MINNESOTA BIENNIAL BUDGET

FY 2014 – 2015

Internal Service Funds Financial Statements

Governor's Budget
January 22, 2013

Internal Service Funds Financial Statements
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Statements that provide revenue and expenses, assets, liabilities and fund equity for internal service funds, which are used to report State activities that provides goods or services to other funds and agencies or to other governments, on a cost-reimbursement basis.

Administration
Fleet and Surplus Services
Fleet Service
Brief Narrative

Background:
Fleet Services, an internal service fund, provides long term vehicle leasing services and fleet management.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Anticipated increased expenditures for implementation of data analytics for fleet management efficiencies along with projected increase in fuel costs are the major factors in the change in net assets.

Explain any reasons for rate changes:
None

Impact of rate changes on affected agencies:
None

Administration
Fleet and Surplus Services
Fleet Service
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	13,933	16,537	17,208	17,406
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	13,933	16,537	17,208	17,406
Gross Margin	13,933	16,537	17,208	17,406
Operating Expenses:				
Purchased Services	913	659	1,473	1,474
Salaries and Fringe Benefits	712	848	681	685
Claims				
Depreciation	4,557	5,362	5,362	5,362
Amoritization				
Supplies and Materials	5,559	6,947	7,414	7,638
Indirect Costs	18	44	44	44
Other Expenses	1,515	2,225	2,273	2,324
Total Operating Expenses	13,274	16,085	17,247	17,527
Operating Income (Loss)	659	452	(39)	(121)
Nonoperating Revenues (Expenses):				
Investment Income	54	65	65	65
Interest and Financiang Costs	(217)	(215)	(215)	(215)
Other Nonoperating Expenses	(265)	(550)		
Gain (Loss) on Desposal of Capital Assets	571	475	475	475
Total Nonoperating Revenues (Expenses)	143	(225)	325	325
Income (Loss) Before Transfers and Contributions	802	227	286	204
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	802	227	286	204
Net Assets, Beginning as Reported	10,406	11,208	11,435	11,721
Net Assets, Ending	11,208	11,435	11,721	11,925
Rate increase/(decrease)	0%	0%	0%	0%
Full Time Equivalents	9.2	7.0	5.0	5.0

Administration
Fleet and Surplus Services
Fleet Service
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,380	3,674
Investments		
Accounts Receivable	3,004	2,400
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	6,384	6,074
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	18,210	19,640
Total Noncurrent Assets	18,210	19,640
Total Assets	24,594	25,714
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,028	1,396
Interfund Payables	96	84
Unearned Revenue		
Loans Payable	5,174	5,442
Compensated Absences Payable	11	11
Total Current Liabiblities	6,309	6,933
Noncurrent Liabilities:		
Loans Payable	6,974	7,243
Compensated Absences Payable	93	93
Other Liabilities	10	10
Total Noncurrent Liabilities	7,077	7,346
Total Liabilities	13,386	14,279
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	5,814	6,427
Unrestricted	5,394	5,008
Total Net Assets	11,208	11,435

Administration
Fleet and Surplus Services
Surplus Property
Brief Narrative

Background:
Surplus Services, an enterprise fund, provides redistribution and disposal services for surplus property.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
The return on investments on items purchased for resale were lower in FY 2013 than FY 2012. Reductions in future years are due to planned losses.

Explain any reasons for rate changes:
None

Impact of rate changes on affected agencies:
None

Administration
Fleet and Surplus Services
Surplus Property
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	1,307	1,279	1,279	1,279
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	1,307	1,279	1,279	1,279
Gross Margin	1,199	1,104	1,102	1,102
Operating Expenses:				
Purchased Services	302	301	353	355
Salaries and Fringe Benefits	458	526	561	573
Claims				
Depreciation	66	66	66	66
Amoritization				
Supplies and Materials	8	8	8	8
Indirect Costs	32	53	53	53
Other Expenses		74	76	76
Total Operating Expenses	866	1,028	1,117	1,131
Operating Income (Loss)	333	76	(15)	(29)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses				
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	333	76	(15)	(29)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	333	76	(15)	(29)
Net Assets, Beginning as Reported	1,586	1,919	1,995	1,980
Net Assets, Ending	1,919	1,995	1,980	1,951
Rate increase/(decrease)	0%	0%	0%	0%
Full Time Equivalents	6.9	7.0	6.0	6.0

