



**SURPLUS SERVICES
Fund 4502**

**FISCAL YEAR 2019
Business Plan**

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Executive Summary

Who are we and what do we do

The Fleet and Surplus Services (FSS) Division’s State and Federal Surplus Property Program manages a distribution system for repurposing state and federal surplus personal property.

Our goals for next year

- Bring more awareness and increase customer base to the surplus disposal and reuse programs available to state agencies, cities, counties, and schools through informational meetings, targeted email campaigns, and surveys.
- Target legislative and stakeholder outreach to educate them on federal requirements and surplus property operations regarding potential legislation related to services fees for school districts, state colleges, and universities.
- Revise current Minnesota State Plan of Operations for federal surplus property.
- Increase the use of online auctions at agency locations for disposing of surplus items to increase efficiency and transportation cost savings.
- Add new federal property management modules and update the surplus property management and auction software to MNIT supported versions.

Our proposed rates

There is no rate change proposed for fiscal year (FY) 2019. A fee is included in the price of goods to cover all costs associated with providing surplus property management services. FSS will continue to review the financial statements on a quarterly basis, along with the Department of Administration’s Financial Management & Reporting (FMR) division to manage retained earnings.

Surplus Services’ operations are mainly funded through auction revenues realized from the sale of vehicles and large equipment owned by its top 4 or 5 customers. These revenues support the enterprise-wide services provided to all agencies. To manage retained earnings, Surplus Services plans to issue rebates totaling \$400,000 in FY 2018 to its top agency customers based on the percentage of revenues realized from the sale of each agency’s surplus property.

Products/Services	FY 2018 Rate (\$)	FY 2019 Proposed Rate (\$)	Change (\$)	Change (%)
Auction Admin Fee - Metro/Online (Items \$4,000 and under)	8.5%	8.5%	0	0%
Auction Admin Fee - Online from Customer Location (Items \$4,000 and under)	8%	8%	0	0%
Auction Admin Fee – Outstate (Items \$4,000 and under)	10.50%	10.50%	0	0%
Auction Admin Fee Metro/Online (Items over \$4,000)	8%	8%	0	0%
Auction Admin Fee - Online from Customer Location (Items over \$4,000)	6%	6%	0	0%
Auction Admin Fee (Out-state) (Items over \$4,000)	8.50%	8.50%	0	0%
State Surplus Property Fee	Various	Various	Various	Various
Computer Wiping Fee	\$10.00	\$10.00	0	0%
Garage Sale Fee	Various	N/A	N/A	N/A
Storage Fee (Inside)	\$5.85*	\$5.85*	0	0%
Storage Fee (Outside)	\$25.00~	\$25.00~	0	0%
Forklift Fee	\$29.60^	\$29.60^	0	0%
Truck Fee	\$43.00^	\$43.00^	0	0%
Warehouse Person Fee	\$21.65^	\$21.65^	0	0%
Lead Staff Person Fee	\$29.20^	\$29.20^	0	0%
Surplus/Exchange Fee	≤\$50	≤\$50	0	0%
(Requested price of \$500 or more)				
<p style="text-align: center;">*Annual Square Foot Cost ~Vehicle Monthly ^Hourly Online auction fee for items sold for \$50 or less, Surplus keeps 100% of revenue Auction Admin Fee Not to Exceed \$1,000 Per Item</p>				

Our successes, challenges, along with economic and legislative impacts

Successes:

- Returned \$12,874,165 from auction sales to agencies from July 1, 2017 through March 31, 2018.
- Increased agency/organization customer participation 13% through March 31, 2018
- Additional functionality and enhancements added to MinnBid online auction software.
- FSS improved the energy efficiency of the FSS building by repairing the air infiltration and leakage distress in the office areas identified as a part of a building exterior envelope assessment in FY 2018.
- Investments made to the building in FY 2018 to repair air infiltration and leakage in the office area will provide energy efficiencies and reduce costs.
- Online auction agency customers have increased by 4.5% and have resulted in property transportation cost savings by auctioning property at their agency locations.

Challenges:

- Locating and obtaining usable state and federal surplus property that meet donee's needs is difficult as donee's have unique and varying property needs.
- Predicting agency statewide indirect costs, internal agency allocations, and FSS building repairs.
- Helping donees and customers understand the environmental benefits of reusing and capitalizing on this to increase participation.

Economic Impacts:

- Organizations are turning more to FSS to meet their property needs since budgets are limited and purchasing new may not be a viable option.
- Auction Program returns much needed revenue to participating state agencies and local units of government to aid them in replenishing their equipment budget.
- Agencies may keep vehicles past planned replacement schedules reducing the amount of surplus property available to sell and/or the resale value.
- Agencies request to trade-in surplus property against sale of new large equipment.
- Reduced amount of items disposed in landfills.

Legislative Impacts:

None at this time.

Projected FY 2019 financial activity

Revenue	\$ 1,670,528
Expenses	\$ 1,445,114
Year-end Retained Earnings	\$ 1,652,097
Working Capital	\$ 1,445,114
Full Time Equivalents	8.25
Overall Rate Change	0%

Current rates will allow us to maintain retained earnings levels and one year's working capital as allowed by the Federal Regulations State Plan of Operations, which assists with unexpected building and equipment maintenance and replacements. Retained earnings for FY 2019 are projected to decrease by \$124,500 due in part to Surplus Services' plan to rebate \$350,000 to its top 4 or 5 customers. Additionally, computer system upgrades to the surplus property management and auction software is planned. New modules will be added to include federal property management, enhancements, and updates to the current state surplus property applications that will be supported by MNIT.

The Business

Description of Business

How was the Business Created

- Statute Authority – Minnesota Statute (M.S.) 16C.03, 16B.2975.
- The Federal Surplus Property (FSP) Program was created and operates under the Federal Property and Administrative Services Act of 1949, as amended. Authority was established by Minnesota Session Laws, Chapter 808, on July 1, 1957.
- The State Surplus Property (SSP) Program governed under M.S. 16C.03 was implemented and combined with the Federal Surplus Program on July 1, 1986, in an effort to maximize resources.
- Purpose – manage an effective and efficient distribution system for state and federal surplus property for the State of Minnesota.
- Type of Fund – Enterprise Fund and receives no appropriation from the state general fund. Operations are mostly funded through auction revenues from the sale of vehicles and large equipment.

What are significant historical changes, if any

- Federal Property and Administrative Services Act of 1949 was amended to expand eligibility to include political subdivisions and state government in 1976.
- In 2006, eligible Federal 8(a) Business Development program participants became qualified to receive federal surplus property, on approval of the Small Business Administration.
- Fleet Services and Surplus Services Divisions combined in 2007 to promote efficient and effective operations.
- The Formerly Owned Resources for Veterans to Express Thanks for Service (FORVETS) Act of 2010 became effective January 1, 2011 creating a new category of eligible donation recipient.

What are the significant aspects of the business

- Distributes usable state and federal surplus property to eligible donees, including:
 - State government
 - Political subdivisions
 - Non-profit health and educational organizations
 - Programs for homeless individuals or impoverished families
 - Service educational activities
 - Veteran’s Service Organizations (VSO)
- Manages the State Auction Program.
- Operates a distribution system to repurpose surplus property.
- Provides storage lease space, handling of forms, and delivery of surplus items.
- Offers computer hard-drive wiping services to state agencies.

What are the location, hours, and website

5420 Old Hwy 8 (southeast corner of I-35W and County Road I)
Arden Hills, MN 55112

Business Hours: 8 am to 4:30 pm Monday through Friday

Website: <http://mn.gov/admin/government/surplus-property/>

Approximately 12 live public auctions are held on Saturdays in March through December

What are the Partnerships

- **General Services Administration (GSA)** – Federal Management Regulation’s terms and conditions outlined in the federal certifications, agreements (State Plan of Operations), and assurance documents for federal surplus property.
- **National Association of State Agencies for Surplus Property (NASASP)** – national organization established to discuss the federal surplus property program including changes, legislation, property availability, and distribution of federal property.
- **Interstate Cooperative Distribution Agreement between FSP, the Wisconsin State Agency for Surplus Property, and GSA** – joint agreement for eligible organizations located in Wisconsin to obtain federal surplus property through the Minnesota program.
- **Surplus Property Advisory Committee** – forum to address surplus property program participants’ issues.

What are our strengths, weaknesses, opportunities, and threats/risks/vulnerabilities

Strengths:

- Knowledgeable and experienced staff help agencies determine efficient and economical methods for distributing state surplus property.
- Auction program returns much needed revenue to aid customers in replenishing and/or subsidizing equipment budgets.
- Auction commission rates are lower than market rates.
- High returns on surplus property auction sales.
- Allows state agencies and political subdivisions to reuse government property and improve their sustainability outcomes.

Weaknesses:

- Limited resources to market business operations.
- Location not favorable for out-state eligible organizations.

Opportunities:

- Explore and identify new resources and tools to use to ensure efficient and effective disposal of state surplus property.
- Update non-supported surplus property management software applications – MinnBid and Macola.
- Increase awareness of the surplus disposal and re-use programs.
- Increase awareness of the environmental impacts of re-use, including reducing the number of items disposed of in landfills.
- Reduce freight costs by increasing online auctions from agency locations.
- Increase direct shipments of federal surplus property to donees.
- Results from the customer satisfaction survey to be completed in June of FY 2018 will provide direction for improving efficiency and customer satisfaction.

Threats:

- Costs related to technology improvements and other indirect costs continue to rise.
- Current surplus property management applications need to be updated with newer versions supported by MNIT.
- Decrease in availability of desirable federal surplus heavy equipment and miscellaneous property.
- Unplanned building repairs/maintenance and deteriorating water/sewer infrastructure costs.
- Agencies may hold property longer, decreasing market value and reducing the number of items available for sale to consumers.
- Market value of surplus items is hard to predict as demand for items affects value.

What other key/significant business/financial information is important to our business

- Statewide budget constraints may increase the demand for surplus goods. These same constraints could result in a decrease in supply as agencies may hold on to items longer before replacing.
- FSS owns and maintains a 46,000 square foot building in Arden Hills, an International freight truck, and heavy equipment. These resources are shared with Fleet Services to reduce business operational costs.
- Local Units of Government are increasing use of auction program.
- Higher market value for state surplus property.

