

**STATE OF MINNESOTA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR YEAR ENDED JUNE 30, 1998**

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December 11, 1998

The Honorable Arne H. Carlson, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, the Department of Finance is pleased to submit the Comprehensive Annual Financial Report for the State of Minnesota for the fiscal year ended June 30, 1998. 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 year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The Department of Finance is responsible for the accuracy, fairness, and completeness of the financial statements, including all disclosures, presented in this report. The information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial activities.

The report is divided into three sections: Introductory Section; Financial Section, including the auditor's opinion and basic financial statements; and the Statistical Section, containing financial and other data for prior and current years. The Notes to the Financial Statements, in the financial section, are necessary for an understanding of the information included in the statements. They include the Summary of Significant Accounting Policies and other necessary disclosures of matters relating to the financial position of the state.

## **Financial Reporting Entity**

The financial reporting entity consists of all the funds and account groups of the primary government, as well as its component units. Component units are legally separate organizations for which the state government 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 state government.



The Housing Finance Agency, Higher Education Services Office, Minnesota Public Facilities Authority, Minnesota Technology, Inc., Metropolitan Council, Minnesota Rural Finance Authority, Minnesota Agricultural and Economic Development Board, Export Finance Authority, University of Minnesota, Minnesota Workers Compensation Assigned Risk Plan, and the National Sports Center Foundation are component units reported discretely. The state has either the ability to impose its will over these agencies or provides substantial funding.

### **Economic Condition and Outlook**

Minnesota's economy performed well during fiscal year 1998. The state's unemployment rate was 3.3 percent when the fiscal year began, 1.6 percent below the national rate of 4.9 percent. Twelve months later, the national unemployment rate had fallen to 4.5 percent and unemployment in Minnesota was only 3.0 percent. Seasonally adjusted unemployment rates in the state reached an all time low of 2.9 percent in November 1997, and then moved even lower until February when they reached 2.6 percent, the fiscal year low. But, despite the labor shortages indicated by these extraordinarily low unemployment rates, payroll employment in the state continued to grow. Minnesota employers reported adding more than 65,000 new jobs over the fiscal year, an increase of 2.5 percent. Current projections indicate that ensuring an adequate supply of workers with the appropriate skill sets needed by Minnesota's new and expanding firms will continue to be a challenge in this state through the first two decades of the twenty-first century.

Minnesota personal income grew by 4.9 percent in 1998, slower than the U.S. average rate of 5.6 percent. Per capita personal income growth in Minnesota also was slower than the U.S. average. The return of farm incomes to more normal levels after the record grain prices received in 1996 explain the state's slower growth. When viewed over the two year 1996-1997 period, personal income and personal income per capita in Minnesota grew faster than the national averages.

Minnesota's economy is projected to grow at the same rate as the U.S. economy during the 1999 fiscal year. Despite the tight labor markets throughout the state, payroll employment is expected to increase by 2.0 percent and wage and salary disbursements by 4.0 percent. A forecast for continuing problems in the agriculture sector holds the forecast for state personal income growth in fiscal 1999 to 4.4 percent, slightly below the U.S. projected growth rate of 4.6 percent.

### **Major Program Initiatives**

**Minnesota's Tobacco Settlement.** On May 8, 1998, Minnesota settled its lawsuit with the tobacco industry, resulting in estimated payments of \$6.1 billion over the next 25 years. A small portion of the payments (\$202 million) are

dedicated for two specific purposes: research and smoking cessation. While these specific payments will begin in fiscal year 1998, they will be administered by the courts and will not be a part of the state's general revenues. The remainder of the payments, beginning in fiscal year 1999, will be general fund revenues and subject to the appropriation process.

**Estimated General Fund Non-Dedicated Tobacco Revenues**  
(in \$ Millions)

<u>Fiscal Year</u>	<u>Settlement Payments</u>	<u>Annual Payments</u>	<u>Total General Fund</u>
1998	0.0	0.0	0.0
1999	460.8	0.0	460.8
2000	242.6	114.8	357.3
2001	242.6	127.5	370.1
2002	242.6	165.8	408.3
2003	<u>121.6</u>	<u>165.8</u>	<u>287.3</u>
<b>Total, F.Y.1998-2003</b>	<b>1,310.2</b>	<b>573.9</b>	<b>1,883.8</b>

Settlement payments end after five years. Annual payments are intended to be on-going revenues to the General Fund, increasing to \$204 million per year in fiscal year 2004 and each year thereafter.

These revenues estimates could be affected in future years by federal actions and fluctuations in the tobacco market.

**Higher Education.** Minnesota substantially increased funding for higher education in fiscal Year 1998. Altogether, appropriations for student financial aid and statewide programs, the University of Minnesota, and the Minnesota State Colleges and Universities system (MnSCU) increased by more than 9% over Fiscal Year 1997. Technology, including information systems and instructional technology, figured prominently among new state investments for the University and MnSCU. The state also initiated the development of a statewide library information system, known as MnLINK, and installed an on-line career and education planning system, ISEEK.

**Welfare reform.** By the close of fiscal year 1998, Minnesota completed statewide implementation of the Minnesota Family Investment program (MFIP) as a welfare reform strategy. The statewide expansion of this previous demonstration program was the state's response to the federal conversion of Aid to Families with Dependent Children (AFDC) to the Temporary Assistance to Needy Families (TANF) block grant. MFIP seeks to move welfare recipients into the workforce

and out of poverty by creating financial incentives for employment and providing non-cash support for recipients such as child care and health care. Welfare caseloads have shown significant declines in Minnesota, and an in-depth evaluation is underway to understand the effectiveness of MFIP as an anti-poverty program.

**Repayment of School “Shift.”** The continued strength of the state’s budget allowed for further progress in reversing a school aid payment adjustment, commonly known as the property tax recognition “shift.” This shift was first begun in the mid 1980's, allowing the state to recognize one-time savings by delaying state aid payments to school districts. While the shift was revenue neutral to schools, it did create cash flow difficulties in some districts. In fiscal year 1998, \$18.7 million was paid to school districts to reverse a portion of the remaining shift, on top of payments of \$172 million in fiscal years 1994 and 1995 and \$494.8 million in fiscal years 1996 and 1997. The remainder of the shift, approximately \$90 million, is scheduled to be repaid in fiscal year 1999.

**Preparation for the change of century.** Like all organizations, the state of Minnesota is preparing itself for the change of century. A central project office was established to coordinate both planning and budgeting for changes needed so that all systems are year 2000 compliant in time to avoid business interruption. In 1997, \$23 million was appropriated for all agencies to make preparations to modify or replace all critical systems that were not year 2000 compliant. An additional \$5 million was requested in fiscal year 1998 to cover additional identified costs. In addition to these amounts, many agencies are using existing resources to prepare for the change of century. While the project office is coordinating the effort, each agency is responsible for ensuring that business will continue uninterrupted into the next century.

The state’s central accounting and procurement system, MAPS, has been upgraded to make it year 2000 compliant. On November 30, 1998, MAPS 2000 was ready for use by all state agencies. The system is working effectively with only a few small problems which will be corrected within the next few months. The statewide payroll system is year 2000 compliant.

### **Financial Information**

The Department of Finance is responsible for MAPS and the information warehouse from which these financial statements were prepared. MAPS is maintained primarily on a budgetary basis of accounting. However, certain accrual information is recorded in MAPS. The budgetary basis recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year end are considered expenditures. Since this budgetary basis differs from GAAP, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. These disparate bases result in budgetary fund balances which often differ significantly from those calculated under GAAP.

The Department of Finance 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 of odd numbered years for the upcoming biennium. State statutes require a balanced budget. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Game and Fish, Natural Resources, Minnesota Resources, Environmental, Solid Waste and Health Care Access Funds.

Budgetary control is provided primarily through the accounting system. 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.

**General Fund.** During fiscal year 1998, the total fund balance, on a GAAP basis, for the General Fund increased by \$862.5 million to \$2.348 billion. At June 30, 1998, the unreserved, undesignated portion of the fund balance reflected a positive balance of \$386.8 million, after providing for a \$1.414 billion budgetary reserve. This compares with a \$642.3 million unreserved, undesignated fund balance at the end of fiscal year 1997 with a \$583.5 million budgetary reserve. On a budgetary basis, the June 30, 1998, unrestricted (undesignated) fund balance for the General Fund was \$709 million, compared with a balance of \$812.7 million at the end of 1997.

General Fund revenues and transfers-in totaled \$11.324 billion for fiscal year 1998, up 8.7 percent from those for fiscal year 1997. General Fund expenditures and transfers-out for the year totaled \$10.468 billion, an increase of 5.4 percent from the previous year. Of this amount, \$7.030 billion (67 percent), is in the form of grants and subsidies to local governments, individuals and non-profit organizations.

**General government functions.** General government functions are funded from the General, special revenue, capital projects and Debt Service funds. These funds account for the activities of most state operations, including those also financed from transportation, natural resources and federal revenue sources, plus numerous other smaller revenue sources. The total fund balances for all of these funds increased by \$1.39 billion, with a General Fund balance increase of \$862.5 million, special revenue funds increase of \$60.3 million, Capital projects funds increase of \$350.4 million and Debt Service Fund increase of \$121.6 million.

The net revenues, expenditures and transfers for these funds are presented below (expressed in thousands). The percent of total and the increases or decreases over fiscal year 1997 are also presented.

<u>NET REVENUES</u>	<u>Amount</u>	<u>%</u>	<u>Increase over F.Y. 1997</u>	
			<u>Amount</u>	<u>%</u>
Individual Income Taxes	\$5,146,586	30.5%	\$389,500	8.2%
Corporate Income Taxes	746,720	4.4%	81,399	12.2%
Sales Tax	3,254,757	19.3%	241,569	8.0%
Fuel Taxes	557,556	3.3%	14,660	2.7%
Other Taxes	2,065,039	12.3%	79,233	4.0%
Federal Revenues	3,643,217	21.6%	144,368	4.1%
Investment/Interest Income	264,430	1.6%	65,617	33.0%
Tuition and Student Fees	293,292	1.7%	14,717	5.3%
Other Revenue	<u>894,207</u>	<u>5.3%</u>	<u>57,639</u>	<u>6.9%</u>
Total Net Revenue	\$16,865,804	100.0%	\$1,088,702	6.9%

Overall revenue increases were slightly above recent years. The increase in corporate income, individual income, and sales tax were the result of a favorable economic climate. The increase in investment earnings is attributable to the favorable cash position that the state was able to maintain as a result of the increased revenue collections. Other revenue consists of license fees, departmental earnings, care and hospitalization, and various miscellaneous earnings.

<u>EXPENDITURES &amp; NET TRANSFERS</u>	<u>Amount</u>	<u>%</u>	<u>Increase(Decrease) over F.Y. 1997</u>	
			<u>Amount</u>	<u>%</u>
Protection of Persons and Property	\$235,755	1.5%	\$5,040	2.2%
Transportation	426,785	2.7%	22,944	5.7%
Resource Management	293,446	1.8%	3,427	1.2%
Economic and Manpower Development	209,461	1.3%	39	0%
Education	928,482	5.8%	41,948	4.7%
Health and Social Services	888,461	5.6%	38,951	4.6%
General Government	353,368	2.2%	50,817	16.8%
Capital Outlays	587,750	3.7%	101,413	20.9%
Debt Service	371,916	2.3%	(6,813)	(1.8%)
Grants and Subsidies	<u>10,497,664</u>	<u>65.6%</u>	<u>276,401</u>	<u>2.7%</u>
Total Expenditures	\$14,793,088	92.5%	\$534,167	3.7%
Net Transfers-Out	<u>1,199,954</u>	<u>7.5%</u>	<u>98,354</u>	<u>8.9%</u>
Total Expenditures and Net Transfers	\$15,993,042	100.0%	\$632,521	4.1%

General government expenditures increased as a result of remodeling expenses incurred at a state building. Expenditures for capital outlays increased this year as a result of construction of a new state building for the Department of Revenue. In addition, more road construction work was completed due to the mild winter.

**Enterprise fund operations.** Retained earnings for the enterprise funds increased by \$4.9 million to \$159.7 million. Enterprise funds provide services to the general public and are expected to recover full costs, primarily through user charges. Included among the enterprise funds is the State Lottery Fund, whose income of \$63 million after taxes was transferred to other state funds. This is approximately the same amount as last year's transfer. The Public Employees Insurance fund reported a net income of \$.1 million compared with a net loss of \$2.1 million in fiscal year 1997. As a result of economic conditions occurring in the small group health insurance market the Private Employers Insurance fund was discontinued effective September 1998.

**Internal service fund operations.** State internal service funds provide a variety of services to state agencies. These include computer services, motor pool, telecommunications, printing, management of the capitol complex buildings and insurance (employee health and life, and auto liability). The objective of these funds is to recover the full costs of services provided to other governmental organizations. The internal service funds reported net income of \$11.8 million for fiscal year 1998 with total operating revenues of \$386.4 million. The internal service funds ended the year with total retained earnings of \$84.4 million, up \$11.1 million from last year. The largest fluctuation in retained earnings occurred in the Intertechnologies Fund, with a net income of \$5.9 million compared to a net loss of \$3.7 million in fiscal year 1997. This occurred as a result of increased customer usage. The Employee Insurance Fund reported a net income of \$4.0 million compared with a net loss of \$6.6 million in fiscal year 1997. Medical insurance premiums increased 8.6 percent while dental insurance premiums increased approximately 3 percent.

**Fiduciary fund operations.** Contributions to the various pension plans are set in statute at rates expected to fully amortize the unfunded pension benefit obligations of all plans by about 2020, with differing years for each fund. In recent years, contributions have been sufficient to cover the actuarially determined contribution requirements for most funds. Actuarial valuations are performed annually for all defined benefit pension funds, and the results are used to determine any changes needed in the contribution rates.

Grants totaling more than \$781.3 million were provided from the expendable trust funds, primarily to local governments and individuals. Of this amount, \$390.2 million of the various highway taxes went to cities and counties for roads and bridges. Another \$23.4 million from earnings on the Permanent

School Fund assets was distributed to school districts. Most of the remainder of the grants were for unemployment benefits funded by taxes on employers. The fund balance for the Reemployment Insurance Fund increased by \$70.1 million to \$558.4 million.

**Debt administration.** Minnesota's credit ratings on general obligation bonds continued at AAA by Standard & Poor's Corporation and Fitch Investors Service, Inc., and Aaa by Moody's Investors Service.

The state issued \$531.04 million of new general obligation bonds, and \$184.8 million of general obligation bonds were redeemed during 1998, leaving an outstanding balance of \$2.5 billion.

The state has a debt management policy which has three goals:

- Maintain AAA/Aaa bond ratings
- Minimize state borrowing costs
- Provide a reasonable financing capacity within a prudent debt limit

The state debt management policy has four guidelines. The first requires that the ratio of budgeted biennial debt service expenditures for general obligation bonded debt, paid by transfers from the General Fund, should not exceed 3.0 percent of total projected biennial General Fund non-dedicated revenues, net of refunds, on a budgetary basis. The ratio of transfers to net non-dedicated revenues for the biennium ending June 30, 1999, is estimated to be 2.5 percent.

The second and third guidelines state that general obligation bonded debt should not exceed 2.5 percent of the total personal income for the state, and also that the total debt of state agencies and the University of Minnesota should not exceed 3.5 percent of total personal income. These ratios were 1.9 percent and 2.9 percent, respectively, based on debt outstanding at June 30, 1998, and estimated personal income for the year ending on that date.

The fourth guideline states that the total amount of state general obligation debt, moral obligation debt, state bond guarantees, equipment capital leases and real estate leases should not exceed 5.0 percent of the total personal income for the state. The ratio was 3.4 percent based on information at June 30, 1998.