Administration
Fleet and Surplus Services
Surplus Property
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	1,418	1,432
Investments		
Accounts Receivable	91	162
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	1,509	1,594
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	626	560
Total Noncurrent Assets	626	560
Total Assets	2,135	2,154
LIABILITIES		
Current Liabilities:		
Accounts Payable	64	44
Interfund Payables	76	39
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	7	7
Total Current Liabiblities		
	147	90
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	63	63
Other Liabilities	6	6
Total Noncurrent Liabilities	69	69
Total Liabilities	216	159
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	626	560
Unrestricted	1,293	1,435
Total Net Assets	1,919	1,995

Administration
Materials Management
Coop Purchasing
Brief Narrative

Background:
Materials Management Division operates a cooperative purchasing program for Minnesota's local units of government and other authorized entities and the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP), a pharmaceutical purchasing program on behalf of 46 states and the cities of Chicago and Los Angeles. The cooperative purchasing program is a self-sustaining enterprise fund.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Projections for revenue and expenses are based on changes in generic pharmaceutical contracts.

Explain any reasons for rate changes:
Contract fees paid by vendors are determined on a case-by-case basis and may either increase or decrease as specific contracts are negotiated.

Impact of rate changes on affected agencies:
None

Administration
Materials Management
Coop Purchasing
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	14,202	13,067	13,667	13,767
Rental and Service Fees				
Insurance Premiums				
Other Income	116	120	120	120
Total Operating Revenues	14,318	13,187	13,787	13,887
Gross Margin	14,318	13,187	13,787	13,887
`				
Purchased Services	1,061	1,286	1,496	1,496
Salaries and Fringe Benefits	3,282	4,173	4,608	4,782
Claims				
Depreciation				
Amoritization				
Supplies and Materials	28	38	38	38
Indirect Costs	115	166	175	180
Other Expenses	129	231	231	231
Total Operating Expenses	4,615	5,894	6,548	6,727
Operating Income (Loss)	9,703	7,293	7,239	7,160
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses	(7,975)	(7,002)	(7,002)	(7,002)
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	(7,975)	(7,002)	(7,002)	(7,002)
Income (Loss) Before Transfers and Contributions	1,728	291	237	158
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	1,728	291	237	158
Net Assets, Beginning as Reported	5,648	7,376	7,667	7,904
Net Assets, Ending	7,376	7,667	7,904	8,062
Rate increase/(decrease) *	0%	0%	0%	0%
Full Time Equivalents	35.9	47.0	54.0	54.0

* Note: Contract fees paid by vendors are determinedon a case-by-case basis and may increase or decrease as specific contracts are negotiated.

Administration
Materials Management
Coop Purchasing
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	13,277	13,292
Investments		
Accounts Receivable	2,560	2,123
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	15,837	15,415
`		
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Depreciation	0	0
Total Assets	15,837	15,415
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,121	7,405
Interfund Payables	21	24
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	24	24
Total Current Liabiblities	8,166	7,453
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	262	262
Other Liabilities	33	33
Total Noncurrent Liabilities	295	295
Total Liabilities	8,461	7,748
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	7,376	7,667
Total Net Assets	7,376	7,667

* Note: Contract fees paid by vendors are determinedon a case-by-case basis and may increase or decrease as specific contracts are negotiated.

Administration
Plant Management
Plant Management
Brief Narrative

Background:
The PMD internal service fund (ISF) is made up of two activities: leases, and repair and other jobs. The predominant customers are state agencies located in custodial control buildings that pay for space through lease rental rates.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Retained earnings increased in FY 2012 due in large part to reduced utility usage. Retained earnings reductions in FY 2013 through FY 2015 are due to planned losses.
Explain any reasons for rate changes:
PMD has reduced overall energy consumption by 26.6% (18.1% after weather normalization) from FY 2008 to FY 2012. These reductions in consumption have allowed PMD to absorb utility rate increases without raising overall lease rates.

Impact of rate changes on affected agencies:
Overall Lease rates will decrease by 0.2% from FY 2013 to FY 2015.

