MINNESOTA

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

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

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State of Minnesota

2018
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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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Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 14, 2018

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
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(800) 627-3529
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The Honorable Mark Dayton, Governor

Members of the Legislature

In accordance with Minnesota Statutes 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, 2018. 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 controls 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, 2018. 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, 2018. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2019.

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, Minnesota Sports Facilities Authority, and Minnesota Comprehensive Health Association 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, Workforce Development, and Renewable Development funds.

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

Economic Condition and Outlook

Minnesota’s steady economic performance continues, even as the U.S. economy has now expanded for 112 consecutive months, the second-longest expansion on record. The state continues to add jobs at a steady pace, driving the unemployment rate well below the U.S. rate. Together, high demand for labor and low unemployment continue to support growth in total Minnesota wage income and wages per worker. However, as retiring baby boomers dampen growth in the state’s workforce, forecast employment growth is increasingly constrained. This means that more of Minnesota’s growth in total wage income is expected to arise from higher wages per worker, and less from increases in the number of people working.

Strong demand for workers, combined with low unemployment, continues to tighten Minnesota’s labor market. Statewide, there have been fewer unemployed job-seekers than open positions for the past 18 months. Other indicators, such as initial claims for unemployment insurance and temporary help employment, are at levels consistent with a tight labor market. In October, Minnesota’s seasonally adjusted unemployment rate was 2.8 percent, 0.9 percent below the national rate, 0.5 percentage points lower than a year ago, and the lowest unemployment rate the state has seen in more than 18 years.

Job vacancies statewide have grown to a very high level: about 142,000 in the second quarter of calendar 2018, an increase of 16 percent over the second quarter of calendar 2017. Minnesota’s job vacancy rate is now 5.2 percent (5.2 openings per 100 jobs), the highest level for this series (which originates in 2001). The ratio of unemployed persons to job vacancies statewide has been less than one at 0.9 for the past year and is now down to about 0.7. A ratio of unemployed persons to job vacancies less than one indicates that there are fewer unemployed job-seekers than open positions across the state. But now, the tight labor market is being felt across Minnesota. For the first time in the data series, both the Twin Cities and Greater Minnesota have a ratio of less than one unemployed persons to every job vacancy. The ratio is 0.5 in the Twin Cities and 0.7 in Greater Minnesota.

Robust labor demand has allowed the state to continue to add jobs, even as available workers have become scarce. In the 12 months ending in October 2018, employers added more than 36,000 jobs, bringing Minnesota’s annual job growth to 1.2 percent, half a percentage point below the U.S. rate over that period. Minnesota has experienced more than eight years (99 months) of employment expansion. In this forecast, we expect annual employment growth of 1.8 percent in fiscal year 2019. In fiscal year 2020 and 2021, growth slows to 1.4 percent and 0.7 percent, respectively. As slow labor force growth constrains job gains, we expect employment growth to decelerate to less than one-half percent in the years of our planning estimates.

In the current forecast, Minnesota’s continued-although slowing-employment growth combines with moderate acceleration in wage income per worker forecasts total wage and salary income to grow at a healthy rate of 5.6 percent per year in fiscal year 2019, followed by a deceleration to 5.2 percent in fiscal year 2020 and 4.5 percent in fiscal year 2021.

Minnesota’s exports of goods and services to countries throughout the world is a significant source of Minnesota income and jobs. Minnesota exports grew to $23 billion (8.0 percent) in 2017, placing Minnesota

23rd among states ranked by export value. This growth has occurred despite headwinds from international trade tensions and the rising value of the U.S. dollar.

A low inventory of homes for sale has helped drive up prices for existing homes, fueled demand for new construction, and pushed up residential rents. The long-term, persistently tight supply, continues to drive rising median and mean sale prices. In October, the year-to-date median sales price had increased 7.2 percent, reflecting a statewide median sales price of $242,000. Minnesota home prices are now higher than any time since 2005, when the 30-year fixed mortgage rate was about 6.2 percent. In contrast, rates are now averaging around 4.6 percent. While higher median prices increase monthly payments, lower rates constrain them. Combining these effects, affordability has declined since 2012, when Minnesota housing affordability index (the ratio of median household income to the income needed to purchase a house) was around 300. However, affordability is now near where it was in 2007, when the index was around 150. The housing affordability index in October 2018 was 148, 21 percent lower than a year earlier.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2018 with an unassigned fund balance of $1.691 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 $4.783 billion for fiscal year 2018, a difference of $3.091 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 $2.011 billion. The difference between the GAAP basis and budgetary basis General Fund balance, excluding these additional funds not reported in the budgetary fund balance, was $1.080 billion. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

State of Minnesota Receives Top Credit Rating

In July 2018, Standard and Poor's (S&P) upgraded Minnesota's credit rating to AAA, its highest rating. The affirmation of Minnesota's prime fiscal health follows a continued AAA rating from Fitch. In its determination, S&P touted the state's improved financial position and recently passed pension reform.

Pension Reform

Minnesota's public pension system was reformed in 2018 to address $16.2 billion in unfunded liabilities. Unfunded liabilities were immediately reduced by $3.4 billion upon the bill's signing in May 2018. The remainder will be paid down over time upon implementation of a number of reforms included in the measure. Approximately 511,000 public employees across the state now have a secure pension system to rely upon in their retirement.

Budget Reserve

Minnesota budget reserve is at a healthy level of nearly $2.1 billion. As rated by Bloomberg in September 2018, Minnesota is one of 23 states with sufficient reserves to weather the budget shortfalls that could come with a moderate economic contraction.

Premium Assistance Program

In January 2017, the state invested $137 million in a new, one-time emergency Premium Assistance Program. The Program was a first of its kind effort for Minnesota. It is 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 provided eligible individuals with a 25 percent discount on their health care insurance policy premiums. The program was active during the calendar year 2017, and nearly 118,000 Minnesotans benefited from the 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, 2017. This was the thirty-third consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

Myron Frans

Commissioner

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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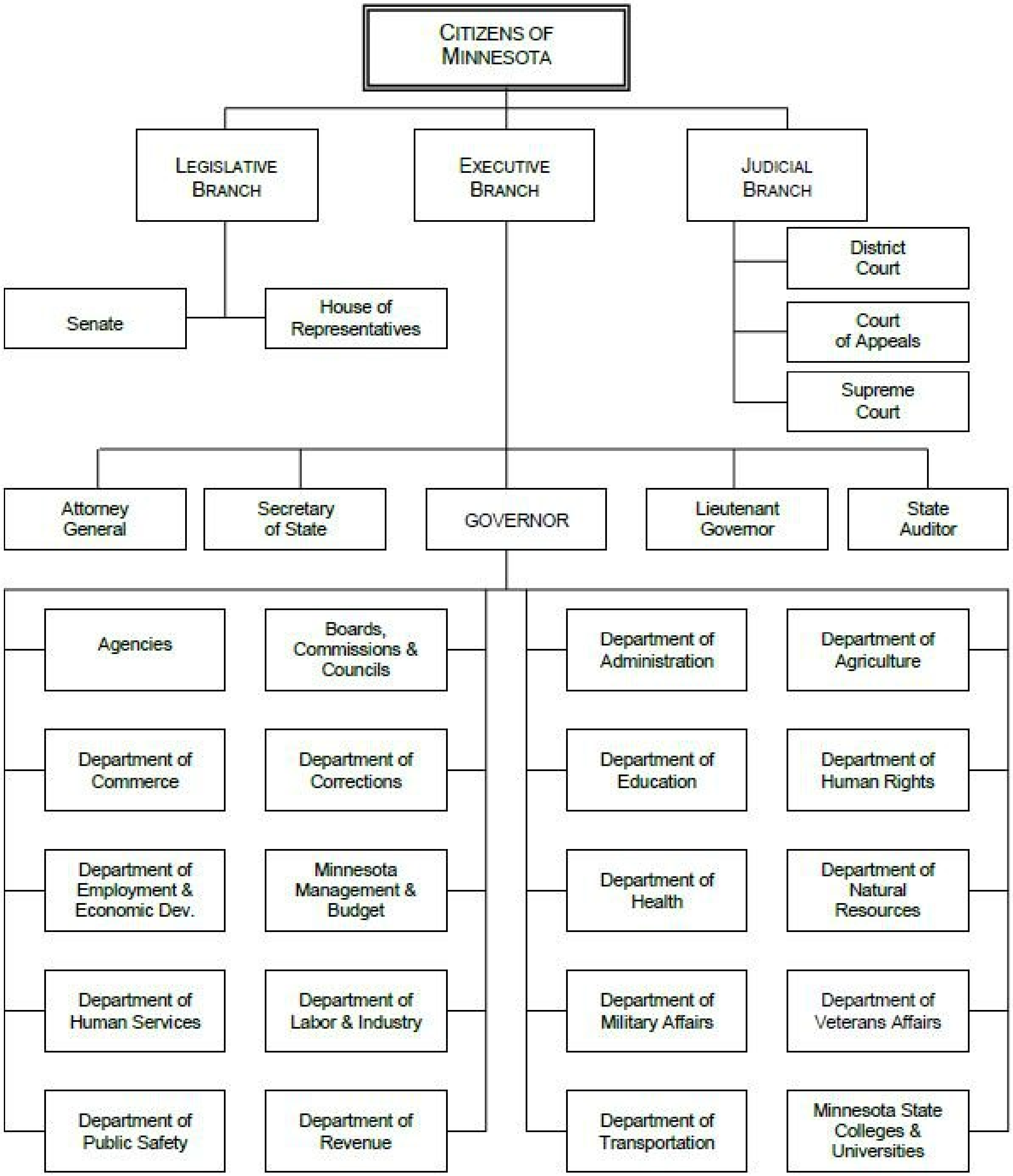
2018 Comprehensive Annual Financial Report

State Organization Chart



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State Principal Officials

Executive Branch

Governor	Mark Dayton
Lieutenant Governor	Michelle Fischbach
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 - Pro Tempore	Warren Limmer

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea

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State of Minnesota

Financial Section

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Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. Myron Frans, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2018, 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, 42 percent, and 31 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, Minnesota Sports Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 21 to the financial statements, the State of Minnesota implemented the provisions of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" for Fiscal Year 2018. The change in accounting principle increased the other postemployment benefits liability reported by the State of Minnesota. For Fiscal Year 2018, the beginning net position for governmental activities, business-type activities, and component units decreased by about $175 million, $34 million, and $88 million, respectively, for the change in accounting principle. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

Chris Buse

Chris Buse, CPA
Deputy Legislative Auditor

Scott Tjomsland

Scott Tjomsland, CPA
Audit Director

December 14, 2018

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, 2018, 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 11 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 eight 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
- Minnesota Comprehensive Health Association

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, 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 $17.5 billion at the end of fiscal year 2018, compared to $16.4 billion at the beginning of the year.

Net Position
June 30, 2018, and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets[1]	$ 18,205,048	$ 16,786,696	$ 3,179,551	$ 3,052,314	$ 21,384,599	$ 19,839,010
Noncurrent Assets:						
Capital Assets[1]	17,369,824	16,908,975	2,212,921	2,267,216	19,582,745	19,176,191
Other Assets	797,935	749,115	120,186	101,975	918,121	851,090
Total Assets	$ 36,372,807	$ 34,444,786	$ 5,512,658	$ 5,421,505	$ 41,885,465	$ 39,866,291
Deferred Outflows of Resources[1]	$ 5,770,076	$ 7,954,577	$ 1,040,500	$ 1,449,384	$ 6,810,576	$ 9,403,961
Current Liabilities[1]	$ 6,100,428	$ 6,375,072	$ 481,592	$ 474,115	$ 6,582,020	$ 6,849,187
Noncurrent Liabilities[1]	17,539,378	21,364,294	2,256,535	2,962,748	19,795,913	24,327,042
Total Liabilities	$ 23,639,806	$ 27,739,366	$ 2,738,127	$ 3,436,863	$ 26,377,933	$ 31,176,229
Deferred Inflows of Resources[1]	$ 4,247,198	$ 1,512,457	$ 604,745	$ 132,207	$ 4,851,943	$ 1,644,664
Net Position:						
Net Investment in Capital Assets[1]	$ 13,318,601	$ 12,659,766	$ 1,634,807	$ 1,650,913	$ 14,953,408	$ 14,310,679
Restricted	6,566,430	5,523,662	1,973,820	1,896,802	8,540,250	7,420,464
Unrestricted[1]	(5,629,152)	(5,035,888)	(398,341)	(245,896)	(6,027,493)	(5,281,784)
Total Net Position	$ 14,255,879	$ 13,147,540	$ 3,210,286	$ 3,301,819	$ 17,466,165	$ 16,449,359

(1) 2017 has been restated to be consistent with 2018 presentation.

The largest portion, $15.0 billion of $17.5 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 $8.5 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 $6.0 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. Rather, this deficit primarily reflects three significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted. Third, the state recognized a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. This liability is long-term in nature and is being managed by the retirement systems and the state Legislature.

The state's combined net position for governmental and business-type activities increased $1.2 billion (7.5 percent) over the course of this fiscal year. This resulted from a $1.3 billion (9.9 percent) increase in net position of governmental activities, and a $58.1 million (1.8 percent) decrease in net position of business-type activities.

Changes in Net Position
For Fiscal Years Ended June 30, 2018, and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services[2]	$ 2,496,201	$ 1,525,645	$ 2,694,849	$ 2,401,642	$ 5,191,050	$ 3,927,287
Operating Grants and Contributions	11,889,525	11,358,204	445,338	456,997	12,334,863	11,815,201
Capital Grants	115,974	142,942	—	—	115,974	142,942
General Revenues:						
Individual Income Taxes	12,125,496	11,307,961	—	—	12,125,496	11,307,961
Corporate Income Taxes	1,343,290	1,270,423	—	—	1,343,290	1,270,423
Sales Taxes	5,995,103	5,779,685	—	—	5,995,103	5,779,685
Property Taxes	823,551	850,240	—	—	823,551	850,240
Motor Vehicle Taxes	1,566,759	1,518,531	—	—	1,566,759	1,518,531
Fuel Taxes	936,618	917,834	—	—	936,618	917,834
Other Taxes	2,964,339	2,833,543	—	—	2,964,339	2,833,543
Tobacco Settlement	165,089	165,244	—	—	165,089	165,244
Investment/Interest Income	94,641	66,639	50,457	45,797	145,098	112,436
Other Revenues	75,201	87,096	4,249	11,989	79,450	99,085
Total Revenues	$ 40,591,787	$ 37,823,987	$ 3,194,893	$ 2,916,425	$ 43,786,680	$ 40,740,412
Expenses:						
Agricultural, Environmental and Energy Resources	$ 1,369,950	$ 1,254,115	$ —	$ —	$ 1,369,950	$ 1,254,115
Economic and Workforce Development	769,021	806,872	—	—	769,021	806,872
General Education	10,172,185	9,836,193	—	—	10,172,185	9,836,193
General Government[2]	1,438,678	1,598,104	—	—	1,438,678	1,598,104
Health and Human Services	17,390,698	16,396,755	—	—	17,390,698	16,396,755
Higher Education	1,032,885	987,375	—	—	1,032,885	987,375
Intergovernmental Aid	1,699,020	1,644,215	—	—	1,699,020	1,644,215
Public Safety and Corrections	1,296,548	1,360,363	—	—	1,296,548	1,360,363
Transportation	3,287,843	2,998,902	—	—	3,287,843	2,998,902
Interest	224,558	291,679	—	—	224,558	291,679
State Colleges and Universities	—	—	2,174,240	2,204,067	2,174,240	2,204,067
Unemployment Insurance	—	—	754,269	785,137	754,269	785,137
Lottery	—	—	455,374	429,843	455,374	429,843
Other[2]	—	—	495,581	467,320	495,581	467,320
Total Expenses	$ 38,681,386	$ 37,174,573	$ 3,879,464	$ 3,886,367	$ 42,560,850	$ 41,060,940
Excess (Deficiency) Before Transfers	$ 1,910,401	$ 649,414	$ (684,571)	$ (969,942)	$ 1,225,830	$ (320,528)
Transfers[2]	(626,435)	(592,245)	626,435	592,245	—	—
Changes in Net Position	$ 1,283,966	$ 57,169	$ (58,136)	$ (377,697)	$ 1,225,830	$ (320,528)
Net Position, Beginning[1][2]	$ 12,971,913	$ 13,090,371	$ 3,268,422	$ 3,679,516	$ 16,240,335	$ 16,769,887
Net Position, Ending[2]	$ 14,255,879	$ 13,147,540	$ 3,210,286	$ 3,301,819	$ 17,466,165	$ 16,449,359

(1) 2018 beginning net position has been restated to reflect the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" during fiscal year 2018 and corresponding impact on the change in fund structure.

(2) 2017 has been restated to be consistent with 2018 presentation.

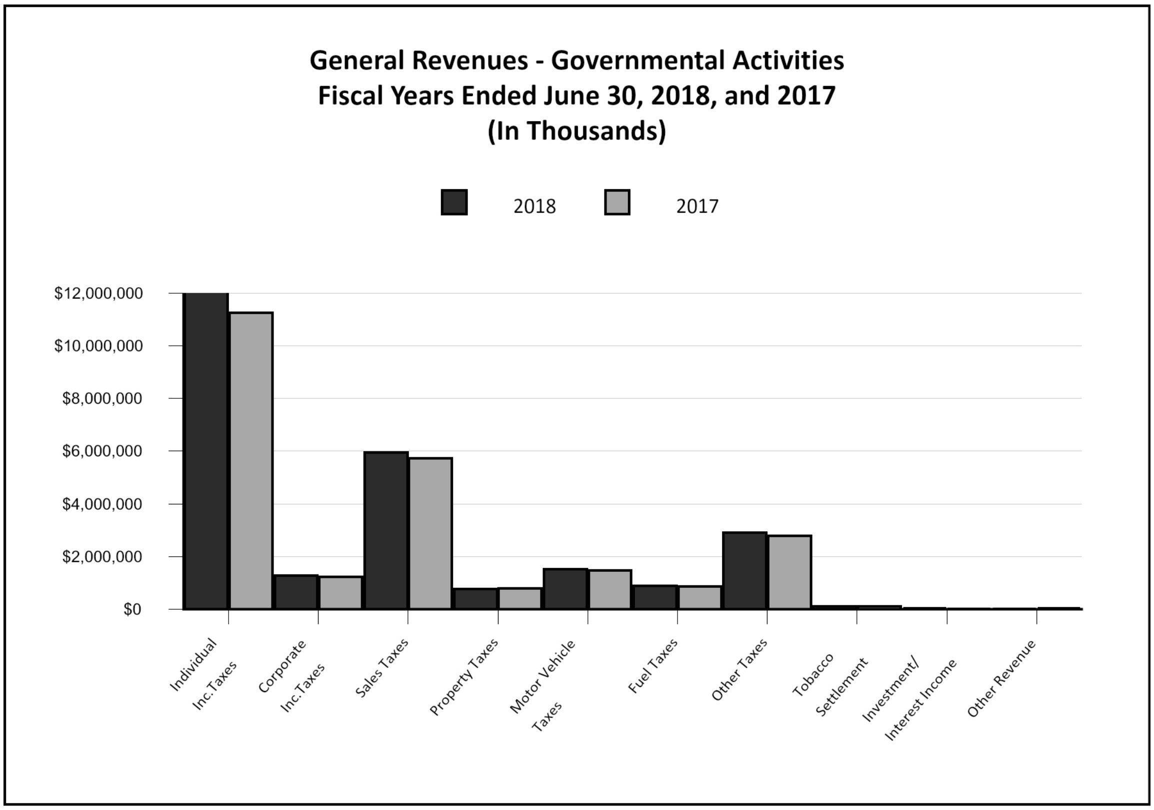
Approximately 59 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 28 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 1 percent came from other general revenues.

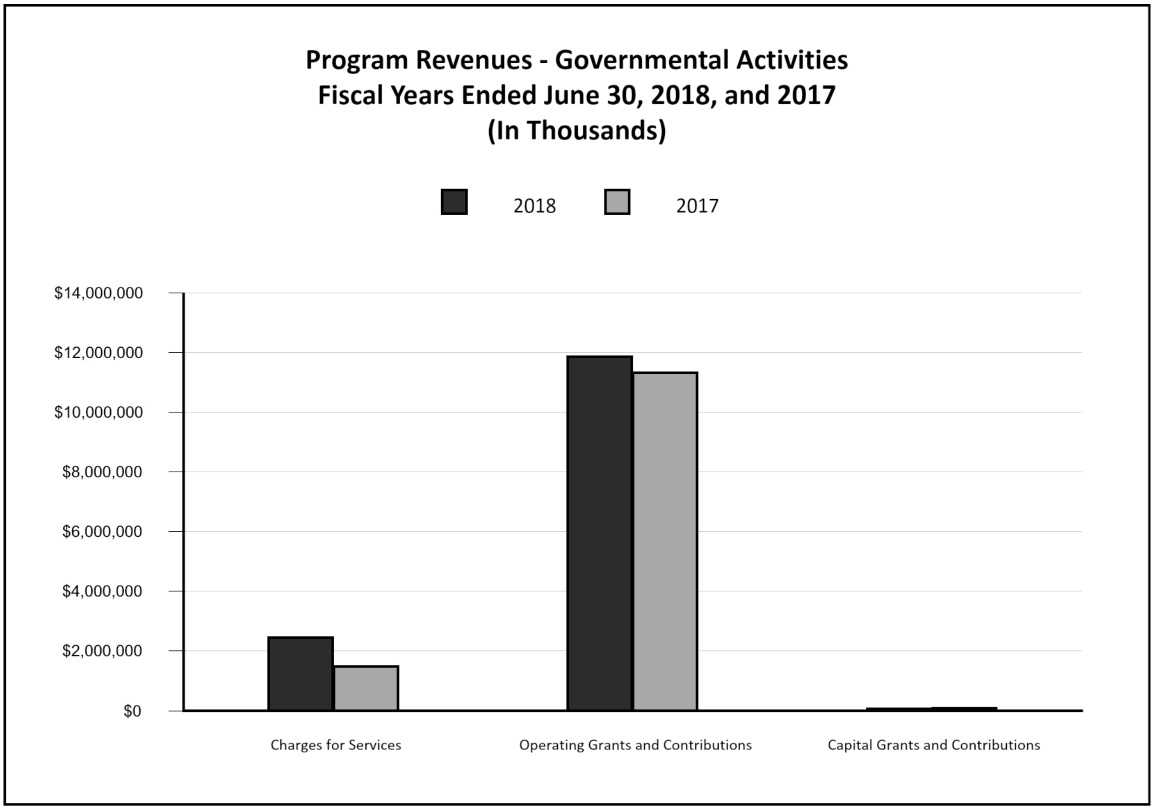
The state's expenses cover a range of services. The largest expenses were for general education and health and human services.

Governmental Activities

Governmental activities increased the state's net position by $1.3 billion in the current year compared to an increase of $57.2 million in the prior year.

Revenues increased, $2.8 billion (7.3 percent) over prior year. The following graphs show revenues for the current year and prior year separating general revenues from program revenues.

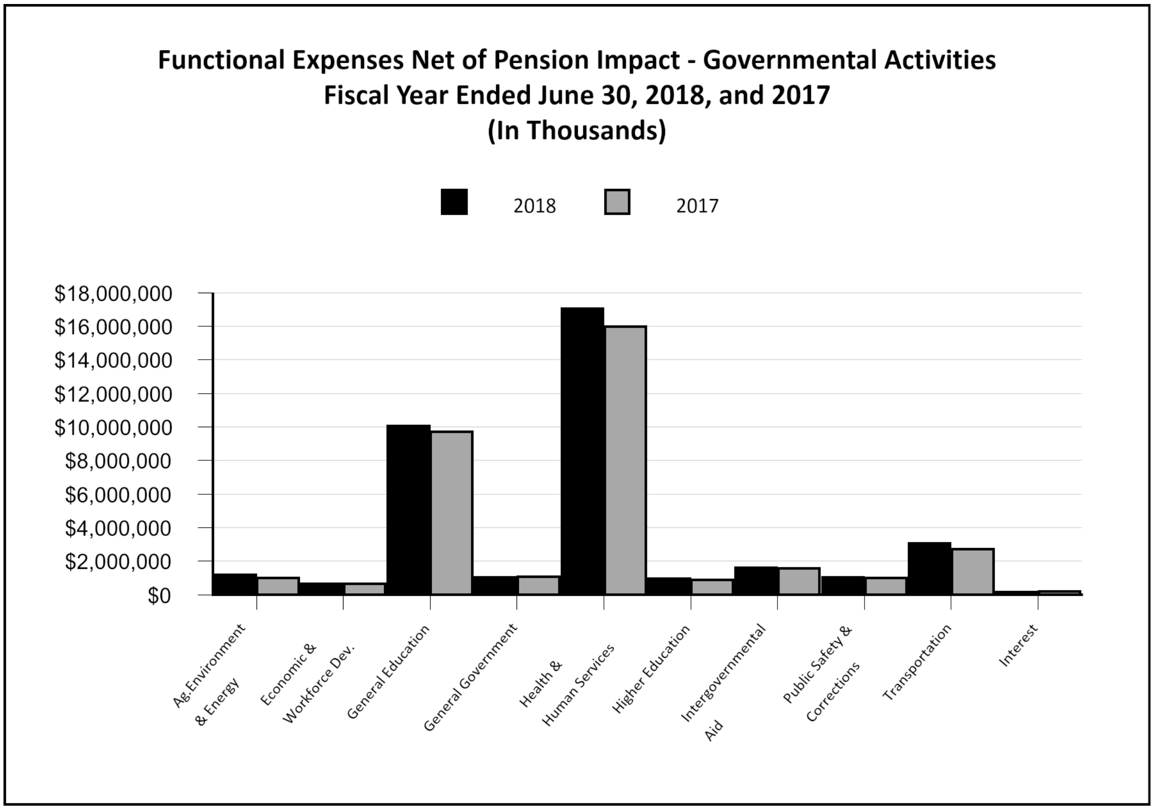




The significant increase in charges for services was primarily related to a voluntary settlement of $850 million from 3M Company for the cleanup and safeguarding of drinking water, and habitat restoration and recreation. In addition, revenues received from local units of governments for participation in transportation infrastructure projects was higher. Operating grants and contributions increased due to the federal government's share of the increase in medical assistance expenses. Sales and income taxes grew due to a continued economic growth in wages and jobs. The increase in other taxes resulted from revenue from estate taxes from several larger taxpayers. Motor vehicle taxes also grew slightly as a result of an increase in vehicle sales.

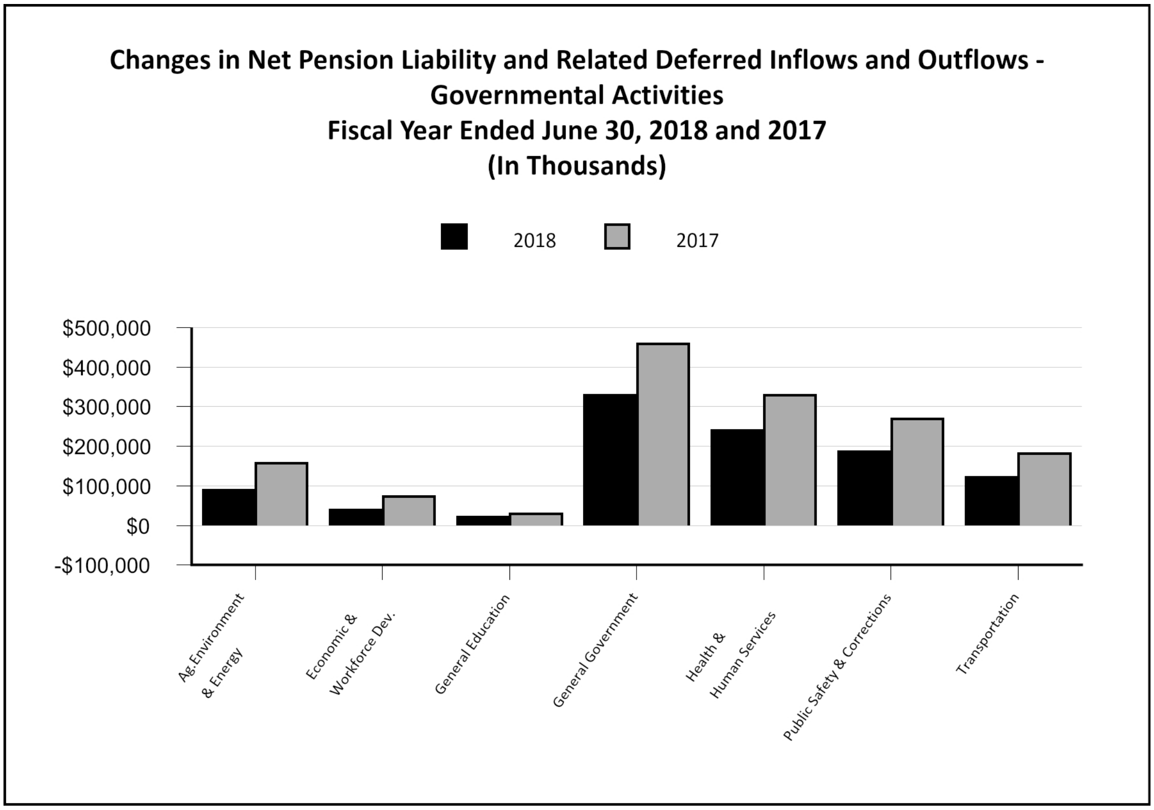
There was a $1.5 billion (4.1 percent) increase in governmental activities expenses compared to the prior year. This increase was offset by a decrease in expenses of $473.0 million related to the impacts of pension reporting. This reporting impacted all functional expenses except higher education and intergovernmental aid. See chart the on Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses.

The following graph shows the functional expenses for governmental activities, excluding the impacts of the changes related to pensions.



Health and human services expenses 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 increase in general education was primarily due to a two percent per pupil formula increase and an increase in the number of pupils. Transportation expenses increased due to additional grants to local units of governments for transportation infrastructure projects and increased grants to Metropolitan Council (component unit) and additional operating and planning costs associated with state transportation infrastructure. Agricultural, environmental and energy resources expenses increase resulted from the payment of legal fees associated with the 3M company settlement, noted above, as well as costs associated with the state assuming responsibility for additional pollution remediation superfund sites and identification of additional remediation costs of existing sites.

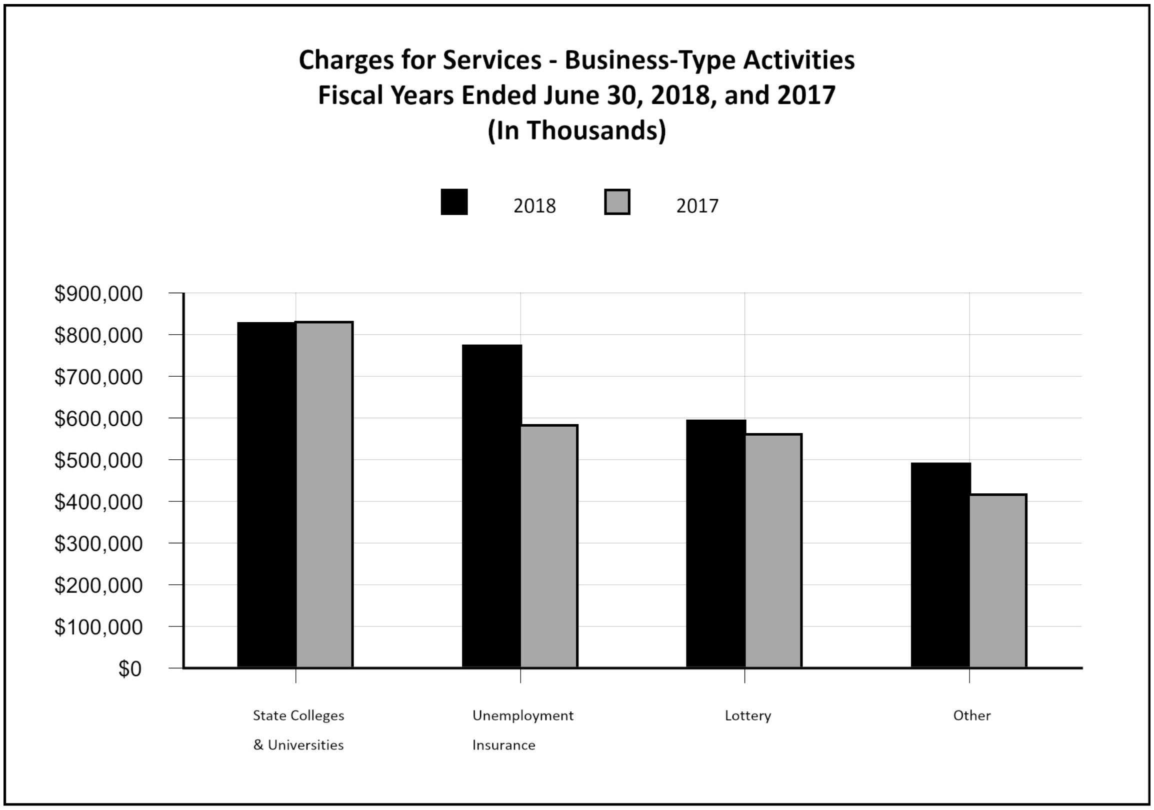
The following graph shows the changes in functional expenses for governmental activities related to the impacts of pension reporting.



Business-type Activities

Net position for the state's business-type activities decreased by $58.1 million during the current year compared to a decrease of $377.7 million in the prior year. This resulted primarily from a $137.9 million decrease in net position in the State Colleges and Universities Fund offset by a $51.2 million increase in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund's net position decreased $137.9 million during the current year compared to a decrease of $219.9 million in the prior year. Most of this was attributable to a decrease in net pension expense. The Unemployment Insurance Fund's net position increased $51.2 million during the current year compared to a decrease of $163.5 million in the prior year. This was primarily attributed to the premium reduction credit issued to employers in the prior year causing an increase in insurance premiums in the current year. This increase was offset by a slight decrease in the average tax rate on taxable wages and a decrease in claims as a result of the decrease in the unemployment rate reducing the number of applicants requesting unemployment benefits.



Long-Term Liabilities

The state's total long-term liabilities decreased by $4.7 billion (18.7 percent) during the current fiscal year. The decrease in Net Pension Liability of $4.6 billion is the primary reason for the decrease in long-term liabilities.

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 $11.6 billion, an increase of $1.6 billion over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was $4.8 billion, an increase of $542.9 million during the current year.

Because the General Fund is the chief operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, sales and income taxes grew due to continued growth in wages and jobs and other taxes increased as a result of additional estate taxes from several larger taxpayers. The increase in General Fund sales taxes was very slightly offset by a shift of sales taxes on short term motor vehicle rentals and a fixed portion of sales taxes on motor vehicle repair and replacement parts to the Trunk Highway, Municipal State-Aid Street, and County State-Aid Highway funds (special revenue funds) and the Transportation Fund (capital projects fund).

The General Fund expenditures for general education increased as a result of the two percent per pupil formula increase and an increase in the number of pupils. Grants to Metropolitan Council (component unit) increased in the General Fund resulting in an increase to transportation expenditures. Growth in both enrollment and costs for medical assistance increased health and human services expenditures.

The growth in medical assistance also impacted the Federal Fund because of the federal government's share of the health and human services expenditures. The increase in other revenues primarily relates to the $850 million voluntary settlement from 3M Company and the increase in agricultural, environmental and energy resources expenditures resulted from the legal fees associated with this settlement in the Environmental and Remediation Fund (special revenue fund). The increase in transportation expenditures in the Municipal Sate-Aid Street and County State-Aid Highway funds (special revenue funds) is a result of an increase in grants to local units of government for transportation infrastructure projects.

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 $58.1 million during the current year. This primarily resulted from a $137.9 million decrease in net position of the State Colleges and Universities Fund offset by a $51.2 million increase in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

The state's internal service funds are included in the Governmental Activities column of the Statement of Activities; however, eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made.

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

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2018. These are material to understanding changes in General Fund balances that occurred in fiscal year 2018. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes16A.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 2018.

Actions Establishing the Fiscal Year 2018 Budget

The budget for state fiscal year 2018 was adopted in May 2017. The February 2017 Budget and Economic Forecast increased the projected budget balance for the 2018-19 biennium from $1.4 billion to $1.651 billion. General Fund revenues were forecast to be $45.663 billion and base spending was estimated to be $44.741 billion. Legislative actions during the 2017 regular session and a subsequent court order that partially funded the legislative budget reduced the projected balance by $1.488 billion to $163 million. Legislative changes included $816 million in new spending, $657 million in lower revenue and $15 million in reduced resources carried forward from the 2016-17 biennium due to changes enacted impacting that budget period.

Changes to the General Fund included $486 million in new spending in E-12 education, largely due to 2 percent annual increase to the basic education formula, $210 million increase in higher education spending, $155 million higher spending for the courts and public safety, $95 million higher appropriations for transportation spending, and a $165 million increase in economic development. The spending increases were offset by a $466 million spending decrease in health and human services. Revenue changes included the dedication of General Fund sales taxes on auto parts, rental cars and motor vehicle leases to the Highway User Tax Distribution Fund, removal of the annual inflator on the statewide property tax and the cigarette and tobacco tax, an increase of the exemption level for the estate tax, and various subtractions, deductions and credits to individual income and corporate taxes.

After the 2017 legislative session and subsequent court order, the enacted budget for fiscal year 2018 included $2.708 billion in carry forward from fiscal year 2017, $21.976 billion in General Fund revenues, $22.503 billion in General Fund spending, $1.953 billion in cash and budgetary reserves, $32 million in a stadium reserve account, and a $195 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2018

The November 2017 Budget and Economic Forecast reduced the budget outlook for the 2018-19 biennium by $351 million. A favorable close to fiscal year 2017 increased resources carried forward by $625 million but the General Fund revenue forecast was decreased $559 million. Spending estimates were increased by $398 million. Statutory reserve allocations transferred $5 million to the budget reserve and $15 million to the stadium reserve, leaving a deficit of $188 million. Lower expected individual, sales, corporate, and state general property tax revenue more than offset increased forecasts for other tax and non-tax revenue. A large portion of the higher spending, $358 million, in 2018-19 biennium is the result of unspent appropriations from the previous biennium that carried forward and are available to be spent in the current biennium. A higher forecast for E-12 education contributed $121 million to the overall forecast spending increase.

The February 2018 Budget and Economic Forecast increased General Fund revenues by $353 million and reduced spending estimates by $167 million. Those changes, offset by a $2 million increase in stadium reserves, increased the 2018-19 biennium forecast balance by $518 million. The February forecast for fiscal year 2018 reflected $21.867 billion in General Fund resources, $22.695 billion in General Fund spending, $1.958 billion in cash and budget reserves, $40 million in the stadium reserve, and a $507 million budgetary balance.

The 2018 legislative session ended in May 2018. Changes enacted in the session included $159 thousand in revenue changes, $66 million in supplemental spending for the 2018-19 biennium and a $25 million reduction to the budget reserve. None of the changes impacted the fiscal year 2018 budget.

Fiscal year 2018 officially closed in August 2018. Actual revenues for fiscal year 2018 were $22.297 billion, $430 million higher than end of session estimates. Tax revenue at close was $320 million higher while non-tax revenue was $56 million higher than forecast; $54 million in transfers and prior period adjustments accounted for the revenue gain compared to estimates. Spending for fiscal year 2018 was $22.347 billion, $348 million below previous estimates; however, $212 million of unspent appropriations in fiscal year 2018 were authorized to carry forward into fiscal year 2019. Statutory allocations added $90 million to the budget reserve and $5 million to the stadium reserve. The budgetary balance for fiscal year 2018 was $978 million, $472 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 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 budgetary basis, the state's General Fund ended fiscal year 2018 with a balance of $1.691 billion. On a GAAP basis, the General Fund reported a balance of $4.783 billion for fiscal year 2018, a difference of $3.091 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 $2.011 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 $1.080 billion. 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 improved in the November 2018 Forecast. The February 2018 forecast projected a $329 billion balance for 2018-19 biennium before they made supplemental changes to the budget for the current biennium. Legislative changes reduced the balance to $288 million. Changes to revenue, spending and reserves in the November 2018 forecast increased the projected balance to $720 million.

Revenues were forecast to be $45.410 billion, an increase of $609 million (1.4 percent) over the end of session estimates. Biennial spending estimates totaled $45.549 billion, a decline of $306 million (0.7 percent) from prior estimates.

Prior to any allocation to the budget reserve under M.S. 16A.152, the November forecast included two allocations to the budget reserve directed by Minnesota law totaling $137 million. The stadium reserve was reduced by $8 million due to a decision to redirect corporate revenue back to the General Fund that had been allocated to the stadium reserve account. Aggregating spending, revenue and reserve changes in the forecast resulted in a projected forecast balance in the 2018-19 biennium of $1.074 billion, an improvement of $786 million over the end of session estimates. Statute automatically allocated 33 percent of any positive budgetary balance in the current biennium to the budget reserve account. After $354 million was allocated to the budget reserve, the available balance at the end of the current biennium was projected to be $720 million.

Total General Fund revenues for the 2018-19 biennium were $609 million (1.4 percent) more than the end-of session estimate (the February forecast adjusted for minor law changes). Total tax revenues for the current biennium were forecast to be $43.390 billion, $426 million (1.0 percent) above the end-of-session estimates. Higher expected individual income, corporate, and other tax revenue more than offset a reduced forecast for sales tax revenue. The November 2018 forecast reflected revised estimates of the revenue impact of individual taxpayer responses to the federal law changes in the Tax Cuts and Jobs Act (TCJA).

Spending estimates for 2018-19 biennium were lower than prior estimates for the biennium. Expenditures in the 2018-19 biennium were reduced $306 million (0.7 percent) from the end of session estimates.

A reduction of $216 million (1.6 percent) in estimated spending for health and human services was the primary factor in the overall reduction in spending in the 2018-19 biennium. This reduction was driven by lower enrollment across human services programs and additional federal revenue for chemical dependency treatment services.