**Risk management.** The state is prohibited by statute from insuring property against loss. Certain agencies and programs are exempted from this prohibition, these include; the Stillwater Prison, State Universities, Community Colleges, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board, and the Sibley House. The Commissioner of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to

protect buildings and content. All losses of state property are self-insured or are covered by programs of the Risk Management Fund (internal service fund) or by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Employee health, dental and life insurance are provided mainly through contracts with outside organizations. However, the state retains the potential for liabilities for some health plans. Premiums collected for these benefits have been more than sufficient to cover claims submitted.

## **Audits**

The independent Office of the Legislative Auditor performs post-audits of the activities of state agencies. Accordingly, they performed the audit of these financial statements and their opinion is included. They also issue an audit report or a management letter to each state agency and a summary report to the legislature.

As a part of the audit of these financial statements, a single audit of federal programs is being conducted by the Office of the Legislative Auditor. This audit meets the requirements of the federal Single Audit Act. The audit covers federal program activities for state agencies for the year ended June 30, 1998. A supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 1998.

## **Certificate**

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, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Minnesota has received a Certificate of Achievement for each of the last twelve fiscal years through June 30, 1997. The Department of Finance believes this current report continues to conform to the Certificate of Achievement Program requirements, and is being submitted to the GFOA.



## Acknowledgments

Although the Department of Finance accepts final responsibility for this report, much of the data was provided by staff in many other state agencies and component units. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements for their agencies' funds. I want to express my appreciation for the dedication of the many people in the Department of Finance who helped in the preparation of this report, as well as for the many people in other agencies, without whose efforts this report, with its unqualified audit opinion, would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Wayne Simoneau". The signature is written in black ink and is positioned below the word "Sincerely,".

Wayne Simoneau  
Commissioner

# 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, 1997

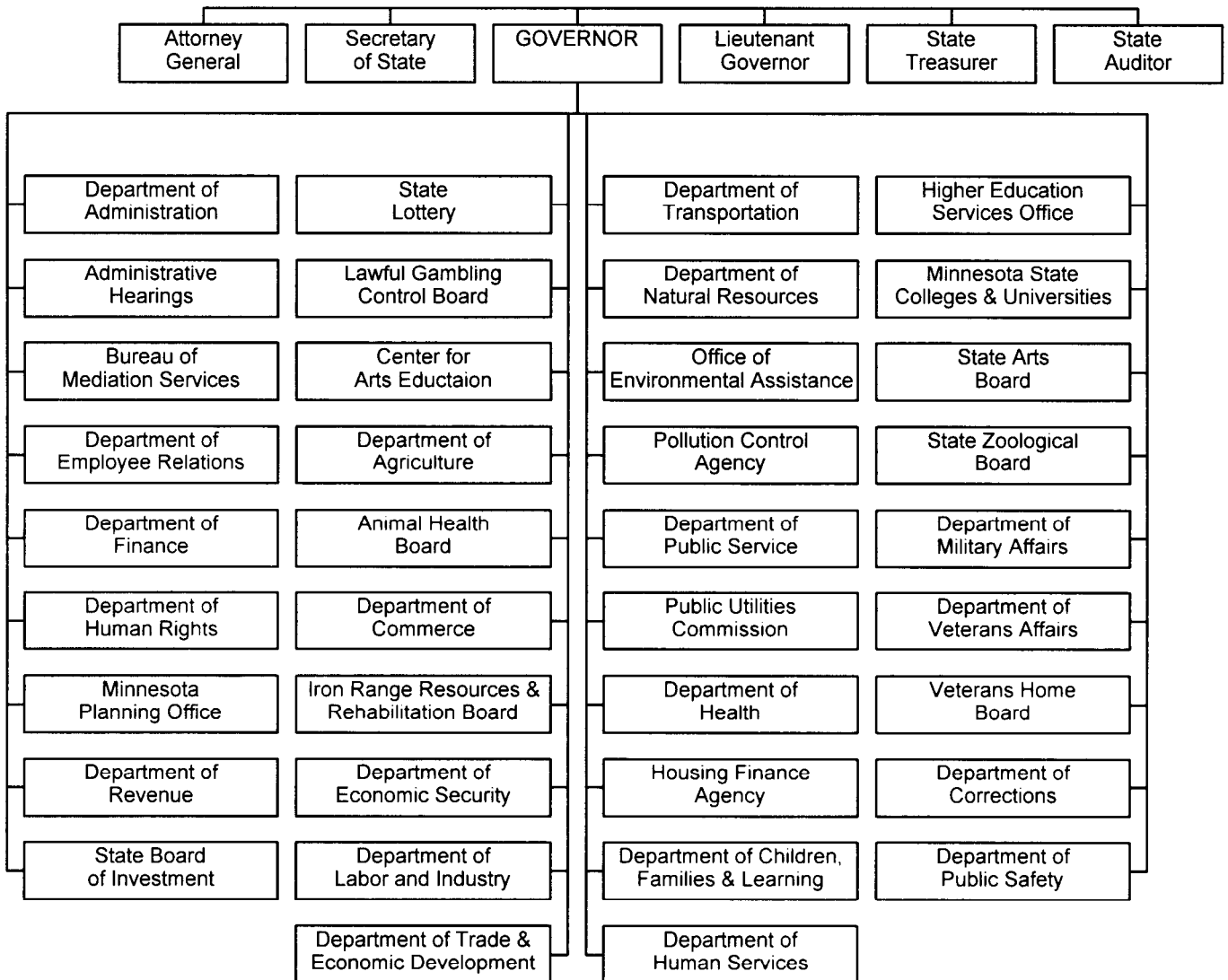
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Douglas R. Ellsworth*  
President

*Jeffrey L. Eselle*  
Executive Director

# STATE ORGANIZATION CHART



# **STATE OF MINNESOTA**

Principal Officials

## **EXECUTIVE BRANCH**

GOVERNOR:	Arne H. Carlson
LIEUTENANT GOVERNOR:	Joanne E. Benson
ATTORNEY GENERAL:	Hubert H. Humphrey, III
STATE TREASURER:	Michael A. McGrath
SECRETARY OF STATE:	Joan Anderson Growe
STATE AUDITOR:	Judith H. Dutcher

## **LEGISLATIVE BRANCH**

SPEAKER OF THE HOUSE OF REPRESENTATIVES

Phil Carruthers

PRESIDENT OF THE SENATE

Allan H. Spear

## **JUDICIAL BRANCH**

CHIEF JUSTICE OF THE SUPREME COURT

Kathleen A. Blatz



STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

## **Independent Auditor's Report**

Members of the Legislature

The Honorable Arne Carlson, Governor

Wayne Simoneau, Commissioner, Department of Finance

We have audited the accompanying general purpose financial statements of the State of Minnesota as of and for the year ended June 30, 1998, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Metropolitan Council, Higher Education Services Office, Housing Finance Agency, Public Facilities Authority, Workers' Compensation Assigned Risk Plan, National Sports Center Foundation, and University of Minnesota, which represent 98 percent of the assets and 98 percent of the revenues of the 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 discretely presented component units, is based solely on the reports of other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Government Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The State of Minnesota has included such disclosures in Note 13. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Minnesota's disclosures with respect to the year 2000 issue made in Note 13.

Members of the Legislature  
The Honorable Arne Carlson, Governor  
Wayne Simoneau, Commissioner, Department of Finance  
Page 2

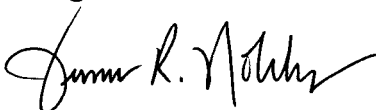
Further, we do not provide assurance that the State of Minnesota is or will be year 2000 ready, that the State of Minnesota's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Minnesota does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Minnesota as of June 30, 1998, and the results of its operations and the cash flows of its proprietary and nonexpendable trust fund types for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 16 to the general purpose financial statements, the State of Minnesota implemented two Governmental Accounting Standards Board (GASB) statements during the year ended June 30, 1998. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, established fair value reporting of investments. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, changed the state's accounting and reporting methods for its deferred compensation plans.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Minnesota. Such information has been subjected to the auditing procedures applied to the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 1998, on our consideration of the State of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



James R. Nobles  
Legislative Auditor



Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

December 1, 1998

STATE OF MINNESOTA

COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS AND  
DISCRETELY PRESENTED COMPONENT UNITS  
JUNE 30, 1998  
(IN THOUSANDS)

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE
Cash and Cash Equivalents.....	\$ 3,098,535	\$ 1,182,434	\$ 466,369	\$ 377,996
Investments.....	4,496	-	-	76,117
Accounts Receivable.....	329,101	146,592	-	2
Interfund Receivables.....	60,151	68,168	47,656	22,138
Due from Other Governmental Units.....	-	-	-	-
Due from Primary Government.....	-	-	-	-
Accrued Investment/Interest Income.....	38,892	-	13	982
Federal Aid Receivable.....	-	360,002	-	-
Inventories.....	-	14,319	-	-
Food Stamps.....	-	31,947	-	-
Deferred Costs.....	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents.....	-	-	-	-
Investments.....	-	-	-	-
Loans Receivable.....	-	-	-	-
Other Restricted Assets.....	-	-	-	-
Loans and Notes Receivable.....	9,813	61,031	48,431	-
Advances to Other Funds.....	1,974	890	-	-
Securities Lending Collateral.....	-	-	-	-
Fixed Assets (Net).....	-	-	-	-
Other Assets.....	-	6,590	-	-
Amount Available for Debt Service.....	-	-	-	-
Amount to be Provided for Debt Service.....	-	-	-	-
<b>Total Assets and Other Debits.....</b>	<b>\$ 3,542,962</b>	<b>\$ 1,871,973</b>	<b>\$ 562,469</b>	<b>\$ 477,235</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Warrants Payable.....	\$ -	\$ -	\$ -	\$ -
Accounts Payable.....	922,395	521,143	48,919	425
Interfund Payables.....	80,264	124,401	99	2,320
Payable to Other Governmental Units.....	-	-	-	-
Due to Component Units.....	78,488	-	-	-
Due to Primary Government.....	-	-	-	-
Loans Payable between Component Units.....	-	-	-	-
Deferred Revenue.....	113,475	63,038	-	-
Payable from Restricted Assets:				
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	775
Accrued Bond Interest Payable.....	-	-	-	-
Interfund Payables.....	-	-	-	-
Other Payable from Restricted Assets.....	-	-	-	5,308
General Obligation Bonds Payable.....	-	-	-	-
Loans and Notes Payable.....	-	-	-	452
Revenue Bonds Payable.....	-	-	-	31,185
Grants Payable.....	-	-	-	-
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	5,029
Advances from Other Funds.....	-	-	174	890
Workers Compensation Liability.....	-	-	-	-
Securities Lending Collateral.....	-	-	-	-
Funds Held in Trust.....	-	-	-	-
Other Liabilities.....	-	-	-	324
<b>Total Liabilities.....</b>	<b>\$ 1,194,622</b>	<b>\$ 708,582</b>	<b>\$ 49,192</b>	<b>\$ 2,745</b>
Equity and Other Credits:				
Contributed Capital.....	\$ -	\$ -	\$ -	\$ -
Investment in General Fixed Assets.....	-	-	-	-
Retained Earnings:				
Reserved Retained Earnings.....	-	-	-	-
Unreserved Retained Earnings.....	-	-	-	-
Fund Balances:				
Reserved for Encumbrances.....	115,906	91,233	28,072	-
Budgetary Reserve.....	1,414,002	-	-	-
Other Reserved Fund Balances.....	11,647	177,376	252,868	474,490
Unreserved Fund Balances:				
Designated Fund Balances.....	419,990	349,589	1,320	-
Undesignated Fund Balances.....	386,795	545,193	231,017	-
<b>Total Equity and Other Credits.....</b>	<b>\$ 2,348,340</b>	<b>\$ 1,163,391</b>	<b>\$ 513,277</b>	<b>\$ 474,490</b>
<b>Total Liabilities, Equity and Other Credits.....</b>	<b>\$ 3,542,962</b>	<b>\$ 1,871,973</b>	<b>\$ 562,469</b>	<b>\$ 477,235</b>

The notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION		
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY			
\$ 58,888	\$ 82,147	\$ 3,332,647	\$ -	\$ 8,599,016	\$ 1,105,753
22,810	20,285	37,049,320	-	37,173,028	1,819,987
15,916	33,005	80,294	-	604,910	335,213
1,546	25	60,805	-	260,489	10,033
-	-	-	-	-	7,251
-	-	-	-	-	78,488
864	272	177,141	-	218,164	37,221
-	-	135	-	360,137	50,833
13,586	1,412	2,197	-	31,514	32,564
-	-	-	-	31,947	-
696	410	-	-	1,106	14,691
-	-	-	-	-	352,889
22,442	-	-	-	22,442	469,777
-	-	-	-	-	475,263
-	-	-	-	-	48,321
34,642	-	22,626	-	176,543	2,158,099
-	-	-	-	2,864	-
-	-	3,612,683	-	3,612,683	72,784
82,781	31,878	17,144	2,896,009	3,027,812	2,335,196
428	-	-	-	7,018	2,422
-	-	-	-	198,355	38,652
-	-	-	-	3,230,581	136,717
<b>\$ 254,599</b>	<b>\$ 169,434</b>	<b>\$ 44,354,992</b>	<b>\$ 2,896,009</b>	<b>\$ 57,558,609</b>	<b>\$ 9,582,154</b>
\$ -	\$ -	\$ 149,713	\$ -	\$ 149,713	\$ -
21,726	43,487	1,273,433	-	2,831,528	743,247
12,686	1,955	38,764	-	260,489	4,654
-	-	-	-	-	1,112
-	-	-	-	-	78,488
-	-	-	-	-	45,998
-	-	-	-	-	285,497
1,834	765	3,188	-	182,300	68,220
-	-	-	-	-	40,727
775	-	-	-	775	719,132
-	-	-	-	-	76,003
-	-	-	-	-	5,379
5,308	-	-	-	5,308	87,932
-	-	-	2,506,939	2,506,939	651,884
452	27,752	-	15,723	43,927	3,915
31,185	-	-	132,825	164,010	1,958,401
-	-	-	-	-	31,934
-	-	-	-	-	29,222
5,029	3,169	1,640	385,790	385,790	29,222
890	1,800	-	254,774	264,612	49,700
-	-	-	-	2,864	-
-	-	-	113,732	113,732	-
-	-	3,612,683	-	3,612,683	72,784
-	-	45,987	-	45,987	118,110
324	-	-	19,153	19,477	26,976
<b>\$ 80,209</b>	<b>\$ 78,928</b>	<b>\$ 5,125,408</b>	<b>\$ -</b>	<b>\$ 10,668,622</b>	<b>\$ 5,020,827</b>
\$ 14,717	\$ 6,064	\$ -	\$ -	\$ 20,781	\$ 686,450
-	-	-	2,896,009	2,896,009	950,942
14,448	63,637	-	-	78,085	684,175
145,225	20,805	-	-	166,030	777,946
-	-	3,983	-	239,194	19,390
-	-	-	-	1,414,002	-
-	-	38,560,336	-	39,476,717	874,244
-	-	589,718	-	1,360,617	327,504
-	-	75,547	-	1,238,552	240,676
<b>\$ 174,390</b>	<b>\$ 90,506</b>	<b>\$ 39,229,584</b>	<b>\$ 2,896,009</b>	<b>\$ 46,889,987</b>	<b>\$ 4,561,327</b>
<b>\$ 254,599</b>	<b>\$ 169,434</b>	<b>\$ 44,354,992</b>	<b>\$ 2,896,009</b>	<b>\$ 57,558,609</b>	<b>\$ 9,582,154</b>