Administration
Plant Management
Plant Management
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	62,318	62,987	62,802	62,883
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	62,318	62,987	62,802	62,883
Gross Margin	62,318	62,987	62,802	62,883
Operating Expenses:				
Purchased Services	13,332	14,712	16,238	15,093
Salaries and Fringe Benefits	12,988	14,101	14,568	15,314
Claims				
Depreciation	391	401	785	961
Amoritization	89	89	89	37
Supplies and Materials	1,957	2,330	2,051	2,060
Indirect Costs	715	1,099	1,120	1,141
Other Expenses	260	1,102	1,750	1,896
Total Operating Expenses	29,732	33,834	36,601	36,502
Operating Income (Loss)	32,586	29,153	26,201	26,381
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses		(1,550)		
Gain (Loss) on Desposal of Capital Assets	5	3	3	3
Total Nonoperating Revenues (Expenses)	5	(1,547)	3	3
Income (Loss) Before Transfers and Contributions	32,591	27,606	26,204	26,384
Capital Contributions				
Transfers in				
Transfers out	(27,655)	(27,746)	(28,197)	(28,190)
Change in Net Assets	4,936	(140)	(1,993)	(1,806)
Net Assets, Beginning as Reported	25,748	30,684	30,544	28,551
Net Assets, Ending	30,684	30,544	28,551	26,745
Rate increase/(decrease)	-2.4%	0.6%	-0.2%	0.0%
Full Time Equivalents	208.8	222.9	223.9	223.9

Administration
Plant Management
Plant Management
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	25,523	21,238
Investments		
Accounts Receivable	2,644	1,992
Accrued Investment/Interest Income		
Inventories	205	229
Deferred Costs		
Total Current Assets	28,372	23,459
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	6,147	9,957
Total Noncurrent Assets	6,147	9,957
Total Assets	34,519	33,416
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,190	1,213
Interfund Payables	83	97
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	166	166
Total Current Liabiblities		
	2,439	1,476
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	1,203	1,203
Other Liabilities	193	193
Total Noncurrent Liabilities	1,396	1,396
Total Liabilities	3,835	2,872
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	6,094	9,525
Unrestricted	24,590	21,019
Total Net Assets	30,684	30,544

Administration
Plant Management
MN Bookstore
Brief Narrative

Background:
Minnesota's Bookstore, an enterprise fund, provides publishing and retail services to state agencies, publishes the State Register, and manages the sale of public data from select state agency licensing files.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Operating losses in FY 2012 and FY 2013 are due in part to planned losses and part to lower than anticipated revenues. Increase in retained earnings for FY 2014 and FY 2015 are due to anticipated increased sales.

Explain any reasons for rate changes:
None

Impact of rate changes on affected agencies:
None

Administration
Plant Management
MN Bookstore
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	855	1,189	1,506	1,535
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	855	1,189	1,506	1,535
Gross Margin	710	875	1,108	1,129
Operating Expenses:				
Purchased Services	190	189	217	222
Salaries and Fringe Benefits	548	592	578	589
Claims				
Depreciation	5	5	5	5
Amoritization				
Supplies and Materials	21	17	19	20
Indirect Costs	44	63	64	65
Other Expenses	4	25	25	25
Total Operating Expenses	812	891	908	926
Operating Income (Loss)	(102)	(16)	200	203
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses				
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	(102)	(16)	200	203
Capital Contributions				
Transfers in	39			
Transfers out	(39)	(1)		
Change in Net Assets	(102)	(17)	200	203
Net Assets, Beginning as Reported	851	749	732	932
Net Assets, Ending	749	732	932	1,135
Rate increase/(decrease)	0.0%	0.0%	0.0%	0.0%
Full Time Equivalents	7.9	8.4	8.4	8.4

Administration
Plant Management
MN Bookstore
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	514	506
Investments		
Accounts Receivable	37	35
Accrued Investment/Interest Income		
Inventories	448	448
Deferred Costs	1	
Total Current Assets	1,000	989
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	29	24
Total Noncurrent Assets	29	24
Total Assets	1,029	1,013
LIABILITIES		
Current Liabilities:		
Accounts Payable	43	47
Interfund Payables	89	86
Unearned Revenue	19	19
Loans Payable		
Compensated Absences Payable	14	14
Total Current Liabiblities	165	166
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	100	100
Other Liabilities	15	15
Total Noncurrent Liabilities	115	115
Total Liabilities	280	281
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	29	24
Unrestricted	720	708
Total Net Assets	749	732

Administration
Plant Management
Central Mail
Brief Narrative

Background:
The Central Mail internal service fund (ISF) provides inserting, addressing, folding services and postage automating services to customers which are primarily state agencies located in St. Paul.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Operating loss in FY 2012 due in part to revenues being less than anticipated. Retained earnings reductions in FY 2013 through FY 2015 are due to planned losses.

Explain any reasons for rate changes:
No rate changes.

Impact of rate changes on affected agencies:
No impact.