Changes in the 2018-19 biennium for other spending areas were modest. E-12 expenditures were virtually unchanged. Debt service expenditures were $26 million (2.2 percent) lower than previous estimates due to slower spending on capital projects and reduced rates on bonds. Property tax aids and credits spending was $11 million (0.3 percent) higher than expected due largely to growth in property tax refunds.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2018, was $23.9 billion, less accumulated depreciation of $4.3 billion, resulting in a net book value of $19.6 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, 2018, and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital Assets not Depreciated:						
Land	$ 2,662,339	$ 2,617,361	$ 93,012	$ 92,545	$ 2,755,351	$ 2,709,906
Buildings, Structures, Improvements	333,754	326,736	—	—	333,754	326,736
Construction in Progress	197,848	312,287	89,553	75,564	287,401	387,851
Development in Progress	172,082	83,341	—	—	172,082	83,341
Infrastructure	10,879,482	10,628,583	—	—	10,879,482	10,628,583
Easements	417,028	406,787	—	—	417,028	406,787
Art and Historical Treasures	7,559	7,559	—	—	7,559	7,559
Total Capital Assets not Depreciated	$ 14,670,092	$ 14,382,654	$ 182,565	$ 168,109	$ 14,852,657	$ 14,550,763
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 3,334,404	$ 3,194,119	$ 3,706,537	$ 3,672,582	$ 7,040,941	$ 6,866,701
Infrastructure	387,010	345,944	28,153	95	415,163	346,039
Internally Generated Computer Software	277,777	194,768	57,948	59,261	335,725	254,029
Easements	4,720	4,990	—	—	4,720	4,990
Library Collections	—	—	38,666	40,065	38,666	40,065
Equipment, Furniture, Fixtures	823,791	788,829	337,895	332,059	1,161,686	1,120,888
Total Capital Assets Depreciated	$ 4,827,702	$ 4,528,650	$ 4,169,199	$ 4,104,062	$ 8,996,901	$ 8,632,712
Less: Accumulated Depreciation	2,127,970	2,002,329	2,138,843	2,004,955	4,266,813	4,007,284
Capital Assets Net of Depreciation	$ 2,699,732	$ 2,526,321	$ 2,030,356	$ 2,099,107	$ 4,730,088	$ 4,625,428
Total	$ 17,369,824	$ 16,908,975	$ 2,212,921	$ 2,267,216	$ 19,582,745	$ 19,176,191

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 2017, indicated that the average PQI for principal arterial pavement was 3.6 and 3.5 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 2017, indicated that 94 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 were consistent with budget. Continued cost savings due to competition between contractors and low bituminous costs as well as several large capital projects nearing completion in the prior year allowed for an increase in preservation projects during the current year.

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, 2018, as follows:

- AAA by Fitch Ratings
- AA+ by Standard & Poor's (July 2018 upgraded to AAA)
- Aa1 by Moody's Investors Service

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, 2018, and 2017
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation	$ 6,867,284	$ 6,999,510	$ 227,901	$ 238,637	$ 7,095,185	$ 7,238,147
Revenue	36,795	39,365	351,871	392,070	388,666	431,435
State General Fund Appropriation Bonds	1,048,439	1,090,895	—	—	1,048,439	1,090,895
Certificate of Participation	93,425	104,875	—	—	93,425	104,875
Total	$ 8,045,943	$ 8,234,645	$ 579,772	$ 630,707	$ 8,625,715	$ 8,865,352

During fiscal year 2018, the state issued the following bonds:

- $312.3 million in general obligation state various purpose bonds
- $114.0 million in general obligation state trunk highway bonds
- $27.0 million in taxable state bonds
- $323.8 million in general obligation state various purpose refunding bonds
- $81.1 million in general obligation state trunk highway refunding bonds
- $7.6 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
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota, 55155-1489
651-201-8000
https://www.mn.gov/mmb/

MINNESOTA

State of Minnesota

Basic Financial Statements

2018
Comprehensive
Annual
Financial Report

MINNESOTA

State of Minnesota

Government-wide Financial Statements

2018 Comprehensive Annual Financial Report

STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 11,233,186	$ 2,754,293	$ 13,987,479	$ 1,494,044
Investments	2,838,026	22,707	2,860,733	663,816
Accounts Receivable	2,600,133	371,886	2,972,019	544,289
Due from Component Units	17,691	—	17,691	—
Due from Primary Government	—	—	—	100,796
Accrued Investment/Interest Income	29,681	—	29,681	33,078
Federal Aid Receivable	1,393,988	21,416	1,415,404	11,659
Inventories	34,268	24,728	58,996	52,343
Loans and Notes Receivable	17,086	3,801	20,887	419,887
Internal Balances	23,545	(23,545)	—	—
Other Assets	17,444	4,265	21,709	51,405
Total Current Assets	$ 18,205,048	$ 3,179,551	$ 21,384,599	$ 3,371,317
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ —	$ 93,244	$ 93,244	$ 785,265
Investments-Restricted	—	296	296	2,479,629
Accounts Receivable-Restricted	—	—	—	27,920
Due from Primary Government-Restricted	—	—	—	17
Due from Primary Government	—	—	—	4,224
Due from Component Units	69,835	—	69,835	—
Investments	—	—	—	5,270,562
Derivative Instrument-Rate Swap	—	—	—	4,623
Accounts Receivable	563,912	1,877	565,789	475,799
Loans and Notes Receivable	157,100	24,769	181,869	3,108,219
Depreciable Capital Assets (Net)	2,699,732	2,030,356	4,730,088	7,296,644
Nondepreciable Capital Assets	3,790,610	182,565	3,973,175	1,441,736
Infrastructure (Not depreciated)	10,879,482	—	10,879,482	—
Other Assets	7,088	—	7,088	18,118
Total Noncurrent Assets	$ 18,167,759	$ 2,333,107	$ 20,500,866	$ 20,912,756
Total Assets	$ 36,372,807	$ 5,512,658	$ 41,885,465	$ 24,284,073
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ —	$ —	$ —	$ 169
Bond Refunding	10,539	2,133	12,672	14,575
Deferred Pension Outflows	5,728,974	1,030,215	6,759,189	1,596,136
Deferred Other Postemployment Benefits Outflows	30,563	8,152	38,715	14,643
Total Deferred Outflows of Resources	$ 5,770,076	$ 1,040,500	$ 6,810,576	$ 1,625,523
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 4,757,520	$ 269,688	$ 5,027,208	$ 407,267
Due to Component Units	45,886	6	45,892	—
Due to Primary Government	—	—	—	74,967
Unearned Revenue	333,995	97,679	431,674	123,828
Accrued Interest Payable	111,172	217	111,389	57,538
Bonds and Notes Payable	604,614	60,717	665,331	605,713
Capital Leases Payable	9,712	4,247	13,959	5,438
Certificates of Participation Payable	10,620	—	10,620	—
Claims Payable	181,134	16,467	197,601	99,745
Compensated Absences Payable	45,775	20,551	66,326	228,377
Other Liabilities	—	12,020	12,020	6
Total Current Liabilities	$ 6,100,428	$ 481,592	$ 6,582,020	$ 1,602,879

STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ —	$ —	$ —	$ 98,818
Unearned Revenue-Restricted	—	—	—	112,847
Accrued Interest Payable-Restricted	—	—	—	12,886
Due to Primary Government	—	—	—	69,835
Unearned Revenue	148,609	418	149,027	9,184
Interest Rate Swap Agreements	—	—	—	1,862
Bonds and Notes Payable	7,384,810	530,085	7,914,895	6,697,384
Due to Component Units	4,224	—	4,224	—
Capital Leases Payable	61,864	9,494	71,358	16,251
Certificates of Participation Payable	82,805	—	82,805	—
Claims Payable	659,714	1,891	661,605	550,015
Compensated Absences Payable	279,255	135,713	414,968	31,162
Other Postemployment Benefits	535,148	86,089	621,237	341,106
Net Pension Liability	8,382,949	1,468,967	9,851,916	1,883,602
Funds Held in Trust	—	—	—	340,224
Other Liabilities	—	23,878	23,878	55,946
Total Noncurrent Liabilities	$ 17,539,378	$ 2,256,535	$ 19,795,913	$ 10,221,122
Total Liabilities	$ 23,639,806	$ 2,738,127	$ 26,377,933	$ 11,824,001
DEFERRED INFLOWS OF RESOURCES				
Accumulated Increase in Fair Values of Derivatives	$ —	$ —	$ —	$ 8,264
Bond Refunding	45,288	4,412	49,700	5,991
Capital Lease Restructuring	12,927	—	12,927	—
Deferred Revenue	466,578	—	466,578	31,147
Deferred Pension Inflows	3,697,537	597,438	4,294,975	1,200,695
Deferred Other Postemployment Benefits Inflows	24,868	2,895	27,763	1,621
Total Deferred Inflows of Resources	$ 4,247,198	$ 604,745	$ 4,851,943	$ 1,247,718
NET POSITION				
Net Investment in Capital Assets	$ 13,318,601	$ 1,634,807	$ 14,953,408	$ 5,716,927
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 2,645,131	$ —	$ 2,645,131	$ —
Enhance Arts and Culture	22,412	—	22,412	—
Acquire, Maintain, and Improve Land and Buildings	—	817	817	—
Retire Indebtedness	497,063	115,845	612,908	—
Develop Economy and Workforce	171,828	1,458	173,286	—
Enhance E-12 Education	9,200	—	9,200	—
Enhance State Government	20,809	—	20,809	—
Enhance Health and Human Services	88,755	—	88,755	—
Enhance Higher Education	7	16,600	16,607	—
Enhance 911 Services and Increase Safety	21,833	39,610	61,443	—
School Aid-Expendable	8,921	—	8,921	—
School Aid-Nonexpendable	1,408,016	—	1,408,016	—
Construct Highways and Improve Infrastructure	1,672,455	—	1,672,455	—
Unemployment Benefits	—	1,728,413	1,728,413	—
Other Purposes	—	71,077	71,077	—
Component Units	—	—	—	7,092,674
Total Restricted	$ 6,566,430	$ 1,973,820	$ 8,540,250	$ 7,092,674
Unrestricted	$ (5,629,152)	$ (398,341)	$ (6,027,493)	$ 28,276
Total Net Position	$ 14,255,879	$ 3,210,286	$ 17,466,165	$ 12,837,877

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBU-TIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources	$ 1,369,950	$ 1,314,147	$ 344,583	$ 16,753
Economic and Workforce Development	769,021	55,573	206,630	—
General Education	10,172,185	21,845	842,721	—
General Government	1,438,678	347,661	46,922	—
Health and Human Services	17,390,698	499,831	9,606,414	—
Higher Education	1,032,885	5	94	—
Intergovernmental Aid	1,699,020	—	—	—
Public Safety and Corrections	1,296,548	152,465	166,142	—
Transportation	3,287,843	104,674	676,019	99,221
Interest	224,558	—	—	—
Total Governmental Activities	$ 38,681,386	$ 2,496,201	$ 11,889,525	$ 115,974
Business-type Activities:				
State Colleges and Universities	$ 2,174,240	$ 829,982	$ 435,646	$ —
Unemployment Insurance	754,269	775,863	4,379	—
Lottery	455,374	596,453	—	—
Other	495,581	492,551	5,313	—
Total Business-type Activities	$ 3,879,464	$ 2,694,849	$ 445,338	$ —
Total Primary Government	$ 42,560,850	$ 5,191,050	$ 12,334,863	$ 115,974
Component Units:				
University of Minnesota	$ 4,241,688	$ 1,570,180	$ 1,037,557	$ 96,484
Metropolitan Council	1,181,766	377,702	552,104	221,780
Housing Finance	404,304	85,290	202,780	—
Others	548,071	179,849	41,310	6,463
Total Component Units	$ 6,375,829	$ 2,213,021	$ 1,833,751	$ 324,727

General Revenues:
- Taxes:
  - Individual Income Taxes
  - Corporate Income Taxes
  - Sales Taxes
  - Property Taxes
  - Motor Vehicle Taxes
  - Fuel Taxes
  - Other Taxes
- Tobacco Settlement
- Unallocated Investment/Interest Income
- Other Revenues

State Grants Not Restricted

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning, as Reported
- Prior Period Adjustments
- Change in Accounting Principle
- Change in Fund Structure

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
$ 305,533		$ 305,533	
(506,818)		(506,818)	
(9,307,619)		(9,307,619)	
(1,044,095)		(1,044,095)	
(7,284,453)		(7,284,453)	
(1,032,786)		(1,032,786)	
(1,699,020)		(1,699,020)	
(977,941)		(977,941)	
(2,407,929)		(2,407,929)	
(224,558)		(224,558)	
$ (24,179,686)		$ (24,179,686)	
	$ (908,612)	$ (908,612)	
	25,973	25,973	
	141,079	141,079	
	2,283	2,283	
	$ (739,277)	$ (739,277)	
$ (24,179,686)	$ (739,277)	$ (24,918,963)	
			$ (1,537,467)
			(30,180)
			(116,234)
			(320,449)
			$ (2,004,330)
$ 12,125,496	$ —	$ 12,125,496	$ —
1,343,290	—	1,343,290	—
5,995,103	—	5,995,103	—
823,551	—	823,551	—
1,566,759	—	1,566,759	—
936,618	—	936,618	—
2,964,339	—	2,964,339	85,453
165,089	—	165,089	—
94,641	50,457	145,098	406,127
75,201	4,249	79,450	681,105
—	—	—	1,068,238
(626,435)	626,435	—	—
$ 25,463,652	$ 681,141	$ 26,144,793	$ 2,240,923
$ 1,283,966	$ (58,136)	$ 1,225,830	$ 236,593
$ 13,154,248	$ 3,295,111	$ 16,449,359	$ 12,822,691
—	—	—	(133,490)
(175,330)	(33,694)	(209,024)	(87,917)
(7,005)	7,005	—	—
$ 12,971,913	$ 3,268,422	$ 16,240,335	$ 12,601,284
$ 14,255,879	$ 3,210,286	$ 17,466,165	$ 12,837,877

MINNESOTA

State of Minnesota

Fund Financial Statements

2018
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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, 2018
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 5,702,432	$ 166,942	$ 4,957,542	$ 10,826,916
Investments	1,097,597	—	1,740,429	2,838,026
Accounts Receivable	2,573,531	290,913	294,885	3,159,329
Interfund Receivables	138,071	54	173,296	311,421
Due from Component Units	4,280	—	83,246	87,526
Accrued Investment/Interest Income	23,308	—	6,373	29,681
Federal Aid Receivable	—	1,317,785	76,203	1,393,988
Inventories	—	—	34,004	34,004
Loans and Notes Receivable	61,201	4,767	108,218	174,186
Investment in Land	—	—	15,962	15,962
Total Assets	$ 9,600,420	$ 1,780,461	$ 7,490,158	$ 18,871,039
LIABILITIES				
Accounts Payable	$ 2,789,090	$ 1,475,356	$ 551,329	$ 4,815,775
Interfund Payables	118,533	10	57,025	175,568
Due to Component Units	30,547	2,489	12,210	45,246
Unearned Revenue	151,652	295,645	—	447,297
Total Liabilities	$ 3,089,822	$ 1,773,500	$ 620,564	$ 5,483,886
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	$ 1,728,075	$ —	$ 103,698	$ 1,831,773
Total Deferred Inflows of Resources	$ 1,728,075	$ —	$ 103,698	$ 1,831,773
FUND BALANCES				
Fund Balances:				
Nonspendable	$ 1,121,875	$ —	$ 1,442,020	$ 2,563,895
Restricted	83,409	6,961	4,611,131	4,701,501
Committed	82,000	—	688,673	770,673
Assigned	1,830,239	—	24,072	1,854,311
Unassigned	1,665,000	—	—	1,665,000
Total Fund Balances	$ 4,782,523	$ 6,961	$ 6,765,896	$ 11,555,380
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 9,600,420	$ 1,780,461	$ 7,490,158	$ 18,871,039

The notes are an integral part of the financial statements.

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

JUNE 30, 2018
(IN THOUSANDS)

Total Fund Balance for Governmental Funds			$	11,555,380
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	$	10,879,482		
Nondepreciable Capital Assets		3,774,387		
Depreciable Capital Assets		4,646,965		
Accumulated Depreciation		(2,018,364)		
				17,282,470
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.				1,365,195
Net Deferred Outflows (Inflows) resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position.				(47,676)
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.				(179,387)
Deferred pension and other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.				
Total Deferred Pension and Other Postemployment Benefits Outflows	$	5,291,279		
Total Deferred Pension and Other Postemployment Benefits Inflows		(3,386,572)		
				1,904,707
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	$	(111,120)		
General Obligation Bonds Payable		(6,024,054)		
State General Fund Appropriation Bonds Payable		(938,430)		
Revenue Bonds Payable		(36,795)		
Loans and Notes Payable		(3,656)		
Bond Premium Payable		(953,239)		
Due to Component Units		(4,864)		
Capital Leases Payable		(71,576)		
Certificate of Participation Payable		(82,765)		
Certificate of Participation Premium Payable		(10,660)		
Claims Payable		(755,055)		
Compensated Absences Payable		(291,727)		
Net Other Post-Employment Benefits		(517,591)		
Net Pension Liability		(7,823,278)		
				(17,624,810)
Net Position of Governmental Activities			$	14,255,879

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, 2018
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 12,082,631	$ —	$ —	$ 12,082,631
Corporate Income Taxes	1,327,533	—	—	1,327,533
Sales Taxes	5,533,851	—	460,093	5,993,944
Property Taxes	819,654	—	—	819,654
Motor Vehicle Taxes	309,565	—	1,257,187	1,566,752
Fuel Taxes	—	—	936,543	936,543
Other Taxes	2,724,021	—	229,527	2,953,548
Tobacco Settlement	166,931	—	—	166,931
Federal Revenues	4,001	11,001,209	551,763	11,556,973
Licenses and Fees	234,410	5,430	371,237	611,077
Departmental Services	235,290	2,082	172,150	409,522
Investment/Interest Income	177,692	3,399	176,395	357,486
Other Revenues	366,677	50,785	1,256,597	1,674,059
Net Revenues	$ 23,982,256	$ 11,062,905	$ 5,411,492	$ 40,456,653
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 261,267	$ 177,037	$ 735,598	$ 1,173,902
Economic and Workforce Development	244,522	201,260	275,854	721,636
General Education	9,323,311	739,490	79,898	10,142,699
General Government	855,543	18,254	93,248	967,045
Health and Human Services	7,397,368	9,381,270	348,235	17,126,873
Higher Education	962,131	11	70,759	1,032,901
Intergovernmental Aid	1,698,970	—	50	1,699,020
Public Safety and Corrections	689,217	125,027	253,248	1,067,492
Transportation	487,101	235,159	2,371,611	3,093,871
Total Current Expenditures	$ 21,919,430	$ 10,877,508	$ 4,228,501	$ 37,025,439
Capital Outlay	87,621	126,823	454,721	669,165
Debt Service	26,605	253	1,009,311	1,036,169
Total Expenditures	$ 22,033,656	$ 11,004,584	$ 5,692,533	$ 38,730,773
Excess of Revenues Over (Under) Expenditures	$ 1,948,600	$ 58,321	$ (281,041)	$ 1,725,880
Other Financing Sources (Uses):				
Bond Issuance	$ —	$ —	$ 449,188	$ 449,188
Loan Proceeds	—	—	2,887	2,887
Issuance of Refunding Bonds	—	—	404,880	404,880
Payment to Refunded Bonds Escrow Agent	—	—	(404,880)	(404,880)
Bond Issue Premium	—	—	137,078	137,078
Transfers-In	260,506	1,395	1,116,889	1,378,790
Transfers-Out	(1,666,239)	(61,031)	(318,142)	(2,045,412)
Net Other Financing Sources (Uses)	$ (1,405,733)	$ (59,636)	$ 1,387,900	$ (77,469)
Net Change in Fund Balances	$ 542,867	$ (1,315)	$ 1,106,859	$ 1,648,411
Fund Balances, Beginning, as Reported	$ 3,406,733	$ 8,276	$ 6,491,463	$ 9,906,472
Change in Fund Structure	832,923	—	(832,426)	497
Fund Balances, Beginning, as Restated	$ 4,239,656	$ 8,276	$ 5,659,037	$ 9,906,969
Fund Balances, Ending	$ 4,782,523	$ 6,961	$ 6,765,896	$ 11,555,380

The notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds		$ 1,648,411
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 the depreciation in the current period.		
Capital Outlay	$ 669,165	
Depreciation	(169,384)	
		499,781
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.		2,066
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.		(86,548)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		72,063
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.		(994,033)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt and restructuring of capital leases is reported in the Statement of Activities but not included in governmental funds.		19,338
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.		(951,315)
Net changes in the other postemployment benefits liability and the additions and amortization of deferred inflows and outflows related to other postemployment benefits is reported in the Statement of Activities but not included in governmental funds.		(25,450)
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.		1,189,780
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.		(90,127)
Change in Net Position of Governmental Activities		$ 1,283,966

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, 2018
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 11,714,436	$ 11,451,400	$ 11,783,500
Corporate Income Taxes	1,277,760	1,301,100	1,314,525
Sales Taxes	5,439,594	5,463,540	5,427,986
Property Taxes	830,906	804,976	811,376
Other Taxes	2,546,062	2,623,518	2,656,868
Tobacco Settlement	154,296	157,260	166,931
Licenses and Fees	213,591	221,392	229,755
Departmental Services	124,507	130,077	121,757
Investment/Interest Income	26,392	39,392	71,282
Other Revenues	299,005	334,547	352,829
Net Revenues	$ 22,626,549	$ 22,527,202	$ 22,936,809
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 221,009	$ 220,997	$ 206,293
Economic and Workforce Development	180,476	180,927	176,050
General Education	9,310,581	9,306,740	9,291,514
General Government	1,125,168	1,173,807	935,582
Health and Human Services	7,287,061	7,286,256	6,984,218
Higher Education	923,076	923,576	916,341
Intergovernmental Aid	1,699,647	1,699,647	1,699,576
Public Safety and Corrections	744,071	743,714	721,110
Transportation	133,907	133,907	131,445
Total Expenditures	$ 21,624,996	$ 21,669,571	$ 21,062,129
Excess of Revenues Over (Under) Expenditures	$ 1,001,553	$ 857,631	$ 1,874,680
Other Financing Sources (Uses):			
Transfers-In	$ 57,397	$ 57,761	$ 64,515
Transfers-Out	(2,080,251)	(2,080,251)	(2,080,251)
Net Other Financing Sources (Uses)	$ (2,022,854)	$ (2,022,490)	$ (2,015,736)
Net Change in Fund Balances	$ (1,021,301)	$ (1,164,859)	$ (141,056)
Fund Balances, Beginning, as Reported	$ 4,106,557	$ 4,106,557	$ 4,106,557
Prior Period Adjustments	—	—	83,246
Fund Balances, Beginning, as Restated	$ 4,106,557	$ 4,106,557	$ 4,189,803
Budgetary Fund Balances, Ending	$ 3,085,256	$ 2,941,698	$ 4,048,747
Less: Appropriation Carryover	—	—	235,531
Less: Reserved for Long-Term Receivables	—	—	29,660
Less: Budgetary Reserve	—	—	2,092,418
Unassigned Fund Balance, Ending	$ 3,085,256	$ 2,941,698	$ 1,691,138

The notes are an integral part of the financial statements.

MINNESOTA

State of Minnesota

2018
Comprehensive
Annual
Financial Report

Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 1,006,509	$ 1,506,853	$ 240,931	$ 2,754,293	$ 406,270
Investments	22,707	—	—	22,707	—
Accounts Receivable	56,074	287,884	27,928	371,886	129,059
Interfund Receivables	27,248	—	6,200	33,448	—
Federal Aid Receivable	21,262	154	—	21,416	—
Inventories	15,411	—	9,317	24,728	264
Loans and Notes Receivable	3,801	—	—	3,801	—
Prepaid Expenses	3,686	—	579	4,265	17,444
Total Current Assets	$ 1,156,698	$ 1,794,891	$ 284,955	$ 3,236,544	$ 553,037
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 93,244	$ —	$ —	$ 93,244	$ —
Investments-Restricted	296	—	—	296	—
Accounts Receivable	—	—	1,877	1,877	—
Loans and Notes Receivable	24,769	—	—	24,769	—
Depreciable Capital Assets (Net)	1,860,143	—	170,213	2,030,356	71,131
Nondepreciable Capital Assets	160,896	—	21,669	182,565	261
Prepaid Expenses	—	—	—	—	7,088
Total Noncurrent Assets	$ 2,139,348	$ —	$ 193,759	$ 2,333,107	$ 78,480
Total Assets	$ 3,296,046	$ 1,794,891	$ 478,714	$ 5,569,651	$ 631,517
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 2,133	$ —	$ —	$ 2,133	$ —
Deferred Pension Outflows	882,765	—	147,450	1,030,215	467,253
Deferred Other Postemployment Benefits Outflows	6,880	—	1,272	8,152	1,005
Total Deferred Outflows of Resources	$ 891,778	$ —	$ 148,722	$ 1,040,500	$ 468,258
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 193,441	$ 13,994	$ 62,253	$ 269,688	$ 66,286
Interfund Payables	15,077	17,410	24,506	56,993	112,110
Due to Component Units	—	—	6	6	—
Unearned Revenue	53,932	35,074	8,673	97,679	35,307
Accrued Interest Payable	—	—	217	217	52
Bonds and Notes Payable	40,317	—	20,400	60,717	11,202
Capital Leases Payable	4,247	—	—	4,247	—
Claims Payable	2,450	—	14,017	16,467	85,793
Compensated Absences Payable	18,500	—	2,051	20,551	3,802
Other Liabilities	12,020	—	—	12,020	—
Total Current Liabilities	$ 339,984	$ 66,478	$ 132,123	$ 538,585	$ 314,552
Noncurrent Liabilities:					
Unearned Revenue	$ —	$ —	$ 418	$ 418	$ —
Bonds and Notes Payable	493,447	—	36,638	530,085	22,048
Capital Leases Payable	9,494	—	—	9,494	—
Claims Payable	1,891	—	—	1,891	—
Compensated Absences Payable	125,089	—	10,624	135,713	29,501
Other Postemployment Benefits	65,158	—	20,931	86,089	17,557
Net Pension Liability	1,275,522	—	193,445	1,468,967	559,671
Other Liabilities	23,878	—	—	23,878	—
Total Noncurrent Liabilities	$ 1,994,479	$ —	$ 262,056	$ 2,256,535	$ 628,777
Total Liabilities	$ 2,334,463	$ 66,478	$ 394,179	$ 2,795,120	$ 943,329

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ 4,412	$ —	$ —	$ 4,412	$ —
Deferred Pension Inflows	494,173	—	103,265	597,438	335,019
Deferred Other Postemployment Benefits Inflows	1,923	—	972	2,895	814
Total Deferred Inflows of Resources	$ 500,508	$ —	$ 104,237	$ 604,745	$ 335,833
NET POSITION					
Net Investment in Capital Assets	$ 1,499,963	$ —	$ 134,844	$ 1,634,807	$ 38,142
Restricted for:					
Acquire, Maintain, and Improve Land and Buildings	$ 817	$ —	$ —	$ 817	$ —
Retire Indebtedness	115,845	—	—	115,845	—
Develop Economy and Workforce	—	—	1,458	1,458	—
Enhance Higher Education	16,600	—	—	16,600	—
Enhance 911 Services and Increase Safety	—	—	39,610	39,610	—
Unemployment Benefits	—	1,728,413	—	1,728,413	—
Other Purposes	—	—	71,077	71,077	—
Total Restricted	$ 133,262	$ 1,728,413	$ 112,145	$ 1,973,820	$ —
Unrestricted	$ (280,372)	$ —	$ (117,969)	$ (398,341)	$ (217,529)
Total Net Position	$ 1,352,853	$ 1,728,413	$ 129,020	$ 3,210,286	$ (179,387)

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 703,588	$ —	$ —	$ 703,588	$ —
Restricted Student Payments, Net	109,812	—	—	109,812	—
Net Sales	—	—	877,567	877,567	554,330
Insurance Premiums	—	760,351	167,617	927,968	964,124
Other Income	16,582	15,512	43,820	75,914	13,288
Total Operating Revenues	$ 829,982	$ 775,863	$ 1,089,004	$ 2,694,849	$ 1,531,742
Less: Cost of Goods Sold	—	—	444,492	444,492	—
Gross Margin	$ 829,982	$ 775,863	$ 644,512	$ 2,250,357	$ 1,531,742
Operating Expenses:					
Purchased Services	$ 239,257	$ —	$ 82,092	$ 321,349	$ 241,500
Salaries and Fringe Benefits	1,517,707	—	187,073	1,704,780	386,029
Student Financial Aid	50,650	—	—	50,650	—
Unemployment Benefits	—	748,604	—	748,604	—
Claims	—	—	148,022	148,022	847,222
Depreciation and Amortization	133,266	—	22,276	155,542	18,232
Supplies and Materials	129,634	—	6,697	136,331	23,691
Repairs and Maintenance	28,069	—	1,715	29,784	12,641
Indirect Costs	—	—	4,068	4,068	2,788
Other Expenses	41,648	—	10,282	51,930	1,306
Total Operating Expenses	$ 2,140,231	$ 748,604	$ 462,225	$ 3,351,060	$ 1,533,409
Operating Income (Loss)	$ (1,310,249)	$ 27,259	$ 182,287	$ (1,100,703)	$ (1,667)
Nonoperating Revenues (Expenses):					
Investment Income	$ 13,673	$ 34,700	$ 2,084	$ 50,457	$ 5,181
Federal Grants	299,252	—	5,313	304,565	—
Private Grants	33,436	—	—	33,436	—
Grants and Subsidies	102,958	4,379	—	107,337	—
Other Nonoperating Revenues	—	—	6,325	6,325	83
Interest and Financing Costs	(21,395)	—	(1,798)	(23,193)	(1,392)
Grants, Aids and Subsidies	(12,614)	(5,665)	(22,075)	(40,354)	—
Other Nonoperating Expenses	—	—	(20,365)	(20,365)	(7,218)
Gain (Loss) on Disposal of Capital Assets	(181)	—	(1,895)	(2,076)	792
Total Nonoperating Revenues (Expenses)	$ 415,129	$ 33,414	$ (32,411)	$ 416,132	$ (2,554)
Income (Loss) Before Transfers and Contributions	$ (895,120)	$ 60,673	$ 149,876	$ (684,571)	$ (4,221)
Capital Contributions	25,747	—	9	25,756	—
Transfers-In	731,500	—	24,524	756,024	—
Transfers-Out	—	(9,466)	(145,879)	(155,345)	(82,327)
Change in Net Position	$ (137,873)	$ 51,207	$ 28,530	$ (58,136)	$ (86,548)
Net Position, Beginning, as Reported	$ 1,507,447	$ 1,677,206	$ 110,458	$ 3,295,111	$ (77,795)
Change in Accounting Principle	(16,721)	—	(16,973)	(33,694)	(15,044)
Change in Fund Structure	—	—	7,005	7,005	—
Net Position, Beginning, as Restated	$ 1,490,726	$ 1,677,206	$ 100,490	$ 3,268,422	$ (92,839)
Net Position, Ending	$ 1,352,853	$ 1,728,413	$ 129,020	$ 3,210,286	$ (179,387)

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 830,417	$ 778,687	$ 1,044,769	$ 2,653,873	$ 1,505,220
Receipts from Other Revenues	—	—	45,569	45,569	13,371
Receipts from Repayment of Program Loans	4,065	—	—	4,065	—
Financial Aid Disbursements	(51,730)	—	—	(51,730)	—
Payments to Claimants	—	(757,038)	(512,621)	(1,269,659)	(851,121)
Payments to Suppliers	(437,280)	—	(152,130)	(589,410)	(308,709)
Payments to Employees	(1,328,693)	—	(161,073)	(1,489,766)	(292,506)
Payments to Others	—	—	(49,883)	(49,883)	(7,218)
Payments of Program Loans	(3,553)	—	—	(3,553)	—
Net Cash Flows from Operating Activities	$ (986,774)	$ 21,649	$ 214,631	$ (750,494)	$ 59,037
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 433,607	$ 4,405	$ 5,313	$ 443,325	$ —
Grant Disbursements	(12,505)	(5,695)	(22,075)	(40,275)	—
Transfers-In	731,500	—	24,524	756,024	—
Transfers-Out	—	(6,160)	(148,898)	(155,058)	(34,269)
Advances from Other Funds	—	—	—	—	110,000
Repayment of Advances from Other Funds	—	—	—	—	(60,017)
Net Cash Flows from Noncapital Financing Activities	$ 1,152,602	$ (7,450)	$ (141,136)	$ 1,004,016	$ 15,714
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 40,186	$ —	$ —	$ 40,186	$ —
Investment in Capital Assets	(76,514)	—	(19,969)	(96,483)	(27,924)
Proceeds from Disposal of Capital Assets	652	—	232	884	3,424
Proceeds from Capital Bonds	13,965	—	—	13,965	—
Proceeds from Loans	—	—	—	—	22,145
Capital Lease Payments	(4,279)	—	—	(4,279)	—
Repayment of Loan Principal	(498)	—	—	(498)	(11,378)
Repayment of Bond Principal	(39,659)	—	(19,602)	(59,261)	—
Interest Paid	(9,653)	—	(3,579)	(13,232)	(1,367)
Net Cash Flows from Capital and Related Financing Activities	$ (75,800)	$ —	$ (42,918)	$ (118,718)	$ (15,100)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 1,036	$ —	$ —	$ 1,036	$ —
Purchase of Investments	(1,197)	—	—	(1,197)	—
Investment Earnings	8,694	34,700	2,084	45,478	5,181
Net Cash Flows from Investing Activities	$ 8,533	$ 34,700	$ 2,084	$ 45,317	$ 5,181
Net Increase (Decrease) in Cash and Cash Equivalents	$ 98,561	$ 48,899	$ 32,661	$ 180,121	$ 64,832
Cash and Cash Equivalents, Beginning, as Reported	$ 1,001,192	$ 1,457,954	$ 208,270	$ 2,667,416	$ 341,438
Cash and Cash Equivalents, Ending	$ 1,099,753	$ 1,506,853	$ 240,931	$ 2,847,537	$ 406,270

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(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)	$ (1,310,249)	$ 27,259	$ 182,287	$ (1,100,703)	$ (1,667)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 133,266	$ —	$ 22,276	$ 155,542	$ 18,232
Miscellaneous Nonoperating Revenues	—	—	6,325	6,325	83
Miscellaneous Nonoperating Expenses	—	—	(20,365)	(20,365)	(7,218)
Loan Principal Repayments	4,065	—	—	4,065	—
Loans Issued	(3,553)	—	—	(3,553)	—
Provision for Loan Defaults	99	—	—	99	—
Loans Forgiven	260	—	—	260	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	1,618	15,946	(3,807)	13,757	(4,682)
Inventories	1,141	—	(925)	216	(28)
Other Assets	—	—	1,711	1,711	2,846
Deferred Outflows	350,641	—	58,245	408,886	162,654
Accounts Payable	1,714	(9,686)	(6,075)	(14,047)	(29,601)
Salaries Payable	11,299	—	—	11,299	—
Claims Payable	—	—	3,756	3,756	(3,899)
Compensated Absences Payable	2,898	—	282	3,180	1,054
Unearned Revenues	(1,181)	(11,822)	3,304	(9,699)	(8,552)
Net Pension Liability	(568,490)	—	(115,728)	(684,218)	(341,283)
Other Liabilities	(464)	(48)	970	458	1,040
Deferred Inflows	390,162	—	82,375	472,537	270,058
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 323,475	$ (5,610)	$ 32,344	$ 350,209	$ 60,704
Net Cash Flows from Operating Activities	$ (986,774)	$ 21,649	$ 214,631	$ (750,494)	$ 59,037
Noncash Investing, Capital and Financing Activities:					
Donated Capital Assets	$ 6,831	$ —	$ 200	$ 7,031	$ —
Change in Fair Value of Investments	636	—	—	636	—
Capital Assets Transferred Out	—	—	—	—	48,058
Bond Premium Amortization	3,948	—	1,691	5,639	—

The notes are an integral part of the financial statements.

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.

2018 Comprehensive Annual Financial Report

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 29,275	$ —	$ 147,832
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,594,468	$ 43,506	$ —
Investments	77,349,749	998,452	—
Accrued Interest and Dividends	171,778	2,213	—
Securities Trades Receivables (Payables)	(1,074,045)	(11,468)	—
Total Investment Pool Participation	$ 79,041,950	$ 1,032,703	$ —
Receivables:			
Accounts Receivable	$ —	$ —	$ 35,506
Interfund Receivables	8,016	—	—
Other Receivables	126,625	—	—
Total Receivables	$ 134,641	$ —	$ 35,506
Securities Lending Collateral	$ 6,860,717	$ —	$ —
Depreciable Capital Assets (Net)	44,842	—	—
Nondepreciable Capital Assets	429	—	—
Total Assets	$ 86,111,854	$ 1,032,703	$ 183,338
LIABILITIES			
Accounts Payable	$ 28,163	$ —	$ 183,338
Interfund Payables	8,214	—	—
Accrued Expense	24	—	—
Revenue Bonds Payable	12,736	—	—
Bond Interest	6	—	—
Compensated Absences Payable	2,829	—	—
Securities Lending Liabilities	6,860,717	—	—
Other Liabilities	2,238	—	—
Total Liabilities	$ 6,914,927	$ —	$ 183,338
NET POSITION			
Net Position Restricted for Pensions and Pooled Investments	$ 79,196,927	$ 1,032,703	$ —

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,336,383	$ —
Member	1,575,428	—
Contributions From Other Sources	12,751	—
Participating Plans	—	9,209
Total Contributions	$ 2,924,562	$ 9,209
Net Investment Income (Loss):		
Investment Income (Loss)	$ 7,459,708	$ 102,914
Less: Investment Expenses	(76,831)	(515)
Net Investment Income (Loss)	$ 7,382,877	$ 102,399
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 143,023	$ —
Securities Lending Rebates and Fees	(96,875)	—
Net Securities Lending Revenue	$ 46,148	$ —
Total Investment Income (Loss)	$ 7,429,025	$ 102,399
Transfers-In	$ 96,685	$ —
Other Additions	13,714	—
Total Additions	$ 10,463,986	$ 111,608
Deductions:		
Benefits	$ 5,017,613	$ —
Refunds and Withdrawals	366,147	44,798
Administrative Expenses	61,431	65
Transfers-Out	22,220	—
Total Deductions	$ 5,467,411	$ 44,863
Net Increase (Decrease)	$ 4,996,575	$ 66,745
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Reported	$ 74,194,307	$ 958,802
Change in Reporting Entity	4,519	8,682
Change in Fund Structure	1,526	(1,526)
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Restated	$ 74,200,352	$ 965,958
Net Position Restricted for Pensions and Pooled Investments, Ending	$ 79,196,927	$ 1,032,703

The notes are an integral part of the financial statements.

MINNESOTA

State of Minnesota

2018
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, 2017, and JUNE 30, 2018
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 71,776	$ 151,180	$ 580,704	$ 690,384	$ 1,494,044
Investments	49,622	6,724	287,776	319,694	663,816
Accounts Receivable	2,341	23,226	467,576	51,146	544,289
Due from Primary Government	153	87,686	12,292	665	100,796
Accrued Investment/Interest Income	12,063	1,930	2,654	16,431	33,078
Federal Aid Receivable	2,685	8,563	—	411	11,659
Inventories	—	32,908	19,389	46	52,343
Loans and Notes Receivable	172,218	232	10,958	236,479	419,887
Prepaid Expenses	—	—	—	4,593	4,593
Other Assets	1,985	4,701	39,966	160	46,812
Total Current Assets	$ 312,843	$ 317,150	$ 1,421,315	$ 1,320,009	$ 3,371,317
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 342,504	$ 215,748	$ 25,699	$ 201,314	$ 785,265
Investments-Restricted	2,332,311	—	117,322	29,996	2,479,629
Accounts Receivable-Restricted	—	27,920	—	—	27,920
Due from Primary Government-Restricted	—	17	—	—	17
Due from Primary Government	—	—	—	4,224	4,224
Investments	—	660,377	4,550,153	60,032	5,270,562
Derivative Instrument-Rate Swap	4,623	—	—	—	4,623
Accounts Receivable	—	—	139,748	336,051	475,799
Loans and Notes Receivable	820,515	46,100	74,619	2,166,985	3,108,219
Depreciable Capital Assets (Net)	5,710	3,510,474	2,761,699	1,018,761	7,296,644
Nondepreciable Capital Assets	—	892,197	514,662	34,877	1,441,736
Prepaid Expenses	—	—	—	333	333
Other Assets	—	—	17,785	—	17,785
Total Noncurrent Assets	$ 3,505,663	$ 5,352,833	$ 8,201,687	$ 3,852,573	$ 20,912,756
Total Assets	$ 3,818,506	$ 5,669,983	$ 9,623,002	$ 5,172,582	$ 24,284,073
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 169	$ —	$ —	$ —	$ 169
Bond Refunding	1,785	—	700	12,090	14,575
Deferred Pension Outflows	38,518	601,355	943,036	13,227	1,596,136
Deferred Other Postemployment Benefits Outflows	100	10,006	4,537	—	14,643
Total Deferred Outflows of Resources	$ 40,572	$ 611,361	$ 948,273	$ 25,317	$ 1,625,523

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2017, and JUNE 30, 2018
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 28,519	$ 90,963	$ 260,731	$ 27,054	$ 407,267
Due to Primary Government	—	—	2,392	72,575	74,967
Unearned Revenue	—	16,168	64,889	42,771	123,828
Accrued Interest Payable	23,984	2,854	16,227	14,473	57,538
Bonds and Notes Payable	48,025	135,584	331,990	90,114	605,713
Capital Leases Payable	—	850	4,538	50	5,438
Claims Payable	—	7,602	43,282	48,861	99,745
Compensated Absences Payable	330	23,718	203,987	342	228,377
Other Liabilities	—	—	—	6	6
Total Current Liabilities	$ 100,858	$ 277,739	$ 928,036	$ 296,246	$ 1,602,879
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ —	$ 44,074	$ 54,744	$ —	$ 98,818
Unearned Revenue-Restricted	—	112,847	—	—	112,847
Accrued Interest Payable-Restricted	—	12,886	—	—	12,886
Due to Primary Government	—	—	6,142	63,693	69,835
Unearned Revenue	—	—	44	9,140	9,184
Interest Rate Swap Agreements	1,862	—	—	—	1,862
Bonds and Notes Payable	2,780,672	1,434,317	1,220,874	1,261,521	6,697,384
Capital Leases Payable	—	5,410	10,657	184	16,251
Claims Payable	—	11,640	12,054	526,321	550,015
Compensated Absences Payable	2,171	6,969	21,127	895	31,162
Other Postemployment Benefits	1,742	304,428	34,936	—	341,106
Net Pension Liability	46,137	707,974	1,113,665	15,826	1,883,602
Funds Held in Trust	78,493	—	261,608	123	340,224
Other Liabilities	—	—	55,257	689	55,946
Total Noncurrent Liabilities	$ 2,911,077	$ 2,640,545	$ 2,791,108	$ 1,878,392	$ 10,221,122
Total Liabilities	$ 3,011,935	$ 2,918,284	$ 3,719,144	$ 2,174,638	$ 11,824,001
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Values of Derivatives	$ 4,623	$ 3,641	$ —	$ —	$ 8,264
Bond Refunding	—	—	5,991	—	5,991
Deferred Revenue	16,856	—	—	14,291	31,147
Deferred Pension Inflows	27,618	444,563	718,380	10,134	1,200,695
Deferred Other Postemployment Benefits Inflows	81	1,279	261	—	1,621
Total Deferred Inflows of Resources	$ 49,178	$ 449,483	$ 724,632	$ 24,425	$ 1,247,718
NET POSITION					
Net Investment in Capital Assets	$ 5,710	$ 2,944,676	$ 1,713,198	$ 1,053,343	$ 5,716,927
Restricted-Expendable	933,147	426,284	2,315,256	1,866,866	5,541,553
Restricted-Nonexpendable	—	—	1,551,121	—	1,551,121
Unrestricted	(140,892)	(457,383)	547,924	78,627	28,276
Total Net Position	$ 797,965	$ 2,913,577	$ 6,127,499	$ 2,998,836	$ 12,837,877

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017 and JUNE 30, 2018
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 404,304	$ 1,181,766	$ 4,241,688	$ 548,071	$ 6,375,829
Program Revenues:					
Charges for Services	$ 85,290	$ 377,702	$ 1,570,180	$ 179,849	$ 2,213,021
Operating Grants and Contributions	202,780	552,104	1,037,557	41,310	1,833,751
Capital Grants and Contributions	—	221,780	96,484	6,463	324,727
Net (Expense) Revenue	$ (116,234)	$ (30,180)	$ (1,537,467)	$ (320,449)	$ (2,004,330)
General Revenues:					
Taxes	$ —	$ 83,620	$ —	$ 1,833	$ 85,453
Investment Income (Loss)	—	52,842	350,775	2,510	406,127
Other Revenues	1,152	493	674,371	5,089	681,105
Total General Revenues before Grants	$ 1,152	$ 136,955	$ 1,025,146	$ 9,432	$ 1,172,685
State Grants Not Restricted	65,546	—	684,261	318,431	1,068,238
Total General Revenues	$ 66,698	$ 136,955	$ 1,709,407	$ 327,863	$ 2,240,923
Change in Net Position	$ (49,536)	$ 106,775	$ 171,940	$ 7,414	$ 236,593
Net Position, Beginning, as Reported	$ 982,662	$ 3,006,304	$ 5,842,303	$ 2,991,422	$ 12,822,691
Prior Period Adjustment	(133,490)	—	—	—	(133,490)
Change in Accounting Principle	(1,671)	(199,502)	113,256	—	(87,917)
Net Position, Beginning, as Restated	$ 847,501	$ 2,806,802	$ 5,955,559	$ 2,991,422	$ 12,601,284
Net Position, Ending	$ 797,965	$ 2,913,577	$ 6,127,499	$ 2,998,836	$ 12,837,877

The notes are an integral part of the financial statements.