STATE OF MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS,  
AND DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	PRIMARY GOVERNMENT	COMPONENT
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	FUND TYPE EXPENDABLE TRUST		
<b>Net Revenues:</b>							
Individual Income Taxes.....	\$ 5,146,586	\$ -	\$ -	\$ -	\$ -	\$ 5,146,586	\$ -
Corporate Income Taxes.....	746,720	-	-	-	-	746,720	-
Sales Taxes.....	3,252,343	-	-	2,414	-	3,254,757	-
Motor Vehicle License Taxes.....	896	511,431	-	-	-	512,327	-
Fuel Taxes.....	-	557,556	-	-	-	557,556	-
Other Taxes.....	1,214,199	327,140	-	11,373	388,125	1,940,837	41,728
Federal Revenues.....	2,085	3,641,132	-	-	4,910	3,648,127	1,849
Licenses and Fees.....	141,934	241,652	-	-	-	383,586	-
Care and Hospitalization Revenues.....	100,519	538	-	-	-	101,057	-
Tuition and Student Fees.....	280,867	12,425	-	-	-	293,292	-
Departmental Services.....	46,386	105,685	-	-	-	152,071	-
Investment/Interest Income.....	173,904	57,173	2,296	31,057	157,751	422,181	15,243
Deferred Compensation Contributions.....	-	-	-	-	52,774	52,774	-
Securities Lending Income.....	-	-	-	-	2,515	2,515	-
Other Revenues.....	125,964	122,638	456	8,435	29,453	286,946	14,062
<b>Net Revenues.....</b>	<b>\$ 11,232,403</b>	<b>\$ 5,577,370</b>	<b>\$ 2,752</b>	<b>\$ 53,279</b>	<b>\$ 635,528</b>	<b>\$ 17,501,332</b>	<b>\$ 72,882</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Protection of Persons and Property.....	\$ 113,233	\$ 122,113	\$ 409	\$ -	\$ 239	\$ 235,994	\$ -
Transportation.....	2,477	424,298	10	-	5,496	432,281	42,704
Resource Management.....	109,350	176,962	7,134	-	3,866	297,312	20,404
Economic and Manpower Development.....	72,205	137,226	30	-	1,376	210,837	10,283
Education.....	812,839	87,751	27,892	-	8,125	936,607	3,582
Health and Social Services.....	565,415	323,046	-	-	1,352	889,813	26,402
General Government.....	261,142	29,132	63,041	53	4,027	357,395	32,546
Securities Lending Rebates and Fees.....	-	-	-	-	2,363	2,363	-
<b>Total Current Expenditures.....</b>	<b>\$ 1,936,661</b>	<b>\$ 1,300,528</b>	<b>\$ 98,516</b>	<b>\$ 53</b>	<b>\$ 26,844</b>	<b>\$ 3,362,602</b>	<b>\$ 135,921</b>
Capital Outlay.....	17,706	455,200	114,844	-	4,838	592,588	803
Debt Service.....	27,235	12,564	-	332,117	-	371,916	40,264
Grants and Subsidies.....	7,029,818	3,389,783	78,063	-	781,339	11,279,003	116,442
Deferred Compensation Withdrawals.....	-	-	-	-	24,665	24,665	-
<b>Total Expenditures.....</b>	<b>\$ 9,011,420</b>	<b>\$ 5,158,075</b>	<b>\$ 291,423</b>	<b>\$ 332,170</b>	<b>\$ 837,686</b>	<b>\$ 15,630,774</b>	<b>\$ 293,430</b>
<b>Excess of Revenues Over (Under)</b>							
<b>Expenditures.....</b>	<b>\$ 2,220,983</b>	<b>\$ 419,295</b>	<b>\$ (288,671)</b>	<b>\$ (278,891)</b>	<b>\$ (202,158)</b>	<b>\$ 1,870,558</b>	<b>\$ (220,548)</b>
<b>Other Financing Sources (Uses):</b>							
General Obligation Bonds.....	\$ -	\$ 3,400	\$ 410,000	\$ 98,040	\$ -	\$ 511,440	\$ 71,360
Operating Transfers-In.....	91,732	765,535	289,031	290,216	438,436	1,874,950	19,481
Operating Transfers to Debt Service.....	(278,139)	(7,888)	(4,189)	-	-	(290,216)	-
Other Operating Transfers-Out.....	(411,826)	(1,102,007)	(1,214)	-	-	(1,515,047)	(6,788)
Transfers-In from Primary Government.....	-	-	-	-	-	-	201,913
Transfers-Out to Primary Government.....	-	-	-	-	-	-	(5,777)
Transfers-In from Component Units.....	-	-	-	10,682	-	10,682	-
Transfers-Out to Component Units.....	(766,754)	(20,575)	(54,558)	-	(4,473)	(846,360)	-
Capital Leases.....	6,553	2,784	-	-	-	9,337	-
Other Sources (Uses).....	-	-	-	-	-	-	107
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (1,358,434)</b>	<b>\$ (358,751)</b>	<b>\$ 639,070</b>	<b>\$ 398,938</b>	<b>\$ 433,963</b>	<b>\$ (245,214)</b>	<b>\$ 280,296</b>
<b>Excess of Revenues and Other Sources Over</b>							
<b>(Under) Expenditures and Other Uses.....</b>	<b>\$ 862,549</b>	<b>\$ 60,544</b>	<b>\$ 350,399</b>	<b>\$ 120,047</b>	<b>\$ 231,805</b>	<b>\$ 1,625,344</b>	<b>\$ 59,748</b>
<b>Fund Balances, July 1, as Reported.....</b>	<b>\$ 1,485,791</b>	<b>\$ 1,103,097</b>	<b>\$ 162,878</b>	<b>\$ 352,838</b>	<b>\$ 971,955</b>	<b>\$ 4,076,559</b>	<b>\$ 240,809</b>
Prior Period Adjustments.....	-	-	-	-	-	-	(2,000)
Change in Accounting Principles.....	-	-	-	1,605	431,332	432,937	-
<b>Fund Balances, July 1, as Restated.....</b>	<b>\$ 1,485,791</b>	<b>\$ 1,103,097</b>	<b>\$ 162,878</b>	<b>\$ 354,443</b>	<b>\$ 1,403,287</b>	<b>\$ 4,509,496</b>	<b>\$ 238,809</b>
Residual Equity Transfers-Out.....	-	-	-	-	(1,463)	(1,463)	(5,537)
Change in Inventory.....	-	(250)	-	-	-	(250)	-
<b>Fund Balances, June 30.....</b>	<b>\$ 2,348,340</b>	<b>\$ 1,163,391</b>	<b>\$ 513,277</b>	<b>\$ 474,490</b>	<b>\$ 1,633,629</b>	<b>\$ 6,133,127</b>	<b>\$ 293,020</b>

The notes are an integral part of the financial statements.



**STATE OF MINNESOTA**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND AND APPROPRIATED SPECIAL REVENUE FUNDS  
BUDGETARY BASIS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Net Revenues:</b>						
Individual Income Taxes.....	\$ 4,524,810	\$ 4,746,569	\$ 221,759	\$ -	\$ -	\$ -
Corporate Income Taxes.....	782,303	752,061	(30,242)	-	-	-
Sales Taxes.....	3,215,688	3,231,515	15,827	-	-	-
Motor Vehicle License Taxes.....	-	-	-	508,921	511,394	2,473
Fuel Taxes.....	-	-	-	553,502	556,321	2,819
Other Taxes.....	1,157,916	1,245,013	87,097	175,092	173,235	(1,857)
Federal Revenues.....	-	-	-	262,903	254,339	(8,564)
Other Intergovernmental Revenues.....	154,853	155,258	405	-	-	-
Licenses and Fees.....	-	-	-	78,919	84,703	5,784
Care and Hospitalization Revenues.....	34,503	65,182	30,679	-	-	-
Tuition and Student Fees.....	239,909	281,504	41,595	-	-	-
Departmental Services.....	33,970	30,623	(3,347)	61,117	51,122	(9,995)
Investment/Interest Income.....	146,114	171,262	25,148	28,842	39,179	10,337
Other Revenues.....	229,142	224,694	(4,448)	43,943	40,877	(3,066)
<b>Net Revenues.....</b>	<b>\$ 10,519,208</b>	<b>\$ 10,903,681</b>	<b>\$ 384,473</b>	<b>\$ 1,713,239</b>	<b>\$ 1,711,170</b>	<b>\$ (2,069)</b>
<b>Expenditures:</b>						
Protection of Persons and Property.....	\$ 131,858	\$ 131,702	\$ 156	\$ 89,816	\$ 87,385	\$ 2,431
Transportation.....	11,707	7,698	4,009	885,762	884,367	1,395
Resource Management.....	169,664	169,395	269	119,638	118,950	688
Economic and Manpower Development.....	180,339	178,078	2,261	16,869	16,869	-
Education.....	4,579,566	4,555,186	24,380	605	605	-
Health and Social Services.....	2,879,162	2,823,165	55,997	111,938	111,938	-
General Government.....	1,170,789	1,161,377	9,412	7,419	7,369	50
<b>Total Expenditures.....</b>	<b>\$ 9,123,085</b>	<b>\$ 9,026,601</b>	<b>\$ 96,484</b>	<b>\$ 1,232,047</b>	<b>\$ 1,227,483</b>	<b>\$ 4,564</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures.....</b>	<b>\$ 1,396,123</b>	<b>\$ 1,877,080</b>	<b>\$ 480,957</b>	<b>\$ 481,192</b>	<b>\$ 483,687</b>	<b>\$ 2,495</b>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers-In.....	\$ 282,878	\$ 282,724	\$ (154)	\$ 637,810	\$ 644,439	\$ 6,629
Operating Transfers to Debt Service.....	(255,077)	(255,077)	-	(6,065)	(5,741)	324
Other Operating Transfers-Out.....	(429,063)	(429,063)	-	(1,074,661)	(1,074,661)	-
Transfers-Out to Component Units.....	(601,657)	(586,724)	14,933	(6,621)	(6,621)	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (1,002,919)</b>	<b>\$ (988,140)</b>	<b>\$ 14,779</b>	<b>\$ (449,537)</b>	<b>\$ (442,584)</b>	<b>\$ 6,953</b>
<b>Excess of Revenues and Other Sources Over</b>						
<b>(Under) Expenditures and Other Uses.....</b>	<b>\$ 393,204</b>	<b>\$ 888,940</b>	<b>\$ 495,736</b>	<b>\$ 31,655</b>	<b>\$ 41,103</b>	<b>\$ 9,448</b>
<b>Fund Balances, July 1, as Reported.....</b>	<b>1,640,543</b>	<b>1,640,543</b>	<b>-</b>	<b>511,206</b>	<b>511,206</b>	<b>-</b>
<b>Prior Period Adjustments.....</b>	<b>-</b>	<b>31,408</b>	<b>31,408</b>	<b>-</b>	<b>(13,439)</b>	<b>(13,439)</b>
<b>Budgetary Fund Balances, June 30.....</b>	<b>\$ 2,033,747</b>	<b>\$ 2,560,891</b>	<b>\$ 527,144</b>	<b>\$ 542,861</b>	<b>\$ 538,870</b>	<b>\$ (3,991)</b>
Less: Appropriation Carryover.....	-	437,840	(437,840)	-	58,923	(58,923)
Less: Budgetary Reserve.....	1,414,002	1,414,002	-	-	-	-
Less: Reserve for Other.....	-	-	-	754	754	-
<b>Undesignated Fund Balances, June 30.....</b>	<b>\$ 619,745</b>	<b>\$ 709,049</b>	<b>\$ 89,304</b>	<b>\$ 542,107</b>	<b>\$ 479,193</b>	<b>\$ (62,914)</b>