Administration
Plant Management
Central Mail
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	8,687	9,904	10,108	10,311
Rental and Service Fees				
Insurance Premiums				
Other Income				
Total Operating Revenues	8,687	9,904	10,108	10,311
Gross Margin	8,687	9,904	10,108	10,311
Operating Expenses:				
Purchased Services	8,228	9,216	9,408	9,595
Salaries and Fringe Benefits	492	553	575	590
Claims				
Depreciation	27	16	6	4
Amoritization				
Supplies and Materials	20	40	29	29
Indirect Costs	48	90	92	93
Other Expenses		4	4	4
Total Operating Expenses	8,815	9,919	10,114	10,315
Operating Income (Loss)	(128)	(15)	(6)	(4)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses				
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	(128)	(15)	(6)	(4)
Capital Contributions	13			
Transfers in	39			
Transfers out	(39)	(1)		
Change in Net Assets	(115)	(16)	(6)	(4)
Net Assets, Beginning as Reported	1,613	1,461	1,445	1,439
Net Assets, Ending	1,498	1,445	1,439	1,435
Rate increase/(decrease)	0.0%	0.0%	0.0%	0.0%
Full Time Equivalents	8.0	9.1	9.1	9.1

Administration
Plant Management
Central Mail
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Investments		
Accounts Receivable	3,952	3,950
Accrued Investment/Interest Income		
Inventories	9	9
Deferred Costs	377	377
Total Current Assets	4,338	4,336
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	37	21
Total Noncurrent Assets	37	21
Total Assets	4,375	4,357
LIABILITIES		
Current Liabilities:		
Accounts Payable	151	156
Interfund Payables	2,644	2,637
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	7	7
Total Current Liabiblities		
	2,802	2,800
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	66	66
Other Liabilities	9	9
Total Noncurrent Liabilities	75	75
Total Liabilities	2,877	2,875
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	37	21
Unrestricted	1,461	1,461
Total Net Assets	1,498	1,482

Background:
The property and casualty program operates as an internal service fund, charging fees based on insurance options requested by customers.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
None

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Changes in net assets for the property and casualty program increased by $1,822,670 in FY 2012. This increase is due to good loss experience over the past two years. In FY 2013, the Advisory Committee approved a dividend payment of $2,472,460. Changes in net assets are impacted by the loss experience of the customers.

Explain any reasons for rate changes:
Factors contributing to changes in premium rates are:
• loss experience variation,
• increased claim potential due to additional volume,
• increased risk management, safety and loss control, and
• fluctuations of the reinsurance marketplace.

Impact of rate changes on affected agencies:
Assuming the same volume and mix of services as FY 2012, customers will pay the same amount in FY 2013.

Administration
Risk Management
Risk Management
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	96	103	103	103
Rental and Service Fees				
Insurance Premiums	11,478	11,593	12,000	12,000
Other Income				
Total Operating Revenues	11,574	11,696	12,103	12,103
Gross Margin	11,574	11,696	12,103	12,103
Operating Expenses:				
Purchased Services	4,231	4,415	4,415	4,415
Salaries and Fringe Benefits	1,014	1,021	1,063	1,088
Claims	2,447	5,735	5,735	5,735
Depreciation	0	64	64	64
Amoritization	0	0	0	0
Supplies and Materials	14	10	10	10
Indirect Costs	282	344	344	344
Other Expenses	11	11	11	11
Total Operating Expenses	7,999	11,600	11,642	11,667
Operating Income (Loss)	3,575	96	461	436
Nonoperating Revenues (Expenses):				
Investment Income	100	105	105	105
Interest and Financiang Costs				
Other Nonoperating Expenses	(1,853)	(2,472)	(1,500)	(800)
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	(1,753)	(2,367)	(1,395)	(695)
Income (Loss) Before Transfers and Contributions	1,822	(2,271)	(934)	(259)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	1,822	(2,271)	(934)	(259)
Net Assets, Beginning as Reported	10,514	12,336	10,065	9,131
Net Assets, Ending	12,336	10,065	9,131	8,872
Rate increase/(decrease)	-7.9%	0.0%	0.0%	0.0%
Full Time Equivalents	11.4	11.0	11.0	11.0

Administration
Risk Management
Risk Management
Net Assets
(Dollars in Thousands)

	Projected 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Investments	23,241	18,743
Accounts Receivable		
Accrued Investment/Interest Income	76	20
Inventories		
Deferred Costs	481	20
Total Current Assets	23,798	18,783
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)	646	646
Total Noncurrent Assets	646	646
Total Assets	24,444	19,429
LIABILITIES		
Current Liabilities:		
Accounts Payable	9,839	8,919
Interfund Payables	1,902	107
Unearned Revenue	192	192
Loans Payable	0	0
Compensated Absences Payable	18	10
Total Current Liabilities	11,951	9,228
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	146	125
Other Liabilities	11	11
Total Noncurrent Liabilities	157	136
Total Liabilities	12,108	9,364
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	606	542
Unrestricted	11,730	9,523
Total Net Assets	12,336	10,065

State Employees' Group Insurance Program (SEGIP)
Self funded Medical Plans - Plan Year Basis
Definitions

Income (Premiums)
Total Premiums received from Employees (Current and Retirees), and Agencies (including quasi-state agencies).