MINNESOTA

2018 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, 2018:

- GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" was issued in June 2015. This statement improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves the information provided by state and local governmental employers about financial support of OPEB that is provided by other entities. See Note 9 — Termination and Postemployment Benefits and Required Supplementary Information - Defined Benefit Other Postemployment Benefits.
- GASB Statement No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. This statement improves the accounting and financial reporting for irrevocable-split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement has no material impact on the state.
- GASB Statement No. 85 "Omnibus 2017" was issued in March 2017. This statement addresses practice issues identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). This statement has no material impact on the state.
- GASB Statement No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statement for debt that is defeased in substance. See Note 12 — Long-Term Liabilities - Primary Government.

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 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. The board of the authority has five members, including a chair and two members who are appointed by the governor. The state provides administrative funding to MSFA.
- Minnesota Comprehensive Health Association (MCHA) - MCHA administers the Premium Security Plan (PSP), a risk mitigation program designed to keep premiums affordable to individual purchasers within the state of Minnesota. The purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans to residents of the state who are not otherwise able to obtain such coverage in the marketplace. The board has 13 members, seven of whom are selected by commissioners of state department. The state has appropriated funding for the program and has the ability to approve or reject the parameters for making payments to health carriers. The fiscal year for MCHA ends December 31.

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 *www.mnhousing.gov*
- Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, Minnesota 55108-5227 *www.ohe.state.mn.us*
- University of Minnesota, Office of the Controller, 205 West Bank Office Building, 1300 South Second Street, Minneapolis, Minnesota 55454-1075 *www.twin-cities.umn.edu*
- Public Facilities Authority, Department of Employment & Economic Development, 1st National Bank Building, 332 Minnesota Street, Suite W820, St. Paul, Minnesota 55101-1378 *www.mn.gov/deed/pfa*
- National Sports Center Foundation, National Sports Center, 1700 105th Avenue Northeast, Blaine, Minnesota 55449-4500 *www.nscsports.org*
- Workers' Compensation Assigned Risk Plan, Affinity Insurance Services, Inc., 8200 Tower, Suite 1100, 5600 West 83rd Street, Minneapolis, Minnesota 55437-1062 *www.mwcarp.org*
- Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805, *www.metrocouncil.org*
- Minnesota Sports Facilities Authority, 1005 4th Street South, Minneapolis, Minnesota 55415-1752 *www.msfa.org*
- Minnesota Comprehensive Health Assoc., Mail Route CP555, 401 Carlson Parkway, Minnetonka, Minnesota 55305 *www.mchamn.com*

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 *www.mnlottery.com*
- Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000 *www.msrs.state.mn.us*
- State Board of Investment, 60 Empire Drive, Suite 355, St. Paul, Minnesota 55103-3555 *www.mn.gov/sbi*
- Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-1889 *www.minnesotatra.org*
- Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088*, www.mnpera.org*
- Minnesota State Colleges and Universities, Financial Reporting Unit, 500 Wells Fargo Place, 30 East 7th Street, St. Paul, Minnesota 55101-7804 *www.mnstate.edu*

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 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. Revenues collected prior to meeting eligibility requirements (excluding time requirements), including certain federal grant revenues, are reported as unearned revenue until the eligibility requirements are met, at which time revenue is recognized. However, revenues collected prior to meeting only time requirements are reported as deferred revenue. 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 and depreciable infrastructure, $30,000 for equipment, $300,000 for non-depreciable 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 and depreciable infrastructure, 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

In the government-wide financial statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflows of resources when the net carrying amount exceeds the reacquisition price. In addition, contributions to pension plans and transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB 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 for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable 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 bonds when the reacquisition price exceeds the net carrying amount 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 and total other postemployment benefits (OPEB) 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 for pensions. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable 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

Cash and Cash Equivalents

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

Deposits

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

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes 11A and 356A. Minnesota Statutes 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.

Investment Derivative Instruments

Minnesota Statutes 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, 2018 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, 2018, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,460,451,000 that is $18,703,000 below the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of $74,579,000.

The following table summarizes, by derivative type, the investment derivative activity, and June 30 positions for fiscal year 2018:

Primary Government
Derivative Activity for the Year Ended June 30, 2018
By Derivative Type
(In Thousands)

Derivative Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
Governmental Activities:			
Futures	$ 3,473	$ —	$ (38,728)
Options	(60)	—	—
Total Governmental Activities	$ 3,413	$ —	$ (38,728)
Fiduciary Activities:			
Futures	$ 83,536	$ —	$ 1,239,503
Futures Options Bought	(6,066)	865	3,483
Futures Options Written	4,576	(1,038)	(7,077)
FX Forwards	(7,926)	(1,171)	570,927
Warrants/Stock Rights	(1,273)	779	8,864
Total Fiduciary Activities	$ 72,847	$ (565)	$ 1,815,700

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 $1,837,000 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 fair market or book value, whichever is less, of a fund; and
- Investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation; with limited exceptions.

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

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2018
(In Thousands)

Quality Rating		Fair Value
AAA	$	1,169,104
AA		3,705,140
A		1,135,572
BBB		5,209,915
BB		106,524
CCC		78
Unrated		3,110,436
Agencies		9,310
U.S. Governments		18,193
Total Debt Securities	$	14,464,272

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2018
(In Thousands)

Quality Rating		Fair Value
AAA	$	682,504
AA		12,473,701
A		647,942
BBB		2,373,574
BB		1,061,633
B		69,472
CCC		28,340
CC		26,583
C		5,793
D		784
Unrated		1,865,382
Agencies		2,376
U.S. Governments		149,607
Total Debt Securities	$	19,387,691

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, 2018
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 893,510	3.11
U.S. Agencies	1,890,139	1.32
Mortgage-backed Securities	325,743	9.68
State or Local Government Bonds	72,656	11.18
Corporate Bonds	2,053,269	2.53
Yankee Bonds	398,505	2.09
Foreign Country Bonds	614	22.76
Short Term Notes	8,829,836	0.20
Total Debt Securities	$ 14,464,272	
Equity Investments:		
Corporate Stock	$ 1,635,729	
Other Investments:		
Escheat Property	24,515	
Money Market Accounts	9,865	
Total Other Investments	$ 34,380	
Total Investments	$ 16,134,381 [(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, 2018
(In Thousands)

Security Type		Fair Value	Weighted Average Maturity in Years
Debt Securities:			
U.S. Treasury	$	2,998,442	11.19
U.S. Agencies		490,565	6.08
Mortgage-backed Securities		4,888,058	7.29
State or Local Government Bonds		128,034	18.24
Corporate Bonds		6,351,138	12.10
Yankee Bonds		1,676,697	11.87
Foreign Country Bonds		48,653	23.47
Asset-backed Securities		946,908	6.97
Short Term Notes		1,859,196	0.35
Total Debt Securities	$	19,387,691	
Equity Investments:			
Corporate Stock	$	42,334,440	
Alternative Equities		9,422,373	
Stock Rights/Warrants		779	
Total Equity Investments	$	51,757,592	
Other Investments:			
Guaranteed Investment Account:			
Synthetic Guaranteed Investment Contract (SGIC)	$	1,479,154	
Short Term Investment Pool		74,579	
Total Guaranteed Investment Account	$	1,553,733	
Futures Options		(173)	
Mutual Funds		8,093,214	
Total Other Investments	$	9,646,774	
Total Investments	$	80,792,057 [1]	

[1] Total Investments do not include $223.393 million 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, 2018 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 52 investments that are valued at the NAV that are currently in the liquidation mode, totaling three 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 $7,659,259,000 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 131 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 22 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 36 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 31 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, 2018
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 1,590,269	$ 1,586,789	$ 3,480	$ —
Real Estate Investment Trust	45,429	45,429	—	—
Equity Total	$ 1,635,698	$ 1,632,218	$ 3,480	$ —
Fixed Income:				
Asset-backed Securities	$ 106,848	$ —	$ 91,845	$ 15,003
Mortgage-backed Securities	325,217	—	302,221	22,996
Corporate Bonds	2,313,678	—	2,288,698	24,980
Government Issues	4,294,895	12,528	4,282,367	—
Fixed Income Total	$ 7,040,638	$ 12,528	$ 6,965,131	$ 62,979
Total Investments by Fair Value	$ 8,676,336 [1]	$ 1,644,746	$ 6,968,611	$ 62,979

[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, 2018
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 39,875,581	$ 39,800,402	$ 74,529	$ 650
Real Estate Investment Trust	1,214,059	1,213,419	640	—
Other Equity	1,359,283	905,278	122,551	331,454
Equity Total	$ 42,448,923	$ 41,919,099	$ 197,720	$ 332,104
Fixed Income:				
Asset-backed Securities	$ 962,001	$ —	$ 921,387	$ 40,614
Mortgage-backed Securities	4,329,751	—	4,240,146	89,605
Corporate Bonds	4,398,262	—	4,381,262	17,000
Government Issues	9,420,963	—	9,420,963	—
Other Debt Instruments	445,681	—	445,681	—
Fixed Income Total	$ 19,556,658	$ —	$ 19,409,439	$ 147,219
Investment Derivatives - Options	$ (173)	$ (173)	$ —	$ —
Total Investments by Fair Value	$ 62,005,408	$ 41,918,926	$ 19,607,159	$ 479,323

Investments Measured at Net Asset Value (NAV):	NAV	Unfunded Commitments
Private Equity	$ 5,653,745	$ 5,089,230
Real Estate	681,937	807,585
Resource	2,107,778	915,315
Yield Oriented	850,992	847,129
Total Investments at NAV	$ 9,294,452	$ 7,659,259
Total Investments by Fair Value and NAV	$ 71,299,860 [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 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 two single issuers that equals or exceeds five percent of the overall portfolio as of June 30, 2018. Federal Farm Credit Bank had an aggregate market value of 6.9 percent and Federal Home Loan Bank had an aggregate market value of 8.7 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, 2018. 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, 2018
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 10,996	$ —	$ 601,654
Brazilian Real	72	—	128,391
Canadian Dollar	12,123	317	881,079
Danish Krone	256	—	175,929
Euro Currency	20,598	4,655	3,689,789
Hong Kong	3,896	—	941,052
Indian Rupee	165	—	110,733
Japanese Yen	14,190	5,418	2,108,893
New Taiwan	2,186	—	293,380
New Zealand	890	—	20,445
Pound Sterling	26,453	12,419	1,682,765
Singapore Dollar	2,725	—	137,524
South African	148	—	154,938
South Korean	(224)	—	397,671
Swedish Krona	356	—	220,929
Swiss Franc	25	—	654,965
Other	1,350	—	541,966
Total	$ 96,205	$ 22,809	$ 12,742,103

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, 2018, the investment pool had an average duration of 14.42 days and an average weighted maturity of 99.84 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, 2018, 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, 2018, were $10,179,310,000 and $9,827,335,000, 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 $6,860,717,000 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, 2018
(In Thousands)

Investment Type	Fair Value
Domestic Equities	$ 6,913,901
U.S. Government Bonds	1,635,275
International Equities	406,499
Domestic Corporate Bonds	869,067
International Corporate Bonds	2,593
Total	$ 9,827,335

Component Units

Housing Finance Agency

As of June 30, 2018, the Housing Finance Agency (HFA) had $414,280,000 of cash and cash equivalents and $2,381,933,000 of investments. As of June 30, 2018, $413,379,000 of deposits and $2,376,821,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 10.0 – 28.0 years.

HFA cash equivalents included $901,000 of investment agreements, which are generally uncollateralized interest-bearing contracts.

HFA investments had an estimated fair value of $2,381,933,000 as of June 30, 2018. Included in these investments were $76,110,000 in U.S. Treasuries (not rated), and $2,273,645,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional $26,165,000 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 $78,101,000 and $2,297,819,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of $6,013,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2018, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $756,702,000 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, 2018, as a liability called "Interest Rate Swap Agreements ." The inception-to-date change in fair value as of June 30, 2018, was reported in "Accumulated Decrease in Fair Value of Hedging Derivatives" deferred outflows of resources.

As of June 30, 2018, HFA had interest rate swap agreements with the following counterparties; the Bank of New York Mellon (one agreement), Royal Bank of Canada (four agreements) and Wells Fargo (two agreements) for total notional amounts of $35,000,000, $143,225,000, and $40,000,000, and fair values of $(171,000), $534,000, and $1,371,000, respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2018, increased $171,000, increased $5,044,000, and increased $1,612,000, 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 Aa2, A1, and Aa2 respectively, and by S&P as AA-, AA-, and A+ respectively.

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, 2017, the Metropolitan Council (MC), had $366,928,000 in cash and cash equivalents and $667,101,000 in investments. Of this amount, $1,005,294,000 was subject to rating. Using the Moody's Investors Services rating scale, $729,758,000 of these investments were rated Aaa, while $275,536,000 were not rated. The net outstanding checks of $28,735,000 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 $315,276,000 U.S. agency investments, MC has a custodial credit risk exposure of $1,999,000 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 $134,745,000 and $467,354,000 using Level 1 and Level 2 inputs, respectively. MC measured another $153,520,000 of investments at the net asset value, while the remaining $28,735,000 was cash and cash equivalents and $249,675,000 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, 2017. The investment portfolio excluding the cash and escrow accounts and the OPEB trust portfolio has an average yield of 1.83 percent, modified duration of 2.16 years, effective duration of 1.48 years, and convexity of -0.28.

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, 2017
(In Thousands)

Fair Value of Portfolio		Estimated Fair Value
Before Basis Point Increase	$	1,038,210
After Basis Point Increase of:		
50 Points	$	1,029,188
100 Points		1,023,333
150 Points		1,017,348
200 Points		1,011,360

MC has used commodity futures as an energy forward pricing mechanism permitted by Minnesota Statutes 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 2017, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2017, MC had 296 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.43 million gallons) acquired from April 05, 2016, through December 21, 2017, to terminate on dates from January 31, 2018, through September 30, 2019. As of December 31, 2017, the heating oil futures contracts had a fair value of $24,275,000.

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, 2018, the University of Minnesota (U of M), including its discretely presented component units, had $606,403,000 of cash and cash equivalents and $4,955,251,000 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 $488,868,000 and investments of $2,161,573,000.

As of June 30, 2018, U of M's bank balance of $316,095,000 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, 2018, $1,216,508,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,047,963,000 was rated AA or better
- $37,571,000 was rated BBB to A
- $53,673,000 was rated BB or lower
- $77,301,000 was not rated

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

- $453,843,000 in government agencies with weighted average maturities of 0.8 to 2.2 years
- $100,284,000 in mortgage-backed securities with a weighted average maturity of 18.1 years
- $316,716,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $268,364,000 in mutual funds with a weighted average maturity of 5.8 years

As of June 30, 2018, U of M had $139,341,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $65,383,000 in Euro Currency and $29,029,000 in Japanese Yen.

As of June 30, 2018 several U of M investment holdings are subject to custodial credit risk. The market value of investments the U of M held in the custodial accounts was $610,342,000 in Temporary Investment Pool (TIP); $155,379,000 in Consolidated Endowment Fund (CEF); and $22,689,000 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 $296,676,000; $607,000,000; and $5,034,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $1,252,863,000 of investments at the net asset value.

As of June 30, 2018, U of M last remaining pay-fixed, receive-variable swap that is considered ineffective, matured on August 28, 2017. There are no outstanding interest rate swaps as of June 30, 2018.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2017, or June 30, 2018, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 707	$ 21,877
National Sports Center Foundation	1,137	—
Office of Higher Education	476,937	—
Public Facilities Authority	355,428	60,534
Rural Finance Authority	25,535	—
Workers' Compensation Assigned Risk Plan	7,683	317,139
Minnesota Sports Facilities Authority	20,452	10,172
Minnesota Comprehensive Health Association	3,819	—
Total	$ 891,698	$ 409,722

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2018
(In Thousands)

	Governmental Activities			
Description	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 985,250	$ —	$ —	$ 985,250
Sales and Use	405,332	—	27,997	433,329
Property	398,668	—	—	398,668
Health Care Provider	421,069	—	—	421,069
Motor Vehicle/Fuel	—	—	93,001	93,001
Other	44,247	—	29,513	73,760
Child Support	37,062	36,926	190	74,178
Workers' Compensation	—	—	79,054	79,054
Other	282,101	253,987	69,648	605,736
Net Receivables	$ 2,573,729	$ 290,913	$ 299,403	$ 3,164,045

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ —	$ 287,884	$ —	$ 287,884
Tuition and Fees[3]	56,074	—	—	56,074
Other	—	—	29,805	29,805
Net Receivables	$ 56,074	$ 287,884	$ 29,805	$ 373,763
Total Government-wide Net Receivables				$ 3,537,808

(1) Includes $129.059 million for Internal Service Funds, less Internal Service Fund eliminations of $124.541 million among Governmental Activities.

(2) Includes $198 thousand 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 $300.769 million.

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

- Corporate and Individual Taxes $133,231,000
- Sales and Use Taxes $38,057,000
- Child Support $163,247,000

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

- Corporate and Individual Taxes $189,139,000
- Sales and Use Taxes $87,228,000
- Child Support $71,879,000
- Health Care Provider $100,811,000
- Other Receivables $116,732,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2018
(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	$ —	$ —	$ —	$ 26,705	$ 26,705
Economic Development	54,482	4,767	39,387	—	98,636
School Districts	288	—	—	—	288
Agricultural, Environmental and Energy Resources	—	—	65,414	—	65,414
Transportation	—	—	2,366	—	2,366
Other	6,431	—	1,051	1,865	9,347
Total	$ 61,201	$ 4,767	$ 108,218	$ 28,570	$ 202,756

Component Units
Loans and Notes Receivable
As of December 31, 2017, or June 30, 2018, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 992,733
Metropolitan Council	46,332
University of Minnesota	85,577
Agricultural and Economic Development Board	155
National Sports Center Foundation	753
Office of Higher Education	512,780
Public Facilities Authority	1,817,511
Rural Finance Authority	72,265
Total	$ 3,528,106

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, 2018
(In Thousands)

Description		Amount
Due to the General Fund From:		
Nonmajor Governmental Funds	$	5,317
Nonmajor Enterprise Funds		20,446
Internal Service Funds		112,110
Fiduciary Funds		198
Total Due to General Fund From Other Funds	$	138,071
Due to the Federal Fund From:		
Unemployment Insurance Fund	$	54
Total Due to Federal Fund From Other Funds	$	54
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	27,248
Total Due to State Colleges and Universities Fund From Other Funds	$	27,248
Due to Nonmajor Enterprise Funds From:		
General Fund	$	4,370
Nonmajor Enterprise Funds		1,830
Total Due to Nonmajor Enterprise Funds From Other Funds	$	6,200
Due to Fiduciary Funds From:		
Fiduciary Funds	$	8,016
Total Due to Fiduciary Funds From Other Funds	$	8,016
Due to Nonmajor Governmental Funds From:		
General Fund	$	114,163
Federal Fund		10
State Colleges and Universities Fund		15,077
Unemployment Insurance Fund		17,356
Nonmajor Governmental Funds		24,460
Nonmajor Enterprise Funds		2,230
Total Due to Nonmajor Governmental Funds From Other Funds	$	173,296

Primary Government
Interfund Transfers
Year Ended June 30, 2018
(In Thousands)

Description		Amount
Transfers to the General Fund From:		
Federal Fund	$	58,521
Nonmajor Governmental Funds		57,340
Nonmajor Enterprise Funds		117,723
Internal Service Funds		26,922
Total Transfers to General Fund From Other Funds	$	260,506
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	57
Nonmajor Governmental Funds		1,338
Total Transfers to Federal Fund From Other Funds	$	1,395
Transfers and Capital Contributions to the State Colleges and Universities Fund From:		
General Fund	$	731,132
Nonmajor Governmental Funds		26,115
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	$	757,247
Transfers to Fiduciary Funds From:		
General Fund	$	74,465
Fiduciary Funds		22,220
Total Transfers to Fiduciary Funds From Other Funds	$	96,685
Transfers to Nonmajor Governmental Funds From:		
General Fund	$	838,741
Federal Fund		2,510
Unemployment Insurance Fund		9,409
Nonmajor Governmental Funds		230,801
Nonmajor Enterprise Funds		28,081
Internal Service Funds		7,347
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	1,116,889
Transfers and Capital Contributions to Nonmajor Enterprise Funds From:		
General Fund	$	21,901
Nonmajor Enterprise Funds		75
Nonmajor Governmental Funds		2,548
Government-wide Capital Assets		9
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	24,533
Transfers to Government-wide Capital Assets From:		
Internal Service Funds	$	48,058
Total Transfers to Government-wide Capital Assets	$	48,058

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2017, or June 30, 2018, as applicable
(In Thousands)

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	$ 153	$ —
Metropolitan Council	87,703	—
University of Minnesota	12,292	8,534
Total Major Component Units	$ 100,148	$ 8,534
Nonmajor Component Units	4,889	136,268
Total Component Units	$ 105,037	$ 144,802

Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	$ 4,280	$ 30,547
Federal Fund	—	2,489
Total Major Governmental Funds	$ 4,280	$ 33,036
Nonmajor Governmental Funds	83,246	12,210
Nonmajor Enterprise Funds	—	6
Total Primary Government	$ 87,526	$ 45,252 [1]

[1] Due to Component Units on the Government-wide Statement of Net Position totals $50.116 million and includes $4.864 million 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 $57,276,000 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 $59,785,000 difference between the Due from Primary Government balance and the Due to Component Units balance is also due to these different fiscal year ends as well as the $4,864,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2018
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,617,361	$ 64,169	$ (19,191)	$ 2,662,339
Buildings, Structures, Improvements	326,736	7,018	—	333,754
Construction in Progress	312,287	135,829	(250,268)	197,848
Development in Progress	83,341	170,069	(81,328)	172,082
Infrastructure	10,628,583	264,317	(13,418)	10,879,482
Easements	406,787	11,124	(883)	417,028
Art and Historical Treasures	7,559	—	—	7,559
Total Capital Assets not Depreciated	$ 14,382,654	$ 652,526	$ (365,088)	$ 14,670,092
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,194,119	$ 154,606	$ (14,321)	$ 3,334,404
Infrastructure	345,944	43,339	(2,273)	387,010
Internally Generated Computer Software	194,768	83,009	—	277,777
Easements	4,990	—	(270)	4,720
Equipment, Furniture, Fixtures (1)	788,829	102,504	(67,542)	823,791
Total Capital Assets Depreciated	$ 4,528,650	$ 383,458	$ (84,406)	$ 4,827,702
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,328,192)	$ (90,915)	$ 4,215	$ (1,414,892)
Infrastructure	(100,447)	(12,406)	745	(112,108)
Internally Generated Computer Software	(83,704)	(30,554)	—	(114,258)
Easements	(1,426)	(437)	270	(1,593)
Equipment, Furniture, Fixtures (1)	(488,560)	(54,335)	57,776	(485,119)
Total Accumulated Depreciation	$ (2,002,329)	$ (188,647)	$ 63,006	$ (2,127,970)
Total Capital Assets Depreciated, Net	$ 2,526,321	$ 194,811	$ (21,400)	$ 2,699,732
Governmental Act. Capital Assets, Net	$ 16,908,975	$ 847,337	$ (386,488)	$ 17,369,824

(1) The beginning balance has been restated as a result of a change in fund structure moving the State Auditor Fund (enterprise fund) into the General Fund. See Note 21 — Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment.

Capital outlay expenditures in the governmental funds totaled $669,165,000 for fiscal year 2018. Donations of general capital assets received were valued at $16,837,000. Transfers of $322,058,000 were primarily from construction in progress for completed projects. Transfers of accumulated depreciation totaling $1,031,000 primarily related to transfers between buildings, structures, and improvement to depreciable infrastructure and equipment. Internal service funds had additions of $27,924,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2018, 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, 2018
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 92,545	$ 616	$ (149)	$ 93,012
Construction in Progress	75,564	68,762	(54,773)	89,553
Total Capital Assets not Depreciated	$ 168,109	$ 69,378	$ (54,922)	$ 182,565
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,672,582	$ 56,228	$ (22,273)	$ 3,706,537
Infrastructure	95	28,929	(871)	28,153
Library Collections	40,065	4,634	(6,033)	38,666
Internally Generated Computer Software	59,261	1,132	(2,445)	57,948
Equipment, Furniture, Fixtures [1]	332,059	18,290	(12,454)	337,895
Total Capital Assets Depreciated	$ 4,104,062	$ 109,213	$ (44,076)	$ 4,169,199
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,731,244)	$ (116,364)	$ 14,514	$ (1,833,094)
Infrastructure	(56)	(15,894)	871	(15,079)
Library Collections	(23,465)	(5,524)	6,033	(22,956)
Internally Generated Computer Software	(15,030)	(6,448)	2,445	(19,033)
Equipment, Furniture, Fixtures [1]	(235,160)	(25,860)	12,339	(248,681)
Total Accumulated Depreciation	$ (2,004,955)	$ (170,090)	$ 36,202	$ (2,138,843)
Total Capital Assets Depreciated, Net	$ 2,099,107	$ (60,877)	$ (7,874)	$ 2,030,356
Business-type Act. Capital Assets, Net	$ 2,267,216	$ 8,501	$ (62,796)	$ 2,212,921
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 429	$ —	$ —	$ 429
Total Capital Assets not Depreciated	$ 429	$ —	$ —	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ —	$ —	$ 29,763
Internally Generated Computer Software	36,020	—	—	36,020
Equipment, Furniture, Fixtures	5,499	1,472	(257)	6,714
Total Capital Assets Depreciated	$ 71,282	$ 1,472	$ (257)	$ 72,497
Accumulated Depreciation for:				
Buildings	$ (11,933)	$ (762)	$ —	$ (12,695)
Internally Generated Computer Software	(6,566)	(3,075)	—	(9,641)
Equipment, Furniture, Fixtures	(4,630)	(942)	253	(5,319)
Total Accumulated Depreciation	$ (23,129)	$ (4,779)	$ 253	$ (27,655)
Total Capital Assets Depreciated, Net	$ 48,153	$ (3,307)	$ (4)	$ 44,842
Fiduciary Funds, Capital Assets, Net	$ 48,582	$ (3,307)	$ (4)	$ 45,271

(1) The beginning balance has been restated as a result of a change in fund structure moving the State Auditor Fund (enterprise fund) into the General Fund. See Note 21 — Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment.

Transfers-in for Business-type Activities totaling $75,077,000 primarily related to construction in progress for completed projects. Transfers of accumulated depreciation totaling $14,548,000 primarily related to transfers between buildings, structures, and improvements to infrastructure.

The fiduciary funds had no reported transfers.

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2018
(In Thousands)

Function		Depreciation Expense
Governmental Activities:		
Agricultural, Environmental & Energy Resources	$	15,230
Economic and Workforce Development		3,228
General Education		5,163
General Government		33,763
Health and Human Services		35,459
Public Safety and Corrections		35,395
Transportation		41,146
Internal Service Funds		18,232
Total Governmental Activities	$	187,616
Business-type Activities:		
State Colleges and Universities	$	133,266
Lottery		572
Other		21,704
Total Business-type Activities	$	155,542

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2018
(In Thousands)

Description		Administration		Transportation
Authorization	$	766,018	$	1,514,182
Less: Expended through June 30, 2018		(484,289)		(1,023,805)
Less: Unexpended Commitment		(79,301)		(420,762)
Remaining Available Authorization	$	202,428	$	69,615

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, 2018, were 2,513,702.

Component Units

Component Units
Capital Assets
As of December 31, 2017, or June 30, 2018, 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	Total
Capital Assets not Depreciated:					
Land	$ —	$ 264,448	$ 162,735	$ 33,339	$ 460,522
Construction in Progress	—	627,749	105,616	1,538	734,903
Leased Buildings	—	—	158,170	—	158,170
Museums and Collections	—	—	88,138	—	88,138
Easements	—	—	3	—	3
Total Capital Assets not Depreciated	$ —	$ 892,197	$ 514,662	$ 34,877	$ 1,441,736
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ —	$ 4,699,492	$ 4,427,515	$ 894,964	$ 10,021,971
Infrastructure	—	—	458,250	—	458,250
Library	—	—	166,666	—	166,666
Internally Generated Software	10,535	—	179,637	—	190,172
Equipment, Furniture, Fixtures	2,949	1,308,325	789,077	232,235	2,332,586
Other Intangibles	—	—	6,903	—	6,903
Total Capital Assets Depreciated	$ 13,484	$ 6,007,817	$ 6,028,048	$ 1,127,199	$ 13,176,548
Total Accumulated Depreciation	$ (7,774)	$ (2,497,343)	$ (3,357,393)	$ (108,438)	$ (5,970,948)
Total Capital Assets Depreciated, Net[1]	$ 5,710	$ 3,510,474	$ 2,670,655	$ 1,018,761	$ 7,205,600
Component Units Capital Assets, Net	$ 5,710	$ 4,402,671	$ 3,185,317	$ 1,053,638	$ 8,647,336

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $91.044 million as of June 30, 2018.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2018
(In Thousands)

Description	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
	Governmental Activities			
School Aid Programs	$ 985,941	$ 161,380	$ 1,577	$ 1,148,898
Tax Refunds	497,190	—	—	497,190
Medical Care Programs	693,923	1,095,815	12,220	1,801,958
Grants	294,551	170,391	276,146	741,088
Salaries and Benefits	95,404	17,033	64,243	176,680
Vendors/Service Providers	222,081	30,737	138,888	391,706
Net Payables	$ 2,789,090	$ 1,475,356	$ 493,074	$ 4,757,520

Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
	Business-type Activities			
Salaries and Benefits	$ 129,730	$ —	$ 8,115	$ 137,845
Vendors/Service Providers	63,711	13,994	54,138	131,843
Net Payables	$ 193,441	$ 13,994	$ 62,253	$ 269,688
Total Government-wide Net Payables				$ 5,027,208

[1] Includes $66.286 million for Internal Service Funds, less Internal Service Fund eliminations of $124.541 million 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 of the administrative agent (TIAA-CREF), for MnSCU is included in the “Defined Contribution Funds” section of this note.

Basis of Accounting and Valuation of Investments

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

Investments are reported at fair value. 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 security trade receivables and payables. These unsettled security 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, 2018, 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. Fourteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity benefit formula can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use either formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, plus 1.7 percent for each year thereafter. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered 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. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases, the benefit increase will change to 1.0 percent through December 31, 2023 and 1.5 percent thereafter. Also, the benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

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 allowable 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 change to 2.0 percent until the plan again reaches 90 percent funding for two consecutive years. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases, the benefit increase will change to 1.5 percent annually.

The General Employees Retirement Fund (GERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity benefit formula can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use either formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Under the Step formula, Basic members receive 2.2 percent of the average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter. Coordinated members receive 1.2 percent of the average salary for each of the first 10 years of allowable service, and 1.7 percent for each year thereafter. Under the Level formula, Basic members receive 2.7 percent of average salary, and Coordinated members receive 1.7 percent of average salary, for all years of allowable service. Minneapolis Employees Retirement Fund (MERF) merged into GERF on January 1, 2015. The annuity benefit formula for former MERF members is 2.0 percent of average salary for each of the first 10 years of service and 2.5 percent for each remaining year. 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 change to 1.0 percent. For the prior measurement period, the benefit increase of 2.5 percent was not expected to be attained within the next 75 years instead of projected to start in 2045 as in the current measurement period. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases. The benefit increase will be 50 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 1.5 percent. The benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age. For fiscal year 2019's measurement period, the benefit increase was changed to 1.25 percent.

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 benefit formula for each member is 3.0 percent of the member’s high-five average salary for each year of credited 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. 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 1.0 percent. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases, the benefit increase will change to 1.0 percent annually.

The Public Employees Correctional Fund (PECF) covers employees in county and regional correctional facilities who are responsible for the security, custody, and control of the facilities and inmates. Eighty employers participate in this plan. The plan provides retirement, survivor, and disability benefits. The annuity benefit 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 will change to 1.0 percent. Beginning January 1, 2019, the benefit increase will be 100 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 2.5 percent. If the plan's funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will change to 1.5 percent maximum permanently.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the City of St Paul and the University of Minnesota. 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 benefit formula can be computed using one of two methods: the Step formula and Level formula. Members hired before July 1, 1989, may use either formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Under the Step formula, Basic members receive 2.2 percent of the average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter. Coordinated members receive 1.2 percent of the average salary for each of the first ten years of allowable service prior to July 1, 2006 and 1.4 percent for any of their first ten years after that date. For allowable years of service after the first ten years, members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date. Under the Level formula, Basic members receive 2.7 percent of average salary for all allowable years of service, and Coordinated members receive 1.7 percent of average salary for allowable years of service prior to July 1, 2006 and 1.9 percent for years after that. 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 plan was not projected to reach the funding ratios to trigger the benefit increase of 2.5 percent instead of projected to start in 2045. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases, the benefit increase will be 1.0 percent through December 31, 2023 then increase by 0.1 percent each year over five years, from 1.1 percent January 1, 2024 to 1.5 percent in January 1, 2028 and thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

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

Description	SERF[(1)]	CERF[(2)]	GERF[(3)]	TRF[(4)]
Minnesota Statutory Authority	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%
Non-Employer Contributing Entity	$ —	$ —	$ 16,000	$ 30,886
Primary Government Contributions – Reporting Period	$ 121,322	$ 32,840	$ 18,283	$ 45,564

(1) Member and Employer contribution rates increase by 0.5 and 0.75 percent of pay respectively over two years, beginning fiscal year 2019.

(2) Member and Employer contribution rates increase by 0.5 and 1.55 percent of pay respectively beginning in fiscal year 2019. Additional supplemental employer contributions of 1.45, 2.95, and 4.45 percent of salary annually effective for fiscal years 2020, 2021, and 2022 respectively. The 4.45 percent will remain in effect until the plan is 100 percent funded.

(3) Required state contribution is $16 million for fiscal years 2018 and 2019, and $6 million for fiscal year 2020 through September 2031.

(4) An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 15.14 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024. Employer contribution rate increases by 1.25 percent over the next six years.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2018
(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	$ 5,500,428	$ 1,127,087	$ 32,252	$ 740,843	$ 7,400,610
Non-Employer Contributing Entity	—	—	79,275	1,537,059	1,616,334
Total	$ 5,500,428	$ 1,127,087	$ 111,527	$ 2,277,902	$ 9,016,944
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:					
Current Year Measurement Date	74.15%	99.91%	1.75%	11.41%	
Prior Year Measurement Date	73.88%	99.91%	2.01%	11.69%	
Deferred Outflows of Resources	$ 4,592,150	$ 448,159	$ 59,644	$ 1,378,841	$ 6,478,794
Deferred Inflows of Resources	$ 3,292,571	$ 235,105	$ 95,927	$ 459,263	$ 4,082,866
Net Pension Expense	$ 896,231	$ 163,860	$ (1,209)	$ 396,488	$ 1,455,370

(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, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	3.56%	3.56%	3.56%	3.56%
Experience Study Dates	2008-2014	2011-2015	2008-2014	2008-2014
Inflation	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.25%	3.25%	3.25%	3.00%

(1) For SERF, CERF, 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. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index for SERF, CERF, and GERF and Bond Buyers for TRF, formerly published by the Board of Governors of the Federal Reserve System.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2018
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
Difference Between Expected and Actual Experience	$ 38,894	$ 10,168	$ 3,676	$ 17,153	$ 69,891
Changes in Assumption	4,409,586	404,763	18,516	1,238,776	6,071,641
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	22,348	388	19,169	77,348	119,253
Contributions Subsequent to the Measurement Date	121,322	32,840	18,283	45,564	218,009
Total	$ 4,592,150	$ 448,159	$ 59,644	$ 1,378,841	$ 6,478,794

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2018
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
Difference Between Expected and Actual Experience	$ 152,813	$ 458	$ 7,175	$ 15,996	$ 176,442
Changes in Assumption	3,001,936	219,350	11,181	319,098	3,551,565
Net Difference Between Projected and Actual Earnings on Investment	132,061	15,245	4,823	17,849	169,978
Change in Proportionate Share of Contributions	5,761	52	72,748	106,320	184,881
Total	$ 3,292,571	$ 235,105	$ 95,927	$ 459,263	$ 4,082,866

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, 2018
(In Thousands)

Description	SERF	CERF	GERF	TRF	Total
2019	$ 407,878	$ 61,965	$ (13,246)	$ 243,557	$ 700,154
2020	781,918	77,708	(29,599)	276,055	1,106,082
2021	798,485	95,473	(7,536)	245,006	1,131,428
2022	(810,024)	(54,932)	(4,185)	180,643	(688,498)
2023	—	—	—	(71,247)	(71,247)
Net Pension Expense	$ 1,178,257	$ 180,214	$ (54,566)	$ 874,014	$ 2,177,919
Deferred Outflow of Resources as a Reduction to Net Pension Liability	121,322	32,840	18,283	45,564	218,009
Net Deferred Outflows (Inflows) of Resources	$ 1,299,579	$ 213,054	$ (36,283)	$ 919,578	$ 2,395,928

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan

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. 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 can be computed using one of two methods: Tier 1 and Tier 2. Members hired before July 1, 1989, may use either formula, whichever is greater. Members hired on or after June 30, 1989, must use the Tier 2 formula. Under the Tier 1 formula, basic members receive 2.0 percent of the average salary for each year of service. Coordinated members receive 1.2 percent of the average salary for each of the first 10 years of allowable service, and 1.7 percent for each year of service rendered prior to July 1, 2015, when these rates increase to 1.4 and 1.9 percent, respectively. Under the Tier 2 formula, Basic members receive 2.5 percent of the average salary for each year of service. Coordinated members receive 1.7 percent for each year of service rendered prior to July 1, 2015 and 1.9 percent thereafter. 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 2055 and 2.5 percent in 2066, instead of 2042 and 2052 respectively as in the current measurement period. Beginning July 1, 2018, funding ratios will no longer trigger benefit increases. There will be no benefit increase until January 1, 2021 when increases will resume at 1.0 percent. The benefit increases for retirements on or after June 30, 2024 are delayed until the retiree reaches normal retirement age.