Products and Services

What are our main products/services and the benefits to customers

- **Surplus Property Distribution Center.** Operates a center for redistributing surplus property to eligible donees.
 - *Customer benefit:*
 - Allows state agencies to dispose of surplus property that no longer has value to their organization.
 - Prevents the build-up of surplus property, and provides the agency another viable, cost effective option in redistribution of their surplus property.
 - Supports statewide sustainability efforts by reducing the amount of property going to landfills and savings from associated disposal costs.
- **State Auction Program.** Hosts approximately 12 statewide live auctions annually in addition to administering daily online auctions.
 - *Customer benefit:*
 - Allows state agencies and local units of government to use Surplus Services to handle property sales and receive approximately ninety percent of the associated revenue to purchase replacement property and equipment.
 - Online auctions are beneficial when items sold are unique or not easily transported to a live auction site.
- **Surplus Exchange program.** Provides forum for state agencies and political subdivisions for re-purposing government property
 - *Customer benefit:*
 - Maximizes state resources by transferring surplus property between state agencies prior to sale to local units of government or the general public.
 - Allows government entities priority in locating and receiving good surplus property.
- **Donation of federal surplus property.** Procures, stores, and distributes federal surplus property for participating eligible organizations
 - *Customer benefit:*
 - Receives federal donated items at a minimal fee.
 - Brings federal tax dollars into Minnesota.
- **State of Minnesota Property Management Policy and User Guide.** Issues policy and guidelines for state agencies.
 - *Customer benefit:*
 - Provides policy and guidance to ensure enterprise-wide accountability of property.

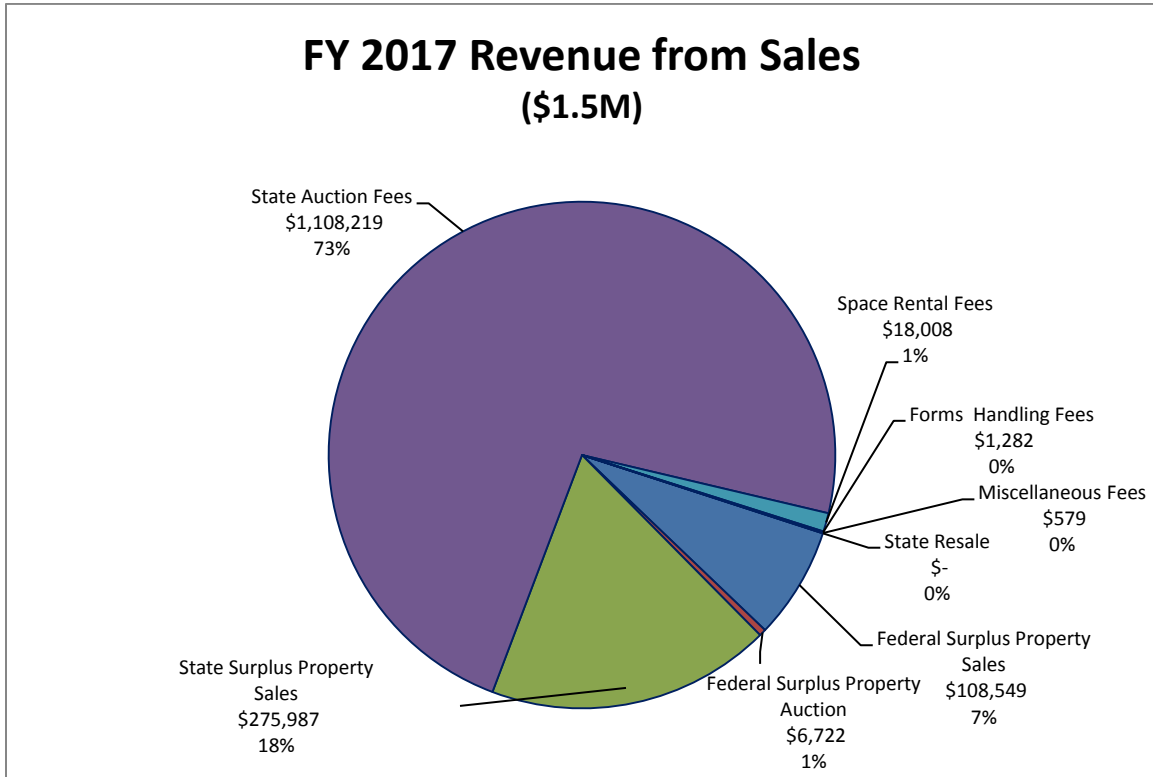
- **Property Disposition Request (PDR) form evaluations/approvals.** Authorizes disposition methods of state surplus property in accordance with M.S. 16B.2975.
 - *Customer benefit:*
 - Optimizes use of state-owned property through intra/inter-agency surplus property transfers.
 - Provides for ultimate sale of non-transferable surplus property.
 - Obtains maximum return on investment for the State of Minnesota.
- **Storage service / Forms handling service.** Provides rental space and inventory handling services to state agencies and local units of government.
 - *Customer benefit:*
 - Provides cost effective storage solutions.
 - Receives notification when inventory is drop-shipped.
 - Receives timely delivery of items requested.
- **Hard-Drive Wiping Service.** Performs required computer hard-drive sanitization for state agencies.
 - *Customer Benefit:*
 - Sanitizes computer hard-drives for customers with limited technology support.
 - Assures computer hard-drives are sanitized prior to disposal.
- **Federal Surplus Property auctions.** Sells to the public through online GSA auctions the federal surplus property not donated to eligible organizations within twelve months of receipt.
 - *Customer Benefit:*
 - Allows the public an opportunity to obtain federal surplus property.
- **National Disaster Relief Assistance.** Gives Minnesota FSP a priority status on obtaining federal surplus property for use within a declared Minnesota national disaster area.
 - *Customer Benefit:*
 - Provides substantial federal assistance to state and local organizations to aid in rebuilding disaster areas.

What other key products and services information is important

FSS distributes approximately 900 different types of surplus items including but not limited to:

- Supplies
- Furniture
- Tools/equipment
- Vehicles
- Aircraft/vessel

Sales of these items are made through the FSP, SSP, State Auction Program, and State Resale Program which obtains maximum returns on investments for the State of Minnesota, and provides items to eligible organizations at a reduced cost thereby stretching their budget dollars. The chart below provides information on the revenue generated from service fees and property sales.



Unneeded government surplus property is sold to the public through live and online auctions. The Admin fee covers related expenses such as auctioneer, salaries, advertising, printing, security, deputy registrar, travel, and sanitation facilities. \$70,412,633 has been returned to state agencies between FY 2012 and FY 2017. In addition, rebates of approximately \$1,800,000 have been returned to our top five customers.

Amounts returned to Agencies from Auction Sales

	Live Auctions	Online Auctions	Total
FY 2017	\$8,980,353	\$4,452,697	\$13,433,050
FY 2016	\$10,112,304	\$5,254,489	\$15,366,793
FY 2015	\$7,006,078	\$5,463,159	\$12,469,237
FY 2014	\$6,093,250	\$4,750,334	\$10,843,584
FY 2013	\$5,694,533	\$3,823,056	\$9,517,589
FY 2012	\$5,436,547	\$3,345,833	\$8,782,380
Total	\$43,323,065	\$27,089,568	\$70,412,633

The Admin fee is based on the amount paid to agencies from revenue generated from the sale of the surplus property. These figures are not adjusted for non-sufficient funds or other situations.

Marketing Information

Who are our target audiences/customers

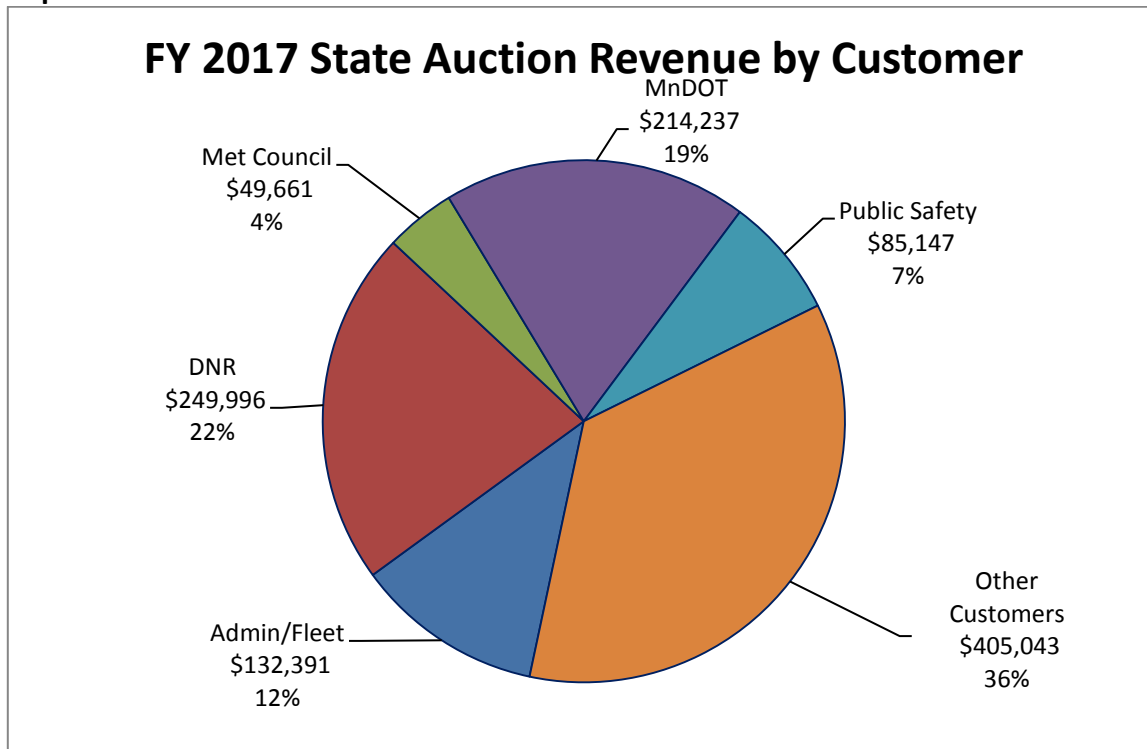
- State agencies
- Local units of government
- Non-profit health and educational organizations and programs for impoverished families and homeless individuals
- Service educational activities such as VSOs, American Red Cross, Boy Scouts of America, Girl Scouts of America, and Ski Patrol
- Public

Our target audiences/customers

- The surplus operations are largely funded through auction revenues from the sale of vehicles and large equipment owned by the top five customers. The remaining customers make up 36% of the auction revenue.