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES  
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS,  
AND DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	PRIMARY GOVERNMENT	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
<b>Operating Revenues:</b>					
Net Sales.....	\$ 422,517	\$ 20,367	\$ 12,854	\$ 455,738	\$ 16,540
Interest Income.....	1,539	-	-	1,539	160,851
Investment Income.....	-	-	114,898	114,898	71,494
Rental and Service Fees.....	60,489	106,335	-	166,824	213,348
Insurance Premiums.....	12,915	255,088	-	268,003	98,948
Other Income.....	1,953	4,590	-	6,543	6,879
<b>Total Operating Revenues.....</b>	<b>\$ 499,413</b>	<b>\$ 386,380</b>	<b>\$ 127,752</b>	<b>\$ 1,013,545</b>	<b>\$ 568,060</b>
Less Cost of Goods Sold.....	298,909	10,666	-	309,575	-
<b>Gross Margin.....</b>	<b>\$ 200,504</b>	<b>\$ 375,714</b>	<b>\$ 127,752</b>	<b>\$ 703,970</b>	<b>\$ 568,060</b>
<b>Operating Expenses:</b>					
Interest and Financing Costs.....	\$ -	\$ -	\$ -	\$ -	\$ 161,349
Purchased Services.....	60,537	181,428	119	242,084	69,628
Investment Management Fees.....	-	-	31	31	-
Salaries and Fringe Benefits.....	46,759	29,792	4,529	81,080	172,400
Claims.....	12,153	125,294	-	137,447	26,396
Depreciation.....	6,980	14,545	2	21,527	62,292
Amortization.....	25	218	-	243	195
Supplies and Materials.....	8,795	5,778	-	14,573	18,372
Indirect Costs.....	929	1,863	-	2,792	448
Other Expenses.....	4,600	1,407	-	6,007	21,349
<b>Total Operating Expenses.....</b>	<b>\$ 140,778</b>	<b>\$ 360,325</b>	<b>\$ 4,681</b>	<b>\$ 505,784</b>	<b>\$ 532,429</b>
<b>Operating Income (Loss).....</b>	<b>\$ 59,726</b>	<b>\$ 15,389</b>	<b>\$ 123,071</b>	<b>\$ 198,186</b>	<b>\$ 35,631</b>
<b>Nonoperating Revenues (Expenses):</b>					
Investment Income.....	\$ 6,040	\$ 7,761	\$ -	\$ 13,801	\$ 104,088
Grants and Subsidies.....	240	-	-	240	73,702
Other Nonoperating Revenues.....	872	50	-	922	96,150
Interest and Financing Costs.....	(2,188)	(1,752)	-	(3,940)	(32,028)
Grants, Aids and Subsidies.....	(1,193)	-	-	(1,193)	(102,898)
Other Nonoperating Expenses.....	-	-	-	-	(2,738)
Gain (Loss) on Sale of Fixed Assets.....	(81)	331	251	501	(1,856)
<b>Net Nonoperating Revenues (Expenses).....</b>	<b>\$ 3,690</b>	<b>\$ 6,390</b>	<b>\$ 251</b>	<b>\$ 10,331</b>	<b>\$ 134,420</b>
<b>Income Before Operating Transfers.....</b>	<b>\$ 63,416</b>	<b>\$ 21,779</b>	<b>\$ 123,322</b>	<b>\$ 208,517</b>	<b>\$ 170,051</b>
Operating Transfers-In.....	5,369	-	24,708	30,077	1,850
Operating Transfers-Out.....	(64,204)	(9,926)	(25,634)	(99,764)	(14,543)
Transfers-In from Primary Government.....	-	-	-	-	50,330
<b>Net Income (Loss).....</b>	<b>\$ 4,581</b>	<b>\$ 11,853</b>	<b>\$ 122,396</b>	<b>\$ 138,830</b>	<b>\$ 207,688</b>
Depreciation on Fixed Assets Acquired with Contributed Capital.....	353	-	-	353	29,358
<b>Increase (Decrease) in Retained Earnings/Fund Balances.....</b>	<b>\$ 4,934</b>	<b>\$ 11,853</b>	<b>\$ 122,396</b>	<b>\$ 139,183</b>	<b>\$ 237,046</b>
<b>Retained Earnings/Fund Balances, July 1, as Reported.....</b>	<b>\$ 154,739</b>	<b>\$ 73,371</b>	<b>\$ 613,786</b>	<b>\$ 841,896</b>	<b>\$ 1,210,697</b>
Prior Period Adjustments.....	-	(782)	-	(782)	1,306
Changes in Accounting Principles.....	-	-	25,005	25,005	12,696
<b>Retained Earnings/Fund Balances, July 1, as Restated.....</b>	<b>\$ 154,739</b>	<b>\$ 72,589</b>	<b>\$ 638,791</b>	<b>\$ 866,119</b>	<b>\$ 1,224,699</b>
Residual Equity Transfers-In.....	-	-	1,463	1,463	376
<b>Retained Earnings/Fund Balances, June 30.....</b>	<b>\$ 159,673</b>	<b>\$ 84,442</b>	<b>\$ 762,650</b>	<b>\$ 1,006,765</b>	<b>\$ 1,462,121</b>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS,  
AND DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	PRIMARY GOVERNMENT	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
<b>Cash Flows from Operating Activities:</b>					
Operating Income (Loss).....	\$ 59,726	\$ 15,389	\$ 123,071	\$ 198,186	\$ 35,631
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>					
Depreciation.....	\$ 6,980	\$ 14,664	\$ 2	\$ 21,646	\$ 62,292
Amortization.....	25	218	-	243	195
Write-off of Equipment.....	3,821	-	-	3,821	-
Investment Income.....	-	-	(114,898)	(114,898)	(69,613)
Interest and Financing Costs.....	-	-	-	-	161,349
Loan Principal Repayments.....	5,816	-	-	5,816	288,088
Loans Issued.....	(5,892)	-	-	(5,892)	(395,339)
Provision for Loan Defaults.....	602	-	-	602	4,777
Customer Deposits.....	-	-	-	-	53,870
Return of Customer Deposits.....	-	-	-	-	(64,343)
Net Nonoperating Revenues (Expenses).....	534	-	-	534	(1,483)
<b>Change in Assets and Liabilities:</b>					
Accounts Receivable.....	3,698	(3,682)	1,336	1,352	27,461
Inventories.....	217	(224)	-	(7)	(2,666)
Other Assets.....	(369)	257	-	(112)	1,816
Accounts Payable.....	(2,078)	3,483	57	1,462	5,354
Deferred Revenues.....	325	(133)	-	192	(7,359)
Claims and Judgments Payable.....	-	-	-	-	(74,000)
Other Liabilities.....	(1,813)	82	-	(1,731)	1,334
<b>Net Reconciling Items to be Added (Deducted) from Operating Income.....</b>	<b>\$ 11,866</b>	<b>\$ 14,665</b>	<b>\$ (113,503)</b>	<b>\$ (86,972)</b>	<b>\$ (8,267)</b>
<b>Net Cash Flows from Operating Activities.....</b>	<b>\$ 71,592</b>	<b>\$ 30,054</b>	<b>\$ 9,568</b>	<b>\$ 111,214</b>	<b>\$ 27,364</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grant Receipts.....	\$ 569	\$ -	\$ -	\$ 569	\$ 168,653
Grant Disbursements.....	(1,193)	-	-	(1,193)	(102,898)
Transfers-In.....	4,184	-	25,099	29,283	69,433
Transfers-Out.....	(65,685)	(9,926)	(32,075)	(107,686)	(15,269)
Residual Equity Transfers-In.....	-	-	1,463	1,463	-
Advances from Other Funds.....	238	6,400	-	6,638	-
Repayments of Advances from Other Funds.....	-	(8,326)	-	(8,326)	-
Proceeds from Bond Sales.....	-	-	-	-	556,589
Repayment of Debt.....	-	-	-	-	(275,737)
Bond Issuance Costs.....	-	-	-	-	(5,008)
Funds Deposited in Escrow for Bond Refunding.....	-	-	-	-	(114,517)
Interest Paid.....	-	-	-	-	(157,190)
<b>Net Cash Flows from Noncapital Financing Activities.....</b>	<b>\$ (61,887)</b>	<b>\$ (11,852)</b>	<b>\$ (5,513)</b>	<b>\$ (79,252)</b>	<b>\$ 124,056</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Investment in Fixed Assets.....	\$ (10,589)	\$ (10,710)	\$ -	\$ (21,299)	\$ (44,973)
Proceeds from the Sale of Fixed Assets.....	226	1,236	1,007	2,469	37
Repayments of Advances to Other Funds.....	-	-	-	-	(134)
Capital Contributions.....	-	-	-	-	25,091
Capital Lease Payments.....	-	(86)	-	(86)	-
Proceeds from Loans.....	-	10,449	-	10,449	-
Repayment of Loan Principal and Other Capital Debt.....	-	(17,494)	-	(17,494)	-
Proceeds from Bond Sales.....	-	-	-	-	25,998
Repayment of Bond Principal.....	(1,770)	-	-	(1,770)	(39,535)
Interest Paid.....	(2,333)	(1,770)	-	(4,103)	(33,872)
<b>Net Cash Flows from Capital and Related Financing Activities.....</b>	<b>\$ (14,466)</b>	<b>\$ (18,375)</b>	<b>\$ 1,007</b>	<b>\$ (31,834)</b>	<b>\$ (67,388)</b>

STATE OF MINNESOTA

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS,  
AND DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	PRIMARY GOVERNMENT	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sales and Maturities of Investments.....	\$ 381,152	\$ 5,000	\$ 221,300	\$ 607,452	\$ 1,435,255
Purchase of Investments.....	(384,448)	(5,010)	(256,791)	(646,249)	(1,493,661)
Investment Earnings.....	6,229	7,228	29,158	42,615	114,765
<b>Net Cash Flows from Investing Activities.....</b>	<b>\$ 2,933</b>	<b>\$ 7,218</b>	<b>\$ (6,333)</b>	<b>\$ 3,818</b>	<b>\$ 56,359</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	<b>\$ (1,828)</b>	<b>\$ 7,045</b>	<b>\$ (1,271)</b>	<b>\$ 3,946</b>	<b>\$ 140,391</b>
Cash and Cash Equivalents, July 1.....	60,716	75,102	43,300	179,118	641,064
<b>Cash and Cash Equivalents, June 30.....</b>	<b>\$ 58,888</b>	<b>\$ 82,147</b>	<b>\$ 42,029</b>	<b>\$ 183,064</b>	<b>\$ 781,455</b>

**Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:**

Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 1998, on the Combined Statement of Cash Flows is reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

**Cash and Cash Equivalents June 30, 1998:  
(In Thousands)**

<b>Fiduciary Funds:</b>	
Pension Trust Funds.....	\$ 2,038,035
Nonexpendable Trust Funds.....	42,029
Expendable Trust Funds.....	1,056,876
Agency Funds.....	195,707
<b>Total Fiduciary Funds.....</b>	<b>\$ 3,332,647</b>
<b>Component Units:</b>	
Governmental Funds.....	\$ 106,586
Proprietary Funds.....	781,455
University Fund.....	570,601
<b>Total Component Units.....</b>	<b>\$ 1,458,642</b>

**Noncash Investing, Capital, and Financing Activities:**

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the Internal Service Funds because a portion of the depreciation is included in the Cost of Goods Sold.

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**COMBINED STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	DEFINED BENEFIT	DEFINED CONTRIBUTION	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	TOTAL
<b>Additions:</b>				
<b>Contributions:</b>				
Employer.....	\$ 447,264	\$ 19,895	\$ -	\$ 467,159
Member.....	371,482	15,196	-	386,678
Participating Plans.....	-	-	19,360	19,360
Total Contributions.....	<u>\$ 818,746</u>	<u>\$ 35,091</u>	<u>\$ 19,360</u>	<u>\$ 873,197</u>
<b>Net Investment Income:</b>				
Investment Income.....	\$ 6,240,735	\$ 119,048	\$ 34,275	\$ 6,394,058
Less: Investment Expense.....	(25,559)	-	(108)	(25,667)
Net Investment Income.....	<u>\$ 6,215,176</u>	<u>\$ 119,048</u>	<u>\$ 34,167</u>	<u>\$ 6,368,391</u>
<b>Securities Lending Revenues (Expenses):</b>				
Securities Lending Income.....	\$ 226,481	\$ 2,908	\$ 1,035	\$ 230,424
Borrower Rebates.....	(208,204)	(2,674)	(951)	(211,829)
Management Fees.....	(5,756)	(70)	(25)	(5,851)
Net Securities Lending Revenue.....	<u>\$ 12,521</u>	<u>\$ 164</u>	<u>\$ 59</u>	<u>\$ 12,744</u>
Total Investment Income.....	<u>\$ 6,227,697</u>	<u>\$ 119,212</u>	<u>\$ 34,226</u>	<u>\$ 6,381,135</u>
Transfers From Other Funds.....	\$ 9,862	\$ 721	\$ -	\$ 10,583
Other Additions.....	27,150	5,577	-	32,727
Total Additions.....	<u>\$ 7,083,455</u>	<u>\$ 160,601</u>	<u>\$ 53,586</u>	<u>\$ 7,297,642</u>
<b>Deductions:</b>				
Benefits.....	\$ 1,285,405	\$ -	\$ -	\$ 1,285,405
Refunds/Withdrawals.....	36,255	25,545	5,528	67,328
Administrative Expenses.....	20,486	1,199	-	21,685
Transfers to Other Funds.....	7,109	3,474	-	10,583
Total Deductions.....	<u>\$ 1,349,255</u>	<u>\$ 30,218</u>	<u>\$ 5,528</u>	<u>\$ 1,385,001</u>
Net Increase.....	<u>\$ 5,734,200</u>	<u>\$ 130,383</u>	<u>\$ 48,058</u>	<u>\$ 5,912,641</u>
Net Assets Held in Trust for Pension Benefits, July 1, as Reported.....	\$ 30,226,204	\$ 548,273	\$ 136,939	\$ 30,911,416
Change in Accounting Principles.....	-	9,248	-	9,248
Net Assets Held in Trust for Pension Benefits, July 1, as Restated.....	<u>\$ 30,226,204</u>	<u>\$ 557,521</u>	<u>\$ 136,939</u>	<u>\$ 30,920,664</u>
Net Assets Held in Trust for Pension Benefits, June 30.....	<u>\$ 35,960,404</u>	<u>\$ 687,904</u>	<u>\$ 184,997</u>	<u>\$ 36,833,305</u>

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**UNIVERSITY OF MINNESOTA  
STATEMENT OF CHANGES IN FUND BALANCES - CONSOLIDATED TOTALS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	<u>CONSOLIDATED TOTALS</u>
Revenues and Other Additions:	
Unrestricted Revenues.....	\$ 633,337
Federal Appropriations.....	11,137
Transfers from Primary Government.....	583,567
Federal Grants and Contracts.....	271,956
Other Government Grants and Contracts.....	5,145
Private Gifts, Grants, and Contracts.....	219,162
Endowment Income.....	10,786
Investment Income.....	15,545
Realized Gains and Adjustments to Market Value, Net.....	97,454
Student Loan Interest.....	1,736
Expended for Plant Facilities.....	190,248
Retirement of Indebtedness.....	8,094
Other Additions.....	<u>2,706</u>
 Total Revenues and Other Additions.....	 \$ 2,050,873
Expenditures and Other Deductions:	
Education and General.....	\$ 1,494,614
Auxiliary Enterprises.....	146,798
Indirect Costs Recovered.....	54,455
Adjustments to Carrying Value of Loans.....	567
Administrative and Collection Costs.....	571
Expended for Plant Facilities.....	133,178
Transfer to Primary Government.....	4,905
Retirement of Indebtedness.....	5,381
Debt Incurred.....	5,537
Interest on Indebtedness.....	13,206
Depreciation of Investment in Plant.....	99,753
Loss on Disposal of Plant.....	7,640
 Total Expenditures and Other Deductions.....	 \$ 1,966,605
 Net Increase for the Year.....	 \$ 84,268
 Fund Balance, July 1, 1997, as Reported.....	 \$ 2,015,344
Change in Accounting Principle.....	5,945
Fund Balance, July 1, 1997, as Restated.....	\$ 2,021,289
 Fund Balance, June 30, 1998.....	 \$ 2,105,557

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

UNIVERSITY OF MINNESOTA  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 YEAR ENDED JUNE 30, 1998  
 (IN THOUSANDS)

	UNRESTRICTED	RESTRICTED	TOTAL
<b>Revenues and Transfers from Primary Government:</b>			
Tuition and Fees.....	\$ 242,035	\$ -	\$ 242,035
Federal Appropriations.....	-	16,500	16,500
Transfers from Primary Government.....	471,895	113,129	585,024
Federal Grants and Contracts.....	46,753	223,058	269,811
Other Government Grants and Contracts.....	772	5,618	6,390
Private Gifts, Grants and Contracts.....	21,401	208,231	229,632
Endowment Income.....	75	10,751	10,826
Investment Income.....	27,592	1,436	29,028
Realized Gains and Adjustments to Market Value, Net.....	(286)	(47)	(333)
Sales and Services of Educational Activities.....	104,554	-	104,554
Sales and Services of Auxiliary Enterprises.....	190,441	-	190,441
<b>Total Revenues and Transfers from Primary Government.....</b>	<b>\$ 1,105,232</b>	<b>\$ 578,676</b>	<b>\$ 1,683,908</b>
<b>Expenditures and Mandatory Transfers:</b>			
<b>Education and General:</b>			
Instruction.....	\$ 372,559	\$ 80,505	\$ 453,064
Research.....	59,589	281,498	341,087
Public Service.....	30,956	119,792	150,748
Academic Support.....	155,923	38,397	194,320
Student Services.....	50,618	5,165	55,783
Instructional Support.....	100,024	5,622	105,646
Operation and Maintenance of Plant.....	107,707	272	107,979
Scholarship and Fellowships.....	39,896	46,091	85,987
<b>Education and General Expenditures.....</b>	<b>\$ 917,272</b>	<b>\$ 577,342</b>	<b>\$ 1,494,614</b>
<b>Mandatory Transfers for:</b>			
Principal and Interest.....	\$ 4,700	\$ 193	\$ 4,893
Loan Fund Matching Grant.....	782	(627)	155
<b>Total Education and General.....</b>	<b>\$ 922,754</b>	<b>\$ 576,908</b>	<b>\$ 1,499,662</b>
<b>Auxiliary Enterprises:</b>			
Expenditures.....	\$ 145,030	\$ 1,768	\$ 146,798
<b>Mandatory Transfers for:</b>			
Principal and Interest.....	947	-	947
Renewals and Replacements.....	560	-	560
<b>Total Auxiliary Enterprises.....</b>	<b>\$ 146,537</b>	<b>\$ 1,768</b>	<b>\$ 148,305</b>
<b>Total Current Expenditures and Mandatory Transfers.....</b>	<b>\$ 1,069,291</b>	<b>\$ 578,676</b>	<b>\$ 1,647,967</b>
<b>Other Transfers, Additions (Deductions):</b>			
Excess of Restricted Additions Over Expenditures.....	\$ -	\$ (13,579)	\$ (13,579)
Refunded to Grantors.....	-	(1,821)	(1,821)
Nonmandatory Transfers.....	5,898	7,918	13,816
<b>Total Other Transfers, Additions (Deductions).....</b>	<b>\$ 5,898</b>	<b>\$ (7,482)</b>	<b>\$ (1,584)</b>
<b>Net Increase (Decrease) for the Year.....</b>	<b>\$ 41,839</b>	<b>\$ (7,482)</b>	<b>\$ 34,357</b>

The notes are an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 1998

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

#### **Basis of Presentation**

The reporting policies of the state of Minnesota conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity of the State of Minnesota**

This report includes the various state departments, agencies, institutions and organizational units which are controlled by or dependent upon the Minnesota legislature and/or its constitutional officers. The state, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The GASB has set forth criteria to be used in determining financial accountability. 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.