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

Description	SPTRF[(1)]
Minnesota Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.5-10.0%
Employer(s)	6.5 -10.0%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$ 10,665
Primary Government Contributions - Reporting Period	$ 10,706

(1) An additional contribution of 3.64 and 3.84 percent of salary for basic and coordinated members, respectively, of St. Paul Teachers Retirement Fund Association brings the top of the Employer contribution to 13.64 percent. An additional $5 million in Non-Employer Contributing Entity contribution effective for fiscal year 2019 will remain in effect until the plan is 100 percent funded. Member contribution rates increase by 0.25 percent effective July 1, 2022 and Employer contribution rate increase by 2.5 percent over the next six years beginning July 1, 2018.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2018
(In Thousands)

Description	SPTRF[(1)]
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	$ 1,019
Non-Employer Contributing Entity	161,970
Total	$ 162,989
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	28.15%
Prior Measurement Date	28.96%
Deferred Outflows of Resources	$ 16,188
Deferred Inflows of Resources	$ 21,774
Net Pension Expense	$ 7,090

(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, 2017
Long-Term Expected Rate	8.00%
20 Year Municipal Bond Rate[2]	3.56%
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: Fidelity Index 20-Year Municipal GO AA Index.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Outflows of Resources
As of June 30, 2018
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 1,500
Changes in Assumption	2,232
Net Difference Between Projected and Actual Earnings on Investment	1,750
Contributions Subsequent to the Measurement Date	10,706
Total	$ 16,188

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2018
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 8,798
Changes in Assumption	4,781
Change in Proportionate Share of Contributions	8,195
Total	$ 21,774

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, 2018
(In Thousands)

Description		SPTRF
2019	$	(8,247)
2020		(3,936)
2021		(1,098)
2022		(3,011)
Net Pension Expense	$	(16,292)
Deferred Outflow of Resources as a Reduction to Net Pension Liability		10,706
Net Deferred Outflows (Inflows) of Resources	$	(5,586)

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 142 employers participating in this plan. The plan provides retirement and survivor benefits only. 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 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 can be computed using one of two methods: Tier 1 for judges appointed or elected prior to July 1, 2013 and Tier 2 for judges appointed or elected after that date. The annuity benefit formula for Tier 1 program judges is 2.7 percent of the high-five average salary for each year of service prior to July 1, 1980, and 3.2 percent for each year thereafter up to 76.8 percent. The annuity benefit formula for Tier 2 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 through 2041, 2.0 percent through 2054, and 2.5 percent thereafter, instead of 1.75 percent through 2038, 2.0 percent through 2053, and 2.5 percent thereafter. Beginning January 1, 2019, benefits will increase 1.75 percent, if the plan is funded at 70 percent for two consecutive years the increase will be 2.0 percent, and if the plan is funded at least 90 percent for two consecutive years the increase will be 2.5 percent. For fiscal year 2019's measurement period, the benefit increase will change to 1.75 percent through 2037, 2.0 percent through 2051, 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 will change to 2.0 percent until the plan reaches a 90 percent funding ratio for two consecutive years. Beginning January 1, 2019, funding ratios will no longer trigger benefit increases, the benefit increase will change to 1.0 percent through December 31, 2023 and 1.5 percent thereafter. Also, the benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age. 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 will change to 1.0 percent. For the prior measurement period, the benefit increase was projected as 1.0 percent indefinitely, instead of 1.0 percent through 2064, and 1.5 percent thereafter. Beginning January 1, 2019 funding ratios will no longer trigger benefit increases, the benefit increase will change to 1.0 percent.

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

Description	JRF	LRF	SPRF
Minnesota Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	14.4% [2]
Employer	22.5% [3]	N/A [1]	21.6% [2]
Primary Government Contributions – Reporting Period	$ 17,027	$ 8,856	$ 15,952

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

[2] Member and Employer contribution rates increase by 1.0 and 1.5 percent of pay over three years and two years respectively. Additional supplemental employer contributions of 1.75, 3.0, 5.0, and 7.0 percent of salary annually effective for fiscal years 2019, 2020, 2021, and 2022 respectively. The 7.0 percent will remain in effect until plan is 100 percent funded.

[3] Employer contributions include an additional $6 million each year until the earlier of the plan is fully funded or July 1, 2048.

Primary Government Administered Single-Employer Plans
Membership Statistics

Description	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	351	375	1,052
Members Entitled To, But Not Receiving Benefits	15	44	59
Active Members	317	19	902

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2018
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 178,342	$ 147,324	$ 346,317	$ 671,983
Deferred Outflows of Resources	40,325	8,856	215,026	264,207
Deferred Inflows of Resources	61,486	14	128,835	190,335
Net Pension Expense	5,396	1,206	51,695	58,297

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF(1)	LRF(1)	SPRF(1)
Actuarial Valuation / Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017
Long-Term Expected Rate	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate(2)	3.56%	3.56%	3.56%
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-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2018
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 9,483	$ 546	$ 29,758	$ 39,787
Interest on the Total Pension Liability	25,366	4,293	58,865	88,524
Difference Between Expected and Actual Experience of the Total Pension Liability	(4,958)	1,518	(2,418)	(5,858)
Changes in Assumptions	11,652	(5,017)	(112,694)	(106,059)
Benefit Payments, Including Refunds of Member Contributions	(23,094)	(8,716)	(58,565)	(90,375)
Net Change in Total Pension Liability	$ 18,449	$ (7,376)	$ (85,054)	$ (73,981)
Total Pension Liability, Beginning	$ 345,033	$ 154,700	$ 1,122,970	$ 1,622,703
Total Pension Liability, Ending	$ 363,482	$ 147,324	$ 1,037,916	$ 1,548,722
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 13,758	$ 8,716	$ 16,783	$ 39,257
Contributions – Member	3,932	80	10,520	14,532
Net Investment Income	24,729	—	93,077	117,806
Benefit Payments, Including Refunds of Member Contributions	(23,094)	(8,716)	(58,565)	(90,375)
Pension Plan Administrative Expenses	(89)	(39)	(208)	(336)
Other Changes	—	(41)	—	(41)
Net Change in Plan Fiduciary Net Position	$ 19,236	$ —	$ 61,607	$ 80,843
Plan Fiduciary Net Position, Beginning	$ 165,904	$ —	$ 629,992	$ 795,896
Plan Fiduciary Net Position, Ending	$ 185,140	$ —	$ 691,599	$ 876,739
Net Pension Liability (NPL)	$ 178,342	$ 147,324	$ 346,317	$ 671,983

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2018
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 5,297	$ —	$ —	$ 5,297
Changes in Assumption	18,001	—	199,074	217,075
Contributions Subsequent to the Measurement Date	17,027	8,856	15,952	41,835
Total	$ 40,325	$ 8,856	$ 215,026	$ 264,207

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2018
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 5,713	$ —	$ 25,178	$ 30,891
Changes in Assumption	53,138	—	93,912	147,050
Net Difference Between Projected and Actual Earnings on Investment	2,635	14	9,745	12,394
Total	$ 61,486	$ 14	$ 128,835	$ 190,335

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, 2018
(In Thousands)

Description	JRF	LRF	SPRF	Total
2019	$ (13,375)	$ (131)	$ 19,455	$ 5,949
2020	(9,498)	76	31,779	22,357
2021	(14,157)	41	23,216	9,100
2022	(1,158)	—	14,974	13,816
2023	—	—	(19,185)	(19,185)
Net Pension Expense	$ (38,188)	$ (14)	$ 70,239	$ 32,037
Deferred Outflow of Resources as a Reduction to Net Pension Liability	17,027	8,856	15,952	41,835
Net Deferred Outflows (Inflows) of Resources	$ (21,161)	$ 8,842	$ 86,191	$ 73,872

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans
As of June 30, 2018
(In Thousands)

Description	Primary Government Administered Multiple-Employer Cost Sharing Plans	Non-Primary Government Administered Multiple-Employer Cost Sharing Plan	Primary Government Administered Single-Employer Plans	Total
Net Pension Liabilities	$ 9,016,944	$ 162,989	$ 671,983	$ 9,851,916
Deferred Outflows of Resources	6,478,794	16,188	264,207	6,759,189
Deferred Inflows of Resources	4,082,866	21,774	190,335	4,294,975
Net Pension Expense	1,455,370	7,090	58,297	1,520,757

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, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	20.00%	5.90%
Unallocated Cash	2.00%	0.00%
Total	100.00%	

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, 2018
(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]	4.42%	$ 7,706,765	5.42% [2]	$ 5,500,428	6.42%	$ 3,697,545
CERF[3][4]	4.02%	1,512,358	5.02% [2]	1,127,087	6.02%	822,312
GERF	6.50%	172,987	7.50%	111,527	8.50%	61,211
TRF[3][4]	4.12%	3,006,392	5.12% [2]	2,277,902	6.12%	1,684,237
SPTRF	7.00%	214,656	8.00%	162,989	9.00%	119,727
JRF	6.50%	215,488	7.50%	178,342	8.50%	146,517
LRF[3][4]	2.56%	164,518	3.56% [2]	147,324	4.56%	132,985
SPRF[3][4]	5.38%	483,870	6.38% [2]	346,317	7.38%	233,692

(1) Net Pension Liability.

(2) The long-term projected rate of return was used through 2049, 2048, 2053, and 2062 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 4.17, 4.24, 4.66, 2.85, and 5.31 percent for SERF, CERF, TRF, LRF, and SPRF, respectively.

(4) The discount rate for fiscal year 2019 will change to 7.5, 7.5, 7.5, 3.62, and 7.5 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 383B subdivision 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 352.98, creates a post-retirement health care savings plan by which public 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 $140,286,000 for the fiscal year ended June 30, 2018.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 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. Beginning in fiscal year 2020, the employer contributions will increase 0.25 percent.

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 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The employee contributions were $283,558,000 for the fiscal year ended June 30, 2018.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 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 354B and 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, 2018
(In Thousands)

Description	HCSRF	UERF	DCF	CURF
Member Contributions	$ 133	$ 6,407	$ 1,911	$ 36,860
Employer Contributions:				
Primary Government Contributions	$ —	$ 6,961	$ —	$ 44,092
Other Employer Contributions	133	460	2,036	—
Total Employer Contributions	$ 133	$ 7,421	$ 2,036	$ 44,092

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 Units
Summary of Pension Amounts
State Employee Retirement Fund
As of December 31, 2017 or June 30, 2018, as applicable
(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	$ 46,137	$ 693,797	$1,105,713	$ 9,949	$ 4,838	$ 1,039	$1,861,473
Deferred Outflows of Resources	38,518	579,245	918,228	8,305	4,040	882	1,549,218
Deferred Inflows of Resources	27,618	419,618	691,460	5,955	2,896	1,283	1,148,830
Net Pension Expense	7,518	117,466	160,337	1,803	665	(140)	287,649

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of December 31, 2017 or June 30, 2018, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 14,177	$ 7,952	$ 22,129
Deferred Outflows of Resources	22,110	24,808	46,918
Deferred Inflows of Resources	24,945	26,920	51,865
Net Pension Expense	2,993	1,457	4,450

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 $1,306,000 during fiscal year ended June 30, 2018, with a remaining liability as of June 30, 2018, of $1,855,000.

Primary Government Single Employer – Postemployment Benefits Other Than Pensions

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit healthcare plan, as allowed by Minnesota Statutes 43A.27, Subdivision 3, and Minnesota Statutes 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.

The state also subsidizes the healthcare 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.

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. The amount paid for OPEB benefits during fiscal year 2018 was $36,684,000.

Primary Government Single-Employer Plan
Employee Statistics

Description	Employees
Inactive Employees (or their beneficiaries) Currently Receiving Benefits	3,357
Active Employees	45,691

Primary Government Single-Employer Plan
Summary of OPEB Amounts
As of June 30, 2018
(In Thousands)

Description	Amount[1]
Total OPEB Liability	$ 621,237
Deferred Outflows of Resources	38,715
Deferred Inflows of Resources	27,763
Total OPEB Expense	65,812

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

Single-Employer Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2016
Measurement Date[1]	June 30, 2017
Discount Rate: 20 Year Municipal Bond Rate[2]	3.58%
Healthcare Cost Trend Rate	6.4% reduce to 3.8% by 2073
Experience Study Dates	2008-2015
Inflation	2.75%
Salary Increases	3.50%

(1) No significant events or material changes in benefit provisions occurred between the actuarial valuation date and the measurement date that required an adjustment to roll-forward of the Total OPEB Liability.

(2) Source: Bond Buyer 20-Bond General Obligation Index.

The mortality rate assumptions uses the RP-2000 employee generational mortality table projected with mortality improvement Scale AA or the RP-2014 annuitant generational mortality table projected with mortality improvements Scale MP-2015 as applicable to the employee group covered.

Single-Employer Plan
Schedule of Total OPEB Liability
As of June 30, 2018
(In Thousands)

Description	Primary Government's Share[(1)]	Component Unit's Share[(1)]	Plan Total
Total OPEB Liability:			
Service Cost	$ 51,270	$ 145	$ 51,415
Interest	18,560	52	18,612
Changes in Assumptions or Other Inputs	(32,183)	(94)	(32,277)
Benefit Payments	(32,539)	(88)	(32,627)
Net Changes in Total OPEB Liability	$ 5,108	$ 15	$ 5,123
Total OPEB Liability, Beginning	616,129	1,727	617,856
Total OPEB Liability, Ending	$ 621,237	$ 1,742	$ 622,979

(1) The primary government's total proportionate share is 99.7 percent and the component unit's proportionate share is 0.3 percent of the state's single employer defined benefit OPEB plan.

Primary Government Single-Employer Plan
Deferred Outflows and Deferred Inflows of Resources
Related to OPEB
As of June 30, 2018
(In Thousands)

Description	Deferred Outflows of Resources[(1)]	Deferred Inflows of Resources[(1)]
Changes of Assumption	$ 2,031	$ 27,763
Transactions Subsequent to the Measurement Date	36,684	—
Total	$ 38,715	$ 27,763

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

Primary Government Single-Employer Plan
Net Deferred Outflows (Inflows) of Resources
Recognized as OPEB Expense or a Reduction to the Total OPEB Liability
As of June 30, 2018
(In Thousands)

Description	Amount[1]
2018	$ (4,018)
2019	(4,018)
2020	(4,018)
2021	(4,018)
2022	(4,018)
Thereafter	(5,642)
Net OPEB Expense	$ (25,732)
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	36,684
Net Deferred Outflows (Inflows) of Resources	$ 10,952

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

The following tables presents the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the total OPEB liability, calculated using the corresponding discount rate and healthcare trend rate as well as what the Total OPEB liability would be if the rates were one percentage point higher or lower.

Primary Government
Sensitivity of the Total OPEB liability to Changes in the Discount Rate
As of June 30, 2018
(In Thousands)

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.58%	$ 665,415	3.58%	$ 621,237	4.58%	$ 579,548

(1) The discount rate changed from 2.85 percent.

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates
As of June 30, 2018
(In Thousands)

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	$ 556,546	3.8%	$ 621,237	4.8%	$ 697,230

Component Units – Postemployment Benefits Other Than Pensions

All component units implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" during the current year.

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. The funding for MC does not meet the requirements of GASB statement 75, for OPEB. However, MC separately invested $274.3 million as of December 31, 2017 for this purpose.

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. The U of M does not fund an OPEB plan and operates on a pay-as-go basis.

Housing Finance Agency is a major component unit that participates in the primary government's single-employer defined benefit OPEB plan.

Component Unit Single-Employer Plan
Summary of OPEB Amounts
As of December 31, 2017 or June 30, 2018, as applicable
(In Thousands)

	Major Component Units			
Description	Housing Finance Agency	Metropolitan Council	University of Minnesota	Total
Proportionate Share Total OPEB Liability	$ 1,742	$ 304,428	$ 34,936	$ 341,106
Deferred Outflows of Resources	100	10,006	4,537	14,643
Deferred Inflows of Resources	81	1,279	261	1,621
Total OPEB Expense	170	16,844	6,686	23,700

Note 10 – Long-Term Commitments

Primary Government

Governmental Funds

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, 2018, were as follows:

Primary Government
Encumbrances
As of June 30, 2018
(In Thousands)

Description	Amount
Major Fund: General Fund	$ 450,477
Non-Major Governmental Funds	1,884,553
Total Encumbrances	$ 2,335,030

Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $98,005,000 for construction and renovation of college and university facilities as of June 30, 2018.

Component Units

As of June 30, 2018, the Housing Finance Agency had committed approximately $387,709,000 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, 2017, unpaid commitments for Metro Transit Bus services were approximately $337,195,000. Future commitments for Metro Transit Light Rail were approximately $91,927,000, while future commitments for Metro Transit Commuter Rail were approximately $8,890,000. Future commitments for Regional Transit and Environmental Services were approximately $21,613,000 and $49,669,000, respectively. Finally, amounts authorized and initiated in the calendar year 2017 budget but not completely expended in calendar year 2017 were $695,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $248,981,000 as of June 30, 2018. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2018, the Public Facilities Authority (PFA) had committed approximately $71,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $66,000,000 for grants.

As of June 30, 2018, the Minnesota Sports Facilities Authority had committed approximately $11,550,000 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, 2018, totaled approximately $89,872,000 and $28,991,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2017, totaled approximately $805,000 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
2019	$ 79,677	2019	$ 16,960	2018	$ 1,713
2020	62,624	2020	13,794	2019	1,254
2021	54,675	2021	13,318	2020	567
2022	47,871	2022	12,208	2021	454
2023	38,259	2023	4,726	2022	329
2024-2028	111,394	2024-2028	17,967	2023-2027	777
2029-2033	3,460	2029-2033	9,946	2028-2032	139
2034-2038	260	2034-2038	3,673	2033-2037	126
2039-2043	275	2039-2043	1,653	2038-2042	46
2044-2048	295	2044-2048	753	2043-2047	32
2049-2053	315	2049-2053	—	2048-2052	—
2054-2058	98	2054-2058	—	2053-2057	—
Total	$ 399,203	Total	$ 94,998	Total	$ 5,437

Note 12 – Long-Term Liabilities – Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2018
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 6,999,510	$ 983,576	$ 1,115,802	$ 6,867,284	$ 548,804
Revenue Bonds	39,365	—	2,570	36,795	2,645
State General Fund Appropriation Bonds	1,090,895	7,570	50,026	1,048,439	41,940
Loans	23,252	25,032	11,378	36,906	11,225
Due to Component Units	5,491	—	627	4,864	640
Capital Leases	80,881	—	9,305	71,576	9,712
Certificates of Participation	104,875	—	11,450	93,425	10,620
Claims	753,653	1,022,536	935,341	840,848	181,134
Compensated Absences(3)	316,915	310,415	302,300	325,030	45,775
Other Postemployment Benefits(2)(3)	530,008	60,917	55,777	535,148	—
Net Pension Liability(3)	12,300,902	14,312	3,932,265	8,382,949	—
Total	$ 22,245,747	$ 2,424,358	$ 6,426,841	$18,243,264	$ 852,495
Business-type Activities:					
General Obligation Bonds	$ 238,637	$ 13,965	$ 24,701	$ 227,901	$ 20,851
Revenue Bonds	392,070	—	40,199	351,871	39,195
Loans(1)	11,528	—	498	11,030	671
Capital Leases(1)	18,020	—	4,279	13,741	4,247
Claims	14,878	149,692	146,212	18,358	16,467
Compensated Absences	154,240	33,076	31,052	156,264	20,551
Other Postemployment Benefits(2)(3)	86,121	8,913	8,945	86,089	—
Net Pension Liability(3)	2,153,185	3	684,221	1,468,967	—
Total	$ 3,068,679	$ 205,649	$ 940,107	$ 2,334,221	$ 101,982

(1) The beginning balance for Loans and Capital Leases has been restated as a result of the reclassification of leases from Capital Leases to Loans for business-type activities.

(2) The beginning balance for Net Other Postemployment Benefits has been restated as a result of the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

(3) The beginning balance has been restated as a result of a change in fund structure moving the State Auditor Fund (enterprise fund) into the General Fund. See Note 21 — Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment.

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2018
(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	$ 4,904,379	$ 1,962,905	$ —	$ 227,901	$ 7,095,185
Revenue Bonds	13,040	23,755	—	351,871	388,666
State General Fund Appropriation Bonds	1,048,439	—	—	—	1,048,439
Loans	—	3,656	33,250	11,030	47,936
Due to Component Units	—	4,864	—	—	4,864
Capital Leases	71,576	—	—	13,741	85,317
Certificates of Participation	93,425	—	—	—	93,425
Claims	130,477	624,578	85,793	18,358	859,206
Compensated Absences	156,802	134,925	33,303	156,264	481,294
Other Postemployment Benefits	517,591	—	17,557	86,089	621,237
Net Pension Liability	7,823,278	—	559,671	1,468,967	9,851,916
Total	$ 14,759,007	$ 2,754,683	$ 729,574	$ 2,334,221	$ 20,577,485

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, other postemployment benefits, and net pension liability.

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 548,804	$ 260,442	$ 20,851	$ 9,619	$ 569,655	$ 270,061
2020	525,730	235,012	20,340	8,431	546,070	243,443
2021	489,300	210,509	19,475	7,463	508,775	217,972
2022	483,000	187,024	18,900	6,479	501,900	193,503
2023	478,201	164,076	17,394	5,589	495,595	169,665
2024-2028	1,880,697	532,021	69,168	17,115	1,949,865	549,136
2029-2033	1,211,280	198,247	34,655	5,817	1,245,935	204,064
2034-2038	407,042	29,261	10,548	854	417,590	30,115
Total	$ 6,024,054	$ 1,816,592	$ 211,331	$ 61,367	$ 6,235,385	$ 1,877,959
Bond Premium	843,230	—	16,570	—	859,800	—
Total	$ 6,867,284	$ 1,816,592	$ 227,901	$ 61,367	$ 7,095,185	$ 1,877,959

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,760	944	20,120	7,870	21,880	8,814
2024-2028	9,665	3,835	94,410	27,673	104,075	31,508
2029-2033	11,600	1,823	75,435	9,223	87,035	11,046
2034-2038	2,620	56	15,515	831	18,135	887
Total	$ 36,795	$ 11,284	$ 334,545	$ 88,779	$ 371,340	$ 100,063
Bond Premium	—	—	17,326	—	17,326	—
Total	$ 36,795	$ 11,284	$ 351,871	$ 88,779	$ 388,666	$ 100,063

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2019	$ 41,940	$ 44,653
2020	43,710	42,635
2021	45,555	40,560
2022	47,710	38,334
2023	49,235	36,012
2024-2028	289,755	142,201
2029-2033	183,745	76,668
2034-2038	106,275	48,770
2039-2043	130,505	20,260
Total	$ 938,430	$ 490,093
Bond Premium	110,009	—
Total	$ 1,048,439	$ 490,093

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 11,865	$ 699	$ 671	$ 312	$ 12,536	$ 1011
2020	10,033	740	588	290	10,621	1,030
2021	7,994	431	633	270	8,627	701
2022	4,809	288	681	248	5,490	536
2023	1,785	204	640	224	2,425	428
2024-2028	2,386	689	3,102	834	5,488	1,523
2029-2033	1,443	361	3,033	419	4,476	780
2034-2038	1,455	136	1,682	63	3,137	199
Total	$ 41,770	$ 3,548	$ 11,030	$ 2,660	$ 52,800	$ 6,208

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 9,712	$ 3,546	$ 4,247	$ 1,480	$ 13,959	$ 5,026
2020	10,162	3,078	4,141	1,563	14,303	4,641
2021	10,655	2,570	1,754	486	12,409	3,056
2022	11,171	2,037	1,316	222	12,487	2,259
2023	11,717	1,477	308	138	12,025	1,615
2024-2028	18,159	1,175	1,230	455	19,389	1,630
2029-2033	—	—	745	127	745	127
Total	$ 71,576	$ 13,883	$ 13,741	$ 4,471	$ 85,317	$ 18,354

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

	Governmental Activities	
Year Ended June 30	Principal	Interest
2019	$ 10,620	$ 4,137
2020	2,180	3,607
2021	2,290	3,498
2022	2,405	3,384
2023	2,525	3,264
2024-2028	14,655	14,293
2029-2033	18,705	10,242
2034-2038	23,870	5,076
2039-2043	5,515	276
Total	$ 82,765	$ 47,777
Premium on Certificates of Participation	10,660	—
Total	$ 93,425	$ 47,777

Debt Service Fund

For state general obligation bonds, Minnesota Statutes 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.

For other annual appropriation debt, the amounts needed to pay principal and interest payment are appropriated each fiscal year for transfer to the Debt Service Fund. The state has no legal obligation to continue appropriating funds to make debt service payments. The annual appropriation debt is canceled on the earlier of the fiscal year for which the legislature does not appropriate sufficient amounts for debt service, an executive unallotment regarding continuing appropriations for debt service, or the date of the final principal and interest payment. The Minnesota Statutes governing outstanding annual appropriation debt are provided in the applicable sections in this note.

During fiscal year 2018, 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, 2018
(In Thousands)

Fund Type		Amount
General Fund	$	659,406
Special Revenue Funds:		
Trunk Highway Fund	$	211,009
Miscellaneous Special Revenue Fund		1,208
Total Special Revenue Funds	$	212,217
Capital Project Funds:		
Building Fund	$	1,191
Transportation Bridge and Road Fund		448
Total Capital Project Funds	$	1,639
Internal Service Fund – Plant Management Fund	$	6,042
Total Transfers to Debt Service Fund	$	879,304

General Obligation Bond Issues

In October 2017, the state issued $858,175,000 general obligation bonds, Series 2017A through Series 2017E:

- Series 2017A for $312,295,000 in state various purpose bonds were issued at a true interest rate of 2.74 percent.
- Series 2017B for $114,000,000 in state trunk highway bonds were issued at a true interest rate of 2.57 percent.
- Series 2017C for $27,000,000 in taxable state bonds were issued at a true interest rate of 2.02 percent.
- Series 2017D for $323,770,000 in state various purpose refunding bonds were issued at a true interest rate of 2.07 percent. The aggregate debt service payments decreased by $34,228,000 and the economic gain (the present value of the debt service savings) for the state was $36,712,000.
- Series 2017E for $81,110,000 in state trunk highway refunding bonds were issued at a true interest rate of 1.92 percent. The aggregate debt service payments increased by $3,460,000 and the economic gain (the present value of the debt service savings) for the state was $7,356,000.

In March 2018, the state sold a middle school facility that was previously refinanced by a portion of prior refunding bonds and received $15,300,000. Of this amount, $6,510,000 was deposited in an escrow account to provide for the future debt service payments of the prior refunding bonds and the remaining $8,790,000 will be used for future debt service on the state's general obligation bonds.

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, 2018 Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	$ 5,449	$ 5,705	$ 4,445	October 1, 2021
August 21, 2014	9,727	10,185	8,490	August 1, 2022
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
October 11, 2017	31,201	33,620	33,620	November 1, 2019
October 11, 2017	292,569	315,250	315,250	August 1, 2020
October 11, 2017	29,556	28,665	28,665	December 1, 2019
October 11, 2017	41,243	40,000	40,000	August 1, 2019
October 11, 2017	10,311	10,000	10,000	November 1, 2019
March 14, 2018	NA	1,860	1,860	August 1, 2021
March 14, 2018	NA	3,815	3,815	August 1, 2020
March 14, 2018	NA	480	480	October 1, 2023
Total	$ 730,621	$ 792,235	$ 789,280	

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

Refunding Date	Original Refunding Amount	Refunded Amount	June 30, 2018 Outstanding Amount	Refunded Bond Call/Maturity Date
November 1, 2016	$ 33,438	$ 34,180	$ 26,895	June 1, 2019
November 1, 2016	39,332	40,205	32,810	June 1, 2019
Total	$ 72,770	$ 74,385	$ 59,705	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2018. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Colleges and Universities Fund (enterprise fund).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2018
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Rural Finance Authority	$ 40,035	$ 49,622	1.40-5.00%
State Building	677	—	N/A
State Transportation	270,236	174,209	2.50-5.00%
Trunk Highway	1,592,665	1,655,315	2.00-5.00%
Trunk Highway Refunding Bonds	—	307,590	2.00-5.00%
Various Purpose	1,517,729	2,268,089	1.50-5.00%
Various Purpose Refunding Bonds	—	1,780,560	1.39-5.00%
Total	$ 3,421,342	$ 6,235,385	

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 as authorized by Minnesota Statutes 16A.99. 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 16A.965, authorize 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) . 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 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.

Minnesota Statutes 16A.969, as created by Laws of Minnesota Regular Session 2018, Chapter 214, Article 6, Section 1, authorizes the state to issue state Environmental and Natural Resources Trust Account appropriation bonds not to exceed $98,000,000 from and for the Environmental and Natural Resources Trust Account (General Fund) established under the Minnesota Constitution, article XI, section 14 and Minnesota Statutes 116P for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources.

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2018.

Primary Government
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2018
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	$ —	$ 427,675	2.08-5.08%
Pay-for-Performance	10,000	—	N/A
Refund Tobacco Securitization Authority	—	493,195	3.00-5.00%
Lewis and Clark Regional Water System	3,140	17,560	1.15-4.00%
Environment and Natural Resources	98,000	—	N/A
Total	$ 111,140	$ 938,430	

Loans Payable and Due to Component Unit

Governmental activities loans and due to component units are loans/due to component units for transportation projects, energy efficiencies improvements, and equipment purchase loans for internal service funds.

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 as authorized by Minnesota Statutes 16A.81. 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 as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21. 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 the project 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 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 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 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 four 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 $3,990,000 for fiscal year 2018, have averaged less than ten 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 2018, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $3,953,000. The total principal and interest remaining to be paid as of June 30, 2018, is $48,079,000 payable through October 2033.

The state is authorized by Minnesota Statutes 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 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2018, is $56,648,000 payable through June 2021. Principal and interest paid during fiscal year 2018 and total 911 fee revenues were $23,000,000 and $79,130,000, 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 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 $365,128,000. Principal and interest paid for the current year and total customer net revenues were $29,133,000 and $116,988,000, 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 37 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,548,000. Principal and interest paid and total customer net revenues during fiscal year 2018 were $172,000 and $480,000, 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 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 $277,538,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 110 landfills in the program and four more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $114,590,000; 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, established under Minnesota Statutes 115B.421 within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent 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 area 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, 2018, were $147,682,000. Of this total, $127,982,000 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 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes 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 2018, the Petroleum Tank Cleanup Fund has approved $450,000,000 in reimbursements for eligible applicants 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 $71,135,000 and $4,341,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2018, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $30,700,000 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 $228,000,000 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 2058 for supplementary benefits and 2046 for second injuries.

The remaining claims represent $8,689,000 in the Risk Management Fund (internal service fund), $77,104,000 in the Employee Insurance Fund (internal service fund), and $14,017,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $325,030,000 and $156,264,000 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 2018, 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 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 Statute 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 2018, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $2,080,000. The total principal and interest remaining to be paid as of June 30, 2018, is $13,488,000, 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
2019	$ 1,760	$ 336
2020	1,785	300
2021	1,835	265
2022	1,875	228
2023	1,915	190
2024-2025	2,845	154
Total	$ 12,015	$ 1,473
Bond Premium	721	—
Total	$ 12,736	$ 1,473

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 $1,565,783,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2017, including unamortized discounts/premiums. During calendar year 2017, MC issued general obligation parks, transit, and wastewater bonds for a total of $145,000,000.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2018, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $955,578,000 and $326,766,000, 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
2018	$ 132,871	$ 45,914	2019	$ 49,880	$ 39,089
2019	126,453	41,999	2020	38,615	37,157
2020	131,631	38,026	2021	40,075	35,371
2021	133,953	33,756	2022	42,340	30,116
2022	127,590	29,418	2023	33,960	31,726
2023-2027	475,831	90,321	2024-2028	193,905	131,716
2028-2032	252,082	33,265	2029-2033	191,995	82,329
2033-2037	101,112	6,368	2034-2038	152,490	43,399
2038-2042	—	—	2039-2043	96,755	13,293
2043-2047	—	—	2044-2048	8,740	350
Total	$ 1,481,523	$ 319,067	Total	$ 848,755	$ 444,546
Unamortized Discounts / Premiums and Issuance Costs	84,260	—	Unamortized Discounts / Premiums and Issuance Costs	106,823	—
Total	$ 1,565,783	$ 319,067	Total	$ 955,578	$ 444,546

[1] MC interest is net of Build America Bonds federal subsidy.

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes 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 462A.22. The principal amount of revenue bonds outstanding on June 30, 2018, including unamortized discounts/premiums, was $2,687,792,000.

The Office of Higher Education (OHE) is authorized by Minnesota Statutes 136A.171-136A.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 136A.171. On June 30, 2018, the outstanding principal of revenue bonds was $463,830,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, drinking water systems, and transportation. The amount outstanding on these bonds at any time shall not exceed $2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2018, including unamortized discounts/premiums, was $883,647,000.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

	HFA		U of M	
Year Ended June 30	Principal	Interest	Principal	Interest[1]
2019	$ 42,660	$ 78,623	$ 11,590	$ 12,453
2020	55,095	79,584	12,160	11,871
2021	41,555	78,505	12,755	11,283
2022	42,910	77,449	13,375	10,666
2023	44,670	76,251	14,045	9,989
2024-2028	240,110	359,261	96,405	38,752
2029-2033	287,225	314,172	81,160	19,729
2034-2038	298,495	268,323	45,390	4,969
2039-2043	346,587	221,932	12,875	59
2044-2048	1,267,058	124,136	—	—
2049-2053	6,325	208	—	—
Total	$ 2,672,690	$ 1,678,444	$ 299,755	$ 119,771
Unamortized Discounts / Premiums and Issuance Costs	15,102	—	27,011	—
Total	$ 2,687,792	$ 1,678,444	$ 326,766	$ 119,771

[1] Excludes interest on variable rate bonds with an outstanding principal balance of $32.850 million.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2019	$ 4,905	$ 12,008	$ 84,840	$ 38,697
2020	4,600	11,763	86,190	34,467
2021	4,185	11,545	86,605	30,196
2022	3,625	11,378	74,510	26,324
2023	—	11,233	55,975	22,761
2024-2028	—	56,165	242,755	78,697
2029-2033	—	56,165	126,500	29,288
2034-2038	37,400	55,509	54,070	5,495
2039-2043	124,000	45,934	—	—
2044-2048	285,000	29,199	—	—
Total	$ 463,715	$ 300,899	$ 811,445	$ 265,925
Unamortized Discounts / Premiums and Issuance Costs	115	—	72,202	—
Total	$ 463,830	$ 300,899	$ 883,647	$ 265,925

Component Units
State Appropriation-Backed Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest
2019	$ 5,365	$ 5,816
2020	5,545	5,631
2021	5,740	5,437
2022	5,970	5,216
2023	6,200	4,971
2024-2028	34,975	20,904
2029-2033	40,830	12,649
2034-2038	35,840	3,997
2039-2043	440	6
Total	$ 140,905	$ 64,627

HFA has two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing, and other purposes. These bonds are payable solely from the appropriations of the primary government's General Fund authorized by Minnesota Statues 462A.36 and 462.37. On June 30, 2018, $140,905,000 in bonds were outstanding.

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, 2017. 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, which was assumed by Hennepin County in October 2017. The loan was on a reimbursement basis and will fund the purchase of five light rail vehicles. The outstanding balance of the loan was $2,713,000 on December 31, 2017.

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, 2018, the outstanding taxable commercial paper notes were $223,300,000 and tax-exempt notes were $47,220,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

National Sports Center Foundation

On December 31, 2017, the National Sports Center Foundation's total outstanding loans and notes payable was $4,158,000.

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, 2017, the present value of the minimum lease payments was $6,260,000.

University of Minnesota

The University of Minnesota has five distinct capital leases. One is 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, 2018, the net present value of the minimum lease payments was $15,195,000.

National Sports Center Foundation

In calendar year 2016, the National Sports Center Foundation entered into a capital lease agreement. On December 31, 2017, the total minimum lease payment was $234,000.

Variable Rate Debt

Housing Finance Agency

As of June 30, 2018, 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, 2018, 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.

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, 2018, 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 rate on the tax-exempt Series 2012B, taxable Series 2017A, and tax-exempt Series 2017C 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.

Bond Defeasances

University of Minnesota

In prior years, U of M defeased general obligation bonds 1996 series A 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 was $159,000 with $68,000 outstanding as of June 30, 2018. Neither the outstanding indebtedness nor the related trust account assets for this bond is included in U of M's financial statements as of June 30, 2018.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2018
(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	$ 95,872	$ 547	$ 52,105
Noncurrent Assets	—	—	—
Restricted Assets	70,744	296	—
Capital Assets	407,743	2,597	110,626
Total Assets	$ 574,359	$ 3,440	$ 162,731
Deferred Outflows of Resources	$ 18,839	$ 103	$ 7,633
Liabilities:			
Current Liabilities	$ 43,839	$ 140	$ 24,542
Noncurrent Liabilities	304,465	1,383	47,146
Total Liabilities	$ 348,304	$ 1,523	$ 71,688
Deferred Inflows of Resources	$ 10,079	$ 60	$ 5,478
Net Position:			
Net Investment in Capital Assets	$ 145,941	$ 1,257	$ 53,588
Restricted	88,874	296	39,610
Unrestricted	—	407	—
Total Net Position	$ 234,815	$ 1,960	$ 93,198
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues - Customer Charges	$ 116,988	$ 481	$ 79,130
Depreciation Expense	(23,907)	(119)	(10,252)
Other Operating Expenses	(84,176)	(260)	(22,430)
Operating Income (Loss)	$ 8,905	$ 102	$ 46,448
Nonoperating Revenues (Expenses):			
Interest Income	$ 2,182	$ 6	$ 11
Capital Contributions	763	—	—
Interest Expense	(10,308)	(42)	(1,798)
Other	362	—	(19,196)
Transfers-In (Out)	—	—	(683)
Change in Net Position	$ 1,904	$ 66	$ 24,782
Beginning Net Position	233,331	1,993	68,778
Change in Accounting Principle	(420)	(99)	(362)
Ending Net Position	$ 234,815	$ 1,960	$ 93,198
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	$ 32,806	$ 249	$ 58,606
Noncapital Financing Activities	312	—	(17,783)
Capital and Related Financing Activities	(42,463)	(173)	(26,165)
Investing Activities	2,158	6	11
Net Increase (Decrease)	$ (7,187)	$ 82	$ 14,669
Beginning Cash and Cash Equivalents	$ 161,906	$ 424	$ 36,191
Ending Cash and Cash Equivalents	$ 154,719	$ 506	$ 50,860

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 (enterprise 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), a 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 August 2018, there was $75,750,000 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 August 2018, $165,860,000 was outstanding on these bonds.

Housing Finance Agency

The Housing Finance Agency (HFA), a 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 August 2018, there was $23,375,000 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, and as amended in 2018, the Minnesota Legislature appropriated from the General Fund up to an additional $2,800,000 per year beginning in fiscal year 2020 through 2041. As of August 2018, $112,165,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of $25,295,000 in September 2018. See Note 22 – Subsequent Events.

School District Credit Enhancement Program

Minnesota Statutes 126C.55, established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program as of November 2018, was $15.0 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 446A.086, established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of November 2018, the total general obligation bonds guaranteed by the state through 2049, was $532 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, 2018
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 1,664,301	$ 222,562	$ 758,268	$ 2,645,131
Enhance Arts and Culture	22,412	—	—	22,412
Acquire, Maintain, and Improve Land and Buildings	—	—	817	817
Retire Indebtedness	497,042	—	115,866	612,908
Develop Economy and Workforce	—	171,360	1,926	173,286
Enhance E-12 Education	—	5,955	3,245	9,200
Enhance State Government	—	12,338	8,471	20,809
Enhance Health and Human Services	—	86,796	1,959	88,755
Enhance Higher Education	—	—	16,607	16,607
Enhance 911 Services and Increase Safety	—	21,405	40,038	61,443
School Aid - Expendable	8,921	—	—	8,921
School Aid - Nonexpendable	1,407,016	—	1,000	1,408,016
Construct Highways and Improve Infrastructure	1,592,636	79,692	127	1,672,455
Unemployment Benefits	—	—	1,728,413	1,728,413
Other Purposes	—	—	71,077	71,077
Total Restricted Net Position	$ 5,192,328	$ 600,108	$ 2,747,814	$ 8,540,250

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, 2018
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 34,004	$ 34,004
Trust or Permanent Fund Principal	1,121,875	—	1,408,016	2,529,891
Total Nonspendable Fund Balances	$ 1,121,875	$ —	$ 1,442,020	$ 2,563,895
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ —	$ 138	$ 1,543,368	$ 1,543,506
Enhance Arts and Culture	—	—	22,412	22,412
Acquire, Maintain, and Improve Land and Buildings	—	—	159,325	159,325
Retire Indebtedness	—	—	923,200	923,200
Develop Economy and Workforce	82,690	—	159,539	242,229
Enhance E-12 Education	719	—	16,782	17,501
Enhance State Government	—	6,664	13,838	20,502
Enhance Health and Human Services	—	—	86,592	86,592
Enhance Higher Education	—	—	7	7
Enhance 911 Services and Increase Safety	—	159	21,059	21,218
Construct Highways and Improve Infrastructure	—	—	1,665,009	1,665,009
Total Restricted Fund Balances	$ 83,409	$ 6,961	$ 4,611,131	$ 4,701,501

Continued

Governmental Funds
Fund Balances (continued)
As of June 30, 2018
(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	$ —	$ —	$ 141,365	$ 141,365
Develop Economy and Workforce	—	—	289,079	289,079
Enhance K-12 Education	—	—	8,405	8,405
Enhance State Government	—	—	49,701	49,701
Enhance Health and Human Services	—	—	11,817	11,817
Enhance 911 Services and Increase Safety	—	—	127,653	127,653
Construct Highways and Improve Infrastructure	82,000	—	60,653	142,653
Total Committed Fund Balances	$ 82,000	$ —	$ 688,673	$ 770,673
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 282,310	$ —	$ —	$ 282,310
Acquire, Maintain, and Improve Land and Buildings	—	—	24,072	24,072
Develop Economy and Workforce	254,109	—	—	254,109
Enhance E-12 Education	51,690	—	—	51,690
Enhance State Government	152,191	—	—	152,191
Enhance Health and Human Services	1,013,070	—	—	1,013,070
Enhance Higher Education	18,145	—	—	18,145
Enhance 911 Services and Increase Safety	52,238	—	—	52,238
Construct Highways and Improve Infrastructure	6,486	—	—	6,486
Total Assigned Fund Balances	$ 1,830,239	$ —	$ 24,072	$ 1,854,311
Unassigned	$ 1,665,000	$ —	$ —	$ 1,665,000
Total Fund Balances	$ 4,782,523	$ 6,961	$ 6,765,896	$ 11,555,380

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2018:

Net Position Deficits
As of June 30, 2018
(In Thousands)

Fund Type		Net Position
Enterprise Funds:		
Behavioral Services	$	(9,826)
Minnesota Correctional Industries		(5,541)
State Lottery		(19,106)
State Operated Community Services		(62,598)
Internal Service Funds:		
Central Services	$	(1,122)
MN.IT Services		(407,627)
Plant Management		(4,294)

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. The fiscal year 2018 implementation of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions” (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2018 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.

MN.IT Services Fund (internal service fund) had a net position deficit in excess of the reporting impacts noted above. As the state has been consolidating IT services over the past several years, rates are continuing to be adjusted to incorporate this activity.

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 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 $3,538,000 less than coverage during the fiscal year ended June 30, 2018.