Our key customers

Top State Auction Customers



How our customer base is changing, and why

- More local units of government utilize our surplus property disposal services due to low cost, accessibility, and high revenue returns received from the state auction program.
- Increase in repeat customers looking to acquire merchandise before purchasing new because of additional availability of higher quality inventory in the distribution center.
- MinnBid online auctions have dramatically increased visibility for FSS.
- Federal property can be direct shipped to customers bypassing the need to come to FSS to pick up property.

How do we reach our potential customers

- E-mail campaigns
- Word-of-mouth referrals
- Newspaper/radio advertising/press releases
- Website/Twitter/Facebook
- Announcements to Cooperative Purchasing Venture (CPV) members
- Advisory Committee publications
- Site visits

What have we heard from our customers

Responses from customer emails and letters include:

- “Thank you for making this work so smoothly, it’s terrific to find a home for these items – much, much better than the dumpster.”
- “I have been using this website every other day for MinnBid since its inception. This new site is wonderful and much easier to use. I love it, thanks!”
- “Thanks for your help, I really don't know how I would be able to get rid of all this overstock if it wasn't for your organization. We are a small community and if we had to rely on doing sealed bids locally there is no way we would get rid of all this stuff. Your efforts are much appreciated.”
- “We really appreciate your assistance in helping us sell this surplus property. Very pleased with the final results as well.”
- “Thank you for the update, this is great news. We appreciate what you’ve done on our behalf.”
- “For a smaller city like ours and neighboring cities, the service you provide is a wonderful opportunity to be able to purchase much needed items at a cost that we can afford.”

Competition

Our competition

- FSS is the sole distributor of federal surplus property in Minnesota and the primary distributor of state surplus property.
- Vendors accepting trade-ins on surplus property; FSS approves trade-ins when circumstances warrant.
- Auction companies may be approved by FSS when circumstances warrant.

How our rates compare

- Rate and revenue comparisons to other auction services for similar items are analyzed on a regular basis to FSS auction fees and revenue. Comparisons demonstrate FSS to be a more economical method of disposal.

Private Sector Rate Comparison for live auction programs.

Commission / Fee	Surplus	Vendor B	Vendor C	Vendor D
Auction Company	6% - 10.5%	10% - 15%	10% - 13%	10%
	(\$1,000 Cap)	(3% Card fee)	(Buyer Fee Cap \$1000)	(Buyer fee Cap\$1290)

- FSS's warehouse storage fees are lower than warehouse space rental rates provided by Admin in the centrally located Capitol Complex area. In addition, material handling and delivery services are also available at a nominal fee.
- Pricing comparison of similar items and services available in the surplus property distribution center cannot be measured as the program is unique. State surplus property sold through the distribution center is priced according to condition and market value and is priced to repurpose items quickly.

Financial Outlook

Our current overall financial health

Surplus Service's financial condition is strong and can withstand the planned expenditures, barring any major unplanned expenses or reduced revenue related to a reduction in surplus property. The Federal State Plan of Operations allows for a working capital of one year. FSS will continue to review financial statements on a quarterly basis, along with FMR to manage retained earnings. Rebates totaling \$400,000 will be issued in FY 2018 to our top customer agencies. Providing there are no major repair costs to the building or sewer line infrastructure, a rebate in the amount of \$350,000 is projected to be issued in FY 2019 to our top customer agencies.

Capital Assets

FSS maintains a 46,000 square foot distribution center, office area, and parking lots. Repair costs for unplanned maintenance and repairs are hard to predict and difficult to budget for.

- FSS improved energy efficiency in the building by repairing air infiltration and leakage distress in the office areas in FY 2018.
- A study will be completed in June of FY 2018 to determine the condition and remaining life expectancy of current septic system, including scope, cost to connect water and sewer lines to new public utilities, and remove or cap deteriorating system.
- Extensive research was unable to identify a software replacement solution to replace the out-of-date systems in FY 2018. Applications are being upgraded to a MNIT- and vendor-supported version of Macola and MinnBid.

Changes to the rate and why

There is no rate change proposed for FY 2019. Revenue generated from auction sales remains strong with more local units of government utilizing the auction program and higher residual value of vehicles and surplus equipment.

Statewide budget constraints may increase the demand for surplus goods. These same circumstances may cause us to see a decrease in surplus inventory at FSS as agencies may hold onto items longer before replacing. Current rates will allow us to maintain retained earnings levels and one year's working capital as allowed by the Federal Regulations State Plan of Operations, which assists with unexpected building and equipment maintenance and replacements.

How our proposed rates will impact our financial health

The FY 2019 rates:

- Ensure all operating expenses are covered and retained earnings remain sound.
- Allow for enhancement of current property management software.
- Allow for repairs and maintenance of property and FSS facility.
- Maintain high levels of service.
- Obtain usable state and federal surplus property to meet our customer's needs.
- Ensure that staff and facility infrastructure keep pace with the rate of growth.

How will our proposed rates impact our customers

- Low auction rates continue to increase the number of agencies and political subdivisions utilizing our program.
- The lower rate for online auctions will encourage agencies to sell items from their own locations and help reduce agency freight/transportation costs.
- Established cap of \$1,000 on high value items allows agencies to see higher returns on their investments for replacement of similar items.
- FSS continues to be recognized as a cost-savings alternative for other government entities, non-profit organizations, and the public for available surplus property needs.

Financial Data

Assumptions for Rate Matrix

Assumptions for Rate Matrix A - Total Program

MINNESOTA DEPARTMENT OF ADMINISTRATION

SURPLUS SERVICES FUND 4502

FOR FISCAL YEAR 2019

OPERATING REVENUE/EXPENSES

670017	<p>State Surplus Property Sales Change = 6% or (\$15,100) Decrease in State Surplus Property Sales is projected due to fewer computers and IT related equipment availability in FY 2019 per MNIT new disposal practices.</p>
41000	<p>Salaries and Benefits Change = 21.0% or \$133,620 Increase in salary costs based on FY 2019 and FY 2020 cost projections provided by MMB and employee transitioning back to Surplus Services from MNIT.</p>
41150	<p>Computer Systems & Services Change = 900.0% or \$54,000 Increase in computer system costs for updating surplus property management applications with newer versions that can be supported by MNIT.</p>
41130	<p>Professional & Technical Services Change = 55.0% or (\$15,122) Decrease in management analyst services for FY 2019.</p>
41196	<p>Centralized IT Change = 15.0% or (\$30,222) Decrease in IT costs due to IT staffing changes and chargeback amounts by MNIT.</p>
41170	<p>Travel Out State Change = 3500.% or \$3,500 Increase for developmental eligibility and compliance training of existing FSP staff.</p>
42010	<p>Indirect Costs Change = 77.% or (\$31,758) Decrease due to a carry-forward credit per FMR.</p>
43000	<p>Other Expense Change = 100.% or (\$3,758) Decrease due to no planned expense reimbursements.</p>

Rate Matrix A

Rate Matrix A - Total Program

MINNESOTA DEPARTMENT OF ADMINISTRATION
SURPLUS SERVICES FUND 4502
FOR FISCAL YEAR 2019

	TOTAL FSP/OTHER	FSP	STATE RESALE	AUCTION	STATE OTHER	FY 2019 PROPOSED	FY 2018 3 ACT / 9 EST	\$ CHANGE FY 2018 / FY 2019	% CHANGE FY 2018 /
SWIFT SPENDING PLAN									
SALARIES/OVERTIME	\$757,286	\$87,380	\$500	\$435,114	\$234,292	\$757,286	\$623,666	\$133,620	21%
RENT	\$17,150	\$858	\$0	\$13,720	\$2,573	\$17,150	\$16,724	\$426	3%
REPAIRS	\$31,200	\$1,560	\$0	\$24,960	\$4,680	\$31,200	\$30,000	\$1,200	4%
PRINTING	\$1,700	\$0	\$0	\$1,615	\$85	\$1,700	\$1,650	\$50	3%
ADVERTISING	\$39,000	\$0	\$0	\$39,000	\$0	\$39,000	\$38,250	\$750	2%
PROFESSIONAL & TECHNICAL	\$12,500	\$625	\$0	\$8,750	\$3,125	\$12,500	\$27,622	-\$15,122	-55%
AUCTIONEER	\$151,500	\$0	\$0	\$151,500	\$0	\$151,500	\$148,514	\$2,986	2%
COMPUTER SYSTEMS & SERVICES	\$60,000	\$3,000	\$0	\$42,000	\$15,000	\$60,000	\$6,000	\$54,000	900%
CENTRALIZED IT	\$177,018	\$8,851	\$0	\$132,764	\$35,404	\$177,018	\$207,240	-\$30,222	-15%
COMMUNICATIONS	\$1,300	\$65	\$0	\$910	\$325	\$1,300	\$1,250	\$50	4%
FREIGHT	\$21,900	\$20,805	\$0	\$0	\$1,095	\$21,900	\$21,225	\$675	3%
TRAVEL IN STATE	\$11,250	\$563	\$0	\$10,688	\$0	\$11,250	\$11,100	\$150	1%
TRAVEL OUT STATE	\$3,500	\$3,500	\$0	\$0	\$0	\$3,500	\$0	\$3,500	3500%
SUPPLIES & MATERIALS	\$15,950	\$798	\$0	\$7,975	\$7,178	\$15,950	\$15,800	\$150	1%
EQUIPMENT RENTAL	\$33	\$2	\$0	\$23	\$8	\$33	\$32	\$1	3%
EMPLOYEE DEVELOPMENT	\$5,075	\$254	\$0	\$3,553	\$1,269	\$5,075	\$5,075	\$0	0%
PURCHASED SERVICES	\$64,550	\$3,228	\$0	\$45,185	\$16,138	\$64,550	\$62,225	\$2,325	4%
INSURANCE	\$4,075	\$204	\$0	\$2,038	\$1,834	\$4,075	\$3,963	\$112	3%
ATTORNEY GENERAL FEES	\$100	\$5	\$0	\$50	\$45	\$100	\$100	\$0	0%
SECURITY	\$5,750	\$0	\$0	\$5,750	\$0	\$5,750	\$5,600	\$150	3%
OTHER EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$3,758	-\$3,758	-100%
STATEWIDE INDIRECT COSTS	\$9,250	\$463	\$0	\$6,475	\$2,313	\$9,250	\$41,008	-\$31,758	-77%
SUB-TOTAL	\$1,390,087	\$132,158	\$500	\$932,068	\$325,361	\$1,390,087	\$1,270,802		
INCLUSION TO RATES									
DEPRECIATION	\$55,027	\$5,503	\$0	\$27,514	\$22,011	\$55,027	\$50,952	\$4,075	8%
SUB-TOTAL	\$55,027	\$5,503	\$0	\$27,514	\$22,011	\$55,027	\$50,952		
COST OF GOODS SOLD	\$65,500	\$0	\$65,500	\$0	\$0	\$65,500	\$65,500		
TOTAL EXPENSES	\$1,510,614	\$137,660	\$66,000	\$959,582	\$347,372	\$1,510,614	\$1,387,254		
REVENUE	\$1,729,186	\$114,410	\$67,500	\$1,284,280	\$262,996	\$1,736,028	\$1,729,186		
AUCTION ADMIN FEE REBATE	-\$350,000			-\$350,000		-\$350,000	-\$400,000		
PROJECTED GAIN (LOSS)	-\$131,428	-\$23,250	\$1,500	-\$25,302	-\$84,376	-\$124,586	-\$58,068		