Exception - Reported Premiums also include uncollected premiums related to "Premium Holiday". (See 2006 Plan Year). The uncollected premium is reflected as an Adjustment, on the Financial Statement. This method is used to provide a more accurate comparison of Premiums , from one plan year to the next. (Per Member Per Month, PMPM, and percent change from prior Plan Year).

Claims Paid & Incurred
Claims incurred (medical visit occurred), during the 12 month period ending on December 31st, and which have been , or will be, paid by the State. (Does not include employee cost sharing provisions).

Depending on when on the Financial Statement is prepared, an estimate of incurred claims, that have not yet been paid by the State, needs to be included. (At 6/30/12, unpaid claims were estimated to be $ 54.4 million).

As accurately as possible, we are comparing 12 months of medical premiums, with the same 12 months of medical claims and administrative costs.

Claims Paid & Incurred as % of Premiums
This percentage illustrates what percentage of Premiums, from one Plan Year to the next, is used to pay medical claims.

A percentage of 93%, means that 93% of premiums pays for claims, and 7% of the premium pays for Administration, Reinsurance, and any needed increase in the Contingency Reserve.

Admin & Reinsurance (Paid to Carriers)
Payments made to the Carriers/Plan Administrators to manage the health care needs and administrative costs of employees. (Carriers include Blue Cross Blue Shield of Minnesota, HealthPartners, Preferred One and Navitus).

The State purchases an Aggregate Stop Loss Insurance, which provides the state financial protection if total claims exceed a certain threshold. The premium is less than $ 150,000 per year.

The Admin Fees to carriers is paid from premiums, A separate admin fee of $8.02 per employee per month is collected by SEGIP to fund internal MMB admin costs. This fee is used to support the administration of SEGIP benefits (medical, dental, LTD, ST, life) and is not specific to Medical. This administration fee has not increased since 1998.

Admin & Rein. As % of Prem.
This percentage illustrates what percentage of Premiums, from one Plan Year to the next, is used to pay Admin and Reinsurance costs.

Gain or (Loss)
Reflects the difference between Premiums collected by the State, and what was spent by the State for Medical claims and Admin/Reinsurance cost. (Premiums - claims - admin fees.)

Gain (Loss) as % of Prem.
This percentage illustrates , as a percentage of Premiums, what the State "made" or "lost", during the Plan Year.

While the "needed" percentage varies between Plan Years, 1 % could be used as a benchmark, as the needed revenue to maintain the proper contingency reserve. In order to reduce the Contingency Reserve balance, that had accumulated through the end of the 2009 Plan Year, monthly premium rates remained unchanged during 2010,2011 and the 2012 Plan Year(s).

Other Expenses , Settlements, and Adjustments

Employee Health Account: The 2008 $ 250 HRA , and the 2010 $ 125 HRA, offered to all employees of the MN Advantage Plan, were intended to offset reserves and reward members for seeking high quality/low cost care.

Consulting, EAP, and Other Costs: (Included in the 2011 Plan Year)

Bridges to Excellence Programs (Diabetes / Cardiovascular)	$	351,919
Cost of Maintaining the Data Warehouse (Deloitte)		175,122
Cost of Maintaining Centennial Office Building Minute Clinic		117,750
	$	644,791

Federal Penalty on General Fund Transfers:

Penalty incurred as a result of legislative action transferring SEGIP funds to the General Fund. (Approximately 14 %).

Prior Years - Settlements Received (Paid):

Yearly Process, during which program incentives and annual reconciliations are completed, between the program and the plan administrators.

Premium Holiday:

Uncollected premiums to reduce contingency reserve.

Interest Income

Interest earned on accounts through the State Board of Investments (SBI). Primarily money invested from the contingency reserve.

Funds Received (Transferred To) General Fund

Funds taken from SEGIP medical program and transferred to general funds. Federal penalties were also incurred at about 14%, and reflected in the Federal Penalty on General Fund Transfers, under "Other Expenses".