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 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2018, was 16,710 members and their dependents. The members of the pool include 113 school districts, 76 cities/townships, 20 counties, and 38 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 6/30/17	$ 9,523	$ 3,429	$ 4,136	$ 8,816
Fiscal Year Ended 6/30/18	$ 8,816	$ 2,672	$ 2,799	$ 8,689
Tort Claims:				
Fiscal Year Ended 6/30/17	$ —	$ 982	$ 982	$ —
Fiscal Year Ended 6/30/18	$ —	$ 421	$ 421	$ —
Workers' Compensation:				
Fiscal Year Ended 6/30/17	$ 89,155	$ 15,365	$ 19,067	$ 85,453
Fiscal Year Ended 6/30/18	$ 85,453	$ 11,911	$ 21,888	$ 75,476
State Employee Group Insurance:				
Fiscal Year Ended 6/30/17	$ 70,387	$ 802,403	$ 791,914	$ 80,876
Fiscal Year Ended 6/30/18	$ 80,876	$ 844,550	$ 848,322	$ 77,104

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

	Year Ended June 30	
Description	2018	2017
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 10,261	$ 10,428
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 148,773	$ 99,399
Increases (Decreases) in Provision for Insured Events of Prior Years	(751)	264
Total Incurred Claims and Claim Adjustment Expenses	$ 148,022	$ 99,663
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 135,199	$ 90,091
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	9,067	9,739
Total Payments	$ 144,266	$ 99,830
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 14,017	$ 10,261

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 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 2.90 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 $150,000 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 2.44 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 12/31/16	$ 21,674	$ 1,805	$ 6,645	$ 16,834
Fiscal Year Ended 12/31/17	$ 16,834	$ 10,408	$ 8,150	$ 19,092
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/17	$ 8,178	$ 3,145	$ 2,068	$ 9,255
Fiscal Year Ended 6/30/18	$ 9,255	$ 2,979	$ 2,860	$ 9,374
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/17	$ 12,765	$ 3,357	$ 2,404	$ 13,718
Fiscal Year Ended 6/30/18	$ 13,718	$ 4,136	$ 5,505	$ 12,349
University of Minnesota - Medical/ Dental:				
Fiscal Year Ended 6/30/17	$ 26,227	$ 264,437	$ 261,636	$ 29,028
Fiscal Year Ended 6/30/18	$ 29,028	$ 283,780	$ 279,195	$ 33,613

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, 2018
(In Thousands)

Description		Amount
GAAP Basis Fund Balance	$	4,782,523
Less: Encumbrances[1]		288,677
Unassigned Fund Balance	$	4,493,846
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(643,901)
Tax Refunds Payable		412,833
Human Services Receivable		(122,718)
Unearned Revenue		148,609
Escheat Asset		(24,515)
Other Receivables		(22,548)
Permanent School Fund Reimbursement		(1,693)
Investments at Market		8,904
Expenditure Accruals/Adjustments:		
Medical Care Programs		693,923
Human Services Grants Payable		64,176
Education Aids		932,188
Police and Fire Aid		106,290
Other Payables		28,538
Other Financial Sources (Uses):		
Transfer-In		(13,847)
Perspective Differences:		
Account with no Legally Adopted Budget		(2,011,338)
Long-Term Receivables		(29,660)
Appropriation Carryover		(235,531)
Budgetary Reserve		(2,092,418)
Budgetary Basis:		
Unassigned Fund Balance	$	1,691,138

(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).

- *The Bank of New York Mellon in its capacity as Trustee of NSP Minnesota Prairie I Retail Qualified Trust v. COR; The Bank of New York Mellon in its capacity as Trustee of NSP Minnesota Retail Prairie II QUA; The Bank of New York Mellon in its capacity as Trustee of NSP Monticello Minnesota Retail QUA v. COR* (Minnesota Tax Court). These cases involve the trusts organized under Pennsylvania law established by Northern States Power Company, a predecessor to Xcel Energy, Inc., to provide sufficient funds to decommission each of these nuclear power plants upon the conclusion of their respective useful lives. The trusts are each Qualified Nuclear Decommissioning Reserve Funds under section 468A of the Internal Revenue Code. The Department of Revenue expects that the material adverse effect of these and future cases may exceed $15 million.

- *General Mills, Inc. v. Commissioner of Revenue; International Business Machines Corporation and Subsidiaries v. Commissioner of Revenue*; and other similar matters (Minnesota Tax Court and Second Judicial District Court - Ramsey County) (formerly *H.B. Fuller Co. and Subsidiaries v. Commissioner of Revenue*, and other similar matters). This is a corporate franchise tax case filed in October 2016 involving computation of the research credit allowed by Minnesota Statutes 290.068. Several cases raising the same issue have been filed in the Minnesota Tax Court and in state district court, including a $33 million dollar claim by IBM. The Department of Revenue estimates that if similarly situated taxpayers make similar claims, the total refund exposure may exceed $140 million. On August 17, 2018, the Minnesota Tax Court granted in part and denied in part the motions for summary judgment of IBM and General Mills, and granted in part and denied in part the Commissioner's motion for summary judgment. Based on the decisions, refund exposure is approximately $23.5 million, plus interest. Both parties have appealed to the Minnesota Supreme Court.

- *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.

- *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 plaintiffs' 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 plaintiffs' motion for class certification without prejudice. Plaintiffs filed a third amended complaint in December 2017 and the defendants answered the amended complaint. The court reopened class discovery. Defendants' renewed motion for summary judgment and plaintiffs' motion for class certification was heard on July 27, 2018.

- *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.

Note 20 – Tax Abatements

The state of Minnesota provides tax abatements 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 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 million annually and $40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least $200 million 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 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 is 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 469.312 and were 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 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 million and the facility must create and maintain at least 190 new Minnesota full-time equivalent (FTE) employees at the facility. A qualified manufacturing facility must meet its minimum FTE requirements to remain eligible. The authority for the sales tax abatement is Minnesota Statutes 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 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 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. Businesses which receive tax abatements that cease to operate within the border 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 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 a qualified field of 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 million, be disqualified under Minnesota Statutes 80A.50, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than twenty 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 program sunset date was December 31, 2017 so no new businesses may enroll in the program. The authority for the tax abatement is Minnesota Statutes 116J.8737.

Tax Abatements
Year Ended June 30, 2018
(In Thousands)

Description	Amount
Border City Enterprise Zones:	
Corporate Taxes	$ 172
Income Taxes	136
Property Taxes	103
Total Border City Enterprise Zones	$ 411
Angel Tax Credit: Income Taxes	$ 11,358
Total	$ 11,769

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

Primary Government

Change in Accounting Principle

During fiscal year 2018, the state implemented GASB Statement No. 75, "Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions." The beginning balance was reported as a change in accounting principle in the Statement of Activities of $175,330,000 for governmental activities and $33,694,000 for business-type activities. See Note 9 - Termination and Postemployment Benefits and Required Supplementary Information for Defined Benefit Other Postemployment Benefits for more information.

Change in Reporting Entity

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2018, nine firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of $4,519,000 were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Minnesota Statutes 424A, allows volunteer firefighters relief associations to be covered by the Supplemental Retirement Fund (investment trust fund). During fiscal year 2018, five volunteer firefighters relief associations became part of the Supplemental Retirement Fund managed by the board of trustees of each relief association. Investment balances of $8,682,000 were reported as a change in reporting entity in the Supplemental Retirement Fund.

Change in Fund Structure

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2018, seven 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 $1,526,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Laws of Minnesota Special Session 2017, Chapter 4, Article 2, Section 57, authorized the move of the remaining activity of the State Auditor Fund (enterprise fund) to the General Fund. This is reported as a change in fund structure of $497,000 in the General Fund and a shift of a $7,005,000 deficit in from business-type activities to governmental activities in the Statement of Activities.

The Health Care Access Fund (special revenue fund) activity has been moved into the General Fund as the revenue streams are no longer restricted or committed. This is reported as a change in fund structure of $832,426,000 in the General Fund and Health Care Access Fund.

Component Units

Change in Accounting Principle

During fiscal year 2018, the state's component units also implemented GASB Statement No. 75, "Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions." The beginning balance was reported as a change in accounting principle in the component unit's Statement of Activities as a reduction of net position of $87,917,000. The change in net position of the component units are as follows:

Housing Finance Agency has a decrease of $1,671,000, Metropolitan Council has a decrease of $199,502,000, and University of Minnesota has an increase of $113,256,000. See Note 9 — Termination and Postemployment Benefits and Required Supplementary Information for Defined Benefit Other Postemployment Benefits for more information.

Prior Period Adjustment

During fiscal year 2018, the Housing Finance Agency (HFA) identified a misstatement of the beginning net position for the state appropriation-backed bonds. A prior period adjustment of $133,490,000 was reflected in the component unit Statement of Activities.

Note 22 – Subsequent Events

Primary Government

On July 25, 2018, Standard & Poor's upgraded the state's general obligation bond rating to AAA from AA+.

In August 2018, the state issued $397.7 million of general obligation state various purpose bonds Series 2018A at a true interest rate of 3.10 percent, $206.0 million of general obligation state trunk highway bonds Series 2018B at a true interest rate of 3.00 percent, and $16.0 million general obligation taxable state various purpose bonds Series 2018C at a true interest rate of 3.39 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

Component Units

In September 2018, the Housing Finance Agency (HFA) issued $1.1 million state appropriation bonds (Housing Infrastructure) Series 2018A at a true interest rate of 3.67 percent, $5.0 million Series 2018B at a true interest rate of 3.61 percent, $8.8 million Series 2018C at a true interest rate of 2.94 percent, and $10.4 million Series 2018D at a true interest rate of 3.83 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 2020 through fiscal year 2041 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

2018
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.

Description	2017	2016	2015
Principal Arterial Average PQI	3.56	3.46	3.42
Non-Principal Arterial Average PQI	3.46	3.31	3.32

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 also be maintained at fair to good.

Assessed Conditions

Description	2017	2016	2015
Principal Arterial: Fair to Good	94.3%	95.0%	94.9%
All Other Systems: Fair to Good	95.0%	95.0%	94.4%

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	2018	$ 100,000	$ 210,000	$ 310,000	$ 100,000	$ 600,000	$ 700,000	$ 1,010,000
	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
Actual	2018	$ 64,253	$ 200,064	$ 264,317	$ 121,831	$ 615,727	$ 737,558	$ 1,001,875
	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

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.

Most of the reporting data begins with fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

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

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

State Employees Retirement Fund

Description	2014	2015[2]	2016	2017	2018
Statutorily Required Contribution as an Employer[1]	$ 93,957	$ 107,313	$ 110,804	$ 116,552	$ 121,322
Covered-Member Payroll	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,208,146
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%	5.3%	5.5%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.0 percent to 5.5 percent.

Correctional Employees Retirement Fund

Description	2014	2015[2]	2016	2017	2018
Statutorily Required Contribution as an Employer[1]	$ 26,421	$ 29,378	$ 30,624	$ 31,663	$ 32,840
Covered-Member Payroll	$ 218,860	$ 231,126	$ 241,020	$ 248,653	$ 255,177
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.1%	12.7%	12.7%	12.7%	12.9%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 12.1 percent to 12.9 percent.

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

General Employees Retirement Fund					
Description	2014	2015[2]	2016	2017	2018
Statutorily Required Contribution as an:					
Employer[1]	$ 2,782	$ 2,655	$ 2,540	$ 3,155	$ 2,283
Non-Employer Contributing Entity[1]	—	—	6,000	6,000	16,000
Total Statutorily Required Contribution	$ 2,782	$ 2,655	$ 8,540	$ 9,155	$ 18,283
Covered-Member Payroll	$ 37,715	$ 34,289	$ 41,328	$ 31,105	$ 30,507
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%	10.1%	7.5%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rates for employers increased from 7.3-11.8 percent to 7.5-11.8 percent on January 1, 2015.

Teachers Retirement Fund					
Description	2014	2015[2]	2016	2017	2018
Statutorily Required Contribution as an:					
Employer[1]	$ 13,206	$ 14,542	$ 14,514	$ 14,885	$ 14,678
Non-Employer Contributing Entity[1]	16,501	29,831	31,088	31,087	30,886
Total Statutorily Required Contribution	$ 29,707	$ 44,373	$ 45,602	$ 45,972	$ 45,564
Covered-Member Payroll	$ 167,667	$ 166,870	$ 168,264	$ 174,018	$ 179,228
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%	8.6%	8.2%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 7.0-11.0 percent to 7.5-11.5 percent.

Minneapolis Employees Retirement Fund[2]		
Description	2014	2015
Statutorily Required Contribution as a:		
Non-Employer Contributing Entity[1]	$ 24,000	$ 24,000
Total Statutorily Required Contribution	$ 24,000	$ 24,000
Covered-Member Payroll	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) MERF merged with GERF in reporting fiscal year 2015.

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

St. Paul Teachers' Retirement Fund

Description	2014	2015[2]	2016[3]	2017[4]	2018[5]
Statutorily Required Contribution as an:					
Employer[1]	$ 109	$ 86	$ 64	$ 66	$ 41
Non-Employer Contributing Entity[1]	10,665	9,827	10,665	10,665	10,665
Total Statutorily Required Contribution	$ 10,774	$ 9,913	$ 10,729	$ 10,731	$ 10,706
Covered-Member Payroll	$ 1,749	$ 628	$ 443	$ 465	$ 462
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	13.7%	14.4%	14.2%	8.7%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.25-8.75 percent to 5.50-9.00 percent.
(3) 2016: The required contribution rate for employers increased to 6.00-9.50 percent.
(4) 2017: The required contribution rate for employers increased to 6.25-9.75 percent.
(5) 2018: The required contribution rate for employers increased to 6.50-10.00 percent.

Duluth Teachers' Retirement Fund[2]

Description	2014	2015
Statutorily Required Contribution as an:		
Employer[1]	$ 55	$ 56
Non-Employer Contributing Entity[1]	6,555	6,346
Total Statutorily Required Contribution	$ 6,610	$ 6,402
Covered-Member Payroll	$ 729	$ 760
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.5%	7.4%

(1) Statutorily required contributions equal actual required contributions.
(2) DTRF merged with TRF in reporting fiscal year 2015.

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

State Employees Retirement Fund				
Description	2015	2016[1]	2017[2]	2018[3]
Total Primary Government's Proportion of the Net Pension Liability - Employer	73.38%	73.93%	73.88%	74.15%
Total Primary Government's Proportionate Share of the Net Pension Liability - Employer	$ 1,189,902	$ 1,138,125	$ 9,160,172	$ 5,500,428
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626
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%	252.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	88.3%	47.5%	62.7%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2016.
(2) 2017: Benefit increase was changed to 2.0 percent for all future years. The discount rate changed from 7.9 percent to 4.17 percent.
(3) 2018: The discount rate changed to 5.42 percent.

Correctional Employees Retirement Fund				
Description	2015	2016[1]	2017[2]	2018[3]
Total Primary Government's Proportion of the Net Pension Liability - Employer	99.80%	99.86%	99.91%	99.91%
Total Primary Government's Proportionate Share of the Net Pension Liability - Employer	$ 475,387	$ 653,352	$ 1,331,563	$ 1,127,087
Primary Government's Covered-Member Payroll – Measurement Period	$ 218,860	$ 231,126	$ 241,020	$ 248,653
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	217.2%	282.7%	552.5%	453.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.8%	58.1%	40.3%	47.6%

(1) 2016: Benefit increase was projected to remain at 2.0 percent instead of increasing to 2.5 percent in 2016.
(2) 2017: The discount rate changed from 6.25 percent to 4.24 percent.
(3) 2018: The discount rate changed to 5.02 percent.

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

General Employees Retirement Fund

Description	2015	2016(1)	2017(2)	2018(3)
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	0.70%	0.62%	0.72%	0.51%
Non-Employer Contributing Entity	—%	3.56%	1.29%	1.24%
Total Primary Government's Proportion of the Net Pension Liability	0.70%	4.18%	2.01%	1.75%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	$ 33,103	$ 32,022	$ 58,119	$ 32,252
Non-Employer Contributing Entity	—	184,478	104,677	79,275
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 33,103	$ 216,500	$ 162,796	$ 111,527
Primary Government's Covered-Member Payroll – Measurement Period	$ 37,715	$ 34,289	$ 41,328	$ 31,105
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	87.8%	93.4%	140.6%	103.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.7%	78.2%	68.9%	75.9%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2036 instead of 2031.
(2) 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 7.5 percent.
(3) 2018: Benefit increase changed to 1.0 percent through 2044 and 2.5 percent thereafter.

Teachers Retirement Fund

Description	2015	2016(1)	2017(2)	2018(3)
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	4.13%	3.88%	3.72%	3.71%
Non-Employer Contributing Entity	5.17%	9.74%	7.97%	7.70%
Total Primary Government's Proportion of the Net Pension Liability	9.30%	13.62%	11.69%	11.41%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	$ 190,460	$ 239,701	$ 888,788	$ 740,843
Non-Employer Contributing Entity	237,958	602,738	1,900,653	1,537,059
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 428,418	$ 842,439	$ 2,789,441	$ 2,277,902
Primary Government's Covered-Member Payroll – Measurement Period	$ 167,667	$ 166,870	$ 168,264	$ 174,018
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	113.6%	143.6%	528.2%	425.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5%	76.8%	44.9%	51.6%

(1) 2016: The discount rate changed from 8.25 percent to 8.00 percent.
(2) 2017: A benefit increase is not projected to be attained instead of 2.5 percent in 2037. The discount rate changed to 4.66 percent.
(3) 2018: Benefit increase of 2.5 percent is projected to start in 2045. The discount rate changed to 5.12 percent.

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

St. Paul Teachers' Retirement Fund				
Description	2015	2016[1]	2017[2]	2018[3]
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	0.31%	0.24%	0.17%	0.18%
Non-Employer Contributing Entity	30.34%	29.52%	28.79%	27.97%
Total Primary Government's Proportion of the Net Pension Liability	30.65%	29.76%	28.96%	28.15%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	$ 1,666	$ 1,385	$ 1,082	$ 1,019
Non-Employer Contributing Entity	162,576	171,776	182,226	161,970
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 164,242	$ 173,161	$ 183,308	$ 162,989
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,749	$ 628	$ 443	$ 465
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	95.3%	220.5%	244.2%	219.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1%	63.6%	60.3%	64.1%

(1) 2016: Benefit increase if the plan is at least 90 percent funded was up to 2.5 percent instead of up to 5.0 percent.

(2) 2017: Benefit increase of 2.0 percent is projected to start in 2055 and 2.5 percent in 2066 instead of 2041 and 2051, respectively.

(3) 2018: Benefit increase of 2.0 percent is projected to start in 2042 and 2.5 percent in 2052.

Description	Minneapolis Employee Retirement Fund [1] 2015	Duluth Teachers Retirement Fund[2] 2015
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	—%	0.55%
Non-Employer Contributing Entity	43.35%	64.98%
Total Primary Government's Proportion of the Net Pension Liability	43.35%	65.53%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ —	$ 1,401
Non-Employer Contributing Entity	95,900	166,948
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 95,900	$ 168,349
Primary Government's Covered-Member Payroll – Measurement Period	N/A	$ 729
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	192.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	46.8%

(1) MERF merged with GERF in reporting fiscal year 2015.

(2) DTRF merged with TRF in reporting fiscal year 2015.

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

Judges Retirement Fund										
Description	2009	2010	2011	2012	2013	2014[2]	2015	2016	2017[3]	2018[4]
Statutorily Required Contribution[1]	$ 8,219	$ 8,283	$ 8,297	$ 7,922	$ 8,177	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027
Covered-Member Payroll	$ 39,444	$ 39,291	$ 40,473	$ 38,644	$ 39,888	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 47,187
Contributions as a Percentage of Covered-Member Payroll	20.8%	21.1%	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%	28.8%	36.1%

(1) Statutorily required contributions equal actual required contributions.
(2) 2014: The required employer contribution rate changed from 20.5 percent to 22.5 percent.
(3) 2017: The required employer contribution rate included an additional $3 million over the percentage of covered payroll.
(4) 2018: The required employer contribution rate included an additional $3 million for a total of $6 million over the percentage of covered payroll.

Legislators Retirement Fund[2]										
Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Statutorily Required Contribution[1]	$ 1,269	$ 1,975	$ 2,805	$ 3,935	$ 3,399	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856
Covered-Member Payroll	$ 1,963	$ 1,877	$ 1,774	$ 1,378	$ 1,233	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033
Contributions as a Percentage of Covered-Member Payroll	64.6%	105.2%	158.1%	285.6%	275.7%	306.2%	189.2%	514.4%	980.4%	857.3%

(1) Statutorily required contributions equal actual required contributions.
(2) LRF employer contributions are on a pay-as-you-go basis.

State Patrol Retirement Fund										
Description	2009	2010[2]	2011	2012[3]	2013	2014	2015[4]	2016	2017[5]	2018
Statutorily Required Contribution[1]	$ 9,178	$ 10,104	$ 9,873	$ 11,620	$ 11,482	$ 12,894	$ 13,763	$ 13,938	$ 15,783	$ 15,952
Covered-Member Payroll	$ 61,511	$ 63,250	$ 63,250	$ 62,524	$ 62,121	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 73,778
Contributions as a Percentage of Covered-Member Payroll	14.9%	16.0%	15.6%	18.6%	18.5%	20.2%	20.1%	20.1%	21.6%	21.6%

(1) Statutorily required contributions equal actual required contributions.
(2) 2010: The required employer contribution rate changed from 14.6 percent to 15.6 percent.
(3) 2012: The required employer contribution rate changed to 18.6 percent.
(4) 2015: The required employer contribution rate changed to 20.1 percent.
(5) 2017: The required employer contribution rate changed to 21.6 percent.

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

Judges Retirement Fund				
Description	2015	2016[1]	2017[2]	2018[3]
Total Pension Liability				
Service Cost	$ 12,075	$ 12,251	$ 13,711	$ 9,483
Interest on the Total Pension Liability	20,535	21,773	21,349	25,366
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(4,958)
Changes in Assumptions	(8,416)	21,696	(85,756)	11,652
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)
Net Change in Total Pension Liability	$ 8,472	$ 29,461	$ (65,939)	$ 18,449
Total Pension Liability, Beginning	$ 373,039	$ 381,511	$ 410,972	$ 345,033
Total Pension Liability, Ending	$ 381,511	$ 410,972	$ 345,033	$ 363,482
Fiduciary Net Position				
Contributions – Employer	$ 9,426	$ 9,776	$ 10,219	$ 13,758
Contributions – Member	3,578	3,629	3,763	3,932
Net Investment Income	28,011	7,572	(186)	24,729
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(89)
Net Change in Plan Fiduciary Net Position	$ 20,158	$ (976)	$ (8,676)	$ 19,236
Plan Fiduciary Net Position, Beginning as Restated	$ 155,398	$ 175,556	$ 174,580	$ 165,904
Plan Fiduciary Net Position, Ending	$ 175,556	$ 174,580	$ 165,904	$ 185,140
Net Pension Liability	$ 205,955	$ 236,392	$ 179,129	$ 178,342
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	42.5%	48.1%	50.9%
Covered-Member Payroll – Measurement Period	$ 41,893	$ 43,449	$ 45,418	$ 47,813
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	394.4%	373.0%

(1) 2016: The discount rate changed from 5.78 percent to 5.25 percent.
(2) 2017: The discount rate changed to 7.50 percent. Benefit increase of 1.75 percent was projected for all future years changed to 1.75 percent through 2041, 2.0 percent for 2042-2054, and 2.5 percent thereafter.
(3) 2018: Benefit increase rate changed to 1.75 percent through 2038, 2.0 percent for 2039-2053, and 2.5 percent thereafter.

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

Legislators Retirement fund				
Description	2015	2016[1]	2017[2]	2018[3]
Total Pension Liability				
Service Cost	$ 398	$ 428	$ 495	$ 546
Interest on the Total Pension Liability	6,177	6,113	5,332	4,293
Difference Between Expected and Actual Experience of the Total Pension Liability	(237)	(7,303)	(1,597)	1,518
Changes in Assumptions	11,201	7,057	14,653	(5,017)
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)
Net Change in Total Pension Liability	$ 9,053	$ (2,146)	$ 10,347	$ (7,376)
Total Pension Liability, Beginning	$ 137,446	$ 146,499	$ 144,353	$ 154,700
Total Pension Liability, Ending	$ 146,499	$ 144,353	$ 154,700	$ 147,324
Fiduciary Net Position				
Contributions – Employer	$ 3,436	$ 3,216	$ 5,087	$ 8,716
Contributions – Member	101	153	89	80
Net Investment Income	1,750	281	(69)	—
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)
Pension Plan Administrative Expenses	(36)	(37)	(42)	(39)
Other Changes	—	—	41	(41)
Net Change in Plan Fiduciary Net Position	$ (3,235)	$ (4,828)	$ (3,430)	$ —
Plan Fiduciary Net Position, Beginning as Restated	$ 11,493	$ 8,258	$ 3,430	$ —
Plan Fiduciary Net Position, Ending	$ 8,258	$ 3,430	$ —	$ —
Net Pension Liability	$ 138,241	$ 140,923	$ 154,700	$ 147,324
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	5.6%	2.4%	—%	—%
Covered-Member Payroll – Measurement Period	$ 1,122	$ 1,700	$ 989	$ 889
Net Pension Liability as a Percentage of Covered-Member Payroll	12,320.9%	8,289.6%	15,642.1%	16,571.9%

(1) 2016: The discount rate changed from 4.29 percent to 3.80 percent. Benefit increase of 2.5 percent was projected to start in 2044 instead of 2015.
(2) 2017: The discount rate changed to 2.85 percent. Benefit increase changed to 2.0 percent for all future years.
(3) 2018: The discount rate changed to 3.56 percent.

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

State Patrol Retirement Fund

Description	2015	2016[1]	2017[2]	2018[3]
Total Pension Liability				
Service Cost	$ 14,514	$ 16,144	$ 16,555	$ 29,758
Interest on the Total Pension Liability	60,183	63,753	64,592	58,865
Difference Between Expected and Actual Experience of the Total Pension Liability	(5,771)	(12,855)	(22,222)	(2,418)
Changes in Assumptions	30,058	—	283,584	(112,694)
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)
Net Change in Total Pension Liability	$ 45,262	$ 11,562	$ 284,735	$ (85,054)
Total Pension Liability, Beginning	$ 781,411	$ 826,673	$ 838,235	$ 1,122,970
Total Pension Liability, Ending	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916
Fiduciary Net Position				
Contributions – Employer	$ 12,894	$ 14,763	$ 14,938	$ 16,783
Contributions – Member	7,930	9,174	9,292	10,520
Net Investment Income	107,187	28,903	(774)	93,077
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)
Pension Plan Administrative Expenses	(150)	(170)	(220)	(208)
Net Change in Plan Fiduciary Net Position	$ 74,139	$ (2,810)	$ (34,538)	$ 61,607
Plan Fiduciary Net Position, Beginning as Restated	$ 593,201	$ 667,340	$ 664,530	$ 629,992
Plan Fiduciary Net Position, Ending	$ 667,340	$ 664,530	$ 629,992	$ 691,599
Net Pension Liability	$ 159,333	$ 173,705	$ 492,978	$ 346,317
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7%	79.3%	56.1%	66.6%
Covered-Member Payroll – Measurement Period	$ 63,952	$ 68,463	$ 69,343	$ 73,056
Net Pension Liability as a Percentage of Covered-Member Payroll	249.1%	253.7%	710.9%	474.0%

(1) 2016: Benefit increase of 1.0 percent was projected to start in 2031 instead of 2018, 1.5 percent through 2052 instead of 2045 and 2.5 percent thereafter.

(2) 2017: The discount rate changed from 7.9 percent to 5.31 percent. Benefit increase changed to 1.0 percent for all future years.

(3) 2018: The discount rate changed to 6.38 percent. Benefit increase changed to 1.0 percent through 2064, and 1.5 percent thereafter.

Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented Governmental Accounting Standards Board Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" in fiscal year 2018, which is the first year the data is available.

Required Supplementary Information
Single Employer Defined Benefit OPEB Plan
Schedule of Changes in Total OPEB Liability
(In Thousands)

Description	2018
Total OPEB Liability[1]:	
Service Cost	$ 51,415
Interest	18,612
Changes in Assumptions or Other Inputs	(32,277)
Benefit Payments	(32,627)
Net Changes in Total OPEB Liability	$ 5,123
Total OPEB Liability, Beginning	617,856
Total OPEB Liability, Ending	$ 622,979
Covered-employee payroll	$ 3,545,697
Total OPEB liability as a percentage of covered-employee payroll	17.6%

(1) Amounts represent the total of the primary government's proportionate share and its discretely presented component unit's proportionate share.

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).

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Required Contribution and Investment Revenue:										
Earned	$ 12,286	$ 25,031	$ 34,161	$ 45,413	$ 49,244	$ 90,110	$ 96,008	$109,484	$120,780	$169,172
Ceded	(1,218)	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)	(4,607)	—	—	—
Net Earned	$ 11,068	$ 22,347	$ 31,501	$ 41,911	$ 44,662	$ 81,738	$ 91,401	$109,484	$120,780	$169,172
2. Unallocated Expenses:										
	$ 1,534	$ 2,037	$ 2,411	$ 3,018	$ 3,612	$ 6,390	$ 7,435	$ 7,846	$ 8,518	$ 10,891
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 9,473	$ 19,350	$ 24,134	$ 38,173	$ 41,959	$ 73,795	$ 86,276	$ 97,089	$ 99,399	$148,773
Ceded	(667)	(562)	(1491)	(2,149)	(4,909)	(5,767)	(7,571)	—	—	—
Net Incurred	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 7,921	$ 16,848	$ 20,720	$ 32,176	$ 33,836	$ 60,813	$ 70,741	$ 87,378	$ 90,091	$135,199
One Year Later	8,482	18,828	23,219	35,718	37,353	68,176	79,461	96,681	98,880	
Two Years Later	8,454	18,826	23,200	35,946	37,608	68,256	79,762	96,506		
Three Years Later	8,454	18,826	23,303	35,986	37,629	68,391	79,906			
Four Years Later	8,454	18,826	23,303	35,986	37,629	68,617				
Five Years Later	8,454	18,826	23,303	35,986	37,713					
Six Years Later	8,454	18,826	23,303	35,986						
Seven Years Later	8,454	18,826	23,303							
Eight Years Later	8,454	18,826								
Nine Years Later	8,454									
5. Reestimated Ceded Claims and Expenses:										
	$ 667	$ 562	$ 1,491	$ 2,149	$ 4,825	$ 5,542	$ 7,374	$ —	$ —	$ —
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773
End of Policy Year	8,502	18,848	23,249	36,006	37,673	68,588	80,027	97,415	99,323	
End of Policy Year	8,454	18,826	23,304	35,946	37,608	68,408	79,981	96,506		
End of Policy Year	8,454	18,826	23,303	35,986	37,629	68,391	79,906			
End of Policy Year	8,454	18,826	23,303	35,986	37,629	68,617				
End of Policy Year	8,454	18,826	23,303	35,986	37,713					
End of Policy Year	8,454	18,826	23,303	35,986						
End of Policy Year	8,454	18,826	23,303							
End of Policy Year	8,454	18,826								
End of Policy Year	8,454									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	$ (352)	$ 38	$ 660	$ (38)	$ 663	$ 589	$ 1,201	$ (583)	$ (76)	$ —

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.

MINNESOTA

State of Minnesota

Combining and Individual Fund Statements – Nonmajor Funds

2018 Comprehensive Annual Financial Report

State of Minnesota

2018 Comprehensive Annual Financial Report

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, 2018
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 3,954,194	$ 727,038	$ 62,583	$ 213,727	$ 4,957,542
Investments	264,365	139,615	1,336,449	—	1,740,429
Accounts Receivable	290,282	—	4,586	17	294,885
Interfund Receivables	144,584	13	1,046	27,653	173,296
Due from Component Units	—	83,246	—	—	83,246
Accrued Investment/Interest Income	761	565	5,047	—	6,373
Federal Aid Receivable	76,203	—	—	—	76,203
Inventories	34,004	—	—	—	34,004
Loans and Notes Receivable	108,218	—	—	—	108,218
Investment In Land	—	—	15,962	—	15,962
Total Assets	$ 4,872,611	$ 950,477	$ 1,425,673	$ 241,397	$ 7,490,158
LIABILITIES					
Accounts Payable	$ 500,968	$ 29	$ 43	$ 50,289	$ 551,329
Interfund Payables	18,372	27,248	9,693	1,712	57,025
Due to Component Units	6,211	—	—	5,999	12,210
Total Liabilities	$ 525,551	$ 27,277	$ 9,736	$ 58,000	$ 620,564
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	$ 103,378	$ —	$ 320	$ —	$ 103,698
Total Deferred Inflows of Resources	$ 103,378	$ —	$ 320	$ —	$ 103,698
FUND BALANCES					
Nonspendable	$ 35,004	$ —	$ 1,407,016	$ —	$ 1,442,020
Restricted	3,520,005	923,200	8,601	159,325	4,611,131
Committed	688,673	—	—	—	688,673
Assigned	—	—	—	24,072	24,072
Total Fund Balances	$ 4,243,682	$ 923,200	$ 1,415,617	$ 183,397	$ 6,765,896
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,872,611	$ 950,477	$ 1,425,673	$ 241,397	$ 7,490,158

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2018
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 447,517	$ —	$ —	$ 12,576	$ 460,093
Motor Vehicle Taxes	1,257,187	—	—	—	1,257,187
Fuel Taxes	936,543	—	—	—	936,543
Other Taxes	229,527	—	—	—	229,527
Federal Revenues	551,763	—	—	—	551,763
Licenses and Fees	370,899	—	338	—	371,237
Departmental Services	144,722	—	27,428	—	172,150
Investment/Interest Income	67,240	15,018	94,137	—	176,395
Other Revenues	1,240,138	16,457	2	—	1,256,597
Net Revenues	$ 5,245,536	$ 31,475	$ 121,905	$ 12,576	$ 5,411,492
Expenditures:					
Agricultural, Environmental and Energy Resources	$ 685,240	$ —	$ 10,104	$ 40,254	$ 735,598
Economic and Workforce Development	188,571	—	—	87,283	275,854
General Education	41,554	—	33,023	5,321	79,898
General Government	81,603	328	534	10,783	93,248
Health and Human Services	347,906	—	—	329	348,235
Higher Education	24,429	—	—	46,330	70,759
Intergovernmental Aid	50	—	—	—	50
Public Safety and Corrections	252,985	—	—	263	253,248
Transportation	2,303,850	—	—	67,761	2,371,611
Total Current Expenditures	$ 3,926,188	$ 328	$ 43,661	$ 258,324	$ 4,228,501
Capital Outlay	326,877	—	—	127,844	454,721
Debt Service	2,312	1,006,957	—	42	1,009,311
Total Expenditures	$ 4,255,377	$ 1,007,285	$ 43,661	$ 386,210	$ 5,692,533
Excess of Revenues Over (Under) Expenditures	$ 990,159	$ (975,810)	$ 78,244	$ (373,634)	$ (281,041)
Other Financing Sources (Uses):					
Bond Issuance	$ —	$ 29,263	$ —	$ 419,925	$ 449,188
Loan Proceeds	2,887	—	—	—	2,887
Issuance of Refunding Bonds	—	404,880	—	—	404,880
Payment to Refunded Bonds Escrow Agent	—	(404,880)	—	—	(404,880)
Bond Issue Premium	—	78,898	—	58,180	137,078
Transfers-In	236,215	879,304	1,370	—	1,116,889
Transfers-Out	(290,388)	—	—	(27,754)	(318,142)
Net Other Financing Sources (Uses)	$ (51,286)	$ 987,465	$ 1,370	$ 450,351	$ 1,387,900
Net Change in Fund Balances	$ 938,873	$ 11,655	$ 79,614	$ 76,717	$ 1,106,859
Fund Balances, Beginning, as Reported	$ 4,137,235	$ 911,545	$ 1,336,003	$ 106,680	$ 6,491,463
Change in Fund Structure	(832,426)	—	—	—	(832,426)
Fund Balances, Beginning, as Restated	$ 3,304,809	$ 911,545	$ 1,336,003	$ 106,680	$ 5,659,037
Fund Balances, Ending	$ 4,243,682	$ 923,200	$ 1,415,617	$ 183,397	$ 6,765,896

MINNESOTA

State of Minnesota

2018
Comprehensive
Annual
Financial Report

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.

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, 2018
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
ASSETS			
Cash and Cash Equivalents	$ 896,341	$ 15,128	$ 28,961
Investments	—	—	—
Accounts Receivable	58,461	—	1,761
Interfund Receivables	12,021	—	314
Accrued Investment/Interest Income	—	—	—
Federal Aid Receivable	72,795	—	—
Inventories	33,994	—	—
Loans and Notes Receivable	—	—	1,352
Total Assets	$ 1,073,612	$ 15,128	$ 32,388
LIABILITIES			
Accounts Payable	$ 158,252	$ 1,534	$ 1,123
Interfund Payables	—	10,630	—
Due to Component Units	3,958	—	—
Total Liabilities	$ 162,210	$ 12,164	$ 1,123
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ 2,051	$ 155	$ —
Total Deferred Inflows of Resources	$ 2,051	$ 155	$ —
FUND BALANCES			
Nonspendable	$ 33,994	$ —	$ —
Restricted	875,357	2,809	31,265
Committed	—	—	—
Total Fund Balances	$ 909,351	$ 2,809	$ 31,265
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,073,612	$ 15,128	$ 32,388

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 188,778	$ 637,430	$ 26,676	$ 69,514	$ 49,605	$ 760,590
—	—	—	—	26,419	96,318
7,951	30,273	7,541	2,696	1,048	10,236
1,498	42,463	—	20,702	1,114	11,055
—	—	—	—	68	255
25	42	—	—	3,341	—
—	—	—	—	—	—
—	—	—	—	—	481
$ 198,252	$ 710,208	$ 34,217	$ 92,912	$ 81,595	$ 878,935
$ 35,355	$ 161,032	$ 2,430	$ 7,522	$ 6,807	$ 9,161
—	—	1,135	1,396	350	—
46	149	—	—	304	268
$ 35,401	$ 161,181	$ 3,565	$ 8,918	$ 7,461	$ 9,429
$ 174	$ 664	$ 104	$ 708	$ 591	$ 2,737
$ 174	$ 664	$ 104	$ 708	$ 591	$ 2,737
$ —	$ —	$ —	$ —	$ —	$ —
162,677	548,363	30,548	—	73,543	866,769
—	—	—	83,286	—	—
$ 162,677	$ 548,363	$ 30,548	$ 83,286	$ 73,543	$ 866,769
$ 198,252	$ 710,208	$ 34,217	$ 92,912	$ 81,595	$ 878,935

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2018
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
ASSETS			
Cash and Cash Equivalents	$ 73,263	$ 419,341	$ 40,904
Investments	140,086	—	1,542
Accounts Receivable	1,303	28,047	332
Interfund Receivables	—	36,893	—
Accrued Investment/Interest Income	433	—	5
Federal Aid Receivable	—	—	—
Inventories	—	—	—
Loans and Notes Receivable	32,783	—	—
Total Assets	$ 247,868	$ 484,281	$ 42,783
LIABILITIES			
Accounts Payable	$ 41	$ 18,348	$ 753
Interfund Payables	—	992	—
Due to Component Units	—	586	18
Total Liabilities	$ 41	$ 19,926	$ 771
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ 1,303	$ —	$ 6
Total Deferred Inflows of Resources	$ 1,303	$ —	$ 6
FUND BALANCES			
Nonspendable	$ —	$ —	$ 1,000
Restricted	—	464,355	41,006
Committed	246,524	—	—
Total Fund Balances	$ 246,524	$ 464,355	$ 42,006
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 247,868	$ 484,281	$ 42,783

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 76,537	$ —	$ 57,772	$ 613,354	$ 3,954,194
—	—	—	—	264,365
79,054	—	17,921	43,658	290,282
675	—	73	17,776	144,584
—	—	—	—	761
—	—	—	—	76,203
—	—	—	10	34,004
—	—	—	73,602	108,218
$ 156,266	$ —	$ 75,766	$ 748,400	$ 4,872,611
$ 28,314	$ —	$ 4,054	$ 66,242	$ 500,968
2	—	—	3,867	18,372
—	—	—	882	6,211
$ 28,316	$ —	$ 4,054	$ 70,991	$ 525,551
$ 79,650	$ —	$ 1,226	$ 14,009	$ 103,378
$ 79,650	$ —	$ 1,226	$ 14,009	$ 103,378
$ —	$ —	$ —	$ 10	$ 35,004
48,300	—	70,486	304,527	3,520,005
—	—	—	358,863	688,673
$ 48,300	$ —	$ 70,486	$ 663,400	$ 4,243,682
$ 156,266	$ —	$ 75,766	$ 748,400	$ 4,872,611

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS
Net Revenues:			
Sales Taxes	$ 49,953	$ —	$ 6,150
Motor Vehicle Taxes	730,871	4,899	11,420
Fuel Taxes	530,614	7,451	6,118
Other Taxes	—	—	—
Federal Revenues	496,638	—	—
Licenses and Fees	7,115	1,406	930
Departmental Services	7,003	881	3
Investment/Interest Income	11,949	1	341
Other Revenues	32,190	—	—
Net Revenues	$ 1,866,333	$ 14,638	$ 24,962
Expenditures:			
Agricultural, Environmental and Energy Resources	$ —	$ —	$ —
Economic and Workforce Development	—	—	—
General Education	—	—	—
General Government	—	2,190	—
Health and Human Services	—	—	—
Higher Education	—	—	—
Intergovernmental Aid	—	—	—
Public Safety and Corrections	104,528	9,381	—
Transportation	1,215,106	117	28,711
Total Current Expenditures	$ 1,319,634	$ 11,688	$ 28,711
Capital Outlay	296,845	—	446
Debt Service	403	20	—
Total Expenditures	$ 1,616,882	$ 11,708	$ 29,157
Excess of Revenues Over (Under) Expenditures	$ 249,451	$ 2,930	$ (4,195)
Other Financing Sources (Uses):			
Loan Proceeds	$ —	$ —	$ —
Transfers-In	6,163	—	—
Transfers-Out	(211,009)	(1,051)	—
Net Other Financing Sources (Uses)	$ (204,846)	$ (1,051)	$ —
Net Change in Fund Balances	$ 44,605	$ 1,879	$ (4,195)
Fund Balances, Beginning, as Reported	$ 864,746	$ 930	$ 35,460
Change in Fund Structure	—	—	—
Fund Balances, Beginning, as Restated	$ 864,746	$ 930	$ 35,460
Fund Balances, Ending	$ 909,351	$ 2,809	$ 31,265

MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 7,251	$ 64,367	$ —	$ —	$ —	$ —
106,095	403,902	—	—	—	—
77,024	293,234	—	22,102	—	—
—	—	—	—	—	62,772
275	248	—	366	37,652	63
—	—	25,982	27,329	65,526	41,288
—	—	—	33,492	1,722	2,106
2,730	9,765	335	288	2,908	13,716
—	—	46	1,836	120	851,804
$ 193,375	$ 771,516	$ 26,363	$ 85,413	$ 107,928	$ 971,749
$ —	$ —	$ 4,561	$ 84,001	$ 106,794	$ 233,703
—	—	6,624	—	—	1,134
—	—	—	160	—	—
—	—	—	—	—	343
—	—	—	—	—	749
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	72
206,327	770,874	—	6,000	—	—
$ 206,327	$ 770,874	$ 11,185	$ 90,161	$ 106,794	$ 236,001
—	724	—	1,559	843	1,056
—	—	—	20	—	—
$ 206,327	$ 771,598	$ 11,185	$ 91,740	$ 107,637	$ 237,057
$ (12,952)	$ (82)	$ 15,178	$ (6,327)	$ 291	$ 734,692
$ —	$ —	$ —	$ —	$ —	$ —
—	2,000	787	17,763	15,067	8,773
(16)	(51)	(8,770)	(2,767)	(1,567)	(863)
$ (16)	$ 1,949	$ (7,983)	$ 14,996	$ 13,500	$ 7,910
$ (12,968)	$ 1,867	$ 7,195	$ 8,669	$ 13,791	$ 742,602
$ 175,645	$ 546,496	$ 23,353	$ 74,617	$ 59,752	$ 124,167
—	—	—	—	—	—
$ 175,645	$ 546,496	$ 23,353	$ 74,617	$ 59,752	$ 124,167
$ 162,677	$ 548,363	$ 30,548	$ 83,286	$ 73,543	$ 866,769

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT
Net Revenue:			
Sales Taxes	$ —	$ 319,757	$ —
Motor Vehicle Taxes	—	—	—
Fuel Taxes	—	—	—
Other Taxes	3,144	—	—
Federal Revenues	—	—	—
Licenses and Fees	—	—	—
Departmental Services	97	—	—
Investment/Interest Income	12,927	5,833	775
Other Revenues	—	64	11,036
Net Revenues	$ 16,168	$ 325,654	$ 11,811
Expenditures:			
Agricultural, Environmental and Energy Resources	$ —	$ 166,345	$ 3,304
Economic and Workforce Development	1,474	11,384	234
General Education	—	19,050	1,231
General Government	—	41,239	1,954
Health and Human Services	—	3,915	623
Higher Education	—	1,008	—
Intergovernmental Aid	—	—	—
Public Safety and Corrections	—	—	274
Transportation	—	17,534	—
Total Current Expenditures	$ 1,474	$ 260,475	$ 7,620
Capital Outlay	—	16,051	3,190
Debt Service	1,524	—	—
Total Expenditures	$ 2,998	$ 276,526	$ 10,810
Excess of Revenues Over (Under) Expenditures	$ 13,170	$ 49,128	$ 1,001
Other Financing Sources (Uses):			
Loan Proceeds	$ —	$ —	$ —
Transfers-In	2,957	23,023	950
Transfers-Out	(2,548)	(1,048)	—
Net Other Financing Sources (Uses)	$ 409	$ 21,975	$ 950
Net Change in Fund Balances	$ 13,579	$ 71,103	$ 1,951
Fund Balances, Beginning, as Reported	$ 232,945	$ 393,252	$ 40,055
Change in Fund Structure	—	—	—
Fund Balances, Beginning, as Restated	$ 232,945	$ 393,252	$ 40,055
Fund Balances, Ending	$ 246,524	$ 464,355	$ 42,006

SPECIAL COMPENSATION	HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ —	$ —	$ —	$ 39	$ 447,517
—	—	—	—	1,257,187
—	—	—	—	936,543
80,179	—	59,992	23,440	229,527
—	—	—	16,521	551,763
2,428	—	—	198,895	370,899
3,409	—	—	96,009	144,722
1,294	—	768	3,610	67,240
—	—	—	343,042	1,240,138
$ 87,310	$ —	$ 60,760	$ 681,556	$ 5,245,536
$ 742	$ —	$ —	$ 85,790	$ 685,240
73,065	—	46,948	47,708	188,571
—	—	—	21,113	41,554
6,861	—	—	29,016	81,603
—	—	—	342,619	347,906
—	—	—	23,421	24,429
—	—	—	50	50
—	—	—	138,730	252,985
—	—	—	59,181	2,303,850
$ 80,668	$ —	$ 46,948	$ 747,628	$ 3,926,188
5	—	—	6,158	326,877
—	—	—	345	2,312
$ 80,673	$ —	$ 46,948	$ 754,131	$ 4,255,377
$ 6,637	$ —	$ 13,812	$ (72,575)	$ 990,159
$ —	$ —	$ —	$ 2,887	$ 2,887
—	—	—	158,732	236,215
(113)	—	(1,338)	(59,247)	(290,388)
$ (113)	$ —	$ (1,338)	$ 102,372	$ (51,286)
$ 6,524	$ —	$ 12,474	$ 29,797	$ 938,873
$ 41,776	$ 832,426	$ 58,012	$ 633,603	$ 4,137,235
—	(832,426)	—	—	(832,426)
$ 41,776	$ —	$ 58,012	$ 633,603	$ 3,304,809
$ 48,300	$ —	$ 70,486	$ 663,400	$ 4,243,682

STATE OF MINNESOTA

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ —	$ —	$ 87,781	$ 84,810
Motor Vehicle Taxes	—	—	1,248,695	1,245,302
Fuel Taxes	—	—	922,100	925,737
Other Taxes	—	—	—	—
Federal Revenues	504,489	601,332	—	—
Licenses and Fees	6,531	7,091	1,530	1,406
Departmental Services	8,770	12,135	925	873
Investment/Interest Income	12,652	10,659	2,048	2,192
Other Revenues	27,770	35,566	—	—
Net Revenues	$ 560,212	$ 666,783	$ 2,263,079	$ 2,260,320
Expenditures:				
Agricultural, Environmental and Energy Resources	$ —	$ —	$ —	$ —
Economic and Workforce Development	—	—	—	—
General Education	—	—	—	—
General Government	—	—	2,184	2,184
Health and Human Services	—	—	—	—
Higher Education	—	—	—	—
Intergovernmental Aid	—	—	20	20
Public Safety and Corrections	107,822	104,748	10,474	9,426
Transportation	1,796,177	1,640,974	116	116
Total Expenditures	$ 1,903,999	$ 1,745,722	$ 12,794	$ 11,746
Excess of Revenues Over (Under) Expenditures	$ (1,343,787)	$ (1,078,939)	$ 2,250,285	$ 2,248,574
Other Financing Sources (Uses):				
Transfers-In	$ 1,316,435	$ 1,316,678	$ —	$ —
Transfers-Out	(211,009)	(211,009)	(2,248,105)	(2,248,105)
Net Other Financing Sources (Uses)	$ 1,105,426	$ 1,105,669	$ (2,248,105)	$ (2,248,105)
Net Change in Fund Balances	$ (238,361)	$ 26,730	$ 2,180	$ 469
Fund Balances, Beginning, as Reported	$ 377,051	$ 377,051	$ 11,405	$ 11,405
Prior Period Adjustments	—	33,264	—	178
Fund Balances, Beginning, as Restated	$ 377,051	$ 410,315	$ 11,405	$ 11,583
Budgetary Fund Balances, Ending	$ 138,690	$ 437,045	$ 13,585	$ 12,052
Less: Appropriation Carryover	—	182,481	—	1,048
Less: Reserved for Long-Term Receivables	—	—	—	—
Unassigned Fund Balance, Ending	$ 138,690	$ 254,564	$ 13,585	$ 11,004

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 5,000	$ 6,153	$ —	$ —	$ 13,535	$ 14,054
10,000	11,439	—	—	—	—
6,574	5,987	—	—	—	—
—	—	—	—	—	—
—	—	—	—	1,001	1,728
713	927	27,006	25,963	27,766	27,333
2	3	—	—	28,706	33,934
511	341	140	335	98	288
33	32	100	63	1,464	1,838
$ 22,833	$ 24,882	$ 27,246	$ 26,361	$ 72,570	$ 79,175
$ —	$ —	$ 5,949	$ 5,777	$ 105,697	$ 95,240
—	—	4,949	4,949	—	—
—	—	—	—	160	160
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
31,889	31,768	—	—	6,000	6,000
$ 31,889	$ 31,768	$ 10,898	$ 10,726	$ 111,857	$ 101,400
$ (9,056)	$ (6,886)	$ 16,348	$ 15,635	$ (39,287)	$ (22,225)
$ —	$ —	$ 787	$ 787	$ 34,463	$ 33,501
—	—	(8,770)	(8,770)	(1,382)	(1,382)
$ —	$ —	$ (7,983)	$ (7,983)	$ 33,081	$ 32,119
$ (9,056)	$ (6,886)	$ 8,365	$ 7,652	$ (6,206)	$ 9,894
$ 20,963	$ 20,963	$ 17,096	$ 17,096	$ 41,663	$ 41,663
—	458	—	899	—	4,884
$ 20,963	$ 21,421	$ 17,096	$ 17,995	$ 41,663	$ 46,547
$ 11,907	$ 14,535	$ 25,461	$ 25,647	$ 35,457	$ 56,441
—	9,721	—	6,058	—	21,911
—	1,352	—	—	—	—
$ 11,907	$ 3,462	$ 25,461	$ 19,589	$ 35,457	$ 34,530

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ 13,535	$ 14,054	$ —	$ —
Motor Vehicle Taxes	—	—	—	—
Fuel Taxes	—	—	—	—
Other Taxes	—	—	60,485	62,532
Federal Revenues	29,750	37,652	—	—
Licenses and Fees	67,742	65,620	38,401	41,279
Departmental Services	1,492	1,719	1,737	2,104
Investment/Interest Income	168	506	2,942	4,692
Other Revenues	133	129	853,715	852,319
Net Revenues	$ 112,820	$ 119,680	$ 957,280	$ 962,926
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 113,285	$ 106,110	$ 241,818	$ 238,000
Economic and Workforce Development	—	—	700	700
General Education	—	—	—	—
General Government	—	—	748	333
Health and Human Services	—	—	996	885
Higher Education	—	—	—	—
Intergovernmental Aid	—	—	—	—
Public Safety and Corrections	—	—	73	72
Transportation	—	—	—	—
Total Expenditures	$ 113,285	$ 106,110	$ 244,335	$ 239,990
Excess of Revenues Over (Under) Expenditures	$ (465)	$ 13,570	$ 712,945	$ 722,936
Other Financing Sources (Uses):				
Transfers-In	$ 1,026	$ 1,026	$ 11,339	$ 8,774
Transfers-Out	(1,617)	(1,617)	(863)	(863)
Net Other Financing Sources (Uses)	$ (591)	$ (591)	$ 10,476	$ 7,911
Net Change in Fund Balances	$ (1,056)	$ 12,979	$ 723,421	$ 730,847
Fund Balances, Beginning, as Reported	$ 40,548	$ 40,548	$ 30,023	$ 30,023
Prior Period Adjustments	—	798	—	1,451
Fund Balances, Beginning, as Restated	$ 40,548	$ 41,346	$ 30,023	$ 31,474
Budgetary Fund Balances, Ending	$ 39,492	$ 54,325	$ 753,444	$ 762,321
Less: Appropriation Carryover	—	15,605	—	735,929
Less: Reserved for Long-Term Receivables	—	—	—	481
Unassigned Fund Balance, Ending	$ 39,492	$ 38,720	$ 753,444	$ 25,911

HERITAGE		SPECIAL COMPENSATION		WORKFORCE DEVELOPMENT	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 320,007	$ 317,376	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	76,826	78,829	56,855	58,183
—	—	—	—	—	—
—	—	2,107	1,850	—	—
—	—	4,967	3,063	—	—
2,516	5,832	—	1,288	513	768
8	76	—	—	—	—
$ 322,531	$ 323,284	$ 83,900	$ 85,030	$ 57,368	$ 58,951
$ 217,501	$ 209,386	$ 751	$ 741	$ —	$ —
14,601	14,601	65,647	64,447	66,952	65,512
22,900	21,549	—	—	—	—
44,617	42,229	7,885	7,219	—	—
4,856	4,651	—	—	—	—
1,008	1,008	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
17,534	17,534	—	—	—	—
$ 323,017	$ 310,958	$ 74,283	$ 72,407	$ 66,952	$ 65,512
$ (486)	$ 12,326	$ 9,617	$ 12,623	$ (9,584)	$ (6,561)
$ 23,545	$ 23,024	$ —	$ —	$ —	$ —
(1,088)	(1,088)	(113)	(113)	—	—
$ 22,457	$ 21,936	$ (113)	$ (113)	$ —	$ —
$ 21,971	$ 34,262	$ 9,504	$ 12,510	$ (9,584)	$ (6,561)
$ 160,973	$ 160,973	$ 56,267	$ 56,267	$ 22,123	$ 22,123
—	33,541	—	1,463	—	5,852
$ 160,973	$ 194,514	$ 56,267	$ 57,730	$ 22,123	$ 27,975
$ 182,944	$ 228,776	$ 65,771	$ 70,240	$ 12,539	$ 21,414
—	165,387	—	21,983	—	1,899
—	—	—	—	—	—
$ 182,944	$ 63,389	$ 65,771	$ 48,257	$ 12,539	$ 19,515

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	RENEWABLE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ —	$ —	$ 439,858	$ 436,447
Motor Vehicle Taxes	—	—	1,258,695	1,256,741
Fuel Taxes	—	—	928,674	931,724
Other Taxes	—	—	194,166	199,544
Federal Revenues	—	—	535,240	640,712
Licenses and Fees	—	—	171,796	171,469
Departmental Services	—	—	46,599	53,831
Investment/Interest Income	271	819	21,859	27,720
Other Revenues	8,818	8,818	892,041	898,841
Net Revenues	$ 9,089	$ 9,637	$ 4,488,928	$ 4,617,029
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 3,009	$ 3,009	$ 688,010	$ 658,263
Economic and Workforce Development	15,150	15,016	167,999	165,225
General Education	—	—	23,060	21,709
General Government	—	—	55,434	51,965
Health and Human Services	—	—	5,852	5,536
Higher Education	—	—	1,008	1,008
Intergovernmental Aid	—	—	20	20
Public Safety and Corrections	—	—	118,369	114,246
Transportation	—	—	1,851,716	1,696,392
Total Expenditures	$ 18,159	$ 18,025	$ 2,911,468	$ 2,714,364
Excess of Revenues Over (Under) Expenditures	$ (9,070)	$ (8,388)	$ 1,577,460	$ 1,902,665
Other Financing Sources (Uses):				
Transfers-In	$ 56,431	$ 56,416	$ 1,444,026	$ 1,440,206
Transfers-Out	—	—	(2,472,947)	(2,472,947)
Net Other Financing Sources (Uses)	$ 56,431	$ 56,416	$ (1,028,921)	$ (1,032,741)
Net Change in Fund Balances	$ 47,361	$ 48,028	$ 548,539	$ 869,924
Fund Balances, Beginning, as Reported	$ —	$ —	$ 778,112	$ 778,112
Prior Period Adjustments	—	—	—	82,788
Fund Balances, Beginning, as Restated	$ —	$ —	$ 778,112	$ 860,900
Budgetary Fund Balances, Ending	$ 47,361	$ 48,028	$ 1,326,651	$ 1,730,824
Less: Appropriation Carryover	—	134	—	1,162,156
Less: Reserved for Long-Term Receivables	—	—	—	1,833
Unassigned Fund Balance, Ending	$ 47,361	$ 47,894	$ 1,326,651	$ 566,835

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, 2018
(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. The GAAP fund balances also include several funds that are not included in the budgetary fund balances. 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
GAAP Basis Fund Balance:	$ 909,351	$ 2,809	$ 31,265	$ 30,548
Less: Nonspendable Inventory	33,994	—	—	—
Less: Encumbrances	920,024	48	15,782	4,876
Unassigned Fund Balance	$ (44,667)	$ 2,761	$ 15,483	$ 25,672
Basis of Accounting Differences:				
Revenue Accruals/Adjustments:				
Taxes Receivable	$ (45,185)	$ —	$ (948)	$ —
Other Receivables	—	(723)	—	(25)
Investments at Market	—	—	—	—
Expenditure Accruals/Adjustments:				
Other Payables	5,670	10,014	—	—
Other Financing Sources (Uses):				
Transfers-In	—	—	—	—
Transfers-Out	—	—	—	—
Perspective Differences:				
Accounts with no Legally Adopted Budget	—	—	—	—
Long-Term Receivables	—	—	(1,352)	—
Long-Term Commitments	521,227	—	—	—
Appropriation Carryover	(182,481)	(1,048)	(9,721)	(6,058)
Budgetary Basis:				
Unassigned Fund Balance	$ 254,564	$ 11,004	$ 3,462	$ 19,589

NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION	HERITAGE	SPECIAL COMPENSATION	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE
$ 83,286	$ 73,543	$ 866,769	$ 464,355	$ 48,300	$ 70,486	$ 663,400
—	—	—	—	—	—	—
8,281	3,359	7,153	208,560	1,019	32,184	12,595
$ 75,005	$ 70,184	$ 859,616	$ 255,795	$ 47,281	$ 38,302	$ 650,805
$ —	$ —	$ (7,496)	$ (29,029)	$ —	$ (16,815)	$ —
(18,284)	(902)	—	(51)	(3,459)	(73)	—
—	(14,192)	(953)	—	—	—	—
						—
—	—	—	2,061	26,418	—	—
(1,676)	(1,115)	—	—	—	—	—
1,396	350	—	—	—	—	—
—	—	(88,846)	—	—	—	(602,777)
—	—	(481)	—	—	—	—
—	—	—	—	—	—	—
(21,911)	(15,605)	(735,929)	(165,387)	(21,983)	(1,899)	(134)
$ 34,530	$ 38,720	$ 25,911	$ 63,389	$ 48,257	$ 19,515	$ 47,894

MINNESOTA

State of Minnesota

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.

2018 Comprehensive Annual Financial Report

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 160,058	$ 26,265	$ 27,404	$ 213,727
Accounts Receivable	1	—	16	17
Interfund Receivables	15,077	—	12,576	27,653
Total Assets	$ 175,136	$ 26,265	$ 39,996	$ 241,397
LIABILITIES				
Accounts Payable	$ 36,041	$ 2,193	$ 12,055	$ 50,289
Interfund Payables	9	—	1,703	1,712
Due to Component Units	5,999	—	—	5,999
Total Liabilities	$ 42,049	$ 2,193	$ 13,758	$ 58,000
FUND BALANCES				
Restricted	$ 133,087	$ —	$ 26,238	$ 159,325
Assigned	—	24,072	—	24,072
Total Fund Balances	$ 133,087	$ 24,072	$ 26,238	$ 183,397
Total Liabilities and Fund Balances	$ 175,136	$ 26,265	$ 39,996	$ 241,397

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Sales Taxes	$ —	$ —	$ 12,576	$ 12,576
Net Revenues	$ —	$ —	$ 12,576	$ 12,576
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 38,510	$ 1,744	$ —	$ 40,254
Economic and Workforce Development	81,039	6,244	—	87,283
General Education	4,319	1,002	—	5,321
General Government	10,200	270	313	10,783
Health and Human Services	—	329	—	329
Higher Education	46,330	—	—	46,330
Public Safety and Corrections	263	—	—	263
Transportation	14,020	6,458	47,283	67,761
Total Current Expenditures	$ 194,681	$ 16,047	$ 47,596	$ 258,324
Capital Outlay	42,703	3,335	81,806	127,844
Debt Service	42	—	—	42
Total Expenditures	$ 237,426	$ 19,382	$ 129,402	$ 386,210
Excess of Revenues Over (Under) Expenditures	$ (237,426)	$ (19,382)	$ (116,826)	$ (373,634)
Other Financing Sources (Uses):				
Bond Issuance	$ 296,644	$ —	$ 123,281	$ 419,925
Bond Issue Premium	56,361	—	1,819	58,180
Transfers-Out	(27,306)	—	(448)	(27,754)
Net Other Financing Sources (Uses)	$ 325,699	$ —	$ 124,652	$ 450,351
Net Change in Fund Balances	$ 88,273	$ (19,382)	$ 7,826	$ 76,717
Fund Balances, Beginning, as Reported	$ 44,814	$ 43,454	$ 18,412	$ 106,680
Fund Balances, Ending	$ 133,087	$ 24,072	$ 26,238	$ 183,397

MINNESOTA

State of Minnesota

2018
Comprehensive
Annual
Financial Report

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.

Nonmajor Enterprise Funds – Continued

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, 2018
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 3,281	$ 46,676	$ 3,793	$ 12,676
Accounts Receivable	931	6,356	52	8,025
Interfund Receivables	—	—	—	—
Inventories	—	602	213	6,865
Prepaid Expenses	—	—	—	—
Total Current Assets	$ 4,212	$ 53,634	$ 4,058	$ 27,566
Noncurrent Assets:				
Accounts Receivable	$ 1,097	$ 6	$ —	$ —
Depreciable Capital Assets (Net)	313	362	27,533	7,280
Nondepreciable Capital Assets	—	3	1,869	—
Total Noncurrent Assets	$ 1,410	$ 371	$ 29,402	$ 7,280
Total Assets	$ 5,622	$ 54,005	$ 33,460	$ 34,846
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows	$ 11,413	$ 11,489	$ 1,974	$ 19,581
Deferred Other Postemployment Benefits Outflows	66	30	2	322
Total Deferred Outflows of Resources	$ 11,479	$ 11,519	$ 1,976	$ 19,903
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,276	$ 27,851	$ 743	$ 2,564
Interfund Payables	1,830	19	—	—
Due to Component Units	—	—	—	—
Unearned Revenue	—	16	—	—
Accrued Interest Payable	—	—	—	—
Bonds and Notes Payable	—	—	—	—
Claims Payable	—	—	—	—
Compensated Absences Payable	151	81	4	208
Total Current Liabilities	$ 3,257	$ 27,967	$ 747	$ 2,772
Noncurrent Liabilities:				
Unearned Revenues	$ —	$ —	$ —	$ —
Bonds and Notes Payable	—	—	—	—
Compensated Absences Payable	604	675	18	1,202
Other Postemployment Benefits	1,160	533	31	4,253
Net Pension Liability	13,670	13,765	2,364	40,284
Total Noncurrent Liabilities	$ 15,434	$ 14,973	$ 2,413	$ 45,739
Total Liabilities	$ 18,691	$ 42,940	$ 3,160	$ 48,511
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Inflows	$ 8,182	$ 8,240	$ 1,415	$ 11,581
Deferred Other Postemployment Benefits Inflows	54	24	1	198
Total Deferred Inflows of Resources	$ 8,236	$ 8,264	$ 1,416	$ 11,779
NET POSITION				
Net Investment in Capital Assets	$ 313	$ 365	$ 29,402	$ 7,280
Restricted for:				
Develop Economy and Workforce	$ —	$ —	$ 1,458	$ —
Enhance 911 Services and Increase Safety	—	—	—	—
Other Purposes	—	13,955	—	—
Total Restricted	$ —	$ 13,955	$ 1,458	$ —
Unrestricted	$ (10,139)	$ —	$ —	$ (12,821)
Total Net Position	$ (9,826)	$ 14,320	$ 30,860	$ (5,541)

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 10,575	$ 50,860	$ 78,469	$ —	$ 25,593	$ 9,008	$ 240,931
1,301	115	4,329	—	5,469	1,350	27,928
3,240	1,130	—	—	—	1,830	6,200
—	—	—	—	1,637	—	9,317
—	—	—	—	579	—	579
$ 15,116	$ 52,105	$ 82,798	$ —	$ 33,278	$ 12,188	$ 284,955
$ —	$ —	$ —	$ —	$ —	$ 774	$ 1,877
35,141	96,706	—	—	1,393	1,485	170,213
5,091	13,920	—	—	—	786	21,669
$ 40,232	$ 110,626	$ —	$ —	$ 1,393	$ 3,045	$ 193,759
$ 55,348	$ 162,731	$ 82,798	$ —	$ 34,671	$ 15,233	$ 478,714
$ 16,966	$ 7,579	$ 273	$ —	$ 20,040	$ 58,135	$ 147,450
61	54	1	—	57	679	1,272
$ 17,027	$ 7,633	$ 274	$ —	$ 20,097	$ 58,814	$ 148,722
$ 3,593	$ 3,810	$ 3,046	$ —	$ 13,468	$ 5,902	$ 62,253
3,945	—	—	—	18,712	—	24,506
—	6	—	—	—	—	6
—	—	8,303	—	354	—	8,673
—	217	—	—	—	—	217
—	20,400	—	—	—	—	20,400
—	—	14,017	—	—	—	14,017
99	109	8	—	203	1,188	2,051
$ 7,637	$ 24,542	$ 25,374	$ —	$ 32,737	$ 7,090	$ 132,123
$ —	$ —	$ —	$ —	$ 418	$ —	$ 418
—	36,638	—	—	—	—	36,638
545	476	41	—	1,314	5,749	10,624
1,066	956	10	—	988	11,934	20,931
20,321	9,076	328	—	24,003	69,634	193,445
$ 21,932	$ 47,146	$ 379	$ —	$ 26,723	$ 87,317	$ 262,056
$ 29,569	$ 71,688	$ 25,753	$ —	$ 59,460	$ 94,407	$ 394,179
$ 12,165	$ 5,434	$ 196	$ —	$ 14,368	$ 41,684	$ 103,265
50	44	1	—	46	554	972
$ 12,215	$ 5,478	$ 197	$ —	$ 14,414	$ 42,238	$ 104,237
$ 40,232	$ 53,588	$ —	$ —	$ 1,393	$ 2,271	$ 134,844
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,458
—	39,610	—	—	—	—	39,610
—	—	57,122	—	—	—	71,077
$ —	$ 39,610	$ 57,122	$ —	$ —	$ —	$ 112,145
$ (9,641)	$ —	$ —	$ —	$ (20,499)	$ (64,869)	$ (117,969)
$ 30,591	$ 93,198	$ 57,122	$ —	$ (19,106)	$ (62,598)	$ 129,020

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ 11,917	$ 30,921	$ 4,909	$ 50,519
Insurance Premiums	—	—	—	—
Other Income	23	2,098	—	4,153
Total Operating Revenues	$ 11,940	$ 33,019	$ 4,909	$ 54,672
Less: Cost of Goods Sold	—	250	836	20,443
Gross Margin	$ 11,940	$ 32,769	$ 4,073	$ 34,229
Operating Expenses:				
Purchased Services	$ 1,018	$ 7,257	$ 7,083	$ 2,883
Salaries and Fringe Benefits	7,756	12,580	292	16,383
Claims	—	—	—	—
Depreciation and Amortization	51	55	1,996	1,301
Supplies and Materials	743	656	216	1,051
Repairs and Maintenance	176	41	—	334
Indirect Costs	216	190	—	2,214
Other Expenses	21	49	102	9,428
Total Operating Expenses	$ 9,981	$ 20,828	$ 9,689	$ 33,594
Operating Income (Loss)	$ 1,959	$ 11,941	$ (5,616)	$ 635
Nonoperating Revenues (Expenses):				
Investment Income	$ 70	$ 22	$ —	$ 201
Federal Grants	—	—	—	—
Other Nonoperating Revenues	—	—	—	—
Interest and Financing Costs	—	—	—	—
Grants, Aids and Subsidies	—	—	—	(4,098)
Other Nonoperating Expenses	—	(13,949)	—	—
Gain (Loss) on Disposal of Capital Assets	—	—	(1)	2
Total Nonoperating Revenues (Expenses)	$ 70	$ (13,927)	$ (1)	$ (3,895)
Income (Loss) Before Transfers and Contributions	$ 2,029	$ (1,986)	$ (5,617)	$ (3,260)
Capital Contributions	—	—	—	9
Transfers-In	6,513	1,530	7,391	—
Transfers-Out	—	(22)	—	—
Change in Net Position	$ 8,542	$ (478)	$ 1,774	$ (3,251)
Net Position, Beginning, as Reported	$ (17,875)	$ 15,195	$ 29,196	$ 1,332
Change in Accounting Principle	(493)	(397)	(110)	(3,622)
Change in Fund Structure	—	—	—	—
Net Position, Beginning, as Restated	$ (18,368)	$ 14,798	$ 29,086	$ (2,290)
Net Position, Ending	$ (9,826)	$ 14,320	$ 30,860	$ (5,541)

MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ —	$ 79,130	$ —	$ —	$ 596,453	$ 103,718	$ 877,567
—	—	167,617	—	—	—	167,617
36,613	—	657	—	—	276	43,820
$ 36,613	$ 79,130	$ 168,274	$ —	$ 596,453	$ 103,994	$ 1,089,004
—	—	—	—	422,963	—	444,492
$ 36,613	$ 79,130	$ 168,274	$ —	$ 173,490	$ 103,994	$ 644,512
$ 18,733	$ 14,045	$ 10,759	$ —	$ 13,255	$ 7,059	$ 82,092
18,530	7,298	223	—	16,970	107,041	187,073
—	—	148,022	—	—	—	148,022
7,789	10,252	—	—	572	260	22,276
70	596	—	—	1,173	2,192	6,697
11	397	—	—	—	756	1,715
128	86	—	—	—	1,234	4,068
—	8	93	—	441	140	10,282
$ 45,261	$ 32,682	$ 159,097	$ —	$ 32,411	$ 118,682	$ 462,225
$ (8,648)	$ 46,448	$ 9,177	$ —	$ 141,079	$ (14,688)	$ 182,287
$ 97	$ 11	$ 1,083	$ —	$ 440	$ 160	$ 2,084
5,313	—	—	—	—	—	5,313
6,325	—	—	—	—	—	6,325
—	(1,798)	—	—	—	—	(1,798)
—	(17,100)	—	—	—	(877)	(22,075)
(6,416)	—	—	—	—	—	(20,365)
—	(2,096)	—	—	44	156	(1,895)
$ 5,319	$ (20,983)	$ 1,083	$ —	$ 484	$ (561)	$ (32,411)
$ (3,329)	$ 25,465	$ 10,260	$ —	$ 141,563	$ (15,249)	$ 149,876
—	—	—	—	—	—	9
—	—	—	—	—	9,090	24,524
—	(683)	—	—	(145,099)	(75)	(145,879)
$ (3,329)	$ 24,782	$ 10,260	$ —	$ (3,536)	$ (6,234)	$ 28,530
$ 34,859	$ 68,778	$ 46,869	$ (6,708)	$ (14,843)	$ (46,345)	$ 110,458
(939)	(362)	(7)	(297)	(727)	(10,019)	(16,973)
—	—	—	7,005	—	—	7,005
$ 33,920	$ 68,416	$ 46,862	$ —	$ (15,570)	$ (56,364)	$ 100,490
$ 30,591	$ 93,198	$ 57,122	$ —	$ (19,106)	$ (62,598)	$ 129,020

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 11,992	$ 30,660	$ 4,919	$ 48,594
Receipts from Other Revenues	23	2,098	—	4,153
Payments to Claimants	—	—	—	—
Payments to Suppliers	(9,379)	(8,243)	(8,193)	(35,365)
Payments to Employees	(7,183)	(9,508)	(329)	(13,367)
Payments to Others	—	(13,949)	—	—
Net Cash Flows from Operating Activities	$ (4,547)	$ 1,058	$ (3,603)	$ 4,015
Cash Flows from Noncapital Financing Activities:				
Grant Receipts	$ —	$ —	$ —	$ —
Grant Disbursements	—	—	—	(4,098)
Transfers-In	6,513	1,530	7,391	—
Transfers-Out	—	(22)	—	—
Net Cash Flows from Noncapital Financing Activities	$ 6,513	$ 1,508	$ 7,391	$ (4,098)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ —	$ (48)	$ (6,468)	$ (1,045)
Proceeds from Disposal of Capital Assets	—	—	(1)	2
Repayment of Bond Principal	—	—	—	—
Interest Paid	—	—	—	—
Net Cash Flows from Capital and Related Financing Activities	$ —	$ (48)	$ (6,469)	$ (1,043)
Cash Flows from Investing Activities:				
Investment Earnings	$ 70	$ 22	$ —	$ 201
Net Cash Flows from Investing Activities	$ 70	$ 22	$ —	$ 201
Net Increase (Decrease) in Cash and Cash Equivalents	$ 2,036	$ 2,540	$ (2,681)	$ (925)
Cash and Cash Equivalents, Beginning, as Reported	$ 1,245	$ 44,136	$ 6,474	$ 13,601
Cash and Cash Equivalents, Ending	$ 3,281	$ 46,676	$ 3,793	$ 12,676
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 1,959	$ 11,941	$ (5,616)	$ 635
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 51	$ 55	$ 1,996	$ 1,301
Miscellaneous Nonoperating Revenues	—	—	—	—
Miscellaneous Nonoperating Expenses	—	(13,949)	—	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:				
Accounts Receivable	75	(261)	10	(1,925)
Inventories	—	21	27	(553)
Other Assets	—	—	(110)	—
Deferred Outflows	9,164	2,562	1,086	9,535
Accounts Payable	(7,205)	179	16	1,541
Claims Payable	—	—	—	—
Compensated Absences Payable	574	41	(107)	10
Unearned Revenues	—	—	—	—
Net Pension Liability	(15,807)	(6,346)	(2,005)	(15,376)
Other Liabilities	558	19	3	423
Deferred Inflows	6,084	6,796	1,097	8,424
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (6,506)	$ (10,883)	$ 2,013	$ 3,380
Net Cash Flows from Operating Activities	$ (4,547)	$ 1,058	$ (3,603)	$ 4,015
Noncash Investing, Capital and Financing Activities:				
Donated Capital Assets	$ —	$ —	$ —	$ —
Bond Premium Amortization	—	—	—	—

	MNSURE	911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE AUDITOR	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
	$ 610	$ 79,005	$ 169,408	$ —	$ 595,928	$ 103,653	$ 1,044,769
	38,343	—	657	—	19	276	45,569
	—	—	(144,266)	—	(368,355)	—	(512,621)
	(20,022)	(14,395)	(10,051)	—	(31,698)	(14,784)	(152,130)
	(14,947)	(6,004)	(182)	—	(13,488)	(96,065)	(161,073)
	—	—	—	—	(35,934)	—	(49,883)
	$ 3,984	$ 58,606	$ 15,566	$ —	$ 146,472	$ (6,920)	$ 214,631
	$ 5,313	$ —	$ —	$ —	$ —	$ —	$ 5,313
	—	(17,100)	—	—	—	(877)	(22,075)
	—	—	—	—	—	9,090	24,524
	—	(683)	—	—	(148,118)	(75)	(148,898)
	$ 5,313	$ (17,783)	$ —	$ —	$ (148,118)	$ 8,138	$ (141,136)
	$ (8,623)	$ (3,165)	$ —	$ —	$ (620)	$ —	$ (19,969)
	—	—	—	—	75	156	232
	—	(19,430)	—	—	—	(172)	(19,602)
	—	(3,570)	—	—	—	(9)	(3,579)
	$ (8,623)	$ (26,165)	$ —	$ —	$ (545)	$ (25)	$ (42,918)
	$ 97	$ 11	$ 1,083	$ —	$ 440	$ 160	$ 2,084
	$ 97	$ 11	$ 1,083	$ —	$ 440	$ 160	$ 2,084
	$ 771	$ 14,669	$ 16,649	$ —	$ (1,751)	$ 1,353	$ 32,661
	$ 9,804	$ 36,191	$ 61,820	$ —	$ 27,344	$ 7,655	$ 208,270
	$ 10,575	$ 50,860	$ 78,469	$ —	$ 25,593	$ 9,008	$ 240,931
	$ (8,648)	$ 46,448	$ 9,177	$ —	$ 141,079	$ (14,688)	$ 182,287
	$ 7,789	$ 10,252	$ —	$ —	$ 572	$ 260	$ 22,276
	6,325	—	—	—	—	—	6,325
	(6,416)	—	—	—	—	—	(20,365)
	610	(125)	(1,768)	—	(294)	(129)	(3,807)
	—	—	—	—	(420)	—	(925)
	1,821	—	—	—	—	—	1,711
	5,554	3,024	125	—	7,787	19,408	58,245
	(1,080)	738	801	—	2,339	(3,404)	(6,075)
	—	—	3,756	—	—	—	3,756
	32	(28)	—	—	(85)	(155)	282
	—	—	3,559	—	(255)	—	3,304
	(11,926)	(6,141)	(241)	—	(15,817)	(42,069)	(115,728)
	62	71	1	—	59	(226)	970
	9,861	4,367	156	—	11,507	34,083	82,375
	$ 12,632	$ 12,158	$ 6,389	$ —	$ 5,393	$ 7,768	$ 32,344
	$ 3,984	$ 58,606	$ 15,566	$ —	$ 146,472	$ (6,920)	$ 214,631
	$ —	$ —	$ —	$ —	$ —	$ 200	$ 200
	—	1,691	—	—	—	—	1,691

State of 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, 2018
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,921	$ 4,019	$ 295,291
Accounts Receivable	1,758	3,811	24,135
Inventories	—	5	—
Prepaid Expenses	3	640	—
Total Current Assets	$ 3,682	$ 8,475	$ 319,426
Noncurrent Assets:			
Depreciable Capital Assets (Net)	$ 34,229	$ 481	$ —
Nondepreciable Capital Assets	—	—	—
Prepaid Expenses	—	—	—
Total Noncurrent Assets	$ 34,229	$ 481	$ —
Total Assets	$ 37,911	$ 8,956	$ 319,426
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	$ 1,095	$ 6,891	$ 6,348
Deferred Other Postemployment Benefits Outflows	3	23	17
Total Deferred Outflows of Resources	$ 1,098	$ 6,914	$ 6,365
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 3,092	$ 1,041	$ 22,151
Interfund Payables	—	1,804	—
Unearned Revenue	—	—	5,502
Accrued Interest Payable	34	—	—
Bonds and Notes Payable	6,728	—	—
Claims Payable	—	—	77,104
Compensated Absences Payable	9	50	50
Total Current Liabilities	$ 9,863	$ 2,895	$ 104,807
Noncurrent Liabilities:			
Bonds and Notes Payable	$ 14,603	$ —	$ —
Compensated Absences Payable	60	487	407
Other Postemployment Benefits	59	399	291
Net Pension Liability	1,312	8,253	7,602
Total Noncurrent Liabilities	$ 16,034	$ 9,139	$ 8,300
Total Liabilities	$ 25,897	$ 12,034	$ 113,107
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	$ 785	$ 4,940	$ 4,551
Deferred Other Postemployment Benefits Inflows	3	18	13
Total Deferred Inflows of Resources	$ 788	$ 4,958	$ 4,564
NET POSITION			
Net Investment in Capital Assets	$ 12,898	$ 481	$ —
Unrestricted	$ (574)	$ (1,603)	$ 208,120
Total Net Position	$ 12,324	$ (1,122)	$ 208,120

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 67,624	$ 15,452	$ 21,963	$ 406,270
97,214	171	1,970	129,059
—	259	—	264
16,705	—	96	17,444
$ 181,543	$ 15,882	$ 24,029	$ 553,037
$ 28,198	$ 8,001	$ 222	$ 71,131
—	261	—	261
7,088	—	—	7,088
$ 35,286	$ 8,262	$ 222	$ 78,480
$ 216,829	$ 24,144	$ 24,251	$ 631,517
$ 427,096	$ 23,901	$ 1,922	$ 467,253
871	87	4	1,005
$ 427,967	$ 23,988	$ 1,926	$ 468,258
$ 36,418	$ 3,411	$ 173	$ 66,286
110,257	46	3	112,110
29,615	—	190	35,307
18	—	—	52
4,474	—	—	11,202
—	—	8,689	85,793
3,417	253	23	3,802
$ 184,199	$ 3,710	$ 9,078	$ 314,552
$ 7,445	$ —	$ —	$ 22,048
27,049	1,358	140	29,501
15,223	1,521	64	17,557
511,572	28,630	2,302	559,671
$ 561,289	$ 31,509	$ 2,506	$ 628,777
$ 745,488	$ 35,219	$ 11,584	$ 943,329
$ 306,228	$ 17,137	$ 1,378	$ 335,019
707	70	3	814
$ 306,935	$ 17,207	$ 1,381	$ 335,833
$ 16,279	$ 8,262	$ 222	$ 38,142
$ (423,906)	$ (12,556)	$ 12,990	$ (217,529)
$ (407,627)	$ (4,294)	$ 13,212	$ (179,387)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Operating Revenues:			
Net Sales	$ 11,841	$ 18,035	$ —
Insurance Premiums	—	—	952,723
Other Income	—	4,400	7,815
Total Operating Revenues	$ 11,841	$ 22,435	$ 960,538
Operating Expenses:			
Purchased Services	$ 1,467	$ 13,781	$ 74,185
Salaries and Fringe Benefits	1,012	6,703	5,568
Claims	—	—	844,550
Depreciation and Amortization	4,866	64	—
Supplies and Materials	3,346	367	10
Repairs and Maintenance	1,276	115	3
Indirect Costs	381	60	9
Other Expenses	558	1	415
Total Operating Expenses	$ 12,906	$ 21,091	$ 924,740
Operating Income (Loss)	$ (1,065)	$ 1,344	$ 35,798
Nonoperating Revenues (Expenses):			
Investment Income	$ 298	$ —	$ 4,374
Other Nonoperating Revenues	83	—	—
Interest and Financing Costs	(320)	—	—
Other Nonoperating Expenses	(1,079)	—	—
Gain (Loss) on Disposal of Capital Assets	770	5	—
Total Nonoperating Revenues (Expenses)	$ (248)	$ 5	$ 4,374
Income (Loss) Before Transfers and Contributions	$ (1,313)	$ 1,349	$ 40,172
Transfers-Out	(5)	—	(20)
Change in Net Position	$ (1,318)	$ 1,349	$ 40,152
Net Position, Beginning, as Reported	$ 13,686	$ (2,234)	$ 168,202
Change in Accounting Principle	(44)	(237)	(234)
Net Position, Beginning, as Restated	$ 13,642	$ (2,471)	$ 167,968
Net Position, Ending	$ 12,324	$ (1,122)	$ 208,120