Rate Matrix B

RATE MATRIX B - STORAGE FEES

MINNESOTA DEPARTMENT OF ADMINISTRATION
 SURPLUS SERVICES FUND 4502
 FOR FISCAL YEAR 2019

	FY 2019 STORAGE FEE	FY 2019 PROPOSED TOTALS	FY 2018 3ACT/9EST TOTALS	\$ CHANGE FY18/FY19	% Change FY18/FY19
SWIFT SPENDING PLAN					
SALARIES	\$ 7,951.00	\$ 7,951.00	\$ 7,776.00	\$ 175.00	2%
RENT	\$ 2,750.00	\$ 2,750.00	\$ 2,750.00	\$ -	0%
REPAIRS	\$ 288.00	\$ 288.00	\$ 277.00	\$ 11.00	4%
PROFESSIONAL & TECHNICAL SERVICE	\$ -	\$ -	\$ -	\$ -	0%
COMMUNICATIONS	\$ 255.00	\$ 255.00	\$ 250.00	\$ 5.00	2%
SUPPLIES & MATERIALS	\$ 78.00	\$ 78.00	\$ 78.00	\$ -	0%
EQUIPMENT RENTAL	\$ -	\$ -	\$ -	\$ -	0%
PURCHASED SERVICES	\$ 520.00	\$ 520.00	\$ 520.00	\$ -	0%
INSURANCE	\$ 255.00	\$ 255.00	\$ 250.00	\$ 5.00	2%
INDIRECT COSTS	\$ 1,352.00	\$ 1,352.00	\$ 1,300.00	\$ 52.00	4%
DEPRECIATION EXPENSE	\$ 4,210.00	\$ 4,210.00	\$ 4,090.00	\$ 120.00	3%
SUB-TOTAL	\$ 17,659.00	\$ 17,659.00	\$ 13,201.00	\$ 368.00	3%
INCLUSION TO RATES					
DEPRECIATION	\$ 4,090.00	\$ 4,090.00	\$ 4,090.00	\$ -	0%
SUB-TOTAL	\$ 21,749.00	\$ 21,749.00	\$ 17,291.00	\$ 368.00	2%
ALLOCATION OF OVERHEAD					
TOTAL BASIS FOR RATES	21,749				
RETAINED EARNINGS ADJUSTMENT	0				
TOTAL BASIS FOR RATES AFTER ADJ.	21,749				
BILLABLE UNITS					
BILLABLE UNITS - SQ. FT.	3,718				
PRIOR YEAR (ESTIMATED/ACTUAL)	0				
CHANGE IN BILLABLE UNITS	3,718				
RATES					
BREAK EVEN RATES	\$5.85				
PRIOR YEAR	\$5.85				
CHANGE IN BREAK EVEN RATES	\$0.00				
BREAK EVEN RATES	\$5.85				
REQUESTED RATES	\$5.85				
CURRENT RATES	\$5.85				
REQUESTED VS BREAK EVEN RATES					
REQUESTED RATES	\$5.85				
BREAK EVEN RATES	\$5.85				
VARIANCE	\$0.00				
REVENUES AT REQUESTED RATES	\$21,749.00				
REVENUES AT BREAK EVEN RATES	\$21,749.00				
REVENUE VARIANCE	\$0.00				
REQUESTED VS CURRENT RATES					
REQUESTED RATES	\$5.85				
CURRENT RATES	\$5.85				
CHANGE IN RATES	\$0.00				
% CHANGE IN RATES	0.00%				
REVENUES AT REQUESTED RATES	\$21,749.00				
REVENUES AT CURRENT RATES	\$21,749.00				
CHANGE IN REVENUES	\$0.00				
OVERALL CHANGE IN RATES - %	0.00%				

Rate Matrix Computation

Rate Matrix Computation

**MINNESOTA DEPARTMENT OF ADMINISTRATION
SURPLUS SERVICES FUND 4502
FOR FISCAL YEAR 2019**

Methodologies for expenses are based on current costs. An inflation factor was used where applicable based upon estimated increase in costs of services or volume. IT costs are estimated to decrease by 15% due to IT staffing changes. Salary costs are projected to increase 21% based on FY 2019 and FY 2020 cost projections provided by MMB and employee transitioning back to Surplus Services from MNIT.

\$12,500 has been allocated in Professional & Technical Services for study to connect Fleet and Surplus building to city water and sewer. This is due to the deteriorated condition of existing septic system.

A \$15,100 decrease in State Surplus Property Sales is projected due to fewer computers and IT related equipment availability in FY 2019 due to MNIT disposal practices. A \$20,070 increase in auction revenue generated from live and online auctions is projected based on trending growth and sales in FY 2017 and FY 2018. Residual values of vehicles are anticipated to increase slightly in FY 2019.

Six-year Rate Comparison

Six Year Rate Comparison

**MINNESOTA DEPARTMENT OF ADMINISTRATION
SURPLUS SERVICES FUND 4502
FOR FISCAL YEAR 2019**

Rate	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Auction Admin Fee (Metro/Online) (Items \$4,000 and under)	10%	10%	10%	10%	10%	10%
Auction Admin Fee (Online from Customer Location) (Items \$4,000 and under)	N/A	N/A	8%	8%	8%	8%
Auction Admin Fee (Out-state) (Items \$4,000 and under)	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Auction Admin Fee (Metro/Online) (Items over \$4,000)	8%	8%	8%	8%	8%	8%
Auction Admin Fee (Online from Customer Location) (Items over \$4,000)	N/A	N/A	6%	6%	6%	6%
Auction Admin Fee (Out-state) (Items over \$4,000)	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
State Surplus Property Fee	Various	Various	Various	Various	Various	Various
Computer Wiping Fee	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Garage Sale Fee	Various	N/A	N/A	N/A	N/A	N/A
Storage Fee (Inside)	\$5.85*	\$5.85*	\$5.85*	\$5.85*	\$5.85*	\$5.85*
Storage Fee (Outside)	\$25.00~	\$25.00~	\$25.00~	\$25.00~	\$25.00~	\$25.00~
Forklift Fee	\$29.60^	\$29.60^	\$29.60^	\$29.60^	\$29.60^	\$29.60^
Truck Fee	\$43.00^	\$43.00^	\$43.00^	\$43.00^	\$43.00^	\$43.00^
Warehouse Person Fee	\$21.65^	\$21.65^	\$21.65^	\$21.65^	\$21.65^	\$21.65^
Lead Staff Person Fee	\$29.20^	\$29.20^	\$29.20^	\$29.20^	\$29.20^	\$29.20^
Surplus/Exchange Fee (Requested price of \$500 or more)	≤\$50	≤\$50	≤\$50	≤\$50	≤\$50	≤\$50
*Annual Sq. Ft. Cost						
~Vehicle Monthly						
^Hourly						
Online auction fee for items sold for \$50 or less, Surplus keeps 100% of revenue						
Auction Admin Fee Not to Exceed \$1,000 Per Item						