Contingency Reserves as % of Annual Expenses

Often referred to as Reserves, or Net Assets. This figure is a percentage of Contingency Reserves compared to Claims Paid and Incurred, plus Admin and Reinsurance. (Paid to Carriers).

Example of Fiscal Year vs. Calendar Year

Gain or (Loss) - Self funded Medical Program (Does not reflect General Fund Transfers)

Year	**Fiscal Year Ending June 30th**	**Plan Year Ending December 31st**
2006	$ 38,728,349	$ (846,942)
2007	(1,328,709)	30,740,325
2008	55,575,834	45,002,038
2009	34,340,791	47,365,942
2010	30,848,874	995,220
2011	(15,491,873)	(26,488,056)
2012	(43,023,628)	(61,438,216)
		(Sept '12 Projections)
Total	$ 99,649,638	$ 35,330,311

Self funded Medical Plans - Plan Year Basis
2006 to 2012 Plan Years

	Actual 12 Months 12/31/06	Actual 12 Months 12/31/07	Actual 12 Months 12/31/08	Actual 12 Months 12/31/09	Actual 12 Months 12/31/10	Actual 12 Months 12/31/11	(A) Projected 12 Months 12/31/12
Income (Premiums)	475,632,616	530,671,700	570,711,698	596,965,546	599,503,165	600,993,863	601,152,846
Expenditures							
Claims Paid & Incurred	435,354,910	470,800,913	487,647,098	523,266,630	558,027,179	595,916,669	630,913,133
Claims Paid & Incurred as % of Premiums	92%	89%	85%	88%	93%	99%	106%
Admin & Reinsurance (Paid to Carriers)	30,923,152	30,340,823	33,664,288	30,517,856	30,116,923	30,759,692	31,277,929
(Includes Risk Mgt Programs)							
Admin & Rein. As % of Prem.	6.5%	5.7%	5.9%	5.1%	5.0%	5.1%	5.2%
Gain or (Loss)	9,354,554	29,529,964	49,400,312	43,181,060	11,359,063	(25,682,498)	(61,038,216)
Gain (Loss) as % of Prem.	2.0%	5.6%	8.7%	7.2%	1.9%	-4.3%	-10.2%
Other Expenses , Settlements, and Adjustments							
Employee Health Account			(16,318,750)	0	(9,495,000)		
Consulting, EAP, and Other Costs	(858,284)	(1,025,155)	(432,814)	(424,841)	(512,328)	(644,791)	(900,000)
Federal Liability on Fund Transfers		(446,628)					
Prior years -Settlements Received (Paid)	3,069,534	(6,223,149)	4,260,598	(569,263)	(2,930,079)	(2,096,216)	(1,500,000)
Premium Holiday	(19,902,735)						
Total - Other	(17,691,485)	(7,694,932)	(12,490,966)	(994,104)	(12,937,407)	(2,741,007)	(2,400,000)
Adjusted Gain or Loss Before Interest Income	(8,336,931)	21,835,032	36,909,346	42,186,956	(1,578,344)	(28,423,505)	(63,438,216)
Adj. Gain (Loss) as % of Prem.	-1.8%	4.1%	6.5%	7.1%	-0.3%	-4.7%	-10.6%
Interest Income	7,489,989	8,905,293	8,092,692	5,178,986	2,573,564	1,935,449	2,000,000
Gain or Loss After Interest Income	(846,942)	30,740,325	45,002,038	47,365,942	995,220	(26,488,056)	(61,438,216)
Funds Received (Transferred To) General Fund	0	0	0	0	0	0	0
Contingency Reserves - End of Plan Year	91,444,263	122,184,588	167,186,626	214,552,568	215,547,788	189,059,732	127,621,516
Contingency Reserves as % of Annual Expenses	19.6%	24.4%	32.1%	38.7%	36.6%	30.2%	19.2%

(A) - Actual results for 6 months ending 06/30/12, and projected results for 6 months ending 12/31/12

Minnesota Management & Budget
Management Analysis and Development and Enterprise Learning
Management Analysis
Brief Narrative

Background:
Management Analysis & Development (MAD) and Enterprise Learning, Development, and Talent Strategy (ELD) are two separate business entities that operate within the Management Analysis Fund.

Detail of any loans from the general fund, including dollar amounts:
None.

Proposed investments in technology or equipment of $100,000 or more:
None.