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 450,702	$ 73,718	$ 34	$ 554,330
—	—	11,401	964,124
—	1,073	—	13,288
$ 450,702	$ 74,791	$ 11,435	$ 1,531,742
$ 134,062	$ 13,310	$ 4,695	$ 241,500
349,639	21,573	1,534	386,029
—	—	2,672	847,222
12,669	596	37	18,232
17,893	2,067	8	23,691
9,661	1,586	—	12,641
1,352	807	179	2,788
58	270	4	1,306
$ 525,334	$ 40,209	$ 9,129	$ 1,533,409
$ (74,632)	$ 34,582	$ 2,306	$ (1,667)
$ 171	$ —	$ 338	$ 5,181
—	—	—	83
(1,072)	—	—	(1,392)
(3,813)	—	(2,326)	(7,218)
—	17	—	792
$ (4,714)	$ 17	$ (1,988)	$ (2,554)
$ (79,346)	$ 34,599	$ 318	$ (4,221)
(48,315)	(33,984)	(3)	(82,327)
$ (127,661)	$ 615	$ 315	$ (86,548)
$ (266,653)	$ (3,751)	$ 12,955	$ (77,795)
(13,313)	(1,158)	(58)	(15,044)
$ (279,966)	$ (4,909)	$ 12,897	$ (92,839)
$ (407,627)	$ (4,294)	$ 13,212	$ (179,387)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:			
Receipts from Customers	$ 11,675	$ 17,331	$ 946,918
Receipts from Other Revenues	83	4,400	7,815
Payments to Claimants	—	—	(848,322)
Payments to Suppliers	(6,583)	(13,964)	(70,433)
Payments to Employees	(793)	(5,880)	(4,513)
Payments to Others	(1,079)	—	—
Net Cash Flow from Operating Activities	$ 3,303	$ 1,887	$ 31,465
Cash Flows from Noncapital Financing Activities:			
Transfers-Out	$ (5)	$ —	$ (20)
Advances from Other Funds	—	—	—
Repayment of Advances to Other Funds	—	—	—
Net Cash Flows from Noncapital Financing Activities	$ (5)	$ —	$ (20)
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets	$ (14,387)	$ —	$ —
Proceeds from Disposal of Capital Assets	3,402	5	—
Proceeds from Loans	14,384	—	—
Repayment of Loan Principal	(6,629)	—	—
Interest Paid	(303)	—	—
Net Cash Flows from Capital and Related Financing Activities	$ (3,533)	$ 5	$ —
Cash Flows from Investing Activities:			
Investment Earnings	$ 298	$ —	$ 4,374
Net Cash Flows from Investing Activities	$ 298	$ —	$ 4,374
Net Increase (Decrease) in Cash and Cash Equivalents	$ 63	$ 1,892	$ 35,819
Cash and Cash Equivalents, Beginning, as Reported	$ 1,858	$ 2,127	$ 259,472
Cash and Cash Equivalents, Ending	$ 1,921	$ 4,019	$ 295,291
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (1,065)	$ 1,344	$ 35,798
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	$ 4,866	$ 64	$ —
Miscellaneous Nonoperating Revenues	83	—	—
Miscellaneous Nonoperating Expenses	(1,079)	—	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:			
Accounts Receivable	(166)	(704)	(5,801)
Inventories	—	(3)	—
Other Assets	(2)	—	—
Deferred Outflows	357	3,725	2,624
Accounts Payable	447	363	4,189
Claims Payable	—	—	(3,772)
Compensated Absences Payable	(11)	87	37
Unearned Revenues	—	—	(4)
Net Pension Liability	(766)	(6,937)	(5,235)
Other Liabilities	3	100	3
Deferred Inflows	636	3,848	3,626
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 4,368	$ 543	$ (4,333)
Net Cash Flows from Operating Activities	$ 3,303	$ 1,887	$ 31,465
Noncash Investing, Capital and Financing Activities:			
Capital Assets Transferred Out	$ —	$ —	$ —

MN.IT SERVICES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 441,502	$ 78,242	$ 9,552	$ 1,505,220
—	1,073	—	13,371
—	—	(2,799)	(851,121)
(194,442)	(18,358)	(4,929)	(308,709)
(262,862)	(17,221)	(1,237)	(292,506)
(3,813)	—	(2,326)	(7,218)
$ (19,615)	$ 43,736	$ (1,739)	$ 59,037
$ (257)	$ (33,984)	$ (3)	$ (34,269)
110,000	—	—	110,000
(60,017)	—	—	(60,017)
$ 49,726	$ (33,984)	$ (3)	$ 15,714
$ (12,246)	$ (1,291)	$ —	$ (27,924)
—	17	—	3,424
7,761	—	—	22,145
(4,749)	—	—	(11,378)
(1,064)	—	—	(1,367)
$ (10,298)	$ (1,274)	$ —	$ (15,100)
$ 171	$ —	$ 338	$ 5,181
$ 171	$ —	$ 338	$ 5,181
$ 19,984	$ 8,478	$ (1,404)	$ 64,832
$ 47,640	$ 6,974	$ 23,367	$ 341,438
$ 67,624	$ 15,452	$ 21,963	$ 406,270
$ (74,632)	$ 34,582	$ 2,306	$ (1,667)
$ 12,669	$ 596	$ 37	$ 18,232
—	—	—	83
(3,813)	—	(2,326)	(7,218)
(636)	4,529	(1,904)	(4,682)
—	(25)	—	(28)
2,869	1	(22)	2,846
146,365	8,947	636	162,654
(34,285)	(294)	(21)	(29,601)
—	—	(127)	(3,899)
1,024	4	(87)	1,054
(8,564)	(5)	21	(8,552)
(308,587)	(18,402)	(1,356)	(341,283)
914	30	(10)	1,040
247,061	13,773	1,114	270,058
$ 55,017	$ 9,154	$ (4,045)	$ 60,704
$ (19,615)	$ 43,736	$ (1,739)	$ 59,037
$ 48,058	$ —	$ —	$ 48,058

MINNESOTA

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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 full time for a minimum of two academic years.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
ASSETS			
Cash and Cash Equivalent Investments	$ 1,278	$ 50	$ 16
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 397,233	$ 36,981	$ 7,282
Investments	13,034,498	1,090,904	196,917
Accrued Interest and Dividends	32,675	2,740	495
Securities Trades Receivables (Payables)	(204,034)	(17,076)	(3,082)
Total Investment Pool Participation	$ 13,260,372	$ 1,113,549	$ 201,612
Receivables:			
Interfund Receivables	$ 6,209	$ —	$ —
Other Receivables	18,564	2,873	241
Total Receivables	$ 24,773	$ 2,873	$ 241
Securities Lending Collateral	$ 1,334,503	$ 111,689	$ 20,161
Depreciable Capital Assets (Net)	16,994	—	—
Nondepreciable Capital Assets	88	—	—
Total Assets	$ 14,638,008	$ 1,228,161	$ 222,030
LIABILITIES			
Accounts Payable	$ 4,265	$ 277	$ 51
Interfund Payables	252	816	63
Accrued Expense	—	—	—
Revenue Bonds Payable	3,504	—	—
Bond Interest	—	—	—
Compensated Absences Payable	984	—	—
Securities Lending Liabilities	1,334,503	111,689	20,161
Other Liabilities	1,077	491	—
Total Liabilities	$ 1,344,585	$ 113,273	$ 20,275
NET POSITION			
Net Position Restricted for Pensions	$ 13,293,423	$ 1,114,888	$ 201,755

MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
$ 235	$ 39	$ 18	$ 793	$ 121	$ 8,775
$ —	$ 23,148	$ 16,677	$ 326,826	$ 13,448	$ 68,062
—	714,954	145,130	748,540	315,344	6,931,201
—	1,794	324	1,741	582	118
—	(11,191)	(3,061)	(11,177)	(5,543)	—
$ —	$ 728,705	$ 159,070	$ 1,065,930	$ 323,831	$ 6,999,381
$ —	$ 1	$ —	$ 251	$ —	$ 55
—	1,411	8	7,527	480	10,240
$ —	$ 1,412	$ 8	$ 7,778	$ 480	$ 10,295
$ —	$ 73,199	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
$ 235	$ 803,355	$ 159,096	$ 1,074,501	$ 324,432	$ 7,018,451
$ 3	$ 179	$ 36	$ 886	$ 51	$ 1,214
232	179	6	3,618	439	1,109
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	73,199	—	—	—	—
—	—	—	102	27	541
$ 235	$ 73,557	$ 42	$ 4,606	$ 517	$ 2,864
$ —	$ 729,798	$ 159,054	$ 1,069,895	$ 323,915	$ 7,015,587

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
ASSETS			
Cash and Cash Equivalent Investments	$ 4,243	$ 3,470	$ 424
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 645,811	$ 249,075	$ 20,649
Investments	21,145,493	8,330,714	667,753
Accrued Interest and Dividends	53,009	20,877	1,674
Securities Trades Receivables (Payables)	(330,998)	(130,404)	(10,453)
Total Investment Pool Participation	$ 21,513,315	$ 8,470,262	$ 679,623
Receivables			
Interfund Receivables	$ 1,406	$ 86	$ 7
Other Receivables	40,621	18,645	839
Total Receivables	$ 42,027	$ 18,731	$ 846
Securities Lending Collateral	$ 2,164,925	$ 852,918	$ 68,366
Depreciable Capital Assets (Net)	6,334	—	—
Nondepreciable Capital Assets	170	—	—
Total Assets	$ 23,731,014	$ 9,345,381	$ 749,259
LIABILITIES			
Accounts Payable	$ 6,908	$ 4,669	$ 190
Interfund Payables	94	887	308
Accrued Expense	—	—	—
Revenue Bonds Payable	4,651	—	—
Bond Interest	—	—	—
Compensated Absences Payable	959	—	—
Securities Lending Liabilities	2,164,925	852,918	68,366
Other Liabilities	—	—	—
Total Liabilities	$ 2,177,537	$ 858,474	$ 68,864
NET POSITION			
Net Position Restricted for Pensions	$ 21,553,477	$ 8,486,907	$ 680,395

PUBLIC EMPLOYEES RETIREMENT				
VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 59	$ 191	$ 9,563	$ —	$ 29,275
$ 6,925	$ 4,719	$ 777,632	$ —	$ 2,594,468
85,052	66,393	21,829,505	2,047,351	77,349,749
322	146	55,281	—	171,778
(3,968)	(1,475)	(341,583)	—	(1,074,045)
$ 88,331	$ 69,783	$ 22,320,835	$ 2,047,351	$ 79,041,950
$ 1	$ —	$ —	$ —	$ 8,016
187	104	24,885	—	126,625
$ 188	$ 104	$ 24,885	$ —	$ 134,641
$ —	$ —	$ 2,234,956	$ —	$ 6,860,717
—	—	21,514	—	44,842
—	—	171	—	429
$ 88,578	$ 70,078	$ 24,611,924	$ 2,047,351	$ 86,111,854
$ 16	$ 34	$ 9,384	$ —	$ 28,163
—	211	—	—	8,214
—	—	24	—	24
—	—	4,581	—	12,736
—	—	6	—	6
—	—	886	—	2,829
—	—	2,234,956	—	6,860,717
—	—	—	—	2,238
$ 16	$ 245	$ 2,249,837	$ —	$ 6,914,927
$ 88,562	$ 69,833	$ 22,362,087	$ 2,047,351	$ 79,196,927

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM		
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDGES RETIREMENT
Additions:			
Contributions:			
Employer	$ 164,233	$ 32,893	$ 11,027
Member	166,726	23,417	3,973
Contributions From Other Sources	—	—	—
Total Contributions	$ 330,959	$ 56,310	$ 15,000
Net Investment Income (Loss):			
Investment Income (Loss)	$ 1,281,548	$ 105,671	$ 19,341
Less: Investment Expense	(13,973)	(1,159)	(212)
Net Investment Income (Loss)	$ 1,267,575	$ 104,512	$ 19,129
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 27,820	$ 2,328	$ 420
Securities Lending Rebates and Fees	(18,844)	(1,578)	(283)
Net Securities Lending Revenue	$ 8,976	$ 750	$ 137
Total Investment Income (Loss)	$ 1,276,551	$ 105,262	$ 19,266
Transfers-In	$ 21,268	$ —	$ 6,000
Other Additions	178	—	—
Total Additions	$ 1,628,956	$ 161,572	$ 40,266
Deductions:			
Benefits	$ 797,027	$ 67,622	$ 23,585
Refunds and Withdrawals	13,533	2,052	—
Administrative Expenses	9,636	828	67
Transfers-Out	952	—	—
Total Deductions	$ 821,148	$ 70,502	$ 23,652
Net Increase (Decrease)	$ 807,808	$ 91,070	$ 16,614
Net Position Restricted for Pensions, Beginning, as Reported	$ 12,485,615	$ 1,023,818	$ 185,141
Change in Reporting Entity	—	—	—
Change in Fund Structure	—	—	—
Net Position Restricted for Pensions, Beginning, as Restated	$ 12,485,615	$ 1,023,818	$ 185,141
Net Position Restricted for Pensions, Ending	$ 13,293,423	$ 1,114,888	$ 201,755

MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATORS RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	HEALTH CARE SAVINGS	UNCLASSIFIED EMPLOYEES RETIREMENT	MINNESOTA DEFERRED COMPENSATION
$ —	$ 15,952	$ 133	$ —	$ 7,421	$ —
93	10,656	133	140,286	6,407	283,558
—	—	—	—	—	—
$ 93	$ 26,608	$ 266	$ 140,286	$ 13,828	$ 283,558
$ —	$ 70,751	$ 15,765	$ 64,267	$ 30,959	$ 564,409
—	(770)	(88)	(591)	(180)	(3,885)
$ —	$ 69,981	$ 15,677	$ 63,676	$ 30,779	$ 560,524
$ —	$ 1,526	$ —	$ —	$ —	$ —
—	(1,034)	—	—	—	—
$ —	$ 492	$ —	$ —	$ —	$ —
$ —	$ 70,473	$ 15,677	$ 63,676	$ 30,779	$ 560,524
$ 8,856	$ —	$ —	$ —	$ 952	$ —
—	1,000	95	4,850	195	4,319
$ 8,949	$ 98,081	$ 16,038	$ 208,812	$ 45,754	$ 848,401
$ 8,912	$ 59,653	$ 6,500	$ 79,448	$ —	$ 49,160
—	39	3,302	—	4,791	277,223
37	190	185	10,271	370	9,331
—	—	—	—	21,268	—
$ 8,949	$ 59,882	$ 9,987	$ 89,719	$ 26,429	$ 335,714
$ —	$ 38,199	$ 6,051	$ 119,093	$ 19,325	$ 512,687
$ —	$ 691,599	$ 153,003	$ 950,802	$ 304,590	$ 6,502,900
—	—	—	—	—	—
—	—	—	—	—	—
$ —	$ 691,599	$ 153,003	$ 950,802	$ 304,590	$ 6,502,900
$ —	$ 729,798	$ 159,054	$ 1,069,895	$ 323,915	$ 7,015,587

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT		
	GENERAL EMPLOYEES RETIREMENT	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL
Additions:			
Contributions:			
Employer	$ 488,819	$ 170,781	$ 17,871
Member	409,423	105,479	11,956
Contributions From Other Sources	—	—	—
Total Contributions	$ 898,242	$ 276,260	$ 29,827
Net Investment Income (Loss):			
Investment Income (Loss)	$ 2,071,684	$ 817,150	$ 63,202
Less: Investment Expenses	(22,664)	(8,921)	(700)
Net Investment Income (Loss)	$ 2,049,020	$ 808,229	$ 62,502
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 45,132	$ 17,780	$ 1,425
Securities Lending Rebates and Fees	(30,570)	(12,043)	(965)
Net Securities Lending Revenue	$ 14,562	$ 5,737	$ 460
Total Investment Income (Loss)	$ 2,063,582	$ 813,966	$ 62,962
Transfers-In	$ 16,000	$ 9,000	$ —
Other Additions	56	58	1
Total Additions	$ 2,977,880	$ 1,099,284	$ 92,790
Deductions:			
Benefits	$ 1,470,450	$ 528,468	$ 13,183
Refunds and Withdrawals	42,589	1,902	1,364
Administrative Expenses	11,943	886	308
Transfers-Out	—	—	—
Total Deductions	$ 1,524,982	$ 531,256	$ 14,855
Net Increase (Decrease)	$ 1,452,898	$ 568,028	$ 77,935
Net Position Restricted for Pensions, Beginning, as Reported	$ 20,100,579	$ 7,918,879	$ 602,460
Change in Reporting Entity	—	—	—
Change in Fund Structure	—	—	—
Net Position Restricted for Pensions, Beginning, as Restated	$ 20,100,579	$ 7,918,879	$ 602,460
Net Position Restricted for Pensions, Ending	$ 21,553,477	$ 8,486,907	$ 680,395

PUBLIC EMPLOYEES RETIREMENT				
VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 2,397	$ 2,036	$ 378,728	$ 44,092	$ 1,336,383
—	1,911	374,550	36,860	1,575,428
—	—	6,437	6,314	12,751
$ 2,397	$ 3,947	$ 759,715	$ 87,266	$ 2,924,562
$ 5,038	$ 6,552	$ 2,168,525	$ 174,846	$ 7,459,708
(178)	(62)	(23,448)	—	(76,831)
$ 4,860	$ 6,490	$ 2,145,077	$ 174,846	$ 7,382,877
$ —	$ —	$ 46,592	$ —	$ 143,023
—	—	(31,558)	—	(96,875)
$ —	$ —	$ 15,034	$ —	$ 46,148
$ 4,860	$ 6,490	$ 2,160,111	$ 174,846	$ 7,429,025
$ 3,522	$ —	$ 31,087	$ —	$ 96,685
381	—	2,581	—	13,714
$ 11,160	$ 10,437	$ 2,953,494	$ 262,112	$ 10,463,986
$ 4,161	$ —	$ 1,818,814	$ 90,630	$ 5,017,613
16	4,326	15,010	—	366,147
70	211	15,673	1,425	61,431
—	—	—	—	22,220
$ 4,247	$ 4,537	$ 1,849,497	$ 92,055	$ 5,467,411
$ 6,913	$ 5,900	$ 1,103,997	$ 170,057	$ 4,996,575
$ 75,604	$ 63,933	$ 21,258,090	$ 1,877,294	$ 74,194,307
4,519	—	—	—	4,519
1,526	—	—	—	1,526
$ 81,649	$ 63,933	$ 21,258,090	$ 1,877,294	$ 74,200,352
$ 88,562	$ 69,833	$ 22,362,087	$ 2,047,351	$ 79,196,927

MINNESOTA

State of Minnesota

Investment Trust Funds

Supplemental Retirement Fund

The fund provides an investment vehicle for the assets of various public retirement plans and funds.

Investment Trust Fund

The fund provides an investment vehicle for external funds authorized to be invested by the state.

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INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF PLAN NET POSITION
JUNE 30, 2018
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 18,499	$ 25,007	$ 43,506
Investments	621,959	376,493	998,452
Accrued Interest and Dividends	1,311	902	2,213
Securities Trades Receivables (Payables)	(10,530)	(938)	(11,468)
Total Investment Pool Participation	$ 631,239	$ 401,464	$ 1,032,703
Total Assets	$ 631,239	$ 401,464	$ 1,032,703
NET POSITION			
Net Position Restricted for Pooled Investments	$ 631,239	$ 401,464	$ 1,032,703

INVESTMENT TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 3,459	$ 5,750	$ 9,209
Total Contributions	$ 3,459	$ 5,750	$ 9,209
Net Investment Income (Loss):			
Investment Income (Loss)	$ 66,327	$ 36,587	$ 102,914
Less: Investment Expenses	(453)	(62)	(515)
Net Investment Income (Loss)	$ 65,874	$ 36,525	$ 102,399
Total Additions	$ 69,333	$ 42,275	$ 111,608
Deductions:			
Refunds and Withdrawals	$ 38,017	$ 6,781	$ 44,798
Administrative Expenses	34	31	65
Total Deductions	$ 38,051	$ 6,812	$ 44,863
Net Increase (Decrease)	$ 31,282	$ 35,463	$ 66,745
Net Position Restricted for Pooled Investments, Beginning, as Reported	$ 592,801	$ 366,001	$ 958,802
Change in Reporting Entity	8,682	—	8,682
Change in Fund Structure	(1,526)	—	(1,526)
Net Position Restricted for Pooled Investments, Beginning, as Restated	$ 599,957	$ 366,001	$ 965,958
Net Position Restricted for Pooled Investments, Ending	$ 631,239	$ 401,464	$ 1,032,703

MINNESOTA

State of Minnesota

Agency Fund

Agency Fund

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

2018 Comprehensive Annual Financial Report

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
ASSETS				
Cash and Cash Equivalent Investments	$ 123,668	$ 843,469	$ 819,305	$ 147,832
Accounts Receivable	36,405	35,506	36,405	35,506
Total Assets	$ 160,073	$ 878,975	$ 855,710	$ 183,338
LIABILITIES				
Accounts Payable	$ 160,073	$ 878,975	$ 855,710	$ 183,338
Total Liabilities	$ 160,073	$ 878,975	$ 855,710	$ 183,338

State of Minnesota

2018
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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.

Minnesota Comprehensive Health Association

The Association administers the Premium Security Plan, a risk mitigation program designed to help keep premiums affordable to individual purchasers within the state of Minnesota.

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2017, and JUNE 30, 2018
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 707	$ 1,137	$ 275,988
Investments	—	—	—
Accounts Receivable	—	932	1,981
Due from Primary Government	—	21	4
Accrued Investment/Interest Income	95	—	2,610
Federal Aid Receivable	—	—	—
Inventories	—	46	—
Loans and Notes Receivable	24	58	82,336
Prepaid Expenses	—	430	—
Other Assets	—	—	—
Total Current Assets	$ 826	$ 2,624	$ 362,919
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ —	$ —	$ 200,949
Investments-Restricted	21,877	—	—
Due from Primary Government	—	—	—
Investments	—	—	—
Accounts Receivable	—	—	—
Loans and Notes Receivable	131	695	430,444
Depreciable Capital Assets (Net)	—	6,503	—
Nondepreciable Capital Assets	—	2,662	—
Prepaid Expenses	—	—	—
Total Noncurrent Assets	$ 22,008	$ 9,860	$ 631,393
Total Assets	$ 22,834	$ 12,484	$ 994,312
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	$ —	$ —	$ —
Deferred Pension Outflows	—	—	8,305
Total Deferred Outflows of Resources	$ —	$ —	$ 8,305
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 2	$ 2,155	$ 4,407
Due to Primary Government	—	—	182
Unearned Revenue	—	1,194	—
Accrued Interest Payable	—	—	1,574
Bonds and Notes Payable	—	369	4,905
Capital Leases Payable	—	50	—
Claims Payable	—	—	—
Compensated Absences Payable	—	—	52
Other Liabilities	—	—	—
Total Current Liabilities	$ 2	$ 3,768	$ 11,120
Noncurrent Liabilities:			
Due to Primary Government	$ —	$ —	$ —
Unearned Revenue	—	—	—
Bonds and Notes Payable	—	3,789	458,925
Capital Leases Payable	—	184	—
Claims Payable	—	—	—
Compensated Absences Payable	4	—	466
Net Pension Liability	—	—	9,949
Funds Held in Trust	—	—	—
Other Liabilities	—	250	419
Total Noncurrent Liabilities	$ 4	$ 4,223	$ 469,759
Total Liabilities	$ 6	$ 7,991	$ 480,879
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	$ —	$ —	$ 14,291
Deferred Pension Inflows	—	—	5,955
Total Deferred Inflows of Resources	$ —	$ —	$ 20,246
NET POSITION			
Net Investment in Capital Assets	$ —	$ 8,870	$ —
Restricted-Expendable	—	—	507,083
Unrestricted	22,828	(4,377)	(5,591)
Total Net Position	$ 22,828	$ 4,493	$ 501,492

	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION	TOTAL
	$ 355,428	$ 25,535	$ 7,683	$ 20,087	$ 3,819	$ 690,384
	502	—	317,139	2,053	—	319,694
	—	—	35,229	12,868	136	51,146
	640	—	—	—	—	665
	12,516	—	1,210	—	—	16,431
	411	—	—	—	—	411
	—	—	—	—	—	46
	149,770	4,291	—	—	—	236,479
	—	—	3,296	867	—	4,593
	—	—	160	—	—	160
	$ 519,267	$ 29,826	$ 364,717	$ 35,875	$ 3,955	$ 1,320,009
	$ —	$ —	$ —	$ 365	$ —	$ 201,314
	—	—	—	8,119	—	29,996
	4,224	—	—	—	—	4,224
	60,032	—	—	—	—	60,032
	—	—	336,051	—	—	336,051
	1,667,741	67,974	—	—	—	2,166,985
	—	—	—	1,012,258	—	1,018,761
	—	—	—	32,215	—	34,877
	—	—	—	333	—	333
	$ 1,731,997	$ 67,974	$ 336,051	$ 1,053,290	$ —	$ 3,852,573
	$ 2,251,264	$ 97,800	$ 700,768	$ 1,089,165	$ 3,955	$ 5,172,582
	$ 12,090	$ —	$ —	$ —	$ —	$ 12,090
	4,040	—	—	882	—	13,227
	$ 16,130	$ —	$ —	$ 882	$ —	$ 25,317
	$ 11,425	$ —	$ 3,250	$ 5,803	$ 12	$ 27,054
	—	15,156	53,905	—	3,332	72,575
	—	—	18,431	22,541	605	42,771
	12,899	—	—	—	—	14,473
	84,840	—	—	—	—	90,114
	—	—	—	—	—	50
	—	—	48,861	—	—	48,861
	56	—	—	234	—	342
	—	—	—	—	6	6
	$ 109,220	$ 15,156	$ 124,447	$ 28,578	$ 3,955	$ 296,246
	$ —	$ 63,693	$ —	$ —	$ —	$ 63,693
	—	—	—	9,140	—	9,140
	798,807	—	—	—	—	1,261,521
	—	—	—	—	—	184
	—	—	526,321	—	—	526,321
	380	—	—	45	—	895
	4,838	—	—	1,039	—	15,826
	—	—	—	123	—	123
	20	—	—	—	—	689
	$ 804,045	$ 63,693	$ 526,321	$ 10,347	$ —	$ 1,878,392
	$ 913,265	$ 78,849	$ 650,768	$ 38,925	$ 3,955	$ 2,174,638
	$ —	$ —	$ —	$ —	$ —	$ 14,291
	2,896	—	—	1,283	—	10,134
	$ 2,896	$ —	$ —	$ 1,283	$ —	$ 24,425
	$ —	$ —	$ —	$ 1,044,473	$ —	$ 1,053,343
	1,349,308	—	4,482	5,993	—	1,866,866
	1,925	18,951	45,518	(627)	—	78,627
	$ 1,351,233	$ 18,951	$ 50,000	$ 1,049,839	$ —	$ 2,998,836

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017, and JUNE 30, 2018
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 122	$ 14,393	$ 272,590
Program Revenues:			
Charges for Services	$ 124	$ 13,697	$ 26,366
Operating Grants and Contributions	—	—	8,292
Capital Grants and Contributions	—	—	—
Net (Expense) Revenue	$ 2	$ (696)	$ (237,932)
General Revenues:			
Taxes	$ —	$ —	$ —
Investment Income (Loss)	183	—	—
Other Revenues	—	1,020	—
Total General Revenues before Grants	$ 183	$ 1,020	$ —
State Grants Not Restricted	—	—	253,451
Total General Revenues	$ 183	$ 1,020	$ 253,451
Change in Net Position	$ 185	$ 324	$ 15,519
Net Position, Beginning, as Reported	$ 22,643	$ 4,169	$ 485,973
Net Position, Ending	$ 22,828	$ 4,493	$ 501,492

	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION	TOTAL
	$ 98,064	$ 1,524	$ 60,479	$ 100,326	$ 573	$ 548,071
	$ 33,993	$ 2,490	$ 58,282	$ 44,897	$ —	$ 179,849
	32,083	—	—	935	—	41,310
	—	—	—	6,463	—	6,463
	$ (31,988)	$ 966	$ (2,197)	$ (48,031)	$ (573)	$ (320,449)
	$ —	$ —	$ —	$ 1,833	$ —	$ 1,833
	—	—	2,197	130	—	2,510
	—	—	—	3,641	428	5,089
	$ —	$ —	$ 2,197	$ 5,604	$ 428	$ 9,432
	64,835	—	—	—	145	318,431
	$ 64,835	$ —	$ 2,197	$ 5,604	$ 573	$ 327,863
	$ 32,847	$ 966	$ —	$ (42,427)	$ —	$ 7,414
	$ 1,318,386	$ 17,985	$ 50,000	$ 1,092,266	$ —	$ 2,991,422
	$ 1,351,233	$ 18,951	$ 50,000	$ 1,049,839	$ —	$ 2,998,836

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 13	$ 2,488	$ 2,501
Rental and Service Fees	—	2	2
Other Income	111	—	111
Total Operating Revenues	$ 124	$ 2,490	$ 2,614
Operating Expenses:			
Economic and Manpower Development	$ 122	$ 1,524	$ 1,646
Total Operating Expenses	$ 122	$ 1,524	$ 1,646
Operating Income (Loss)	$ 2	$ 966	$ 968
Nonoperating Revenues (Expenses):			
Investment/Interest Income (Loss)	$ 183	$ —	$ 183
Total Nonoperating Revenues (Expenses)	$ 183	$ —	$ 183
Change in Net Position	$ 185	$ 966	$ 1,151
Net Position, Beginning, as Reported	$ 22,643	$ 17,985	$ 40,628
Net Position, Ending	$ 22,828	$ 18,951	$ 41,779

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 33	$ 8,719	$ 8,752
Receipts from Other Revenues	3	34,310	34,313
Payments to Customers	—	(21,318)	(21,318)
Payments to Suppliers	(59)	—	(59)
Payments to Employees	(15)	—	(15)
Payments to Others	—	(9,550)	(9,550)
Net Cash Flows from Operating Activities	$ (38)	$ 12,161	$ 12,123
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 6,425	$ —	$ 6,425
Purchase of Investments	(6,846)	—	(6,846)
Investment Interest	326	—	326
Net Cash Flows from Investing Activities	$ (95)	$ —	$ (95)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (133)	$ 12,161	$ 12,028
Cash and Cash Equivalents, Beginning, as Reported	$ 840	$ 13,374	$ 14,214
Cash and Cash Equivalents, Ending	$ 707	$ 25,535	$ 26,242
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ 2	$ 966	$ 968
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ (40)	$ (14,732)	$ (14,772)
Due to Primary Government	—	25,927	25,927
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (40)	$ 11,195	$ 11,155
Net Cash Flows from Operating Activities	$ (38)	$ 12,161	$ 12,123

MINNESOTA

State of Minnesota

General Obligation Debt Schedule

2018
Comprehensive
Annual
Financial Report

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2018
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued as Par Bonds	Previously Issued as Premium[1]	Remaining Authorization
Building [3, 10, 21, 22, 23, 24, 26, 27]	1999, Ch. 240	$ 439,212.6	$ 438,536.0	$ —	$ 676.6
Various Purpose [3, 6, 8, 10, 15, 17, 21, 22, 23, 25]	2000, Ch. 492	518,703.1	518,529.6	44.4	129.1
Various Purpose [3, 5, 8, 10, 15, 16, 17, 19, 21, 23, 24]	2002, Ch. 393	599,607.9	599,592.6	—	15.3
Various Purpose [3, 17, 21]	X2002, Ch. 1	15,055.0	14,755.0	—	300.0
Various Purpose	X2003, Ch. 20	219,010.0	218,434.0	—	576.0
Various Purpose [3, 5, 6, 8, 10, 13, 15, 16, 19]	2005, Ch. 20	913,869.0	913,241.4	417.6	210.0
Various Purpose [5, 6, 8, 10, 15, 16, 19, 20]	2006, Ch. 258	991,022.7	989,097.9	781.1	1,143.7
Trunk Highway [5, 6, 10, 16]	2008, Ch. 152	1,782,245.9	1,593,893.0	—	188,352.9
Various Purpose [5, 6, 8, 10, 13, 16, 18]	2008, Ch. 179	789,746.4	785,466.9	2,480.1	1,799.4
Trunk Highway [6]	2009, Ch. 36	39,942.0	39,937.0	—	5.0
Various Purpose [5, 6, 8, 11, 16]	2009, Ch. 93	255,463.0	250,275.2	3,359.8	1,828.0
Various Purpose [5, 6, 8, 14]	2010, Ch. 189	707,588.2	692,808.8	12,130.2	2,649.2
Trunk Highway [9, 14]	2010, Ch. 189	24,952.0	24,952.0	—	—
Various Purpose [5, 6, 8, 12]	X2010, Ch. 1	31,122.9	26,718.6	2,084.4	2,319.9
Various Purpose [2, 5]	X2011, Ch. 12	549,785.5	510,718.8	23,231.3	15,835.4
Trunk Highway [9]	2012, Ch. 287	17,613.0	17,250.0	—	363.0
Various Purpose [5]	2012, Ch. 293	563,641.9	509,504.4	46,637.6	7,499.9
Various Purpose [5]	X2012, Ch. 1	52,914.5	44,468.8	6,331.1	2,114.6
Trunk Highway [5]	X2012, Ch. 1	34,064.1	33,605.0	—	459.1
Trunk Highway [10]	2013, Ch. 117	300,300.0	274,705.1	—	25,594.9
Various Purpose	2013, Ch. 136	178,795.0	147,082.5	19,417.5	12,295.0
Various Purpose [2, 3, 7]	2014, Ch. 294	892,984.0	713,945.8	139,484.2	39,554.0
Various Purpose	X2015, Ch. 5	190,697.0	139,375.3	29,394.6	21,927.1
Trunk Highway	X2015, Ch. 5	140,140.0	119,798.0	—	20,342.0
Various Purpose	2017, Ch. 4	35,035.0	29,262.6	737.4	5,035.0
Trunk Highway [4]	X2017, Ch. 3	940,940.0	—	—	940,940.0
Various Purpose	X2017, Ch. 8	1,038,510.0	183,776.6	35,723.4	819,010.0
Various Purpose	2018, Ch. 214	893,759.0	—	—	893,759.0
Trunk Highway	2018, Ch. 214	416,608.0	—	—	416,608.0
Totals		$ 13,573,327.7	$ 9,829,730.9	$ 322,254.7	$ 3,421,342.1

(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) Laws 2018, Chapter 214 reduced Various Purpose Bonds authorized in Laws 2011, Chapter 12 by $4,035,839 and Various Purpose Bonds authorized in Laws 2014, Chapter 294 by $1,719,000.

(3) Special Session Laws 2017, Chapter 8, Article 1 reduced Various Purpose Bonds authorized in 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; 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 5 below, on May 31, 2017, rather than the statutory cancellation date of July 1, 2017.

(4) 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.

(5) 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 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.

(6) 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 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.

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

(8) 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 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.

(9) 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.

(10) 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 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 and Laws 2008, Chapter 179 by $2,354,454. 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.

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

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

(13) 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.

(14) 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.

(15) 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.

(16) 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 of $85,155,000.

(17) 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.

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

[19] 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.

[20] Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by $150,000.

[21] 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 authorization in 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.

[22] 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 authorization in 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.

[23] Laws 2005, Chapter 20 reduced Building Bond authorization in 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.

[24] 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 26 below by increasing the bond authorization of Laws 1998, Chapter 404 by $2,700,000 and reducing the bond authorization of Laws 1999, and Chapter 240 by the $2,700,000.

[25] Laws of 2001, Chapter 55 converted $7,000,000 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.

[26] Laws 2000, Chapter 492 reduced Building Bonds authorization in 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.

[27] 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.

MINNESOTA

State of Minnesota

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.

2018
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MINNESOTA

2018 Comprehensive Annual Financial Report

Index of Statistical Section

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

	2009	2010	2011	2012
Governmental Activities:				
Net Investment in Capital Assets	$ 8,450,334	$ 9,064,443	$ 9,304,511	$ 10,010,130
Restricted	2,552,659	3,060,905	3,396,243	3,546,397
Unrestricted	(917,895)	(2,463,184)	(2,320,765)	(2,784,715)
Total Governmental Activities Net Position	$ 10,085,098	$ 9,662,164	$ 10,379,989	$ 10,771,812
Business-type Activities:				
Net Investment in Capital Assets	$ 1,243,286	$ 1,293,856	$ 1,352,739	$ 1,394,303
Restricted	737,400	509,705	643,700	1,252,075
Unrestricted	(38,907)	(300,615)	(82,907)	(6,409)
Total Business-type Activities Net Position	$ 1,941,779	$ 1,502,946	$ 1,913,532	$ 2,639,969
Primary Government:				
Net Investment in Capital Assets	$ 9,693,620	$ 10,358,299	$ 10,657,250	$ 11,404,433
Restricted	3,290,059	3,570,610	4,039,943	4,798,472
Unrestricted	(956,802)	(2,763,799)	(2,403,672)	(2,791,124)
Total Primary Government Net Position	$ 12,026,877	$ 11,165,110	$ 12,293,521	$ 13,411,781

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. In fiscal year 2018, the state implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) which required the recording of total OPEB liability and the deferred inflows and outflows of resources associated with OPEB. These have caused some funds to end in a deficit net position.