History and Proforma

History and Proforma A - Total Program

MINNESOTA DEPARTMENT OF ADMINISTRATION
SURPLUS SERVICES FUND 4502
FOR FISCAL YEAR 2019

		FY 2015 <u>ACTUAL</u>	FY 2016 <u>ACTUAL</u>	FY 2017 <u>ACTUAL</u>	FY 2018 <u>3 ACT/9 EST</u>	FY 2019 <u>PROPOSED</u>	\$ CHANGE <u>FY18/FY19</u>	% CHANGE <u>FY18/FY19</u>
	SWIFT Account							
Operating Revenues								
Federal Surplus Property Sales	670016	77,116	94,362	108,549	108,910	110,550	1,640	2%
Federal Surplus Property Auction	670016	311	4,847	6,722	5,500	5,725	225	4%
State Surplus Property Sales	670017	265,349	217,614	275,987	240,500	225,400	(15,100)	-6%
State Auction Fees*	670017	963,713	1,182,160	1,108,219	1,284,280	1,304,350	20,070	2%
Space Rental Fees	670017	21,251	17,663	18,008	20,972	20,972	(0)	0%
Forms Handling Fees	670017	1,827	1,421	1,282	1,364	1,366	2	0%
Other Revenues	670017	180	50	579	160	165	5	3%
State Resale	670017	142,400	0	67,500	67,500	67,500	0	0%
Net Sales		1,472,147	1,518,117	1,586,846	1,729,186	1,736,028	6,842	0%
Cost of Goods Sold		138,500	0	65,500	65,500	65,500	0	0%
Gross Margin		1,333,647	1,518,117	1,521,346	1,663,686	1,670,528	6,842	0%
Operating Expenses								
Salaries and Benefits	41000	524,554	532,108	582,098	623,666	757,286	\$ 133,620	21%
Rent	41100	41,550	19,349	23,596	16,724	17,150	\$ 426	3%
Repairs	41500	3,526	18,922	22,783	30,000	31,200	\$ 1,200	4%
Printing	41110	106	178	2,105	1,650	1,700	\$ 50	3%
Advertising	41110	27,777	36,492	38,246	38,250	39,000	\$ 750	2%
Professional & Technical Services	41130	6,680	2,264	3,872	27,622	12,500	\$ (15,122)	-55%
Auctioneer	43000	100,488	133,568	128,571	148,514	151,500	\$ 2,986	2%
Computer Systems & Services	41150	0	0	0	6,000	60,000	\$ 54,000	900%
Centralized IT	41196	145,912	187,716	235,065	207,240	177,018	\$ (30,222)	-15%
Communications	41155	1,558	2,744	1,708	1,250	1,300	\$ 50	4%
Freight	41155	16,883	13,430	19,559	21,225	21,900	\$ 675	3%
Travel In State	41160	8,612	7,924	4,842	11,100	11,250	\$ 150	1%
Travel Out State	41170	1,606	2,088	5,033	0	3,500	\$ 3,500	3500%
Supplies & Materials	41300	12,387	15,328	14,157	15,800	15,950	\$ 150	1%
Equipment Rental	41400	15	34	29	32	33	\$ 1	3%
Employee Development	41180	1,709	591	1,313	5,075	5,075	\$ -	0%
Purchased Services	43000	51,706	61,704	73,169	62,225	64,550	\$ 2,325	4%
Insurance	43000	1,960	1,115	2,624	3,963	4,075	\$ 112	3%
Attorney General Fees	42020	0	0	0	100	100	\$ -	0%
Security	41190	0	4,257	5,588	5,600	5,750	\$ 150	3%
Indirect Costs	42010	93,645	45,647	47,572	41,008	9,250	\$ (31,758)	-77%
Depreciation		53,066	52,119	51,530	50,952	55,027	\$ 4,075	8%
Other Expense	43000	0	0	2,248	3,758	0	\$ (3,758)	-100%
Total Operating Expenses		1,093,740	1,137,578	1,265,706	1,321,754	1,445,114		
Operating Income (Losses)		239,907	380,539	255,640	341,932	225,414		
Non-operating Revenues (Expenses)								
Auction Fee Rebate		(500,000)	(350,000)	0	(400,000)	(350,000)		
Gain (Loss) on Disposal of Fixed Assets		0	0	0	0	0		
Total Nonoperating Revenue (Expenses)		(500,000)	(350,000)	0	(400,000)	(350,000)		
Income (Loss) before Contributions and Transfers		(260,093)	30,539	255,640	(58,068)	(124,586)		
Capital Contributions		0	0	0	0	0		
Net Income (Loss) before Contributions		(260,093)	30,539	255,640	(58,068)	(124,586)		
Retained Earnings, Beginning Period		1,796,117	1,532,789	1,579,112	1,834,751	1,776,683		
Adjustment to Net Position		(3,235)	15,783	0	0	0		
Retained Earnings, Ending Period		1,532,789	1,579,112	1,834,751	1,776,683	1,652,097		
Reconciliation to Net Assets								
Retained Earnings		1,532,789	1,579,112	1,834,751	1,776,683	1,652,097		
Contributed Capital		121,999	121,999	121,999	121,999	121,999		
Total Net Assets, Ending Period		1,654,788	1,701,111	1,956,750	1,898,682	1,774,096		

*Includes \$27,497 in Write-Offs for FY 2015

*Includes \$29,260 in Write-Offs for FY 2018

History and Proforma B - Storage

MINNESOTA DEPARTMENT OF ADMINISTRATION
 SURPLUS SERVICES FUND 4502
 FOR FISCAL YEAR 2019

		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	\$ CHANGE	% CHANGE
		<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>3ACT/9EST</u>	<u>PROPOSED</u>	<u>FY18/FY19</u>	<u>FY18/FY19</u>
	SWIFT								
	Acct.								
Operating Revenues									
Space Rental Fees	670017	\$ 25,727.00	\$ 21,251.00	\$ 17,663.00	\$ 18,008.35	\$ 17,845.00	\$ 18,560.00	\$ 715.00	4%
Total Sales		\$ 25,727.00	\$ 21,251.00	\$ 17,663.00	\$ 18,008.35	\$ 17,845.00	\$ 18,560.00	\$ 715.00	4%
Operating Expenses									
Salaries and Benefits	41000	\$ 7,500.00	\$ 7,455.00	\$ 7,480.00	\$ 7,525.00	\$ 7,776.00	\$ 7,951.00	\$ 175.00	2%
Rent	41100	\$ 2,989.00	\$ 2,560.00	\$ 2,575.00	\$ 2,645.00	\$ 2,750.00	\$ 2,750.00	\$ -	0%
Repairs	41500	\$ 349.00	\$ 186.00	\$ 2,445.00	\$ 265.00	\$ 277.00	\$ 288.00	\$ 11.00	4%
Professional & Technical Services	41130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Communications	41155	\$ 194.00	\$ 190.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 255.00	\$ 5.00	2%
Supplies & Materials	41300	\$ 55.00	\$ 55.00	\$ 75.00	\$ 75.00	\$ 78.00	\$ 78.00	\$ -	0%
Equipment Rental	41400	\$ 35.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Purchased Services	43000	\$ 339.00	\$ 339.00	\$ 500.00	\$ 500.00	\$ 520.00	\$ 520.00	\$ -	0%
Insurance	43000	\$ 458.00	\$ 182.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 255.00	\$ 5.00	2%
Indirect Costs	42010	\$ 1,050.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,300.00	\$ 1,352.00	\$ 52.00	4%
Depreciation Expense		\$ 4,117.00	\$ 4,117.00	\$ 4,090.00	\$ 4,090.00	\$ 4,090.00	\$ 4,210.00	\$ 120.00	3%
Total Operating Expenses		\$ 17,086.00	\$ 16,334.00	\$ 18,915.00	\$ 16,850.00	\$ 17,291.00	\$ 17,659.00	\$ 368.00	2%
Operating Income (Losses)		\$ 8,641.00	\$ 4,917.00	\$ (1,252.00)	\$ 1,158.35	\$ 554.00	\$ 901.00		
Net Income (Loss)		\$ 8,641.00	\$ 4,917.00	\$ (1,252.00)	\$ 1,158.35	\$ 554.00	\$ 901.00		
Retained Earnings, Beginning Period		\$ 6,939.00	\$ 15,580.00	\$ 20,497.00	\$ 19,245.00	\$ 20,403.35	\$ 20,957.35		
Adjustment to Retained Earnings		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Retained Earnings, Ending Period		\$ 15,580.00	\$ 20,497.00	\$ 19,245.00	\$ 20,403.35	\$ 20,957.35	\$ 21,858.35		

Capital Assets and Technology Purchases

Detailed Capital Assets and Technology FY 2019 Purchases								
(Including all items meeting the current capitalization threshold)								
MINNESOTA DEPARTMENT OF ADMINISTRATION								
SURPLUS SERVICES FUND 4502								
FOR FISCAL YEAR 2019								
Description of Item	FinDept ID	FinDept Name	Justification	Qty	Unit Price	Total Amount	Included in Master Lease 17 or future Demand Survey Yes or No	If yes, identify quarter in which item is planned to be purchased.
Sub-total of items with \$100,000 unit cost or more as identified in the business plan.						0		
MinnBid Surplus Property Management Software Enhancements	G0237172 G0237173	State Surplus Property Federal Surplus Property		1	57,000 3,000	60,000	No	New modules received each quarter FY 2019
Sub-total of items with unit cost less than \$100,000						60,000		
GRAND TOTAL						60,000		

SWIFT Spending Plan

MINNESOTA DEPARTMENT OF ADMINISTRATION
 SURPLUS SERVICES FUND 4502
 FOR FISCAL YEAR 2019

		Fund 4502					
		Total	G0237171 WI. CLEARING	G0237172 SSP	G0237173 FSP	G0237174 AUC. CLEARING	G0237173 Sales Tax
Revenue Description	SWIFT Account						
Wisconsin Clearing	670018	0	0	0	0	0	0
State Surplus Property Sales	670017	225,400	0	225,400	0	0	0
State Auction Fees	670017	1,304,350	0	1,304,350	0	0	0
Space Rental Fees	670017	20,972	0	20,972	0	0	0
Forms Handling Fees	670017	1,366	0	1,366	0	0	0
Other Revenues	670017	0	0	200	0	0	0
State Resale	670017	67,500	0	67,500	0	0	0
Federal Surplus Property Sales	670016	110,550	0	0	110,550	0	0
Federal Surplus Property Auction	670016	5,725	0	0	5,725	0	0
Auction Clearing	670060	0	0	0	0	0	0
Total		1,736,063	0	1,619,788	116,275	0	0
Expense Description							
Salaries & Benefits	41000	757,286	0	669,906	87,380	0	0
Rent	41100	17,150	0	16,293	858	0	0
Repairs	41500	31,200	0	29,640	1,560	0	0
Printing	41110	1,700	0	1,700	0	0	0
Advertising	41110	39,000	0	39,000	0	0	0
Professional & Technical Services	41130	12,500	0	11,875	625	0	0
Auctioneer Services	43000	151,500	0	151,500	0	0	0
Computer Systems & Services	41150	60,000	0	57,000	3,000	0	0
Centralized IT	41196	177,018	0	168,167	8,851	0	0
Communications	41155	1,300	0	1,235	65	0	0
Freight	41155	21,900	0	1,095	20,805	0	0
Travel In State	41160	11,250	0	10,688	563	0	0
Travel Out State	41170	3,500	0	0	3,500	0	0
Supplies & Materials	41300	15,950	0	15,153	798	0	0
Supplies & Materials (COGS)	41300	65,500	0	65,500	0	0	0
Equipment Rental	41400	33	0	31	2	0	0
Employee Development	41180	5,075	0	4,821	254	0	0
Purchased Services	43000	64,550	0	61,323	3,228	0	0
Insurance	43000	4,075	0	3,871	204	0	0
Indirect Costs	42010	9,250	0	8,788	463	0	0
Attorney General	42020	100	0	95	5	0	0
Security	41130	5,750	0	5,750	0	0	0
Other Expense	43000	0	0	0	0	0	0
Total		1,455,587	0	1,323,429	132,158	0	0
Adjustments							
Depreciation		55,027		49,524	5,503	0	0
Cost of Goods Sold		(65,500)		(65,500)	0	0	0
Total Expenses		1,445,114		1,307,454	137,660		