As required by GAAP, these financial statements include the state of Minnesota (the primary government) and its component units. The state has identified and included within the financial reporting entity, as component units, legally separate organizations for which the state is financially accountable or for which a significant relationship with the state exists such that exclusion would cause the state's financial statement to be misleading or incomplete.

*Discretely presented component units* are entities that are legally separate from the state but for which the state is financially accountable, or their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. These component units are reported in a separate column and separately identified note disclosure because of their separate legal status.

Metropolitan Council (MC) (governmental and proprietary types). The MC is responsible for coordinating the planning and development of the seven-county metropolitan area. The MC operates the public transit system and the regional sewage collection and treatment system. The council members are appointed by the governor with the chair responsible for the council activities. The MC includes the Metropolitan Sports Facilities Commission as a component unit. The Metropolitan Council's fiscal year ends December 31.

Minnesota Technology, Inc. (MTI) (governmental type). The MTI fosters long-term economic growth and job creation by stimulating innovation and the development of new products, services, and production processes through technology transfer, applied research, and financial assistance. The state's General Fund provides most of the funding for the MTI.

Higher Education Services Office (HESO) (governmental and proprietary types). The HESO makes and guarantees loans to qualified post-secondary students. The HESO provides state grant and loan program services for which the state provides administrative funding. Revenue bonds are issued in its own name with limitations set by the legislature.

Export Finance Authority (EFA) (governmental type). The EFA aids and facilitates the financing of exports from the state. Excess revenue is transferred to the state's General Fund.

Agricultural and Economic Development Board (AEDB) (governmental type). The AEDB provides services to state government by administering state programs for agricultural and economic development. The AEDB may issue revenue bonds for the purpose of financing development projects.

Rural Finance Authority (RFA) (governmental type). The RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The RFA is under the administrative control of a commissioner appointed by the governor. The state has issued general obligation bond debt for the programs.

Housing Finance Agency (HFA) (proprietary type). The HFA provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes. The HFA is under the administrative control of a commissioner appointed by the governor. The HFA issues bonds in its own name.

Public Facilities Authority (PFA) (proprietary type). The PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to the PFA. The state provides funding for the PFA. The board members determine the funding for local government projects.

Workers' Compensation Assigned Risk Plan (WCARP) (proprietary type). The WCARP 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. The state commissioner of the Department of Commerce 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 are inadequate to meet its obligations. The WCARP's fiscal year ends December 31.

National Sports Center Foundation (NSCF) (proprietary type). The NSCF is under contract with the Minnesota Amateur Sports Commission to operate the National Sports Center facility primarily for the purpose of holding youth-oriented athletic and other non-athletic functions and events. The NSCF is responsible for certain improvements to the facility and the operating costs of the facility. The commission approves the foundation's spending budget, approves all rates and fees, and has ownership of any reserve funds. The assets belong to the state. The foundation's fiscal year ends December 31.

University of Minnesota (U of M) (college and university type). The U of M was established on a permanent basis by the Minnesota constitution. The state appropriates a large percentage of the University's operating budget. The legislature elects the 12-member board of regents, which governs the University, but the state does not have direct authority over University management. The state has issued debt for U of M capital projects.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Metropolitan Council  
Mears Park Centre  
230 East Fifth Street  
St. Paul, Minnesota 55101

Higher Education Services Office  
1450 Energy Park Drive  
Suite 350  
St. Paul, Minnesota 55108

Minnesota Technology, Inc.  
400 Mill Place  
111 Third Avenue South  
Minneapolis, Minnesota 55401

Export Finance Authority  
Department of Trade & Economic Development  
100 World Trade Center  
30 East Seventh Street  
St. Paul, Minnesota 55101



Agricultural & Economic Development Board  
Dept. of Trade & Economic Development  
121 East Seventh Place  
St. Paul, Minnesota 55101

Workers' Compensation Assigned Risk Plan  
Park Glen National Insurance Company  
4500 Park Glen Road, Suite 410  
Minneapolis, Minnesota 55416

Rural Finance Authority  
Department of Agriculture  
90 West Plato Boulevard  
St. Paul, Minnesota 55107

National Sports Center Foundation  
National Sports Center  
1700 105 Avenue Northeast  
Blaine, Minnesota 55434

Housing Finance Agency  
400 Sibley Street  
Suite 300  
St. Paul, Minnesota 55101

University of Minnesota  
301 Morrill Hall  
100 Church Street Southeast  
Minneapolis, Minnesota 55455

Public Facilities Authority  
Department of Trade & Economic Development  
121 East Seventh Place  
St. Paul, Minnesota 55101

*Related entities* are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities not included in the reporting entity.

Higher Education Facilities Authority. The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

Joint Underwriting Association. The governor appoints a majority of each board. The board establishes the operating plan and determines premium rates and assessments. Membership in the associations is a condition for doing business in the state.

Medical Malpractice Joint Underwriting Association. The governor 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. A majority of the voting commissioners are appointed by the governor. 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.

State Fund Mutual Insurance Company. The governor appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments.

Workers' Compensation Reinsurance Association. The governor appoints a majority of the board. The association supports itself solely from revenues derived from premiums charged to its members. The state has no authority to affect the operations of the association.

The following organizations also prepare and publish their own financial reports, which may contain differences in presentation resulting from differing reporting emphasis. Copies of their reports may be obtained directly from the organization.

State Lottery  
2645 Long Lake Road  
Roseville, Minnesota 55113

Minnesota State Retirement System  
175 West Lafayette Frontage Road  
Suite 300  
St. Paul, Minnesota 55107

Public Employees Retirement Association  
200 Skyway Level  
514 St. Peter Street  
St. Paul, Minnesota 55102

State Board of Investment  
105 MEA Building  
55 Sherburne Avenue  
St. Paul, Minnesota 55155

Teachers Retirement Association  
500 Gallery Building  
17 West Exchange Street  
St. Paul, Minnesota 55102

## **Classification of Funds**

Individual funds have been established as stipulated by legal provisions or by administrative discretion. The funds presented are classified as follows.

Governmental 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. Included in this classification are the General Fund (accounts for all financial resources except those required to be accounted for in another fund), special revenue, capital projects, and debt service fund types. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

Proprietary Funds account for all assets, liabilities, and equities, and match revenues and expenses to determine net income and capital maintenance. The fund types included in this category are the enterprise and internal service funds.

Fiduciary Funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Included in this fund category are expendable and nonexpendable trust, pension trust, and agency fund types. Depending on their nature, fiduciary funds are classified for accounting measurement purposes, such as governmental (expendable trust funds) or proprietary funds (pension trust and nonexpendable trust funds). Agency funds are custodial in nature; thus they do not measure results of operations.

Account Groups provide the means to account for the fixed asset acquisitions and the general obligation long-term indebtedness for all governmental fund types.

Component Units account for the assets, liabilities and operations of discretely presented component units. Statements other than balance sheets are combined with statements of funds using a similar basis of accounting.

## **Basis of Accounting**

All proprietary, pension trust and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized as they are incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for Defined Benefit and Defined Contribution pension plans. All proprietary funds, except the Workers' Compensation Assigned Risk Plan (WCARP) (a component unit), follow applicable GASB guidance or Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with, or contradict, GASB pronouncements. The WCARP has elected to follow all applicable FASB statements issued after November 30, 1989 that do not contradict GASB pronouncements.

All governmental, expendable trust, and agency funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting includes the following recognition principles.

**Revenues:** Individual income, sales and unemployment compensation taxes and federal grants are the major revenue sources susceptible to accrual. Tax revenues 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. *Available* means collectible by the September close of the books. Similarly, anticipated refunds of such taxes are recorded as reductions in revenue in the period when the claim is received and the state's liability is measurable. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made. Revenues collected on an advance basis, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized.

Taxpayer assessed revenues are recognized in accordance with GASB Statement 22, "Accounting for Taxpayer Assessed Tax Revenues". This principle requires that revenues are recognized in the accounting period in which they become susceptible to accrual. These tax revenues include sales, income, gasoline, medical providers, and miscellaneous taxes, which are accrued when they become both measurable and available to finance expenditures of the fiscal period.

**Expenditures and related liabilities:** Expenditures and payables are recognized when fund obligations are incurred as a result of the receipt of goods and services, except principal and interest on long-term debt, which are recorded when due. Grant expenditures are discussed separately.

**Encumbrances:** Encumbrance accounting is used for budgetary control and reporting purposes only. In the financial statements, encumbrances are recorded in the balance sheet as a reservation of fund balance for subsequent year expenditures except for those long-term commitments which rely significantly on future resources as discussed in Note 10.

**College and university type:** College and university type is accounted for on the accrual basis of accounting in accordance with accounting principles outlined in the American Institute of Certified Public Accountants' (AICPA) audit guide, Audits of Colleges and Universities, and guidelines suggested by the National Association of College and University Business Officers. Under these standards, two types of operating statements are prepared, which should not be combined with governmental nor proprietary statements. Only the combined totals are presented for the statement of revenues, expenses, and changes in fund balance.

The above guidelines normally permit recognition of revenues and receivables when the state appropriates funds. For consistency in reporting intra-entity transactions, the state does not apply this guideline to transactions between the state and the college and university type.

### **Grant Expenditures and Liabilities Recognition**

Grants are contributions of cash or other assets by the state to other governmental units, individuals, or non-governmental organizations. The GAAP requirement that expenditures and liabilities be recognized at the point goods and services are received is not relevant for grants because the state does not receive a direct service for grant payments. It is therefore necessary to use different criteria for the recognition of grant expenditures and liabilities.

Grants are normally paid on an entitlement or reimbursement basis. Reimbursements may be for specific services provided to eligible recipients, or such reimbursements may be for eligible types of expenditures. Grants paid on a reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of specific services to eligible recipients or makes eligible types of expenditures. Entitlement type grants may be based on services provided by the grantee which the grant is meant to help fund but not based on the cost of providing the service. Expenditures and related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed is reasonably estimable soon after the end of the fiscal year. Other types of entitlement type grants are not based on services provided or actions taken by the grantee. Expenditures and 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 collective bargaining agreements. Such leave is liquidated in cash only at the time of termination from state employment. For governmental funds, the liability for compensated absences is reported in the General Long-Term Obligation Account Group. All other fund types report this liability as a fund liability.

## Cash Equivalents and Investments

Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Also included are cash management pools and money market funds that are used essentially as demand deposit accounts.

Investments are reported at fair value. The basis for determining the fair value of investments that are not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals.

## Inventories

Inventories for governmental funds, are recorded as expenditures when purchased and therefore are not a resource available for appropriation. There are exceptions to this. The Trunk Highway Fund (special revenue fund) inventories are valued using the weighted-average cost. Inventories of the Miscellaneous Special Revenue and Northeast Minnesota Economic Protection (expendable trust) funds consist of repossessed properties held for resale and are valued at market. Inventories for all other funds are expensed when consumed. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of Enterprise Funds are valued using first-in first-out, average cost and specific cost methods. Inventories of Internal Service Funds are valued using the first-in first-out method.

## Restricted Assets

Mandatory asset segregations are presented in various enterprise funds as restricted assets. Such segregations are required by bond covenants and other external restrictions. The excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable. The remainder, if any, is included in reserved retained earnings.

## Fixed Assets

Governmental Fund Types. Fixed assets for these funds are reported in the General Fixed Assets Account Group. General fixed assets are recorded at cost or, for donated assets, at fair market value at the date of acquisition. An inventory of land and buildings for general fixed assets was completed in 1985. Historical cost records for older fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used in these situations. 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. Public domain (infrastructure) general fixed assets, such as highways, curbs, bridges and lighting systems, are not capitalized. Depreciation is not provided on general fixed assets nor is interest during construction capitalized.

Proprietary and Fiduciary Fund Types. Fixed assets for these funds are stated at cost or, for donated assets, at fair market value at date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful life of the assets. Estimated useful lives are as follows:

Buildings	40-50 years
Improvements (large)	20-50 years
Improvements (small)	3-10 years
Equipment	3-12 years

Depreciation on fixed assets acquired with resources externally restricted for that purpose is closed to contributed capital after being recognized in operations.

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the internal service funds because a portion of depreciation is included in the cost of goods sold.

### **General Long-Term Liabilities**

All unmatured long-term indebtedness not reported in a proprietary or fiduciary fund is accounted for in the General Long-Term Obligation Account Group. Included among these liabilities are the non-current portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills and workers compensation claims, arbitrage rebate requirements, and some unfunded pension liabilities (see Note 7).

### **Deferred Costs**

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. In the proprietary funds, they are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method, which approximates the effective interest method. The deferred costs reported are primarily for bond issuance costs of the enterprise funds.

### **Risk Management**

The state is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, and to employer obligations. The state manages these risks through the Risk Management Fund, a self-insurance (internal service fund), and other self-insurance mechanisms.

State agencies may elect to participate in the Risk Management Fund, which offers liability and property coverages. The agency pays a premium to participate in these coverages. All state agencies are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a deductible between \$1,000 and \$100,000; the fund covers the balance of the claim up to \$500,000. The primary reinsurer covers losses up to \$25,000,000 after which the excess loss is shared among three reinsurers up to \$400,000,000. Once annual losses paid by the Risk Management Fund reaches \$1,000,000, the reinsurer will step in and cover those losses in excess of each covered agency's deductible.

Risk Management's liability coverage is up to the statutory limit of \$300,000 per person for property damage or bodily injury up to \$750,000 per occurrence. The fund has reinsurance to cover aggregate annual claims in excess of \$3,200,000. Once this limit is reached, the fund has to pay a \$10,000 maintenance deductible for each claim.

The Risk Management Fund purchases insurance policies for state agencies seeking other types of coverage. The type of policies concern risks that the state is not able to self-insure and include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to agencies at cost.

The state has not experienced significant reduction in insurance coverage from the prior year. It has not had any settlements in excess of coverage for the past three years.

The state is prevented from insuring property against loss because of statutory prohibition. Certain agencies and programs are exempted from this prohibition. These include the Stillwater Prison, Minnesota State Colleges and Universities, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board, and the Sibley House. The commissioner

of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to protect buildings and content. All losses of state property are self-insured or are covered by programs of the Risk Management Fund or by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Tort claims against the state are limited by statute to \$300,000 per person for property damage or bodily injury up to \$750,000 per occurrence. These risks are covered through self-insurance for which each state agency is responsible to pay for the cost of claims from their operating budgets of various funds. The 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 legislature.

The state also participates in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims in excess of the retention amount of \$450,000. These risks are covered through self-insurance for which each state agency is responsible to pay for the cost of claims from their operating budgets of various funds.

The state offers several healthcare plans to its employees. The cost for these claims are covered by premiums paid partially by state agencies. The remaining portions of the premiums are paid by employees in amounts that are dependent on the plan and coverage selected by them.

The state's financial statements record a payable in each fund where claims are probable and the amount of the loss can be reasonably estimated prior to the issuance of the statements.

The following table presents changes in the balances of claims liabilities during the fiscal years ended June 30, 1998 and 1997 (expressed in thousands):

	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
Tort Claims (*)				
Fiscal Year Ended 6/30/97	-	\$401,000	\$401,000	-
Fiscal Year Ended 6/30/98	-	\$589,500	\$589,500	-
Workers Compensation				
Fiscal Year Ended 6/30/97	\$101,667,000	\$16,530,000	\$11,320,000	\$106,877,000
Fiscal Year Ended 6/30/98	\$106,877,000	\$18,180,000	\$11,325,000	\$113,732,000
State Health Plans				
Fiscal Year Ended 6/30/97	\$10,790,000	\$127,871,000	\$127,581,000	\$11,080,000
Fiscal Year Ended 6/30/98	\$11,080,000	\$125,511,000	\$122,608,000	\$13,983,000
Risk Management Fund				
Fiscal Year Ended 6/30/97	\$5,392,000	\$2,043,000	\$2,314,000	\$5,121,000
Fiscal Year Ended 6/30/98	\$5,121,000	\$4,097,000	\$2,686,000	\$6,532,000

\* The Attorney General's Office does not recognize liabilities for Tort Claims. Claims have never exceeded funding appropriated by the legislature.