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

2013	2014	2015	2016	2017	2018
$ 10,376,465	$ 11,125,938	$ 11,768,063	$ 12,421,870	$ 12,659,739	$ 13,318,601
4,050,489	5,508,417	5,392,483	5,633,354	5,523,662	6,566,430
(1,992,703)	(2,494,395)	(5,510,119)	(4,961,314)	(5,029,153)	(5,629,152)
$ 12,434,251	$ 14,139,960	$ 11,650,427	$ 13,093,910	$ 13,154,248	$ 14,255,879
$ 1,456,939	$ 1,489,631	$ 1,510,882	$ 1,620,835	$ 1,650,940	$ 1,634,807
1,899,250	2,279,417	1,992,311	2,120,972	1,896,802	1,973,820
(8,257)	(8,450)	(120,013)	(65,830)	(252,631)	(398,341)
$ 3,347,932	$ 3,760,598	$ 3,383,180	$ 3,675,977	$ 3,295,111	$ 3,210,286
$ 11,833,404	$ 12,615,569	$ 13,278,945	$ 14,042,705	$ 14,310,679	$ 14,953,408
5,949,739	7,787,834	7,384,794	7,754,326	7,420,464	8,540,250
(2,000,960)	(2,502,845)	(5,630,132)	(5,027,144)	(5,281,784)	(6,027,493)
$ 15,782,183	$ 17,900,558	$ 15,033,607	$ 16,769,887	$ 16,449,359	$ 17,466,165

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

	2009	2010	2011	2012
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Agricultural, Environmental and Energy Resources	$ 339,523	$ 358,666	$ 369,400	$ 384,593
Economic and Workforce Development	47,377	49,212	46,764	59,481
General Education	42,192	21,342	19,403	23,418
General Government	270,153	266,565	265,022	249,824
Health and Human Services	285,963	353,929	424,670	399,963
Higher Education	—	3	3	636
Public Safety and Corrections	159,155	156,139	157,201	159,882
Transportation	45,385	25,397	21,782	19,146
Operating Grants and Contributions:				
Health and Human Services	5,996,063	6,913,844	6,692,535	6,369,736
All Others	1,758,923	3,388,958	2,706,074	2,040,575
Capital Grants and Contributions	274,981	215,439	203,750	137,497
Total Governmental Activities Program Revenues	$ 9,219,715	$ 11,749,494	$ 10,906,604	$ 9,844,751
Business-type Activities:				
Charges for Services:				
State Colleges and Universities	$ 827,997	$ 771,104	$ 851,754	$ 848,541
Unemployment Insurance	800,590	972,425	1,211,352	1,444,622
Lottery	482,738	499,271	504,514	520,049
Other	232,570	246,829	260,247	274,825
Operating Grants and Contributions	872,484	1,958,195	1,697,323	1,113,581
Capital Grants and Contributions	4,262	1,554	1,515	—
Total Business-type Activities Program Revenues	$ 3,220,641	$ 4,449,378	$ 4,526,705	$ 4,201,618
Total Primary Government Program Revenues	$ 12,440,356	$ 16,198,872	$ 15,433,309	$ 14,046,369
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources	$ 834,458	$ 950,738	$ 969,947	$ 916,001
Economic and Workforce Development	695,314	715,085	695,050	543,680
General Education	7,811,723	8,042,744	7,499,159	7,890,863
General Government	800,123	762,238	832,859	860,883
Health and Human Services	11,248,700	11,950,195	12,243,662	12,472,172
Higher Education	912,011	981,859	892,921	778,389
Intergovernmental Aid	1,435,897	1,558,453	1,339,943	1,358,521
Public Safety and Corrections	944,400	940,685	976,261	952,585
Transportation	2,058,526	2,456,008	2,843,127	2,280,481
Interest	210,435	261,802	322,773	506,909
Total Governmental Activities Expenses	$ 26,951,587	$ 28,619,807	$ 28,615,702	$ 28,560,484
Business-type Activities:				
State Colleges and Universities	$ 1,743,609	$ 1,802,527	$ 1,903,985	$ 1,816,268
Unemployment Insurance	1,865,939	3,038,557	2,228,405	1,490,943
Lottery	363,832	377,025	382,759	396,590
Other	209,070	222,110	269,880	270,276
Total Business-type Activities Expenses	$ 4,182,450	$ 5,440,219	$ 4,785,029	$ 3,974,077
Total Primary Government Expenses	$ 31,134,037	$ 34,060,026	$ 33,400,731	$ 32,534,561

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

2013	2014	2015	2016	2017	2018
$ 326,696	$ 350,950	$ 401,687	$ 355,269	$ 430,333	$ 1,314,147
40,093	60,754	57,819	58,939	58,317	55,573
24,120	22,042	22,136	22,646	23,477	21,845
381,788	279,835	305,057	327,487	340,021	347,661
547,216	407,644	424,520	416,068	437,726	499,831
346	337	315	20	—	5
157,198	158,690	161,205	159,549	155,843	152,465
30,280	28,386	23,811	114,667	73,111	104,674
6,844,284	7,371,378	8,350,067	8,716,931	9,048,622	9,606,414
2,318,910	2,407,201	2,205,884	2,215,444	2,309,582	2,283,111
172,725	250,709	170,102	194,056	142,942	115,974
$ 10,843,656	$ 11,337,926	$ 12,122,603	$ 12,581,076	$ 13,019,974	$ 14,501,700
$ 851,377	$ 824,190	$ 815,508	$ 835,447	$ 833,494	$ 829,982
1,469,936	1,188,214	937,851	820,322	585,523	775,863
560,448	531,550	546,812	592,806	563,507	596,453
272,822	333,425	351,662	389,807	425,937	492,551
710,153	551,820	525,297	481,563	456,997	445,338
—	—	—	—	—	—
$ 3,864,736	$ 3,429,199	$ 3,177,130	$ 3,119,945	$ 2,865,458	$ 3,140,187
$ 14,708,392	$ 14,767,125	$ 15,299,733	$ 15,701,021	$ 15,885,432	$ 17,641,887
$ 954,721	$ 955,339	$ 932,235	$ 1,013,148	$ 1,254,115	$ 1,369,950
571,265	641,424	677,044	658,893	806,872	769,021
8,207,311	9,048,212	9,087,613	9,434,928	9,836,193	10,172,185
971,198	1,013,415	1,153,921	1,151,991	1,589,095	1,438,678
13,146,913	13,647,672	15,016,278	15,590,493	16,396,755	17,390,698
849,510	912,083	912,909	976,351	987,375	1,032,885
1,269,078	1,291,075	1,583,636	1,626,833	1,644,215	1,699,020
970,095	998,054	985,399	1,005,349	1,360,363	1,296,548
2,683,545	2,685,688	2,898,216	2,814,456	2,998,902	3,287,843
218,218	177,244	291,983	305,017	291,679	224,558
$ 29,841,854	$ 31,370,206	$ 33,539,234	$ 34,577,459	$ 37,165,564	$ 38,681,386
$ 1,891,779	$ 1,936,061	$ 1,905,845	$ 1,910,435	$ 2,204,067	$ 2,174,240
1,060,431	888,665	726,529	801,670	785,137	754,269
425,541	404,705	410,237	446,860	429,843	455,374
288,146	350,729	408,408	383,012	476,331	495,581
$ 3,665,897	$ 3,580,160	$ 3,451,019	$ 3,541,977	$ 3,895,378	$ 3,879,464
$ 33,507,751	$ 34,950,366	$ 36,990,253	$ 38,119,436	$ 41,060,942	$ 42,560,850

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

	2009	2010	2011	2012
Net (Expense)/Revenue:				
Governmental Activities	$ (17,731,872)	$ (16,870,313)	$ (17,709,098)	$ (18,715,733)
Business-type Activities	(961,809)	(990,841)	(258,324)	227,541
Total Primary Government Net Expense	$ (18,693,681)	$ (17,861,154)	$ (17,967,422)	$ (18,488,192)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual Income Taxes	$ 7,203,337	$ 6,792,510	$ 7,883,583	$ 8,409,530
Corporate Income Taxes	741,049	539,534	1,204,521	953,428
Sales Taxes	4,338,748	4,379,236	4,760,684	4,849,514
Property Taxes	733,899	746,685	771,020	809,044
Motor Vehicle Taxes	955,785	997,214	1,074,769	1,150,343
Fuel Taxes	758,271	826,574	851,245	849,955
Other Taxes	2,206,648	2,268,560	2,192,739	2,253,625
Tobacco Settlement	176,140	157,924	172,207	166,154
Unallocated Investment/Interest Income	57,790	21,242	19,836	12,873
Other Revenues	95,316	145,608	139,406	133,285
Transfers	(610,880)	(543,525)	(584,171)	(480,195)
Total Government Activities	$ 16,656,103	$ 16,331,562	$ 18,485,839	$ 19,107,556
Business-type Activities:				
Unallocated Investment/Interest Income	$ 32,306	$ 8,483	$ 7,058	$ 6,567
Other Revenues	630	—	18,765	12,134
Transfers	610,880	543,525	584,171	480,195
Total Business-type Activities	$ 643,816	$ 552,008	$ 609,994	$ 498,896
Total Primary Government General Revenues	$ 17,299,919	$ 16,883,570	$ 19,095,833	$ 19,606,452
Changes in Net Position:				
Governmental Activities	$ (1,075,769)	$ (538,751)	$ 776,741	$ 391,823
Change in Accounting Principle	(45,854)	115,817	—	—
Change in Fund Structure	—	—	(58,916)	—
Business-type Activities	(317,993)	(438,833)	351,670	726,437
Changes in Accounting Principle	—	—	—	—
Change in Fund Structure	—	—	58,916	—
Total Primary Government Change in Net Position	$ (1,439,616)	$ (861,767)	$ 1,128,411	$ 1,118,260

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

2013	2014	2015	2016	2017	2018
$ (18,998,198)	$ (20,032,280)	$ (21,416,631)	$ (21,996,383)	$ (24,145,590)	$ (24,179,686)
198,839	(150,961)	(273,889)	(422,032)	(1,029,920)	(739,277)
$ (18,799,359)	$ (20,183,241)	$ (21,690,520)	$ (22,418,415)	$ (25,175,510)	$ (24,918,963)
$ 9,209,954	$ 9,915,021	$ 10,607,930	$ 10,969,019	$ 11,307,961	$ 12,125,496
1,242,912	1,308,578	1,507,608	1,361,681	1,270,423	1,343,290
5,004,330	5,283,785	5,469,773	5,534,870	5,779,685	5,995,103
831,316	823,949	839,939	846,216	850,240	823,551
1,241,242	1,312,982	1,395,872	1,428,134	1,518,531	1,566,759
860,837	883,619	908,278	904,424	917,834	936,618
2,436,828	2,489,475	2,651,969	2,801,323	2,833,543	2,964,339
171,338	175,386	170,424	170,179	165,244	165,089
23,129	26,728	25,378	35,289	66,639	94,641
128,115	27,339	63,101	50,574	87,096	75,201
(489,364)	(520,134)	(554,346)	(661,843)	(591,268)	(626,435)
$ 20,660,637	$ 21,726,728	$ 23,085,926	$ 23,439,866	$ 24,205,928	$ 25,463,652
$ 17,545	$ 33,688	$ 40,583	$ 44,919	$ 45,796	$ 50,457
2,215	9,107	7,028	8,067	11,990	4,249
489,364	520,134	554,346	661,843	591,268	626,435
$ 509,124	$ 562,929	$ 601,957	$ 714,829	$ 649,054	$ 681,141
$ 21,169,761	$ 22,289,657	$ 23,687,883	$ 24,154,695	$ 24,854,982	$ 26,144,793
$ 1,662,439	$ 1,694,448	$ 1,669,295	$ 1,443,483	$ 60,338	$ 1,283,966
—	11,959	(4,158,828)	—	—	(175,330)
—	(698)	—	—	—	(7,005)
707,963	411,968	328,068	292,797	(380,866)	(58,136)
—	—	(705,486)	—	—	(33,694)
—	698	—	—	—	7,005
$ 2,370,402	$ 2,118,375	$ (2,866,951)	$ 1,736,280	$ (320,528)	$ 1,016,806

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

	2009	2010	2011	2012
General Fund:				
Reserved	$ 111,182	$ —	$ —	$ —
Designated	—	—	—	—
Undesignated	(752,490)	—	—	—
Total General Fund	$ (641,308)	$ —	$ —	$ —
All Other Governmental Funds:				
Reserved	$ 1,858,589	$ —	$ —	$ —
Designated, Reported In:				
Special Revenue Funds	1,214,750	—	—	—
Debt Service Fund	742,069	—	—	—
Permanent Funds	5,862	—	—	—
Undesignated, Reported In:				
Special Revenue Funds	344,884	—	—	—
Capital Projects Funds	2,472	—	—	—
Total All Other Governmental Funds	$ 4,168,626	$ —	$ —	$ —
Total Governmental Funds	$ 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.

2013	2014	2015	2016	2017	2018
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —	$ —

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

	2009	2010	2011	2012
General Fund:				
Nonspendable	$ —	$ 465,601	$ 579,800	$ 625,689
Restricted	—	173,687	171,033	148,483
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	(1,386,945)	(731,567)	(840,928)
Total General Fund	$ —	$ (747,657)	$ 19,266	$ (66,756)
All Other Governmental Funds:				
Nonspendable	$ —	$ 718,469	$ 833,403	$ 892,478
Restricted	—	2,380,542	2,450,612	2,300,043
Committed	—	537,009	382,939	561,628
Assigned	—	3,920	2,306	642,158
Unassigned	—	—	(19,905)	(97,404)
Total All Other Governmental Funds	$ —	$ 3,639,940	$ 3,649,355	$ 4,298,903
Total Governmental Funds	$ —	$ 2,892,283	$ 3,668,621	$ 4,232,147

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.

2013	2014	2015	2016	2017	2018
$ 750,071	$ 912,814	$ 931,595	$ 929,967	$ 1,034,219	$ 1,121,875
105,581	128,025	119,108	180,272	86,942	83,409
—	—	—	—	—	82,000
219,562	231,559	322,780	365,054	757,056	1,830,239
218,474	530,549	782,405	1,571,798	1,528,516	1,665,000
$ 1,293,688	$ 1,802,947	$ 2,155,888	$ 3,047,091	$ 3,406,733	$ 4,782,523
$ 992,738	$ 1,154,936	$ 1,224,853	$ 1,275,357	$ 1,369,443	$ 1,442,020
2,754,222	4,011,252	3,708,694	3,482,136	3,629,229	4,618,092
714,304	642,573	861,685	709,828	952,613	688,673
1,152	199,900	682,373	598,110	548,454	24,072
—	—	—	—	—	—
$ 4,462,416	$ 6,008,661	$ 6,477,605	$ 6,065,431	$ 6,499,739	$ 6,772,857
$ 5,756,104	$ 7,811,608	$ 8,633,493	$ 9,112,522	$ 9,906,472	$ 11,555,380

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

	2009	2010	2011	2012
Revenues:				
Individual Income Taxes	$ 7,162,974	$ 6,729,244	$ 7,828,818	$ 8,267,608
Corporate Income Taxes	727,928	540,504	1,135,193	996,524
Sales Taxes	4,279,178	4,411,277	4,681,525	4,871,038
Property Taxes	729,373	766,830	766,926	813,723
Motor Vehicle Taxes	955,785	997,214	1,074,769	1,150,343
Fuel Taxes	756,381	825,341	852,765	851,410
Federal Revenues	7,887,945	10,159,045	9,162,775	8,268,573
Other Taxes and Revenues	3,810,907	4,074,393	4,249,437	4,101,994
Total Revenues	$ 26,310,471	$ 28,503,848	$ 29,752,208	$ 29,321,213
Expenditures:				
Agricultural, Environmental and Energy	$ 866,963	$ 918,410	$ 1,022,523	$ 904,313
Economic and Workforce Development	704,736	755,337	720,542	588,847
General Education	7,808,279	8,038,447	7,494,180	7,885,111
General Government	753,882	730,091	787,042	747,209
Health and Human Services	11,238,043	11,929,558	12,222,063	12,451,737
Higher Education	913,292	981,868	892,947	777,958
Intergovernmental Aid	1,435,897	1,549,453	1,317,185	1,358,520
Public Safety and Corrections	891,480	901,983	911,490	893,858
Transportation	2,040,334	2,416,333	2,673,915	2,300,784
Securities Lending Rebates and Fees	1,237	132	89	—
Capital Outlay	746,955	643,736	699,583	573,631
Debt Service:				
Principal	389,909	395,045	347,934	467,870
Interest	230,107	282,774	349,326	571,656
Total Expenditures	$ 28,021,114	$ 29,543,167	$ 29,438,819	$ 29,521,494
Excess of Revenues Over (Under) Expenditures	$ (1,710,643)	$ (1,039,319)	$ 313,389	$ (200,281)
Other Financing Sources (Uses):				
Bond Issuance	$ 675,810	$ 722,904	$ 843,496	$ 1,517,849
Certificates of Participation Issuance	—	74,980	—	—
Loan Proceeds	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)	(400,775)
Bond Issue Premium	56,112	108,704	233,570	142,273
Certificates of Participation Premium	—	7,411	—	—
Net Transfers In (Out)	(580,540)	(523,176)	(557,776)	(495,540)
Capital Leases	—	3,356	—	—
Net Other Financing Sources (Uses)	$ 151,931	$ 399,908	$ 519,967	$ 763,807
Change in Inventory	1,347	4,376	1,898	—
Change in Fund Structure	—	—	(58,916)	—
Net Changes in Fund Balances	$ (1,557,365)	$ (635,035)	$ 776,338	$ 563,526
Debt Service as a Percentage of Non-capital Expenditures	2.3%	2.3%	2.4%	3.6%

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

2013	2014	2015	2016	2017	2018
$ 9,257,352	$ 9,859,403	$ 10,640,365	$ 11,013,385	$ 11,263,573	$ 12,082,631
1,273,112	1,302,563	1,503,461	1,414,531	1,272,913	1,327,533
5,028,616	5,281,384	5,455,081	5,558,870	5,792,017	5,993,944
817,895	830,759	836,257	855,032	848,463	819,654
1,241,242	1,312,837	1,395,959	1,428,000	1,518,624	1,566,752
861,780	882,649	908,740	904,475	917,956	936,543
8,920,572	9,492,563	10,330,369	10,751,013	11,070,070	11,556,973
4,550,709	4,654,510	4,660,862	4,792,065	5,092,983	6,172,623
$ 31,951,278	$ 33,616,668	$ 35,731,094	$ 36,717,371	$ 37,776,599	$ 40,456,653
$ 961,993	$ 951,403	$ 951,901	$ 1,008,712	$ 1,035,953	$ 1,173,902
623,810	647,590	694,016	720,340	756,386	721,636
8,201,852	9,042,621	9,088,463	9,438,526	9,801,245	10,142,699
825,528	900,517	1,066,108	1,022,298	978,292	967,045
13,130,238	13,626,375	15,057,706	15,595,280	16,078,287	17,126,873
849,506	911,986	912,947	976,387	987,714	1,032,901
1,269,078	1,291,075	1,583,636	1,626,833	1,644,215	1,699,020
909,426	939,855	965,508	974,864	1,046,709	1,067,492
2,610,632	2,630,645	2,883,144	2,840,880	2,772,542	3,093,871
—	—	—	—	—	—
646,086	939,987	1,090,210	1,183,985	870,595	669,165
326,989	410,450	598,590	650,190	647,020	655,751
295,231	251,606	365,231	390,603	392,195	380,418
$ 30,650,369	$ 32,544,110	$ 35,257,460	$ 36,428,898	$ 37,011,153	$ 38,730,773
$ 1,300,909	$ 1,072,558	$ 473,634	$ 288,473	$ 765,446	$ 1,725,880
$ 1,296,087	$ 1,348,259	$ 720,300	$ 670,905	$ 491,129	$ 449,188
—	—	80,100	—	—	—
1,597	—	—	—	769	2,887
—	373,940	153,905	391,555	310,565	404,880
(768,450)	(373,940)	(153,905)	(391,555)	(310,565)	(404,880)
200,932	180,783	123,666	163,418	155,376	137,078
—	—	—	—	—	—
(507,118)	(546,096)	(575,815)	(643,767)	(618,770)	(666,622)
—	—	—	—	—	—
$ 223,048	$ 982,946	$ 348,251	$ 190,556	$ 28,504	$ (77,469)
—	—	—	—	—	—
—	—	—	—	—	497
$ 1,523,957	$ 2,055,504	$ 821,885	$ 479,029	$ 793,950	$ 1,648,411
2.1%	2.1%	2.8%	3.0%	2.9%	2.7%

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

	2008	2009	2010	2011
Farm Earnings	$ 4,059,542	$ 2,224,254	$ 3,287,574	$ 4,497,149
Nonfarm Earnings:				
Private Earnings:				
Forestry, Fishing, Related Activities	$ 257,785	$ 253,343	$ 321,147	$ 313,714
Mining	713,793	583,824	944,822	1,175,135
Utilities	1,521,288	1,478,767	1,548,536	1,696,883
Construction	9,313,108	8,222,053	7,919,310	8,610,456
Manufacturing:				
Durable Goods Manufacturing	15,661,493	13,765,946	13,983,671	14,945,794
Nondurable Goods Manufacturing	7,537,492	7,074,136	6,998,774	7,376,995
Wholesale trade	11,356,300	10,609,139	10,849,264	11,521,480
Retail Trade	9,269,767	9,069,439	9,414,354	9,838,374
Transportation and Warehousing	5,701,048	5,148,306	5,206,575	5,752,355
Information	4,879,158	4,631,883	4,367,170	4,554,992
Finance and Insurance	12,864,970	11,767,315	12,738,316	13,498,147
Real Estate and Rental and Leasing	2,490,053	2,515,835	2,311,487	2,835,593
Professional and Technical Services	14,164,307	13,224,466	13,235,346	14,232,902
Management of Companies and Enterprises	9,704,580	7,911,994	9,151,495	9,380,832
Administrative and Waste Services	5,220,556	4,878,169	5,201,266	5,659,208
Educational Services	2,314,489	2,495,446	2,600,327	2,729,144
Health Care and Social Assistance	20,324,871	21,080,465	21,994,737	22,453,534
Arts, Entertainment, and Recreation	1,405,193	1,303,850	1,396,561	1,427,418
Accommodation and Food Services	3,903,476	3,752,511	3,749,606	4,028,151
Other Services, Except Public Administration	5,927,595	5,874,202	5,836,609	6,040,975
Total Private Earnings	$ 144,531,322	$ 135,641,089	$ 139,769,373	$ 148,072,082
Government and Government Enterprises:				
Federal, Civilian	$ 2,873,085	$ 2,942,734	$ 2,991,515	$ 3,024,745
Military	788,946	855,721	846,077	784,391
State and Local	20,405,075	20,853,112	21,178,166	20,989,028
Total Government and Government Enterprises	$ 24,067,106	$ 24,651,567	$ 25,015,758	$ 24,798,164
Total Nonfarm Earnings	$168,598,428	$160,292,656	$164,785,131	$172,870,246
Total Earnings By Industry	$ 172,657,970	$ 162,516,910	$ 168,072,705	$ 177,367,395
Derivation of Personal Income:				
Earnings By Place of Work	$ 172,657,970	$ 162,516,910	$ 168,072,705	$ 177,367,395
Other Personal Income(1)	52,860,588	52,632,516	55,627,488	61,270,680
Personal Income	$ 225,518,558	$ 215,149,426	$ 223,700,193	$ 238,638,075

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), table SAINC5N: Personal Income by Major Component and Earnings by NAICS Industry (www.apps.bea.gov/itable). The data is updated quarterly. The Comprehensive Annual Financial Report utilizes the most current data estimates available. Data from the website and prior years are not adjusted or updated. The website reflects that data used in this report was updated September 25, 2018 for calendar year 2017.

	2012	2013	2014	2015	2016	2017
	$ 6,234,574	$ 6,055,896	$ 3,957,930	$ 3,436,873	$ 2,134,638	$ 492,804
	$ 377,581	$ 375,183	$ 372,518	$ 405,253	$ 424,616	$ 434,528
	1,195,976	940,241	836,803	711,097	567,153	598,939
	1,598,936	1,753,610	1,819,167	1,813,182	1,872,657	1,831,635
	9,695,487	10,307,393	11,256,047	12,199,335	12,845,658	13,656,541
	15,477,077	15,769,874	16,463,894	17,276,885	17,438,243	17,929,229
	7,865,499	7,976,017	8,866,827	9,169,634	9,357,227	9,404,043
	12,015,927	12,457,480	12,670,150	13,096,562	12,945,024	14,803,153
	10,267,848	10,568,505	10,934,279	11,384,942	11,789,700	11,927,427
	5,944,742	6,131,364	6,468,497	6,743,929	7,336,944	8,010,476
	4,501,266	4,506,448	4,720,952	4,851,528	4,689,082	4,911,711
	16,305,898	15,853,822	15,939,115	16,821,074	16,837,111	18,327,349
	3,766,233	4,020,944	4,248,409	4,464,110	3,983,710	3,996,742
	14,850,286	15,577,864	16,890,612	17,816,158	19,890,779	20,579,819
	9,729,235	10,194,587	10,605,646	10,841,476	10,879,965	11,677,068
	5,769,149	5,871,881	6,229,435	6,499,176	6,924,327	7,654,637
	2,796,682	2,766,270	2,865,504	2,918,287	3,085,382	3,157,217
	23,162,318	24,004,913	24,990,069	26,435,203	28,175,658	29,831,013
	1,446,421	1,576,030	1,884,804	2,004,934	2,212,728	2,274,522
	4,314,959	4,480,084	4,746,770	5,159,435	5,517,804	5,810,628
	6,294,864	6,401,623	6,886,532	7,151,982	7,369,166	7,766,344
	$ 157,376,384	$ 161,534,133	$ 169,696,030	$ 177,764,182	$ 184,142,934	$ 194,583,021
	$ 3,007,494	$ 2,978,551	$ 3,039,703	$ 3,169,588	$ 3,254,830	$ 3,341,625
	748,232	709,513	665,703	623,320	657,201	653,478
	21,119,824	21,944,845	22,804,710	23,628,074	24,423,598	25,166,437
	$ 24,875,550	$ 25,632,909	$ 26,510,116	$ 27,420,982	$ 28,335,629	$ 29,161,540
	$ 182,251,934	$ 187,167,042	$ 196,206,146	$ 205,185,164	$ 212,478,563	$ 223,744,561
	$ 188,486,508	$ 193,222,938	$ 200,164,076	$ 208,622,037	$ 214,613,201	$ 224,237,365
	$ 188,486,508	$ 193,222,938	$ 200,164,076	$ 208,622,037	$ 214,613,201	$ 224,237,365
	65,534,021	62,816,834	68,365,869	71,784,447	72,636,608	78,903,906
	$ 254,020,529	$ 256,039,772	$ 268,529,945	$ 280,406,484	$ 287,249,809	$ 303,141,271

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2009 through 2018

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

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

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 2009 through 2018 (continued)

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

Tax Year 2018

	5.35% Up To	7.05%	7.85%	9.85% Over
Married Joint	$ 37,850	$ 37,851 — $ 150,380	$ 150,381 — $ 266,700	$ 266,700
Married Separate........	18,930	18,931 — 75,190	75,191 — 133,350	133,350
Single	25,890	25,891 — 85,060	85,061 — 160,020	160,020
Head of Household	31,880	31,881 — 128,090	128,091 — 213,360	213,360

Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2007 and 2016

Calendar Year 2007

Federal Adjusted Gross Income			Total Number of Returns Filed	Percent of Total	Personal Income Tax Liability[1]	Percent of Total
—	–	$ 4,999	246,513	9.59%	$ 1,667,519	0.02%
5,000	–	9,999	207,318	8.06%	7,942,813	0.11%
10,000	–	19,999	334,195	13.00%	73,616,266	0.99%
20,000	–	29,999	296,016	11.51%	172,179,020	2.32%
30,000	–	39,999	254,067	9.88%	270,137,957	3.64%
40,000	–	49,999	210,332	8.18%	322,274,532	4.34%
50,000	–	99,999	648,904	25.24%	1,840,351,179	24.78%
100,000	–	249,999	307,624	11.96%	2,121,030,234	28.56%
250,000	–	499,999	41,127	1.60%	796,131,747	10.72%
500,000	&	Over	25,174	0.98%	1,821,711,256	24.53%
		Total	2,571,270	100.00%	$ 7,427,042,523	100.00%

Calendar Year 2016

Federal Adjusted Gross Income			Total Number of Returns Filed	Percent of Total	Personal Income Tax Liability[1]	Percent of Total
—	–	4,999	199,802	7.18%	$ 3,780,822	0.04%
5,000	–	9,999	182,551	6.56%	5,589,120	0.05%
10,000	–	19,999	308,367	11.09%	54,665,370	0.53%
20,000	–	29,999	310,128	11.15%	167,500,964	1.63%
30,000	–	39,999	278,001	10.00%	269,134,818	2.63%
40,000	–	49,999	219,217	7.88%	335,682,172	3.28%
50,000	–	99,999	700,527	25.19%	1,989,865,385	19.42%
100,000	–	249,999	480,075	17.26%	3,355,919,982	32.75%
250,000	–	499,999	67,978	2.44%	1,363,679,827	13.31%
500,000	&	Over	34,462	1.24%	2,702,639,169	26.37%
		Total	2,781,108	100.00%	$ 10,248,457,629	100.00%

(1) Minnesota Income Tax Liability before refundable tax credits.

Source: Minnesota Department of Revenue, Individual Income Tax Sample. Calendar year 2016 is the most recent year available.

Schedule 8 - Ratios of Outstanding and General Bonded Debt

Last Ten Years

(In Thousands)

	2009	2010	2011	2012
Governmental Activities				
General Obligation Bonds[1]	$ 4,667,902	$ 5,103,210	$ 5,814,900	$ 5,772,034
Revenue Bonds	13,715	12,900	12,055	794,574
State General Fund Appropriation Bonds[1]	—	—	—	—
Loans	53,658	41,319	31,583	28,612
Capital Leases	161,629	158,175	151,156	144,319
Certificates of Participation	—	80,649	79,408	70,742
Total Governmental Activities	$ 4,896,904	$ 5,396,253	$ 6,089,102	$ 6,810,281
Business-type Activities:				
General Obligation Bonds[1]	$ 241,946	$ 250,353	$ 260,618	$ 249,636
Revenue Bonds	278,246	320,779	375,409	431,952
Loans	5,582	603,020	465,280	5,015
Capital Leases	20,324	18,662	46,168	40,137
Total Business-type Activities	$ 546,098	$ 1,192,814	$ 1,147,475	$ 726,740
Total Debt to the Primary Government	$ 5,443,002	$ 6,589,067	$ 7,236,577	$ 7,537,021
Less: Set Aside to Repay General Debt	$ (406,310)	$ (420,055)	$ (463,165)	$ (301,320)
Net Debt to the Primary Government	$ 5,036,692	$ 6,169,012	$ 6,773,412	$ 7,235,701
Total Personal Income	$ 225,518,558	$ 215,149,426	$ 223,700,193	$ 238,638,075
Ratio of Total Debt to Personal Income	2.41%	3.06%	3.00%	3.16%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 1,037	$ 1,248	$ 1,363	$ 1,409
Ratio of Net General Obligation Debt to Personal Income	2.00%	2.29%	2.51%	2.40%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 858	$ 934	$ 1,057	$ 1,069

(1) Includes applicable premium or discount.

Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), table SAINC5N: Personal Income by Major Component and Earnings by NAICS Industry (www.apps.bea.gov/itable). The data is updated quarterly. The Comprehensive Annual Financial Report utilizes the most current data estimates available. Data from the website and prior years are not adjusted or updated. The website reflects that data used in this report was updated September 25, 2018 for calendar year 2017.

2013	2014	2015	2016	2017	2018
$ 6,157,536	$ 6,649,907	$ 6,885,776	$ 7,043,943	$ 6,999,510	$ 6,867,284
10,260	47,255	44,757	42,103	39,365	36,795
774,770	1,230,408	1,175,677	1,128,706	1,090,895	1,048,439
35,982	28,610	24,966	23,337	23,252	41,770
115,300	106,821	98,512	89,854	80,881	71,576
49,440	41,981	125,875	115,870	104,875	93,425
$ 7,143,288	$ 8,104,982	$ 8,355,563	$ 8,443,813	$ 8,338,778	$ 8,159,289
$ 250,321	$ 256,886	$ 260,431	$ 253,671	$ 238,637	$ 227,901
470,498	444,231	460,484	431,289	392,070	351,871
4,414	3,635	3,794	4,842	2,552	11,030
35,281	30,519	25,968	21,635	26,996	13,741
$ 760,514	$ 735,271	$ 750,677	$ 711,437	$ 660,255	$ 604,543
$ 7,903,802	$ 8,840,253	$ 9,106,240	$ 9,155,250	$ 8,999,033	$ 8,763,832
$ (383,740)	$ (604,165)	$ (605,850)	$ (613,385)	$ (625,870)	$ (610,670)
$ 7,520,062	$ 8,236,088	$ 8,500,390	$ 8,541,865	$ 8,373,163	$ 8,153,162
$ 254,020,529	$ 256,039,772	$ 268,529,945	$ 280,406,484	$ 287,249,809	$ 303,141,271
3.11%	3.45%	3.39%	3.26%	3.13%	2.89%
$ 1,469	$ 1,631	$ 1,670	$ 1,670	$ 1,630	$ 1,571
2.37%	2.46%	2.44%	2.38%	2.30%	2.14%
$ 1,120	$ 1,163	$ 1,199	$ 1,219	$ 1,198	$ 1,163

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

	2009	2010	2011	2012
State University Board Revenue Segment of College and University Enterprise Fund				
Gross Revenues[1]	$ 93,781	$ 101,311	$ 108,102	$ 111,168
Less: Operating Expenses[2]	(69,867)	(71,426)	(72,391)	(74,432)
Net Available Revenue	$ 23,914	$ 29,885	$ 35,711	$ 36,736
Debt Service:				
Principal	$ 2,945	$ 6,125	$ 7,870	$ 7,545
Interest	7,091	10,816	8,070	11,889
Total Debt Service	$ 10,036	$ 16,941	$ 15,940	$ 19,434
Coverage	2.38	1.76	2.24	1.89
Vermillion Community College[3] and Itasca Community College Student Housing Segments of College and University Enterprise Fund				
Gross Revenues[1]	$ 608	$ 628	$ 667	$ 690
Less: Operating Expenses[2]	(346)	(338)	(348)	(334)
Net Available Revenue	$ 262	$ 290	$ 319	$ 356
Debt Service:				
Principal	$ 145	$ 145	$ 155	$ 165
Interest	148	141	134	124
Total Debt Service	$ 293	$ 286	$ 289	$ 289
Coverage	0.89	1.01	1.10	1.23
Giants Ridge Enterprise Fund[4]				
Gross Revenues[5]	$ 4,091	$ 4,083	$ 3,835	$ —
Less: Operating Expenses[2]	(5,796)	(5,889)	(6,005)	—
Net Available Revenue	$ (1,705)	$ (1,806)	$ (2,170)	$ —
Debt Service:				
Principle	$ 760	$ 815	$ 11,310	$ —
Interest	917	858	630	15
Total Debt Service	$ 1,677	$ 1,673	$ 11,940	$ 15
Coverage	(1.02)	(1.08)	(0.18)	—

(1) Revenues from student fees and the operating 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 Vermillion Community College. Remaining pledged revenue is for Itasca Community College only.

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

(5) Revenues from golf course and ski area were 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.

2013	2014	2015	2016	2017	2018
$ 109,368	$ 109,857	$ 112,662	$ 119,182	$ 120,261	$ 116,988
(78,410)	(81,624)	(78,856)	(80,031)	(85,050)	(84,176)
$ 30,958	$ 28,233	$ 33,806	$ 39,151	$ 35,211	$ 32,812
$ 11,575	$ 12,425	$ 14,060	$ 14,385	$ 16,315	$ 17,755
11,129	12,452	11,847	12,342	10,503	11,378
$ 22,704	$ 24,877	$ 25,907	$ 26,727	$ 26,818	$ 29,133
1.36	1.13	1.30	1.46	1.31	1.13
$ 450	$ 473	$ 478	$ 495	$ 493	$ 481
(205)	(230)	(203)	(209)	(245)	(260)
$ 245	$ 243	$ 275	$ 286	$ 248	$ 221
$ 95	$ 130	$ 120	$ 120	$ 130	$ 130
71	49	48	46	44	42
$ 166	$ 179	$ 168	$ 166	$ 174	$ 172
1.48	1.36	1.64	1.72	1.43	1.28
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —	$ —
10	—	—	1	—	—
$ 10	$ —	$ —	$ 1	$ —	$ —
—	—	—	—	—	—

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

	2009	2010	2011	2012
D.J. Johnson Economic Protection Trust Fund[6]				
Taconite Production Tax[7]	$ 3,902	$ 5,006	$ 1,547	$ 1,919
Net Available Revenue	$ 3,902	$ 5,006	$ 1,547	$ 1,919
Debt Service:				
Principle[4]	$ 393	$ 408	$ 422	$ 440
Interest	305	289	273	256
Total Debt Service	$ 698	$ 697	$ 695	$ 696
Coverage	5.59	7.18	2.23	2.76
Iron Range Resources and Rehabilitation Agency (IRRR)[6]				
Taconite Production Tax	$ 705	$ 704	$ 704	$ 704
Net Available Revenue	$ 705	$ 704	$ 704	$ 704
Debt Service:				
Principle	$ 393	$ 408	$ 422	$ 440
Interest	305	289	273	256
Total Debt Service	$ 698	$ 697	$ 695	$ 696
Coverage	1.01	1.01	1.01	1.01
911 Services Fund[7]				
911 Services Fees	$ 52,677	$ 60,229	$ 63,373	$ 68,516
Less: Operating Expenses[2]	(23,225)	(7,290)	(30,996)	(25,815)
Net Available Revenue	$ 29,452	$ 52,939	$ 32,377	$ 42,701
Debt Service:				
Principal	$ 5,365	$ 13,375	$ 12,100	$ 15,005
Interest	2,453	4,642	5,150	7,260
Total Debt Service	$ 7,818	$ 18,017	$ 17,250	$ 22,265
Coverage	3.77	2.94	1.88	1.92

(6) On October 18, 2013, Iron Range Resources and Rehabilitation (IRRR) issued $37.8 million Educational Facilities Revenue bonds, a portion of Taconite production tax revenues allocated to IRRR are pledged to repay the bonds. IRRR pays two-third and D.J. Johnson Economic Protection Trust Funds pay one-third of the debt.

(7) Revenue bonds of $42.2 million were issued on November 13, 2008, for 911 services. The 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.

2013	2014	2015	2016	2017	2018
$ 5,723	$ 2,074	$ 1,542	$ 1,540	$ 1,540	$ 1,539
$ 5,723	$ 2,074	$ 1,542	$ 1,540	$ 1,540	$ 1,539
$ 572	$ 477	$ 973	$ 974	$ 1,007	$ 1,037
123	417	853	547	518	487
$ 695	$ 894	$ 1,826	$ 1,521	$ 1,525	$ 1,524
8.23	2.32	0.84	1.01	1.01	1.01
$ 706	$ 2,074	$ 2,452	$ 2,450	$ 2,452	$ 2,451
$ 706	$ 2,074	$ 2,452	$ 2,450	$ 2,452	$ 2,451
$ 572	$ 478	$ 1,452	$ 1,431	$ 1,483	$ 1,533
124	615	1,343	992	944	896
$ 696	$ 1,093	$ 2,795	$ 2,423	$ 2,427	$ 2,429
1.01	1.90	0.88	1.01	1.01	1.01
$ 63,222	$ 63,684	$ 57,381	$ 68,500	$ 76,324	$ 79,130
(26,019)	(26,191)	(24,741)	(24,695)	(25,244)	(22,430)
$ 37,203	$ 37,493	$ 32,640	$ 43,805	$ 51,080	$ 56,700
$ 11,380	$ 11,820	$ 12,310	$ 12,810	$ 20,320	$ 19,430
6,918	6,443	5,924	5,403	2,675	3,570
$ 18,298	$ 18,263	$ 18,234	$ 18,213	$ 22,995	$ 23,000
2.03	2.05	1.79	2.41	2.22	2.47

Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population [1]	Income (Thousands)[1]	Per Capita Personal Income[1]	Median Age[2]	Unemployment Rate[3]
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%
2017	5,576,606	$ 303,141,271	$ 54,359	38.0	3.1%

Sources:

(1) U.S. Department of Commerce, Bureau of Economic Analysis (BEA), table SAINC5N: Personal Income by Major Component and Earnings by NAICS Industry (www.apps.bea.gov/itable) The data is updated quarterly. The Comprehensive Annual Financial Report utilizes the most current data estimates available data from the website and prior years are not adjusted or updated. The website reflects that data used in this report was updated September 25, 2018 for calendar year 2017.;

(2) U.S. Census Bureau;

(3) Minnesota Department of Employment and Economic Development

Schedule 11 - Principal Employers
Year 2017 and Nine Years Ago

	2008			2017		
Employer	Employees[1]	Rank	Percent of Total State Employment	Employees [2]	Rank	Percent of Total State Employment
State of Minnesota	55,865	1	2.09%	56,477	1	1.88%
Mayo Clinic	37,022	2	1.39%	41,691	2	1.39%
United States Government	32,313	3	1.21%	34,427	3	1.15%
Target Corp.	27,756	4	1.04%	27,000	6	0.90%
Allina Health System	23,653	5	0.89%	28,465	5	0.95%
Wells Fargo Bank Minnesota	20,884	6	0.78%	19,000	9	0.63%
Fairview Health Services	20,148	7	0.75%	33,350	4	1.11%
Wal-Mart Stores Inc.	19,733	8	0.74%	N/A	N/A	N/A
University of Minnesota	18,470	9	0.69%	26,900	7	0.90%
3M Company	16,500	10	0.62%	N/A	N/A	N/A
Health Partners Inc.	N/A	N/A	N/A	24,310	8	0.81%
United Health Group Inc.	N/A	N/A	N/A	18,000	10	0.60%
Total	272,344			309,620		
Total State Employment [3]	2,669,079			3,002,882		

Note: N/A indicates the employer is not a principal employer for the year stated.

Source:
(1) 2008 State of Minnesota Comprehensive Annual Report;
(2) Minneapolis/St. Paul Business Journal Book of Lists published July 13, 2018;
(3) State of Minnesota Full-Time Employee data 2017 provided by the Minnesota Department of Employment and Economic Development

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

	2009	2010	2011	2012
Primary Government:				
Agricultural, Environmental and Energy Resources	4,515	4,467	4,416	4,221
Economic and Workforce Development	2,499	2,661	2,621	2,368
General Education	882	880	877	851
General Government	8,393	6,868	7,005	6,867
Health and Human Services	8,257	9,167	8,997	8,694
Higher Education	15,592	15,835	15,851	15,554
Public Safety and Corrections	6,517	6,553	6,569	6,457
Transportation	4,713	4,969	4,964	4,514
Total	51,368	51,400	51,300	49,526

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2013	2014	2015	2016	2017	2018
4,543	4,532	4,622	4,576	4,459	4,454
2,468	2,378	2,373	2,332	2,242	2,184
898	915	900	846	859	849
7,228	7,552	7,606	8,666	9,347	9,511
9,143	9,613	9,909	9,062	9,452	9,837
15,584	15,481	15,090	14,810	14,576	14,385
6,521	6,519	6,598	6,761	6,728	6,817
4,915	4,970	4,815	4,654	4,793	4,979
51,300	51,960	51,913	51,707	52,456	53,016

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

	2009	2010	2011	2012
Agricultural, Environmental and Energy Resources:				
Recreational Fishing Licenses Issued/License Year	1,363,841	1,247,885	1,317,401	1,394,075
Watercraft Licenses Issued/Calendar Year	873,986	908,232	928,540	970,091
Acres of State Land Managed by Forestry/Fiscal Year	3,922,744	3,915,225	3,915,178	3,914,875
Farms/Calendar Year	81,000	80,500	79,800	74,500
Acres of Farmland/Calendar Year (1,000 Acres)	26,900	26,900	26,850	26,000
Agricultural Production-Crops/Calendar Year (Dollars In Thousands)	$ 8,760,107	$ 8,495,341	$ 9,948,617	$ 13,547,827
Agricultural Production-Livestock/Calendar Year (Dollars In Thousands)	$ 5,185,204	$ 6,180,769	$ 7,008,030	$ 7,434,338
Economic and Workforce Development				
Unemployment Claims Filed	336,266	350,443	353,277	319,473
Workplace Injuries Reported	35,416	32,828	33,889	33,757
General Education:[(1)]				
Pre-kindergarten (handicapped only) through Grade 12 Students	821,021	821,923	823,347	824,922
School Districts	340	337	337	337
Charter Schools	153	154	149	147
Special Education Age 0-21 Child Count	124,592	126,108	127,863	128,430
General Government:				
Individual Income Tax Payers/Calendar Year	2,687,864	2,695,214	2,708,203	2,766,477
Corporate Income Tax Returns/Calendar Year	33,822	32,115	38,072	33,404
Sales Tax Permit Holders/Calendar Year	277,000	284,000	284,000	256,439
Health and Human Services:				
Average Monthly Cash Recipients	164,293	174,372	185,739	183,983
Average Monthly Health Care Enrollees	707,006	776,430	832,903	855,643
Health Care Providers	4,153	4,366	4,442	4,680
Higher Education:				
Full Year Student Equivalents	143,924	155,422	157,903	153,447
Number of Students Graduated	35,026	36,464	38,765	39,617
Square Footage of Buildings	26,672,956	26,792,759	27,248,375	27,835,651
Public Safety and Corrections:				
Incarcerated Inmates	9,217	9,619	9,429	9,345
Offenders on Supervision	20,974	20,559	19,727	19,697
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	1,268,416	1,277,295	1,277,132	1,319,334
Crashes Investigated By State Patrol	20,297	20,324	25,768	20,527
Transportation:				
Miles of Highways	29,228	29,370	29,347	29,310
Trunk Highway Bridges	3,021	2,988	2,985	2,985
Acres of Right-of-Way	254,269	254,880	254,852	254,958

(1) Current year amounts are estimated.

Notes: Of the $19.6 billion in capital assets owned by the state as of June 30, 2018, $12.8 billion (65.3 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $6.8 billion in capital assets are allocated to other functions.
N/A indicates the information for the current year is not available

2013	2014	2015	2016	2017	2018
1,340,327	1,364,293	1,363,641	1,375,334	1,398.604	N/A
957,061	958,111	960,418	976,329	989.301	N/A
4,008,450	4,014,742	4,014,641	4,030,652	4,200,338	4,202,557
74,400	74,000	73,600	73,300	72,845	72,745
25,900	25,900	25,900	25,900	25,775	25,770
$ 12,763,802	$ 8,981,160	$ 9,359,125	$ 8,720,433	$ 8,290,126	$ 8,627,695
$ 7,621,957	$ 9,614,139	$ 7,858,145	$ 7,560,945	$ 7,520,072	$ 7,796,953
282,339	268,800	242,214	240,570	225,711	208,174
34,303	34,963	33,786	33,915	33,006	33,252
831,722	837,616	845,527	852,399	861,191	870,737
336	332	332	332	332	330
148	150	157	165	165	164
128,812	129,669	130,886	133,742	137,601	142,270
2,794,748	2,854,888	2,894,528	2,942,829	2,936,859	2,985,941
36,223	35,857	35,534	35,613	33,872	32,879
284,000	155,000	155,000	160,000	160,000	160,000
181,900	176,300	166,428	163,859	168,518	164,703
864,365	929,455	1,139,325	1,191,630	1,169,864	1,189,240
4,780	4,931	4,724	4,533	4,582	4,805
149,905	144,524	138,657	135,192	131,640	128,830
39,800	39,148	38,220	37,427	36,846	36,128
27,968,002	27,998,859	28,042,641	28,473,676	28,675,891	28,587,383
9,452	9,768	9,947	10,105	9,869	9,963
19,968	19,343	20,418	20,011	20,168	20,291
10	10	10	10	10	10
1,625,547	1,420,951	1,177,543	1,343,989	1,399,009	1,341,378
23,229	25,670	23,278	25,113	28,200	29,845
29,323	29,288	29,288	29,288	29,290	29,263
3,017	3,032	3,036	3,022	3,017	3,033
255,714	255,453	256,265	256,483	256,958	256,715