Projected Cash Flow

Projected Cash Flow

**MINNESOTA DEPARTMENT OF ADMINISTRATION
SURPLUS SERVICES
FOR FISCAL YEAR 2019**

	Estimate 1-Jul	Estimate 1-Aug	Estimate 1-Sep	Estimate 1-Oct	Estimate 1-Nov	Estimate 1-Dec	Estimate 1-Jan	Estimate 1-Feb	Estimate 1-Mar	Estimate 1-Apr	Estimate 1-May	Estimate 1-Jun
Projected Beginning Cash Balance	1,516,317	1,531,779	1,602,720	1,623,687	1,704,849	1,660,559	1,764,485	1,739,406	1,708,812	1,716,697	1,707,216	1,365,850
Receipts - operating	131,927	200,956	152,743	240,303	137,124	155,753	71,731	66,217	107,009	135,559	124,549	144,659
Transfer Ins	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Operating Receipts	-	-	-	-	-	67,500	-	-	-	-	-	-
Total Cash Receipt	131,927	200,956	152,743	240,303	137,124	223,253	71,731	66,217	107,009	135,559	124,549	144,659
Expenses												
Salaries & Benefits	58,253	58,253	58,252	87,379	58,253	58,253	58,252	58,253	58,253	87,379	58,253	58,253
Indirect Costs	-	-	2,312	-	-	2,313	-	-	2,312	-	-	2,313
Other Operating Expenses	58,212	71,762	71,211	71,762	57,661	58,761	38,558	38,558	38,558	57,661	57,662	58,212
Dividends/Rebates, if applicable	-	-	-	-	-	-	-	-	-	-	350,000	-
Transfer Outs	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	-	-	-	-	65,500	-	-	-	-	-	-	-
Other Non Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense Paid	116,465	130,015	131,775	159,141	181,414	119,327	96,810	96,811	99,123	145,040	465,915	118,778
Projected Ending Cash Balance	1,531,779	1,602,720	1,623,687	1,704,849	1,660,559	1,764,485	1,739,406	1,708,812	1,716,697	1,707,216	1,365,850	1,391,731
Assumptions:	13 Live auctions conducted March through December-includes Live Bison auction in September											

Financial Statement

Statement of Net Position

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017

4/12/2018
 Unaudited

	FY18	FY17
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,913,511.84	\$ 1,520,138.22
Imprest Fund - Petty Cash	200.00	200.00
Accounts Receivable - Federal	5,646.50	16,031.40
Accounts Receivable - State	80,569.19	63,928.18
Prepaid Expenses	502.09	305.03
Prepaid Insurance	2,972.54	-
Total Current Assets	<u>\$ 2,003,402.16</u>	<u>\$ 1,600,602.83</u>
NONCURRENT ASSETS (Note 3)		
Land	\$ 3,088.00	\$ 3,088.00
Buildings	218,174.63	218,174.63
Accumulated Depreciation - Buildings	(218,174.63)	(218,174.63)
Building Improvements	1,042,430.66	1,042,430.66
Accumulated Depreciation - Building Improvements	(729,942.63)	(684,258.81)
Equipment	130,128.68	130,128.68
Accumulated Depreciation - Equipment	(127,129.48)	(124,880.50)
Infrastructure	94,885.11	94,885.11
Accumulated Depreciation - Infrastructure	(57,659.21)	(54,283.33)
Total Noncurrent Assets	<u>\$ 355,801.13</u>	<u>\$ 407,109.81</u>
TOTAL ASSETS	<u>\$ 2,359,203.29</u>	<u>\$ 2,007,712.64</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows (Note 6)	\$ 1,175,000.00	\$ 73,000.00
Total Deferred Outflows of Resources	<u>\$ 1,175,000.00</u>	<u>\$ 73,000.00</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable - Federal	\$ 4,482.72	\$ 4,720.44
Accounts Payable - State	96,761.84	50,053.98
Salaries and Benefits Payable	19,256.34	18,883.68
Sales Tax Payable	605.29	(580.12)
Compensated Absences Payable (Note 4)	10,120.71	8,930.76
Due to Other Funds (Note 7)	63,746.73	21,002.42
Due to Others (Note 8)	74.00	61.05
Total Current Liabilities	<u>\$ 195,047.63</u>	<u>\$ 103,072.21</u>
NONCURRENT LIABILITIES		
Compensated Absences Payable (Note 4)	\$ 63,679.25	\$ 54,410.03
Other Postemployment Benefits (Note 5)	11,000.00	8,731.18
Net Pension Liability (Note 6)	1,680,000.00	220,000.00
Total Noncurrent Liabilities	<u>\$ 1,754,679.25</u>	<u>\$ 283,141.21</u>
TOTAL LIABILITIES	<u>\$ 1,949,726.88</u>	<u>\$ 386,213.42</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows (Note 6)	\$ 122,000.00	\$ 278,000.00
Total Deferred Inflows of Resources	<u>\$ 122,000.00</u>	<u>\$ 278,000.00</u>
NET POSITION (Note 11)		
Net Investment in Capital Assets	\$ 355,801.13	\$ 407,109.81
Unrestricted	<u>1,106,675.28</u>	<u>1,009,389.41</u>
TOTAL NET POSITION	<u>\$ 1,462,476.41</u>	<u>\$ 1,416,499.22</u>

Statement of Revenues, Expenses and Changes in Net Position

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

4/12/2018
 Unaudited

	FY18 QTD	FY18 YTD	FY17 QTD	FY17 YTD
OPERATING REVENUES				
Federal Surplus Property Sales	\$ 24,910.00	\$ 24,910.00	\$ 21,227.60	\$ 21,227.60
Federal Surplus Property Auction Sales	-	-	-	-
State Surplus Property Sales	56,512.03	56,512.03	66,893.25	66,893.25
State Resale Sales	-	-	-	-
State Auction Fees	394,091.82	394,091.82	352,790.94	352,790.94
Space Rental Fees	5,243.26	5,243.26	4,548.01	4,548.01
Forms Handling Fees	613.60	613.60	768.45	768.45
Other Revenues	60.03	60.03	-	-
Total Operating Revenue	<u>\$ 481,430.74</u>	<u>\$ 481,430.74</u>	<u>\$ 446,228.25</u>	<u>\$ 446,228.25</u>
LESS: COST OF GOODS SOLD (Note 9)	\$ -	\$ -	\$ -	\$ -
GROSS MARGIN	<u>\$ 481,430.74</u>	<u>\$ 481,430.74</u>	<u>\$ 446,228.25</u>	<u>\$ 446,228.25</u>
OPERATING EXPENSES				
Salaries and Benefits	\$ 148,941.84	\$ 148,941.84	\$ 142,763.12	\$ 142,763.12
Rent	4,180.79	4,180.79	5,146.86	5,146.86
Rent - Equipment	8.04	8.04	5.36	5.36
Repairs and Maintenance	8,187.69	8,187.69	5,659.88	5,659.88
Printing	578.78	578.78	456.34	456.34
Advertising	13,675.28	13,675.28	13,537.95	13,537.95
Professional and Technical Services	281.86	281.86	-	-
Auctioneer	50,972.01	50,972.01	44,154.75	44,154.75
Computer and Systems Services	-	-	-	-
Centralized IT Services	53,399.44	53,399.44	45,867.07	45,867.07
Communications	245.80	245.80	175.44	175.44
Freight	1,970.02	1,970.02	2,999.53	2,999.53
Travel - In State	1,746.26	1,746.26	1,676.86	1,676.86
Travel - Out of State	-	-	3,714.81	3,714.81
Supplies and Materials	2,488.36	2,488.36	666.28	666.28
Employee Development	345.00	345.00	140.00	140.00
Purchased Services	18,107.09	18,107.09	13,241.14	13,241.14
Insurance	990.86	990.86	782.25	782.25
Attorney General Fees	-	-	-	-
Indirect Costs	10,252.25	10,252.25	11,893.00	11,893.00
Security Fees	2,067.23	2,067.23	-	-
Depreciation	12,737.91	12,737.91	12,959.31	12,959.31
Other Expenses	37.50	37.50	-	-
Total Operating Expenses	<u>\$ 331,214.01</u>	<u>\$ 331,214.01</u>	<u>\$ 305,839.95</u>	<u>\$ 305,839.95</u>
OPERATING INCOME (LOSS)	<u>\$ 150,216.73</u>	<u>\$ 150,216.73</u>	<u>\$ 140,388.30</u>	<u>\$ 140,388.30</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (Loss) on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>\$ 150,216.73</u>	<u>\$ 150,216.73</u>	<u>\$ 140,388.30</u>	<u>\$ 140,388.30</u>
TRANSFERS AND CONTRIBUTIONS				
Capital Contributions	\$ -	\$ -	\$ -	\$ -
Total Transfers and Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CHANGE IN NET POSITION	<u>\$ 150,216.73</u>	<u>\$ 150,216.73</u>	<u>\$ 140,388.30</u>	<u>\$ 140,388.30</u>
NET POSITION, BEGINNING, AS REPORTED	\$1,329,750.54	\$1,329,750.54	\$1,276,110.92	\$1,276,110.92
Adjustments to Net Position (Note 10)	(17,490.86)	(17,490.86)	-	-
NET POSITION, BEGINNING, AS RESTATED	<u>\$1,312,259.68</u>	<u>\$1,312,259.68</u>	<u>\$1,276,110.92</u>	<u>\$1,276,110.92</u>
NET POSITION, ENDING	<u>\$1,462,476.41</u>	<u>\$1,462,476.41</u>	<u>\$1,416,499.22</u>	<u>\$1,416,499.22</u>

Statement of Cash Flow

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 STATEMENT OF CASH FLOWS
 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