## **Budgeting and Budgetary Control**

Minnesota 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 are available for either year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Maximum Effort School Loan, Special Workers Compensation, Iron Range Resources and Rehabilitation, Petroleum Tank Cleanup, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, whatever amount is needed to fulfill the obligation for the fiscal year is made available; i.e., there is no limit on the amount which 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 in their departments.

It is standard practice for unencumbered appropriation balances to cancel to the fund at the end of the fiscal year. However, if specifically provided for in law or if statutory authority is invoked by the agency, unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. In no instance do expenditures exceed authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of control and actual expenditures is available from the Department of Finance.

### Memorandum Only Totals Column

The totals columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present consolidated financial position, results of operations, or cash flows.

## 2. CASH AND INVESTMENTS

### Cash and Cash Equivalents

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

The following table summarizes the state's cash and cash equivalents (in thousands), including amounts reported as restricted assets at June 30, 1998 and December 31, 1997. Cash with the U.S. Treasury is available for the cash demands of the Reemployment Insurance Fund (expendable trust fund).

<u>Carrying Amount</u>	<u>Primary Government</u>	<u>Component Units</u>
Cash in Bank	\$ 42,948	\$ 14,121
Cash on Hand and Imprest Cash	3,061	4,914
Cash with Fiscal Agent	6,904	10,403
Cash with U.S. Treasury	564,892	-
Cash Equivalents:		
Cash Management Investment Pools	7,936,302	43,571
Other	<u>44,909</u>	<u>1,385,633</u>
Total Cash and Cash Equivalents	\$8,599,016	\$1,458,642

### Deposits

At June 30, 1998, the primary government's bank balance for cash in bank was \$55,648,000. For component units at December 31, 1997 and at June 30, 1998, the bank balances for cash in bank was \$7,486,000. These balances were fully covered by federal depository insurance or collateral held by the state's agent in the state's name or held by the component unit in the component unit's name (lowest risk category). Minnesota Statutes, Section 9.031 requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral

shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral.

## Investments

Nearly all of the state's investing is managed by the Minnesota State Board of Investment (MSBI). Minnesota Statutes, Section 11A.24 broadly restricts investments of the primary government to obligations and stocks of U.S. and Canadian governments, their agencies, and their registered corporations, 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.

State statutes do not prohibit the state from participating in security lending transactions, and the state has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the state's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did 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 not less than 100% of the market value of the loaned securities.

The state did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf, and State Street indemnified the state by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the state and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 1998, such investment pool had an average duration of 62 days and an average weighted maturity of 449 days. 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, 1998 the state had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the state as of June 30, 1998 were \$4,140,446,524 and \$4,005,920,005, respectively.

### Primary Government - Investments at June 30, 1998 (in thousands)

<u>Investment Type</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 328,601
Commercial Paper	4,093,253
Short Term Corporate Notes	29,778
U.S. Treasury Obligations	3,034,972
Mortgaged Backed	3,839,615
Corporate Obligations	3,851,933
Foreign & Other Obligations	690,982
Corporate Stocks	24,976,090
Other Equity	<u>2,106,774</u>
Total Investments in Risk Category 1	\$42,951,998
Trustee Managed Pools (not categorized)	<u>2,224,683</u>
Total Investments	\$45,176,681



Component Units - Investments at June 30, 1998 and December 31, 1997  
(in thousands)

Investment Type	Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$90,669	\$ -	\$ -	\$ 90,669	\$ 90,669
Commercial Paper	507,885	-	-	507,885	507,879
Short Term Corporate Notes	46,722	-	-	46,722	46,722
U.S. Treasury Obligations	1,056,928	-	85,913	1,142,842	1,143,411
Mortgaged Backed	178,251	-	-	178,251	178,251
Corporate Obligations	840,401	-	-	840,401	840,401
Municipal & Other Obligations	133,479	-	-	133,479	133,756
Corporate Stocks	579,494	-	-	579,494	579,494
Other Equity	48,796	-	-	48,796	48,796
Total Investments	\$3,482,625	\$ -	\$85,913	\$3,568,538	\$3,569,379
Trustee Managed Pools/					
Mutual Funds	146,266	-	-	146,266	146,266
Total Investments	\$3,628,891	\$ -	\$85,913	\$3,714,804	\$3,715,645

The difference between the carrying amount and fair value of the investments results from Metropolitan Council (governmental fund type) recording their investments at cost or amortized cost except for invested employee compensation which is recorded at market. Because of their fiscal year end date of December 31, 1997, they were exempt from implementing GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (see Note 16).

Funds not invested by MSBI are primarily enterprise type funds. Investments for these funds must also conform to the above statute and may be further restricted by bond indentures.

The investment table above shows the state's risk category 1 and other investments, including cash equivalents, at their carrying and market values. Risk category 1 includes securities which are insured or registered or are held by the state or its agent in the state's name. Investments in risk category 2 include uninsured and unregistered securities held by the counter party's trust department or agent in the component unit's name (the primary government has no investments in risk category 2). Investments in risk category 3 include uninsured and unregistered securities held by the counter party or by its trust department or agent, but not in the component unit's name (the primary government has no investments in risk category 3).

### 3. CAMBRIDGE BANK LITIGATION FUNDS

Revenue bonds were issued to satisfy the claims and judgments resulting from litigation. The Cambridge Litigation Revenue Fund, the Cambridge Litigation Revenue Bond Fund, and the Cambridge Litigation Revenue Bond Debt Service Fund are used to record revenues, bond proceeds, claims and judgments, and debt service payments. These funds are presented as part of the General Fund and the Debt Service Fund (governmental funds).

The General Fund as presented herein includes the "Cambridge Litigation Revenue Fund" and the "Cambridge Litigation Revenue Bond Fund," established and maintained in the state treasury and on the state's books and records as separate Special Revenue Funds, pursuant to Minnesota Statutes, Section 16A.67. The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund were established by the commissioner of Finance's order dated May 1, 1996, entitled "Order of the Minnesota Commissioner of Finance for Issuance and Sale of \$200,000,000 State Revenue Bonds, Series 1996A" (the "Order"), and are required to be maintained until the State Revenue Bonds, Series 1996A, and any other revenue bonds hereafter issued and made payable from the Cambridge Litigation Revenue Bond Fund (the "Revenue Bonds") are paid or discharged in accordance with the Order. The Cambridge Litigation Revenue Fund is used to record receipts of certain non-tax revenues (comprising Departmental Earnings, Medical Payments, and Non-dedicated Lottery Revenues, all as defined in the Order), Revenue Bond proceeds and investment earnings, and the disbursement of Revenue Bond proceeds to pay costs of a judgment against the state and related claims described below, and the transfer of Revenues and investment earnings first to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the Revenue Bonds, and second to the General Fund to pay costs of state government.

The terms, Departmental Earnings, Medical Payments, and Non-dedicated Lottery Revenues, are defined in the Order substantially as follows:

*Departmental Earnings* are certain license fees, service fees, and other charges imposed by or pursuant to the state law, which are collected from the general public and regulated businesses and professions, the use of which is not otherwise restricted by federal law, which are not determined to constitute a tax of statewide application on any class of property, income, transaction or privilege, and which are not dedicated to another fund and penalties and interest on late payments of such fees and charges.

*Medical Payments* means all amounts paid to the state by non-state resources for payment of, or as reimbursement for payment by the state from its General Fund of, costs incurred for the care and treatment of mentally ill and developmentally disabled persons at regional treatment centers.

*Non-dedicated Lottery Revenues* means all lottery net income not dedicated and required by the State Constitution, Article XI, Section 14 to be transferred to the Environment and Natural Resources Trust Fund.

For the fiscal year ended June 30, 1998, the funding received by and transferred from the Cambridge Litigation Revenue Fund, including revenues, investment earnings, and the moneys received by and disbursed from the Cambridge Litigation Revenue Bond Fund, were as follows (in thousands):

	<u>Cambridge Litigation Revenue Fund and Cambridge Litigation Revenue Bond Fund</u>
Net Revenues:	
License and Fees	\$ 89,897
Care & Hospitalization	63,183
Department Services	29,726
Penalties & Fines	6,963
Investment/Interest Income	<u>516</u>
Net Revenues	\$ 190,285
Expenditures:	
Debt Service	\$ (9,869)
Total Expenditures	\$ (9,869)
Other Financing Sources (Uses):	
Operating Transfers	\$ 33,998
Transfers to Debt Service and General Fund	<u>(236,984)</u>
Net Other Financing Sources (Uses)	<u>\$(202,986)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (2,832)</u>

The total claims are estimated at \$5,963,000 for the Cambridge Litigation Revenue Fund and \$13,037,000 for the General Fund as of June 30, 1998. The estimated claims reported in fiscal year 1997 were over estimated by \$9,869,000, resulting in a negative expenditure for fiscal year 1998. The 1997 legislature appropriated \$16,600,000 from the General fund to pay any additional claims. Principal and interest on claims paid during fiscal year 1998 totaled \$5,662,000 and \$6,735,000 respectively.

The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, while maintained and administered as separate funds on the official books and records of the state as covenanted and agreed in the Order, have been presented as part of the General Fund for financial reporting purposes for the following reasons. First, the purpose for which the revenue bonds were issued is to fund a portion of the judgment entered against the state in Cambridge State Bank v. James, 514 N.W.2d 565 (Minn. 1994) and related claims, wherein the Minnesota Supreme Court held that certain banks were entitled to a refund of taxes paid on income from federal obligations. The judgment and related claims are obligations of the General Fund and have been recorded as an accrued liability in the General Long-Term Obligation Account Group. Second, the revenues appropriated to the Cambridge Litigation Revenue Fund have, prior to the establishment of the Cambridge Litigation Revenue Fund, been revenues of the General Fund. Third, revenues appropriated to the Cambridge

Litigation Revenue Fund which are not required to be transferred to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the Revenue Bonds, are required to be and have been transferred to the General Fund, and once so transferred, are available only for General Fund purposes.

#### 4. INTERFUND ACTIVITY

##### Primary Government

Interfund receivables and payables at June 30, 1998 of the primary government, including current portion of interfund advances, are summarized as follows (in thousands):

			Primary Government		
<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	<u>\$ 60,151</u>	<u>\$ 80,264</u>	Fiduciary Funds:		
Special Revenue Funds:			Pension Trust Funds:		
Game and Fish	\$ -	\$ 63	Defined Benefit Pension Funds:		
Petroleum Tank Cleanup	6,501	-	Public Employees Retirement	\$ 722	\$ -
Trunk Highway	35,652	5,742	Police and Fire	5	
Highway UserTax Distribution	9,522	68,648	Police and Fire Consolidation	7	
Federal	2,780	19,270	State Employees Retirement	5,895	
Maximum Effort School Loan	-	2,594	State Patrol Retirement	1	
Natural Resources	3,022	52	Correctional Employees Retirement	7,712	
Health Care Access	-	20,515	Judicial Retirement	-	
Solid Waste	-	2,931	Elective State Officers	500	
Miscellaneous Special Revenue	<u>10,691</u>	<u>4,586</u>	Legislative Retirement	6,752	
Total Special Revenue Funds	<u>\$ 68,168</u>	<u>\$ 124,401</u>	Defined Contribution Fund:		
Capital Projects Funds:			Unclassified Employees Retirement	787	
General Projects	\$ 47,656	\$ -	Public Employees Retirement	-	
Building	<u>-</u>	<u>99</u>	Nonexpendable Trust Funds:		
Total Capital Projects Funds	<u>\$ 47,656</u>	<u>\$ 99</u>	Permanent School	-	
Debt Service Fund	<u>\$ 22,138</u>	<u>\$ 2,320</u>	Environment & Natural Resources	4,039	
Enterprise Funds:			Expendable Trust Funds:		
College & University Enterprise Act.	\$ 1,480	\$ -	Municipal State-Aid Street	6,692	
State Lottery	-	12,377	County State-Aid Highway	22,781	
State College & Universities Revenue	-	293	Endowment School	4,607	
Public Employees Insurance	16	-	Endowment	99	
Private Employers Insurance	-	16	Reemployment Insurance	-	
Enterprise Activities	<u>50</u>	<u>-</u>	State Deferred Compensation	-	
Total Enterprise Funds	<u>\$ 1,546</u>	<u>\$ 12,686</u>	Agency Funds:		
Internal Service Funds:			Miscellaneous Agency	<u>206</u>	<u>-</u>
State Printer	\$ 25	\$ -	Total Fiduciary Funds	<u>\$ 60,805</u>	<u>\$ -</u>
Central Motor Pool	-	1,880			
Central Services	<u>-</u>	<u>75</u>	Total Primary Government	<u>\$ 260,489</u>	<u>\$ 260,489</u>
Total Internal Service Funds	<u>\$ 25</u>	<u>\$ 1,955</u>			

The noncurrent portion of interfund advances for the primary government at June 30, 1998 are summarized as follows (in thousands):

	Advances to Other <u>Funds</u>	Advances from Other <u>Funds</u>
General Fund	\$1,974	\$ -
Special Revenue Funds:		
Health Care Access	890	-
Capital Projects Funds:		
Building	-	174
Enterprise Funds:		
Private Employers Insurance	-	890
Internal Service Funds:		
Central Motor Pool	<u>-</u>	<u>1,800</u>
Total All Funds	<u>\$2,864</u>	<u>\$2,864</u>

During the year ended June 30, 1998 the advance from the Private Employers Insurance Fund (Enterprise Fund) to the Health Care Access Fund (Special Revenue Fund) was written down by \$1,185,000 to \$890,000. The Private Employers Insurance fund is discontinuing the full operation of the Minnesota Employees Insurance Program, which provides the income for the fund (see Note 15).

Component Units

Interfund receivables and payables at June 30, 1998 within component units and primary government are summarized as follows (in thousands):

	Component Units	
<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
Metropolitan Council	\$ 7,169	\$ 4,654
Proprietary Funds:		
Metropolitan Council-Unrestricted	2,864	-
Metropolitan Council-Restricted	<u>-</u>	<u>5,379</u>
Totals	\$ 10,033	\$ 10,033

Primary Government and Component Units

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
Component Units		
Proprietary Funds:		
Workers' Compensation		
Assigned Risk Plan	\$ -	\$ 5,108
College and University Funds:		
University of Minnesota	<u>78,488</u>	<u>40,890</u>
Total Component Units	\$78,488	\$ 45,998
Primary Government		
Governmental Funds:		
General Fund	<u>-</u>	<u>78,488</u>
Total Primary Government	\$ -	\$ 78,488
Total	\$ 78,488	\$124,486

Due to primary government exceeds the due from component units by \$45,998,000. \$5,108,000 of this amount is due to Workers' Compensation Assigned Risk Plan having a different fiscal year end than the primary government. The remaining difference of \$40,890,000 results from the University of Minnesota's unmatured long-term debt being included in the long-term debt account group, which the state can not recognize as a receivable.

Transfers-out to component units exceeds transfers-in from primary government by \$10,550,000. Of this amount, \$9,000,000 was reported as a grant in Public Facilities Authority (proprietary fund) and as a transfer out to component units in the General Fund. The remaining \$1,550,000 is due to a difference in fiscal year end between Metropolitan Council Fund (governmental fund) and the Building Fund (capital projects fund).

