29,288	29,290
2,985	3,017	3,032	3,036	3,022	3,017
254,958	255,714	255,453	256,265	256,483	256,958