4/12/2018
 Unaudited

	YTD
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 477,156.42
Receipts from Other Revenue	-
Payments to Suppliers for Goods and Services	(190,392.11)
Payments to Employees	(159,706.32)
Payments to Others	-
Net Cash Flows from Operating Activities	<u>\$ 127,057.99</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Customer Rebate Payments	\$ -
Net Cash Flows from Noncapital Financing Activities	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Investment in Capital Assets	\$ -
Proceeds from Disposal of Capital Assets	-
Capital Contributions	-
Net Cash Flows from Capital and Related Financing Activities	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
	\$ -
Net Cash Flows from Investing Activities	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 127,057.99
Cash and Cash Equivalents, Beginning	1,786,653.85
Cash and Cash Equivalents, Ending	<u>\$ 1,913,711.84</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities	
Operating Income (Loss)	\$ 150,216.73
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities	
Depreciation	\$ 12,737.91
Amortization	-
(Increase) Decrease in Accounts Receivable - Federal	1,872.50
(Increase) Decrease in Accounts Receivable - State	(22,881.95)
(Increase) Decrease in Due from Other Funds	-
(Increase) Decrease in Prepaid Expenses	(389.59)
(Increase) Decrease in Prepaid Insurance	(2,972.54)
(Increase) Decrease in Prepaid Insurance - Workers' Compensation	-
(Increase) Decrease in Deferred Pension Outflows	-
Increase (Decrease) in Accounts Payable - Federal	(3,738.04)
Increase (Decrease) in Accounts Payable - State	(13,541.09)
Increase (Decrease) in Salaries and Benefits Payable	(10,764.48)
Increase (Decrease) in Sales Tax Payable	(216.59)
Increase (Decrease) in Compensated Absences Payable	-
Increase (Decrease) in Other Postemployment Benefits	-
Increase (Decrease) in Due to Other Funds	16,814.23
Increase (Decrease) in Due to Others	(79.10)
Increase (Decrease) in Net Pension Liability	-
Increase (Decrease) in Deferred Pension Inflows	-
Total Adjustments	<u>\$ (23,158.74)</u>
Net Cash Flows from Operating Activities	<u>\$ 127,057.99</u>
	-
Noncash Investing, Capital and Financing Activities:	n/a

Budget to Actual Comparison

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 STATEMENT OF BUDGET AND ACTUAL COMPARISON
 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

4/12/2018
 Unaudited

	BUDGET	BUDGET	ACTUAL	ACTUAL	VARIANCE	VARIANCE
	QTD	YTD	QTD	YTD	QTD	YTD
OPERATING REVENUES						
Federal Surplus Property Sales	\$ 28,623.78	\$ 28,623.78	\$ 24,910.00	\$ 24,910.00	\$ (3,713.78)	\$ (3,713.78)
Federal Surplus Property Auction Sales	1,950.00	1,950.00	-	-	(1,950.00)	(1,950.00)
State Surplus Property Sales	65,062.50	65,062.50	56,512.03	56,512.03	(8,550.47)	(8,550.47)
State Auction Fees	358,099.00	358,099.00	394,091.82	394,091.82	35,992.82	35,992.82
Space Rental Fees	4,461.25	4,461.25	5,243.26	5,243.26	782.01	782.01
Forms Handling Fees	348.75	348.75	613.60	613.60	264.85	264.85
Other Revenues	-	-	60.03	60.03	60.03	60.03
Total Operating Revenue	<u>\$ 458,545.28</u>	<u>\$ 458,545.28</u>	<u>\$ 481,430.74</u>	<u>\$ 481,430.74</u>	<u>\$ 22,885.46</u>	<u>\$ 22,885.46</u>
LESS: COST OF GOODS SOLD (Note 9)						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GROSS MARGIN						
	<u>\$ 458,545.28</u>	<u>\$ 458,545.28</u>	<u>\$ 481,430.74</u>	<u>\$ 481,430.74</u>	<u>\$ 22,885.46</u>	<u>\$ 22,885.46</u>
OPERATING EXPENSES						
Salaries and Benefits	\$ 155,916.00	\$ 155,916.00	\$ 148,941.84	\$ 148,941.84	\$ (6,974.16)	\$ (6,974.16)
Rent	7,950.00	7,950.00	4,180.79	4,180.79	(3,769.21)	(3,769.21)
Rent - Equipment	7.00	7.00	8.04	8.04	1.04	1.04
Repairs and Maintenance	4,100.00	4,100.00	8,187.69	8,187.69	4,087.69	4,087.69
Printing	950.00	950.00	578.78	578.78	(371.22)	(371.22)
Advertising	13,250.00	13,250.00	13,675.28	13,675.28	425.28	425.28
Professional and Technical Services	70,200.00	70,200.00	281.86	281.86	(69,918.14)	(69,918.14)
Auctioneer	49,750.00	49,750.00	50,972.01	50,972.01	1,222.01	1,222.01
Computer and Systems Services	56,250.00	56,250.00	-	-	(56,250.00)	(56,250.00)
Centralized IT Services	51,810.00	51,810.00	53,399.44	53,399.44	1,589.44	1,589.44
Communications	425.00	425.00	245.80	245.80	(179.20)	(179.20)
Freight	2,000.00	2,000.00	1,970.02	1,970.02	(29.98)	(29.98)
Travel - In State	2,619.00	2,619.00	1,746.26	1,746.26	(872.74)	(872.74)
Travel - Out State	2,600.00	2,600.00	-	-	(2,600.00)	(2,600.00)
Supplies and Materials	3,550.00	3,550.00	2,488.36	2,488.36	(1,061.64)	(1,061.64)
Employee Development	1,000.00	1,000.00	345.00	345.00	(655.00)	(655.00)
Purchased Services	18,601.00	18,601.00	18,107.09	18,107.09	(493.91)	(493.91)
Insurance	1,475.00	1,475.00	990.86	990.86	(484.14)	(484.14)
Attorney General Fees	25.00	25.00	-	-	(25.00)	(25.00)
Indirect Costs	12,249.75	12,249.75	10,252.25	10,252.25	(1,997.50)	(1,997.50)
Security Fees	2,268.75	2,268.75	2,067.23	2,067.23	(201.52)	(201.52)
Depreciation	12,775.25	12,775.25	12,737.91	12,737.91	(37.34)	(37.34)
Other Expenses	500.00	500.00	37.50	37.50	(462.50)	(462.50)
Total Operating Expense	<u>\$ 470,271.75</u>	<u>\$ 470,271.75</u>	<u>\$ 331,214.01</u>	<u>\$ 331,214.01</u>	<u>\$ (139,057.74)</u>	<u>\$ (139,057.74)</u>
OPERATING INCOME (LOSS)						
	<u>\$ (11,726.47)</u>	<u>\$ (11,726.47)</u>	<u>\$ 150,216.73</u>	<u>\$ 150,216.73</u>	<u>\$ (139,759.10)</u>	<u>\$ 161,943.20</u>
NONOPERATING REVENUES (EXPENSES)						
Gain (Loss) on Disposal of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Rebate Expense	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS						
	<u>\$ (11,726.47)</u>	<u>\$ (11,726.47)</u>	<u>\$ 150,216.73</u>	<u>\$ 150,216.73</u>	<u>\$ (139,759.10)</u>	<u>\$ 161,943.20</u>
TRANSFERS AND CONTRIBUTIONS						
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Transfers and Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CHANGE IN NET POSITION						
	<u>(11,726.47)</u>	<u>(11,726.47)</u>	<u>150,216.73</u>	<u>150,216.73</u>	<u>(139,759.10)</u>	<u>161,943.20</u>

Footnotes to Financial Statements

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 FOOTNOTES TO FINANCIAL STATEMENTS
 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

4/12/2018
 Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation:

The accompanying financial statements of Surplus Services have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity:

Surplus Services oversees and provides assistance in the disposal of state, federal and local government vehicles and other surplus property using methods that ensure the best value is returned to the state.

Basis of Accounting:

Surplus Services is an enterprise fund accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred.

Capital assets, which include land, land improvements, buildings, building improvements, construction and development in progress, infrastructure, equipment, software, internally generated computer software (IGCS), and art & historical treasures, are reported in the financial statements. Capital assets are generally defined as assets with an initial, individual cost of more than \$300,000 for buildings, \$5,000 or more for equipment and art & historical treasures; and \$30,000 or more for software and IGCS. Land, land improvements, building improvements, and infrastructure are reported regardless of cost. Capital Assets must also have an estimated useful life of at least three years. Capital assets are recorded at cost or, for donated assets, at fair market value at the date of acquisition.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings; 20-50 years for large improvements; 3-10 years for small improvements; 3-12 years for equipment and software; 8-12 years for IGCS.

2. LEGISLATION, AUTHORITY, AND CONTRIBUTIONS

Minnesota Laws 1957, chapter 808, sections 1, 2, and 3 established the Surplus Property Fund.

Minnesota Laws 1988, chapter 613, section 11 created Surplus Services Property Fund by combining the activities of Federal Surplus Property, Resource Recovery, State Surplus Property, State Auctions and Cooperative Purchasing. Resource Recovery and Cooperative Purchasing are not included in these financial statements.

Legislation	Amount	Description
Yr 57 Chap 929, Sec 17, Subd 9	\$ 25,000.00	appropriated for operations for Surplus Property Fund.
Yr 87 Chap 365, Sec 18	169,200.00	appropriated for operations for Federal Surplus Property Fund.
Yr 80 Chap 564, Art 12, Sec 1, Subd 6	80,000.00	appropriated to Resource Recovery, transferred to Surplus when combined
MS 016A 152 004	(2,201.00)	returned to General Fund as part of FY03 budget reduction
MS 016A 152 004	(150,000.00)	returned to General Fund as part of FY09 budget reduction
Total	<u>\$ 121,999.00</u>	

3. CAPITAL ASSETS

	Balance 7/1/2017	Additions	Deletions	Balance 9/30/2017
Land	\$ 3,088.00	\$ -	\$ -	\$ 3,088.00
Land Improvements	-	-	-	-
Building	218,174.63	-	-	218,174.63
Building Improvements	1,042,430.66	-	-	1,042,430.66
Equipment	130,128.68	-	-	130,128.68
Infrastructure	94,885.11	-	-	94,885.11
Total Capital Assets	<u>\$ 1,488,707.08</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,488,707.08</u>

Accumulated Depreciation for:

Land Improvements	\$ -	\$ -	\$ -	\$ -
Building	(218,174.63)	-	-	(218,174.63)
Building Improvements	(718,610.83)	(11,331.80)	-	(729,942.63)
Equipment	(126,567.55)	(561.93)	-	(127,129.48)
Infrastructure	(56,815.03)	(844.18)	-	(57,659.21)
Total Accumulated Depreciation	<u>\$ (1,120,168.04)</u>	<u>\$ (12,737.91)</u>	<u>\$ -</u>	<u>\$ (1,132,905.95)</u>

As of September 30, 2017, the federal inventory value acquisition cost for the federal donated property on hand is \$1,286,281.05.

4. 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 upon separation from state employment. The balance is shown as a liability.

	Current	Noncurrent
Beginning Balance 7/1/2017	\$ 10,120.71	\$ 63,679.25
Increase	-	-
Decrease	-	-
Beginning Balance 9/30/2017	<u>\$ 10,120.71</u>	<u>\$ 63,679.25</u>

5. OTHER POSTEMPLOYMENT BENEFITS

During FY08, the State of Minnesota implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement requires the state to measure and report Other Postemployment Benefits (OPEB) expenses and related liabilities.