Residual equity transfers-out exceed similar transfers-in by \$5,161,000 because of differing reporting focuses for proprietary and governmental fund types. These residual equity transfers from governmental fund types are reported as part of the increase to contributed capital in the proprietary funds.

## 5. LOANS, NOTES AND FINANCING LEASES RECEIVABLE

Loans, notes, and financing leases receivable, net of allowances for possible losses, as of June 30, 1998, consisted of the following (in thousands):

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Fiduciary</u>
Student Loan Program	\$ 236	\$ -	\$ -	\$34,642	\$ -
Economic Development	4,573	16,805	37,129	-	22,626
School Districts	-	13,663	-	-	-
Energy	-	4,208	11,050	-	-
Agricultural	3,196	3,810	-	-	-
Transportation	-	21,027	-	-	-
Resources	1,808	693	-	-	-
Other	-	<u>825</u>	<u>252</u>	-	-
Total	\$9,813	\$61,031	\$48,431	\$34,642	\$22,626

	<u>Component Units</u>	
	<u>Non-restricted</u>	<u>Restricted</u>
Metropolitan Council (Governmental)	\$14,937	-
Agricultural and Economic Development	25,380	-
Rural Finance Authority	48,358	-
Housing Finance Authority	1,823,267	-
Higher Education Services Office (Proprietary)	184,086	-
University of Minnesota	62,071	-
Public Facilities Authority	-	<u>475,263</u>
Total	\$2,158,099	\$475,263

The amount reported for loans receivable between component units does not equal the amount reported for loans payable between component units because of differing fiscal year ends (December and June).

## 6. FIXED ASSETS

### Primary Government

Summary of Changes in General Fixed Assets  
(in thousands)

	<u>Balances July 1, 1997</u>	<u>Additions</u>	<u>Deductions</u>	<u>Completed Construction</u>	<u>Other Adjustments</u>	<u>Balances June 30, 1998</u>
Land	\$ 298,472	\$ 7,624	\$ 25	\$ -	\$ 115	\$ 306,186
Buildings	1,843,664	131	1,618	65,865	23,508	1,931,550
Equipment	425,879	42,765	17,142	-	(8,315)	443,187
Construction in Progress	<u>133,735</u>	<u>146,194</u>	-	<u>(65,865)</u>	<u>1,022</u>	<u>215,086</u>
Total	\$2,701,750	\$196,714	\$18,785	\$ -	\$16,330	\$2,896,009

Governmental fund type and Expendable Trust fund capital outlay expenditures totaled \$592,588,000 for fiscal year 1998. Of this amount, \$398,285,000 was for infrastructure fixed assets which are not included in general fixed assets. Donations of general fixed assets received during fiscal year 1998 are valued at \$1,617,000. Other additions of \$794,000 consisted primarily of a change in accounting. Other adjustments were primarily corrections of prior year balances.

General fixed assets purchased with resources provided by outstanding capital lease agreements at June 30, 1998 consisted of equipment costing \$68,560,000 and buildings costing \$1,781,000.

Authorizations and commitments as of June 30, 1998 for the largest construction in progress projects consisted of the following (in thousands):

	Admin Projects	Educational Buildings	Iron Range Resources	Zoological Garden	Corrections Facilities	Human Services
Authorization	\$74,993	\$120,162	\$2,074	\$23,603	\$5,735	\$44,400
Expended through June 30, 1998	72,454	49,339	714	23,212	991	31,606
Unexpended Commitment	-	13,157	-	-	347	7,618
Available Authorization	\$ 2,539	\$ 57,666	\$1,360	\$ 391	\$4,397	\$ 5,176

Commitments are reserved in the fund balance for either encumbrances or long-term commitments.

Proprietary and fiduciary fund type fixed assets consisted of the following as of June 30, 1998 (in thousands):

	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Combined Totals
Land	\$ 30	\$ -	\$ 15,407	\$ 15,437
Buildings	106,462	-	-	106,462
Land and Building Improvements	50,249	3,649	-	53,898
Equipment	24,115	116,596	3,754	144,465
Total	\$ 180,856	\$ 120,245	\$ 19,161	\$ 320,262
Less: Accumulated Depreciation	98,075	88,367	2,017	188,459
Net Total	\$ 82,781	\$ 31,878	\$ 17,144	\$ 131,803

Land in the Permanent School Fund (nonexpendable trust fund) totaling 2,509,711 acres were donated by the federal government and was valued at the estimated fair market value at the time of donation.

### Component Units

Component Unit fixed assets consisted of the following as of the end of their respective fiscal year (in thousands):

	Governmental Type			Proprietary Type				College and University Type	University of Minnesota	Combined Totals
	Metropolitan Council	Minnesota Technology Incorporated	Higher Education Services Office	Housing Finance Agency	Public Facilities Authority	Metropolitan Council	National Sports Center Foundation	Higher Education Services Office		
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,172	\$149	\$ -	\$ 33,534	\$ 45,855
Buildings and Improvements	-	-	-	-	-	1,473,093	228	-	1,562,065	3,035,386
Equipment	14,034	2,584	620	1,992	11	276,485	372	132	528,441	824,671
Other Fixed Assets	-	-	-	-	-	-	-	-	153,713	153,713
Total	\$14,034	\$2,584	\$620	\$1,992	\$11	\$1,761,750	\$749	\$132	\$2,277,753	\$4,059,625
Less: Accumulated Depreciation	-	1,921	475	895	-	640,779	228	88	1,080,043	1,724,429
Net Total	\$14,034	\$ 663	\$145	\$1,097	\$11	\$1,120,971	\$521	\$ 44	\$1,197,710	\$2,335,196

## 7. GENERAL LONG-TERM OBLIGATIONS

### Primary Government

A summary of general long-term obligations at June 30, 1998 and the changes during fiscal year 1998 is as follows (in thousands):

	July 1, 1997			June 30, 1998
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Liabilities For:				
General Obligation Bonds	\$2,160,719	\$531,040	\$184,820	\$2,506,939
Loans	20,964	-	5,241	15,723
Revenue Bonds	156,015	-	23,190	132,825
Claims	348,925	43,735	6,870	385,790
Compensated Absences	245,144	10,370	740	254,774
Workers Compensation	106,877	18,180	11,325	113,732
Capital Leases	15,016	9,337	6,040	18,313
Pension Liabilities	620	-	620	-
Arbitrage Liabilities	<u>835</u>	<u>5</u>	<u>-</u>	<u>840</u>
Totals	\$3,055,115	\$612,667	\$238,846	\$3,428,936

The resources to repay the various general long-term obligations have been or will be provided from the fund types as follows (in thousands):

	General Fund	Special Revenue Funds	Total
Liabilities For:			
General Obligation Bonds	\$2,372,278	\$134,661	\$2,506,939
Loans	-	15,723	15,723
Revenue bonds	128,740	4,085	132,825
Claims	14,130	371,660	385,790
Compensated Absences	160,609	94,165	254,774
Workers Compensation	95,302	18,430	113,732
Capital Leases	8,820	9,493	18,313
Arbitrage Liabilities	<u>840</u>	<u>-</u>	<u>840</u>
Totals	\$2,780,719	\$648,217	\$3,428,936

Principal and interest payment schedules (in thousands) are provided in the following table for general obligation bonds, revenue bonds, loans, capital leases and arbitrage. There are no payment schedules for claims, compensated absences, workers compensation, or pension liabilities.

<u>Fiscal Year (s)</u>	General Obligation		Revenue	Capital	<u>Arbitrage</u>	<u>Totals</u>
	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>	<u>Leases</u>		
1999	\$ 344,347	\$ 5,241	\$ 30,995	\$ 7,382	\$328	\$ 388,293
2000	334,184	5,241	56,091	5,513	499	401,528
2001	310,347	5,241	55,957	4,348	13	375,906
2002	285,239	-	894	2,643	-	288,776
2003	276,514	-	893	485	-	277,892
Thereafter	<u>1,934,148</u>	<u>-</u>	<u>5,005</u>	<u>150</u>	<u>-</u>	<u>1,939,303</u>
Total Payments	\$3,484,779	\$15,723	\$149,835	\$20,521	\$840	\$3,671,698
Interest	<u>977,840</u>	<u>-</u>	<u>17,010</u>	<u>2,208</u>	<u>-</u>	<u>997,058</u>
Total Principal	\$2,506,939	\$15,723	\$132,825	\$18,313	\$840	\$2,674,640

Minnesota Statutes, Section 16A.641 provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law was enacted requiring the appropriation.

In fiscal year 1998, the Department of Finance made the necessary transfers (in thousands) to the Debt Service Fund as follows:

General Fund	\$278,139
Special Revenue Funds:	
Trunk Highway Fund	5,626
Natural Resources Fund	115
Maximum Effort School Loan Fund	1,882
Miscellaneous Special Revenue Fund	265
Capital Projects Fund:	
Building Fund	4,189
Component Units:	
Rural Finance Authority	5,777
University of Minnesota	<u>4,905</u>
Total Operating Transfers to Debt Service Fund	<u>\$300,898</u>

The amount shown in the Debt Service Fund as reserved for debt requirements differs from that shown in the General Long-Term Obligation Account Group as Amount Available in Debt Service Fund because the Debt Service Fund amount includes amounts for both principal and interest on general obligation bonds while the General Long-Term Obligation Account Group includes only the amount for bond principal.

### General Obligation Bond Issues

On November 1, 1997 and June 1, 1998, \$215,000,000 and \$298,040,000 respectively in general obligation state various purpose bonds were issued at a true interest rate of 4.78, and 4.55 percent respectively. On November 1, 1997 and June 1, 1998, \$11,000,000 and \$7,000,000 in general obligation state taxable bonds were issued at a true interest rate of 6.36 and 6.01 percent respectively. During fiscal year 1998, \$184,820,000 in general obligation bonds principal was repaid.

In previous years, the state issued general obligation refunding bonds to refund obligations of certain bond issues. The proceeds of the bond issues were placed in special escrow accounts and invested in government securities. These investments have been certified to be sufficient to pay all principal and interest on the bonds when due. Accordingly, the original refunded bonds have been eliminated, and the new advance refunding bonds added to the General Long-Term Obligation Account Group.

The balance outstanding for all extinguished debt at June 30, 1998 was \$447,390,000, consisting of the following (in thousands). The state remains contingently liable to pay the refunded general obligation bonds.

Refunding Date	Outstanding Defeased Debt			Final Maturity Date
	Refunding Amount	Refunded Amount	Outstanding Amount	
August 1, 1992	\$243,100	\$230,480	\$ 20,280	August 1, 1998
May 1, 1993	292,260	273,190	246,640	August 1, 2000
August 1, 1993	146,995	133,770	98,820	August 1, 2001
November 1, 1993	<u>91,720</u>	<u>81,650</u>	<u>81,650</u>	August 1, 2002
Total	\$774,075	\$719,090	\$447,390	



A schedule of general obligation bonds authorized but unissued and bonds outstanding at June 30, 1998 is provided in the table below (in thousands):

<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates Range - %</u>
State Building	\$ 806,771	\$1,265,334	3.75 - 7.56
State Transportation	53,765	68,585	4.69 - 7.56
Waste Management	4,180	5,395	5.00 - 7.56
Water Pollution Control	7	111,451	4.58 - 7.56
Maximum Effort School Loan	1,192	111,775	5.00 - 7.56
Reinvest in Minnesota	875	16,915	5.00 - 6.90
Rural Finance Administration	13,000	70,445	5.00 - 6.98
Refunding Bonds	-	744,085	3.97 - 6.95
Exchange Bonds	-	6,289	.05
Municipal Energy Building	170	11,380	5.00 - 7.56
Game and Fish Building	-	301	5.33 - 6.95
Trunk Highway	-	22,585	3.75 - 6.95
Airport Facilities	81,275	44,125	4.40 - 7.95
Landfill	<u>60,100</u>	<u>28,275</u>	4.54 - 5.76
Totals	\$1,021,335	\$2,506,940	

### **Revenue Bonds Payable**

Revenue bonds payable of \$128,740,000 as reported in the General Long-Term Obligation Account Group are special obligations of the state and for airport facilities secured by St. Louis County. The remaining bonds payable totaling \$4,085,000 are special obligations of the state for the purchase of financing of Giants Ridge recreation area.

### **Loans**

Loans payable are the result of loans from local governments to the state for preliminary financing of highway construction projects. This financing provides advance funding of the state and federal share of these projects. Loan repayment without interest begins after completion of the related project.

### **Claims**

Municipal solid waste landfills liability totaling \$339,486,000 for closure and postclosure care are reported for the landfill cleanup program payable from the Solid Waste Fund, (special revenue fund) and the General Fund.

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

### **Compensated Absences**

The liability for compensated absences for governmental funds totaling \$254,774,000 is primarily for vacation leave and for vested sick leave, which is payable as severance pay under specific conditions. Both amounts are paid only at the time of termination from state employment. This obligation will be liquidated using future resources at unspecified times.

### **Workers' Compensation**

The liability for workers' compensation reported is based on claims filed for injuries to state employees occurring prior to June 30, 1998 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

## Leases

Capital leases payable are for those leases meeting the criteria in GASB Statement 1, "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide". See Note 8 for minimum future payments under operating leases.

## Arbitrage Liabilities

The arbitrage rebate payable to the federal government of \$840,000 is required by Tax Reform Act of 1986 and U.S. Treasury regulations and penalties. It is the estimate of excess earnings on tax-exempt bond proceeds and debt service reserves. Interest earnings on bond proceeds are used primarily for debt service payments. The arbitrage rebate will be paid through an appropriation from the General Fund. There is no reservation of assets for this liability.

## Component Units

The Metropolitan Council (MC) (governmental fund) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the MC full faith and credit and taxing powers. The MC had \$130,408,000 in general obligation bonds outstanding on December 31, 1997.

The following is a debt repayment schedule for Metropolitan Council (MC) and the Agricultural and Economic Development Board (AEDB).

### Long-Term Debt Repayment Schedule Component Units - Government Funds (in thousands)

Year Ending <u>December 31</u>	General Obligation	Year Ending <u>June 30</u>	Revenue
	<u>Bonds</u> <u>MC</u>		<u>Bonds</u> <u>AEDB</u>
	<u>Amount</u>		<u>Amount</u>
1998	\$ 23,986	1999	\$ 5,169
1999	36,170	2000	5,353
2000	23,698	2001	5,541
2001	15,673	2002	4,793
2002	12,389	2003	5,112
Thereafter	<u>47,326</u>	Thereafter	<u>42,107</u>
Total	\$159,242		\$68,075
Interest	<u>28,834</u>		<u>25,298</u>
Bond Principal	\$130,408		\$42,777

## 8. LEASE AGREEMENTS

### Operating Leases

The state and its component units are committed under various leases primarily for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1998 totaled \$53,157,841 and \$1,052,928 for the state and

component units respectively. Lease expenditures for the year ended December 31,1997 totaled \$2,443,794 for component units. Future minimum lease payments for existing lease agreements are as follows (in thousands):

<u>Primary Government</u>		<u>Component Units</u>			
<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>	<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>	<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
1999	\$ 49,319	1999	\$ 984	1998	\$ 1,368
2000	40,936	2000	284	1999	1,342
2001	37,981	2001	288	2000	1,254
2002	31,360	2002	300	2001	1,142
2003	20,707	2003	312	2002	1,047
Thereafter	<u>2,080</u>	Thereafter	<u>-</u>	Thereafter	<u>3,577</u>
Total	\$ 182,383	Total	\$ 2,168	Total	\$ 9,730

### Capital Leases

The state and its component units have entered into several capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by "Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"" which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the equipment at any time during the lease period.

In the governmental funds, equipment purchased through capital lease agreements is included with the general fixed assets. The state's liability for these capital leases is included in general long-term obligations (see Note 7).