Explanation of changes in net assets (formerly retained earnings increases, operating losses):
MAD has experienced an increase in its business as a result of consultation work with the Health Insurance Exchange. This work will end in the FY14-15 biennium, their business will return to a level in line with FY12. The change in net assets is expected to decrease in the next biennium and will be managed to get back to a two-month working capital level. ELD is in a growth mode as well but their expenditures will increase at near the same level resulting in very little change to their net assets.

Explain any reasons for rate changes:
None.

Impact of rate changes on affected agencies: Not applicable

Minnesota Management & Budget
Management Analysis and Development and Enterprise Learning
Management Analysis
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	2,889	6,790	5,500	4,500
Rental and Service Fees		0		
Insurance Premiums		0		
Other Income		0		
Total Operating Revenues	2,889	6,790	5,500	4,500
Gross Margin	2,889	6,790	5,500	4,500
Operating Expenses:				
Professional & Purchased Services	806	4,413	3,000	2,000
Salaries and Fringe Benefits	1,322	1,826	2,200	2,300
Claims				
Depreciation				
Amortization				
Supplies and Materials	51	84	70	70
Indirect Costs	26	32	35	40
Other Expenses	314	414	375	350
Total Operating Expenses	2,519	6,769	5,680	4,760
Operating Income (Loss)	370	21	(180)	(260)
Nonoperating Revenues (Expenses):				
Investment Income				
Interest and Financiang Costs				
Other Nonoperating Expenses				
Gain (Loss) on Desposal of Capital Assets				
Total Nonoperating Revenues (Expenses)	0	0	0	0
Income (Loss) Before Transfers and Contributions	370	21	(180)	(260)
Capital Contributions				
Transfers in				
Transfers out				
Change in Net Assets	370	21	(180)	(260)
Net Assets, Beginning as Reported	569	939	960	780
Net Assets, Ending	939	960	780	520
Rate increase/(decrease)	0	0	0	0
Full Time Equivalents	22.0	22.0	26.0	27.0

Minnesota Management & Budget
Management Analysis & Development and Enterprise Learning
Management Analysis
Net Assets
(Dollars in Thousands)

	Actual 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	531	530
Investments		
Accounts Receivable	878	909
Accrued Investment/Interest Income		
Inventories		
Deferred Costs		
Total Current Assets	1,409	1,439
Noncurrent Assets:		
Deferred Costs		
Depreciable Capital Assets (Net)		
Total Noncurrent Assets	0	0
Total Assets	1,409	1,439
LIABILITIES		
Current Liabilities:		
Accounts Payable	273	275
Salaries Payable	42	40
Unearned Revenue		
Loans Payable		
Compensated Absences Payable	12	14
Total Current Liabiblities	327	329
Noncurrent Liabilities:		
Loans Payable		
Compensated Absences Payable	132	135
Other Liabilities	11	15
Total Noncurrent Liabilities	143	150
Total Liabilities	470	479
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Unrestricted	939	960
Total Net Assets	939	960

Background:

As the State of Minnesota's central IT organization, MN.IT Services manages the governance process for enterprise leadership and planning, while providing high-quality, secure and cost-effective information technology that meets the business needs of government, fosters innovation, and improves outcomes for the people of Minnesota.

Laws of Minnesota 2011, First Special Session chapter 10, article 4 mandates that all executive branch IT infrastructure, operations and application staff, as well as staff whose primary work involves managing, supervising or providing administrative support to IT employees, be centrally managed by MN.IT Services.

Detail of any loans from the general fund, including dollar amounts:
None

Proposed investments in technology or equipment of $100,000 or more:
Tier One DASD Disk Storage DS8800 - EDC4 - $500,000
Tape Library SLxx00 - EDC4 - $500,000
Tape Library SLxx00 - EDC4 - $200,000
Storage Area Network (SAN) Disk Storage XIV G3 - EDC4 - $200,000

Explanation of changes in net assets (formerly retained earnings increases, operating loses):
Changes in Net Assets result from unexpected projects and expenses related to IT consolidation, in addition to the planned use of Net Assets which includes:
• Reinvesting in the core business
• Paying off debt
• Maintaining working capital reserves