Beginning Balance 7/1/2017	\$	11,000.00
Increase		-
Decrease		-
Beginning Balance 9/30/2017	\$	<u>11,000.00</u>

6. NET PENSION LIABILITY

Effective FY15, GASB established new accounting and financial reporting requirements for pension benefits. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" requires the state to recognize the state's share of the pension plan's liabilities, deferred outflows of resources, and deferred inflows of resources. The pension plan contributions are based on a percentage of salary. The Minnesota State Retirement System (MSRS) prepares a Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, which is audited by the Office of the Legislative Auditor.

The June 30, 2017 liabilities and deferred outflows and inflows of resources are calculated using June 30, 2016 actuarial report as the June 30, 2017 information is not available in adequate time to incorporate in the financial statements, which is allowed by GASB 68.

The net pension liability is the difference between the total pension liability and the plan's fiduciary net position – accrued liability less the market value of assets.

The increase (decrease) in pension liability that is recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the difference between expected and actual experience in the measurement of the total pension liability, assumption changes and investment experience.

The net pension liability for the State of Minnesota as a whole increased from \$3.5 billion in FY16 to \$14.5 billion in FY17. This increase is reflected in the individual fund allocations made by Minnesota Management and Budget. The increase is due to actuarial assumption changes – notably, the discount rate for the State Employees Retirement Fund changed from 7.9% to 4.17% as a result of low investment returns for the measurement period and lowered expected returns in future periods.

	Deferred Outflows	Net Pension Liability	Deferred Inflows
Beginning Balance 7/1/2017	\$ 1,175,000.00	\$ 1,680,000.00	\$ 122,000.00
Increase	-	-	-
Decrease	-	-	-
Ending Balance 9/30/2017	\$ <u>1,175,000.00</u>	\$ <u>1,680,000.00</u>	\$ <u>122,000.00</u>

7. DUE TO OTHER FUNDS

The FY18 Due to Other Funds Balance of \$63,746.73 represents the amount owed to other agencies for unpaid Auction Sales.

The FY17 Due to Other Funds Balance of \$21,002.42 represents the amount owed to other agencies for unpaid Auction Sales.

8. DUE TO OTHERS

The FY18 Due to Others balance of \$74.00 represents surcharges owed to Wisconsin State Surplus Property under the cooperative agreement between Wisconsin and Admin Surplus Services.

The FY17 balance of \$61.05 represents surcharges owed to Wisconsin State Surplus Property under the cooperative agreement between Wisconsin and Admin Surplus Services.

9. COST OF GOODS SOLD

Beginning Inventory 7/1/2017	\$	-
Purchases		-
Adjustments		-
Goods Available for Sale	\$	-
Less: Ending Inventory	\$	-
Cost of Goods Sold 9/30/2017	\$	<u>-</u>

Items for resale are purchased as requested by customers and subject to availability of product.

10. ADJUSTMENTS TO NET POSITION

In FY18, as of September 30, 2017, the total of prior period adjustments are (\$17,490.86).
 (\$302.05) is due to the understatement of Printing expense.
 (\$992.96) is due to the understatement of Travel - In State expense.
 (\$14,492.25) is due to the understatement of Centralized IT Services - State expense.
 (\$762.75) is due to the understatement of Centralized IT Services - Federal expense.
 (\$290.85) is due to the understatement of Supplies and Materials expense.
 (\$650.00) is due to the understatement of Purchased Services expense.

In FY17, as of September 30, 2016, the total of prior period adjustments is \$0.00.

11. NET POSITION

The State of Minnesota implemented new accounting standards as prescribed by the GASB. During FY02, the standards included revised statement formats which resulted in the change from Retained Earnings to Net Asset reporting. During FY13, Net Assets was renamed to Net Position; and Invested in Capital Assets, Net of Related Debt was renamed to Net Investment in Capital Assets. For historical cost comparison, the total net assets/net position and the retained earnings have been reconciled as shown below.

Net Investment in Capital Assets	\$ 355,801.13
Unrestricted Net Position	<u>1,106,675.28</u>
Total Net Position	<u><u>\$ 1,462,476.41</u></u>

Schedule of Retained Earnings

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Beginning Retained Earnings	\$ 1,207,751.54			
Quarterly Net Income (Loss)	150,216.73			
Adjustments to Net Position	(17,490.86)			
Change in Accounting Principle	-			
Ending Retained Earnings	<u>\$ 1,340,477.41</u>			
Add: Capital Contributions	<u>\$ 121,999.00</u>			
Reconciliation to Total Net Position	<u><u>\$ 1,462,476.41</u></u>			

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 funds to end the 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.

Statement of Operating Revenues and Expenses

STATE OF MINNESOTA
 SURPLUS SERVICES FUND 4502
 STATEMENT OF OPERATING REVENUES, EXPENSES
 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

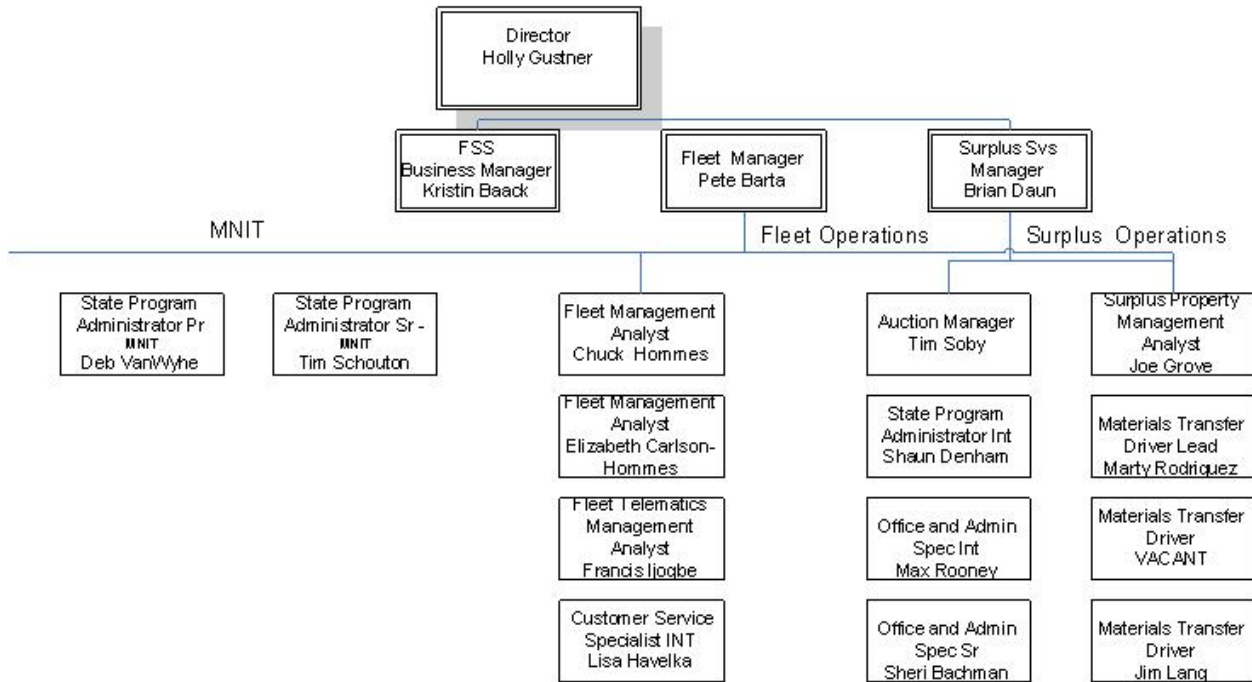
4/12/2018
 Unaudited

	<u>COMBINED</u>	<u>STATE</u>	<u>FEDERAL</u>
	YTD	YTD	YTD
OPERATING REVENUE			
Federal Surplus Property Sales	\$ 24,910.00	\$ -	\$ 24,910.00
Federal Surplus Property Auction Sales	-	-	-
State Surplus Property Sales	56,512.03	56,512.03	-
State Auction Fees	394,091.82	394,091.82	-
Space Rental Fees	5,243.26	5,243.26	-
Forms Handling Fees	613.60	613.60	-
Other Revenues	60.03	60.03	-
Total Operating Income	<u>\$ 481,430.74</u>	<u>\$ 456,520.74</u>	<u>\$ 24,910.00</u>
LESS COST OF GOODS SOLD (Note 9)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GROSS MARGIN	<u>\$ 481,430.74</u>	<u>\$ 456,520.74</u>	<u>\$ 24,910.00</u>
OPERATING EXPENSES			
Salaries and Benefits	\$ 148,941.84	\$ 128,252.65	\$ 20,689.19
Rent	4,180.79	4,012.06	168.73
Rent - Equipment	8.04	8.04	-
Repairs and Maintenance	8,187.69	8,175.13	12.56
Printing	578.78	559.92	18.86
Advertising	13,675.28	13,675.28	-
Professional and Technical Services	281.86	281.86	-
Auctioneer	50,972.01	50,972.01	-
Centralized IT Services	53,399.44	50,346.23	3,053.21
Communications	245.80	130.15	115.65
Freight	1,970.02	36.74	1,933.28
Travel - In State	1,746.26	1,746.26	-
Travel - Out State	-	-	-
Supplies and Materials	2,488.36	2,488.36	-
Employee Development	345.00	345.00	-
Purchased Services	18,107.09	17,087.80	1,019.29
Insurance	990.86	891.77	99.09
Indirect Costs	10,252.25	9,739.64	512.61
Security Fees	2,067.23	2,067.23	-
Depreciation	12,737.91	11,637.53	1,100.38
Other Expenses	37.50	37.50	-
Total Operating Expenses	<u>\$ 331,214.01</u>	<u>\$ 302,491.16</u>	<u>\$ 28,722.85</u>
OPERATING INCOME (LOSS)	<u>\$ 150,216.73</u>	<u>\$ 154,029.58</u>	<u>\$ (3,812.85)</u>

Supporting Information

Organization Chart

Fleet and Surplus Services Organization Chart



Personnel

At July 1, 2019, FSS staff will consist of 18 FTEs including 2 MNIT employees. The organization chart shown above reflects the current organization team structure necessary to run both the fleet and surplus property operations. The Surplus Services roster has 8.25 full time positions.