Explain any reasons for rate changes:
The overall rate change of +2% signifies several trends in MN.IT Services' service delivery model, despite rising costs, budget pressures and up-front costs related to IT consolidation. Factors also include:
• **Volume growth:** In most cases, volume growth translates to lower cost per customer. By making several services – Voice over Internet Protocol (VoIP), email and other Enterprise Unified Communications and Collaborations (EUCC) applications – utility services, increased volume has been a major factor in rate decreases historically, and is anticipated to be in the future.
• **Strategic sourcing:** Strategic changes in how MN.IT Services sources and provides certain service offerings have resulted in significant cost reductions. In particular, the 2012 move to the cloud (Microsoft BPOS) for email, SharePoint and other EUCC applications, have provided significant rate relief impossible to achieve by an on-premise solution. MN.IT Services is continuing to explore these types of enterprise strategic offerings for greater efficiency or cost savings.
• **Service delivery improvements:** Process improvements have streamlined service delivery, resulting in faster and less expensive service.
• **Agency priority realignment:** Through better customer communications and improved project and program management within the agency, MN.IT Services has refocused staff and activity on priority services.
• **Enhanced vendor management and contract negotiation, and leveraged enterprise procurement as a result of IT consolidation.**
• **Budget reductions and cost avoidance strategies.**

Impact of rate changes on affected agencies:
Despite service and volume growth, increasing costs and financial pressures, MN.IT Services is working hard to keep baseline rates as close as possible to FY2013 rates despite IT consolidation up-front expenses. MN.IT Services proposes flat, stable rates in most areas, with a few rate increases or decreases and/or changes in the pricing structure for some service offerings based on a changed service delivery model. Actions taken represent a transparent and equitable approach to MN.IT Services rate setting for the coming fiscal year. Specific agencies will be impacted differently based upon their needs and usage.

MN.IT Services
IT For Minnesota Government
Revenues, Expenses and Changes in Net Assets
(Dollars in Thousands)

	Actual 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues:				
Net Sales	86,468	96,488	402,580	429,288
Rental and Service Fees				
Insurance Premiums				
Other Income			0	0
Total Operating Revenues	86,468	96,488	402,580	429,288
Gross Margin				
Operating Expenses:				
Purchased Services	47,009	55,216	223,735	203,332
Salaries and Fringe Benefits	27,547	33,263	147,572	179,805
Claims	0	0	0	0
Deprecitation	3,319	434	9,442	11,290
Amoritization	426	0	0	0
Supplies and Materials	1,626	6,627	22,385	20,085
Indirect Costs	242	528	4,344	3,028
Other Expenses	3,507	1,360	7,128	8,577
Total Operating Expenses	83,676	97,428	414,606	426,117
Operating Income (Loss)	2,792	(940)	(12,026)	3,171
Nonoperating Revenues (Expenses):				
Investment Income	25			
Interest and Financiang Costs	(102)			
Other Nonoperating Expenses	(6,120)	(2,983)	(2,781)	(3,171)
Gain (Loss) on Desposal of Capital Assets	(1)			
Other Nonoperating Revenues	26			
Total Nonoperating Revenues (Expenses)	(6,172)	(2,983)	(2,781)	(3,171)
Income (Loss) Before Transfers and Contributions	(3,380)	(3,923)	(14,807)	0
Capital Contributions				
Transfers in	45			
Transfers out	(828)	(54)	0	0
Change in Net Assets	(4,163)	(3,977)	(14,807)	0
Net Assets, Beginning as Reported	29,319	25,156	21,179	6,372
Net Assets, Ending	25,156	21,179	6,372	6,372
Rate increase/(decrease)	2%	2%	2%	2%
Full Time Equivalents	338.50	344.40	2,050.00	2,023.00

MN.IT Services
IT For Minnesota Government
Net Assets
(Dollars in Thousands)

	Actual 2012	Projected 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	11,023	11,478
Investments		
Accounts Receivable	19,403	14,720
Accrued Investment/Interest Income		
Inventories		
Deferred Costs	6,274	6,166
Total Current Assets	36,700	32,364
Noncurrent Assets:		
Deferred Costs	1,037	1,053
Depreciable Capital Assets (Net)	8,184	8,110
Total Noncurrent Assets	9,221	9,163
Total Assets	45,921	41,527
LIABILITIES		
Current Liabilities:		
Accounts Payable	6,142	6,095
Interfund Payables		
Unearned Revenue	4,810	4,830
Loans Payable	2,421	2,583
Compensated Absences Payable	295	285
Total Current Liabilities	13,668	13,793
Noncurrent Liabilities:		
Loans Payable	3,892	3,271
Compensated Absences Payable	2,959	3,024
Other Liabilities	247	260
Total Noncurrent Liabilities	7,098	6,555
Total Liabilities	20,766	20,348
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,977	2,256
Unrestricted	23,179	18,923
Total Net Assets	25,156	21,179