## 9. LONG-TERM OBLIGATIONS - PROPRIETARY FUNDS

### Revenue Bonds

#### Primary Government

The Enterprise Funds listed below have the authority to issue, and have issued, bonds which are not general obligations of the state but are payable solely from rentals, revenues and other income, charges and monies as were pledged for repayment. Premiums and discounts on revenue bonds are amortized using the interest method over the life of the bonds to which they relate.

The State Colleges and Universities Revenue (SCU) is authorized by Minnesota Statutes, Section 136F.98 to issue revenue bonds in the principal amount of \$40,000,000 to finance the acquisition, construction and remodeling of college buildings for dormitory, residence hall, student union, and food service purposes.

The Minnesota State Colleges and Universities (MnSCU), which is included in the College and Universities Enterprise Activities (CUEA), finance the construction of a dormitory and a modular housing project through the Higher Education Facilities Authority. The \$1,720,000 debt for these two projects is reported by MnSCU in the CUEA.

#### Component Units (proprietary funds)

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.21-.22 to issue its bonds and notes for the purpose of providing funds for rehabilitation loans, construction loans and mortgage loans to sponsors of residential housing for families of low and moderate income, or for refunding bonds. The amount of such bonds outstanding at any time shall not exceed \$2,400,000,000.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes, section 446A.072 to issue revenue bonds for the purpose of making loans to municipalities for wastewater treatment facilities. The amount of such bonds outstanding at any time shall not exceed \$850,000,000, according to Minnesota Statutes, Section 446A.12.

The Metropolitan Council (MC) issues stadium revenue bonds and environmental services general obligation bonds backed by the MC in full faith and credit and taxing powers.

The Higher Education Services Office (HESO) is authorized by Minnesota Statutes, sections 136A.171-.175 to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed \$550,000,000.

The University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects.

**Bond Defeasances**

For proprietary fund debt that was defeased in prior years through in-substance defeasances, the outstanding defeased amount as of June 30, 1998 for SCU is \$28,677,000. SCU remains contingently liable to pay this defeased debt.

Primary Government

Long-Term Debt Repayment Schedule  
Proprietary Funds - June 30, 1998  
(in thousands)

Fiscal Year(s)	Revenue Bonds	
	SCU	CUEA
1999	\$ 2,710	\$ 95
2000	2,571	105
2001	2,584	110
2002	2,573	120
2003	2,580	130
Thereafter	<u>45,843</u>	<u>1,160</u>
	\$58,861	\$1,720
Unamortized Discount	(591)	-
Interest	<u>(28,030)</u>	-
Bond Principal	\$30,240	\$1,720

Component Units

Long-Term Debt Repayment Schedule  
Component Units - June 30, 1998  
(in thousands)

Fiscal Year(s)	Revenue Bonds					General Obligation Bonds	
	HFA	PFA	MC*	HESO	U of M	MC*	U of M
1998	\$ -	\$ -	\$ 4,029	\$ -	\$ -	\$ 64,784	\$ -
1999	226,874	46,432	4,029	2,672	1,449	100,475	14,548
2000	165,807	49,297	4,031	2,672	1,450	89,871	14,548
2001	163,216	48,470	4,029	2,671	1,430	57,723	14,548
2002	152,522	47,858	4,033	2,671	1,402	54,125	20,384
2003	165,541	47,566	4,032	2,671	1,338	47,330	21,087
Thereafter	<u>3,205,690</u>	<u>503,419</u>	<u>24,180</u>	<u>119,142</u>	<u>13,484</u>	<u>78,509</u>	<u>283,592</u>
	\$4,079,650	\$743,042	\$48,363	\$132,499	\$20,553	\$492,817	\$368,707
Unamortized (Discount)/Premium	-	3,358	-	-	-	2,733	-
Interest	(2,040,810)	(265,769)	(14,273)	(64,440)	(6,933)	(208,252)	(93,802)
Accretion	-	(484)	-	-	-	-	-
Bond Principal	\$2,038,840	\$480,147	\$34,090	\$ 68,059	\$13,620	\$287,298	\$274,905

\*MC fiscal year ends December 31, 1997

## 10. LONG-TERM COMMITMENTS

Long-term commitments consist of grant agreements, construction and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, mining tax revenues and federal grants. Long-term commitments as of June 30, 1998 were as follows (in thousands):

Special Revenue Fund:	
Trunk Highway Fund	\$381,627
Capital Projects Funds:	
General Project Fund	6,199
Transportation Fund	26,219
Building Fund	<u>250,490</u>
Total Primary Government	<u>\$664,535</u>
Component Unit:	
University of Minnesota	\$341,013

## 11. CONTINGENT LIABILITIES - LITIGATION

1) 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 for that purpose. The tort claims appropriations for fiscal years ending June 30, 1998 and June 30, 1999 were \$875,000 for each year. The maximum limits of liability for tort claims are \$300,000 for any one claim and \$750,000 for any number of claims arising out of a single occurrence. The limit on liability for a single occurrence rises to \$1,000,000 on January 1, 2000.

2) 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 \$10,000,000 in excess of current levels.

a. At any one time, there are hundreds of long-term care rate appeals pending with the Department of Human Services. In the aggregate, it is possible that the adverse impact of the appeals exceeds \$10 million. Any liability comes from a combination of the federal and General Funds and a lesser amount from local governmental units.

b. At any one time, there are hundreds of Department of Transportation 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 \$10 million. Liability arising out of decisions unfavorable to the state may impact the state's trunk highway fund.

c. At any one time, there are claims and cases pending against various state agencies including but not limited to, the Departments of Administration and Transportation and the Minnesota State Colleges and Universities, and other state agencies which may be potentially responsible parties for clean-up of hazardous and other contaminated waste sites under federal and state superfund and other environmental laws. In the aggregate, it is possible that the potential liability of the state for such claims may exceed \$10 million because all parties are jointly and severally liable under federal and state superfund laws. Liability out of decisions unfavorable to the state may impact the trunk highway fund for claims against the Department of Transportation and the state's General Fund for claims against other state agencies.

d. Jessee Lee Brown and Ronald Bergeron v. State of Minnesota. Plaintiffs are Medicaid and GAMC recipients who suffered tobacco-related illnesses during the period January 1, 1978 and December 31, 1996. Plaintiffs claim rights to a share of the settlement proceeds in State of Minnesota et al. v. Phillip Morris Incorporated, et al. Plaintiffs have claimed that they are entitled to the difference between the amount of the tobacco trial settlement and the amount of moneys expended to treat smoking-related illnesses, but not less than one-third of the end recovery. This would amount to between \$2.05 billion and \$4.86 billion. The State has moved to dismiss the case for failure to state a claim upon which relief could be granted, and to sanction the attorneys for bringing a frivolous suit. The motion to dismiss was heard on September 16, 1998, and the case is under advisement.

e. Eveleth Taconite Company and Eveleth Mines LLC v. Commissioner. Tax Court. The taxpayers in this and four other such cases contend that a 1994 recodification of a 1993 provision allowing a specific exemption for replacement equipment purchased by the taconite industry, without regard to the expansion of a facility (at a time when replacement equipment was otherwise fully taxable), rendered their repair and replacement parts exempt as well. The Commissioner determined that parts purchased by the taconite industry were subject a specific reduced rate rather than a complete exemption. The aggregate amount in all of these cases could exceed \$10 million dollars.

f. Independent School District No. 625, Saint Paul, Minnesota v. State of Minnesota. Ramsey County District Court. The St. Paul School District ("District") commenced a suit in state court against the state of Minnesota, the Legislature, the governor, the Board of Education, and the Department of Children, Families and Learning and its Commissioner claiming that the state has failed to provide sufficient resources to the District to enable it to provide an adequate education to the District's poor and minority students and students in need of special education and English instruction. The complaint seeks declaratory and injunctive relief. While it is impossible at this point to accurately predict the state's exposure in this case, especially since the District has not quantified the additional resources it seeks, it is possible that the state could be ordered to pay in excess of \$10 million to the District.

g. Minneapolis Branch of the NAACP v. State of Minnesota and Xiong v. State. Hennepin County District Court. In September 1995, the Minnesota Branch of the NAACP and several Minneapolis school children and their parents brought suit in State Court against the state of Minnesota, the Governor, the Treasurer, the Auditor, the Attorney General, the Legislature, various legislators, the state Department of Children, Families and Learning and several of its officials, the state Board of Education and its members, and the Metropolitan Council, claiming that the segregation of minority and poor students in the Minneapolis public schools has deprived the students of an adequate education in violation of the Minnesota Constitution. The plaintiffs also claim that the unequal education received by Minneapolis students relative to students in suburban schools violates the Minneapolis students' right to equal protection under the Minnesota Constitution. The Metropolitan Council is no longer a defendant in the plaintiffs' state court action. The suit, which is being brought as a class action, seeks a declaratory judgment that the defendants have violated the law, and injunction requiring them to obey the law and to provide the students an adequate and desegregated education, and an award of attorney fees. It is impossible at this point to estimate the state's exposure in this case especially since the plaintiffs have not articulated the precise relief they are seeking. While the complaint does not request monetary damages, it does request injunctive relief that could force the state to spend a substantial sum of money for additional funding of various items for the Minneapolis schools, and increased busing expenses. Since the complaint alleges that the segregation of the Minneapolis schools is at least partially the result of housing practices and policies that have caused disproportionate concentrations of poor and minority students in select areas, it is possible that the relief the plaintiffs will ultimately request will involve the redistribution of minority and poor families in the Minneapolis/St. Paul metropolitan area. The cost of any such relief, if required to be paid by the state, could exceed \$10 million. The district court denied the state's motion to dismiss as to the state and certain principal named defendants but the district court did grant the motion to dismiss as to certain other state officials. The district court denied the plaintiffs' motion for partial summary judgment. The state, in response to the District

Court's denial of its motion to dismiss, filed an appeal to and petition for accelerated review by the Minnesota Supreme Court. In January of 1997, the Minnesota Supreme Court dismissed the state's appeal as premature. In May of 1997, the state filed a motion with the district court seeking judgment on the pleadings for lack of subject matter jurisdiction which the district court denied. The parties are also evaluating a possible alternative dispute resolution process. In the meantime, district court proceedings are continuing. The Xiong case, filed in February 1998, also challenges the adequacy of the education provided in the Minneapolis Public Schools. Although the plaintiffs are different, this case is brought by the same attorneys as the NAACP case and alleges essentially the same claims. Some of the claims are now based on events that happened since the filing of the NAACP case. A motion to consolidate the Xiong case with NAACP has been granted.

h. Rural America Bank - Ada f/k/a First Bank of Ada, et al. v. Commissioner of Revenue. Ramsey County District Court. The taxpayers claimed they were entitled to refunds pursuant to the Court's decision in Cambridge State Bank, et al. v. Commissioner of Revenue, 514 N.W.2d 565 (Minn. 1994) in which the Court struck down a provision of the franchise tax law which taxed interest income from federal obligations. The Court of Appeals upheld the District Court's decision that the Commissioner must pay the refunds. The State's potential liability from this test case is estimated to approximate \$25 million.

12. CONTINGENT LIABILITIES - OTHER

Primary Government

**Pension Trust Funds**

In addition to the pension trust funds included in the reporting entity (see Note 17), there are other public employee pension funds for whose unfunded liability the state may be contingently liable. These are pension trust funds where the state is funding a portion of the unfunded liability. The pension trust funds involved, the year end for which the most current data is available, and the unfunded liabilities are provided below (in thousands):

Minneapolis Employee Retirement Fund	June 30, 1998	\$ 143,618
Minneapolis Teachers Retirement Fund	June 30, 1998	\$ 457,446
St. Paul Teachers Retirement Fund	June 30, 1998	\$ 236,531
Local Police and Fire Funds	December 31, 1997	\$ 66,031

In 1996, the Local Police and Fire funds consisted of nine local plans. In 1997, four of the plans were reported as part of the Public Employees Retirement pension trust funds, so the unfunded liability of the Local Police and Fire Fund for 1997 consisted of five local plans.

Pension trust funds for which the state has custodial responsibility, but for which the state is not contingently liable, include the Public Employees Retirement, Police and Fire, and the Police and Fire Consolidation funds.

All of the above unfunded liabilities were computed using the entry age normal actuarial cost (level normal cost) method. Assumptions include 6 and 5 percent interest rates, and 4 and 3.5 percent annual salary growth rates for the Minneapolis Employee Retirement Fund and the Local Police and Fire funds respectively. Additional annual contributions are provided to reduce the current unfunded liabilities. It has been the intent of the legislature, in establishing contribution rates, to provide sufficient resources to retire or fully fund the liabilities for the Local Police and Fire funds by June 30, 2009 and by June 30, 2020 for the Minneapolis Employees Retirement Fund.

**Petroleum Tank Environmental Cleanup**

The Petroleum Tank Release Cleanup act (MS 115C.09) requires the state to reimburse owners for most of their costs to clean up contamination from leaks and spills from petroleum tanks. The payments will come from the Petroleum Tank Cleanup Fund (Petrofund), a special revenue fund.

It is certain that a significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of June 30, 1998, liabilities of \$302 million have been recognized by the Petrofund. Various studies have estimated that the total of all payments for the program may reach \$450 to \$800 million of cleanup costs (based on data available through July 1992).

### **Solid Waste Fund**

The Closed Landfill program was established to provide environmental response to 106 qualified landfill sites. There are currently 83 closed state permitted sites that are in the program. The state becomes responsible for closed municipal solid waste facilities only after certain eligibility requirements are met. The state may perform cleanup and final cover procedures as well as all maintenance and monitoring functions at these qualifying sites in perpetuity. The state reports a portion of these costs as operating expenses in each fiscal period. As of June 30, 1998, cumulative expenditures of \$59.7 million have been made by the Solid Waste Fund. Various studies have estimated that the total of all payments for the program may reach \$420 million for those sites currently in the program (based on 1994 dollars). These estimates include response action costs and reimbursements. Actual costs may be higher because of inflation, changes in technology, inclusion of additional qualifying sites, or changes in regulations.

### Component Units

The **Metropolitan Council** enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 1997, unpaid commitments for transit services were approximately \$49.6 million, unpaid commitments for construction contracts totaled approximately \$15.8 million, and future commitments for regional transit capital projects are approximately \$21.1 million.

The **Minnesota Workers' Compensation Assigned Risk Plan (WCARP)** contracts with five servicing contractors to provide policy issuance, premium accounting, and claim settlement services in exchange for a service fee based upon standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general services agreement.

The WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts still in force at December 31, 1997 was approximately \$5 million.

The **University of Minnesota (U of M)** has construction projects in progress, principally buildings, that have been included in the assets of the plant funds at June 30, 1998 approximating \$123,366,000. The estimated cost to complete these facilities is \$341,013,000, which is to be funded from plant fund assets and \$209,584,000 in appropriations available from the state of Minnesota.

The U of M owns certain steam production facilities which produce steam for heating and cooling for the Twin Cities campuses and which by agreement are managed, operated, and maintained by an unaffiliated company. The term of the agreement is for 25 years and commenced on July 1, 1992. Under the agreement, the U of M must make minimum fixed payments for certain operating and maintenance costs as well as contingent payments based on monthly usage. The minimum fixed amount of the required payments at June 30, 1998 is as follows (in thousands):



<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u>
1999	\$ 6,320
2000	5,657
2001	5,657
2002	5,656
2003	5,656
Thereafter	<u>79,193</u>
Total	\$108,139

### Other Contingent Liabilities

The 1993 Legislature adopted legislation establishing a School District Credit Enhancement Program. The legislation authorized and directs the commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the commissioner of Children, Families and Learning to pay debt service coming due on school district tax and state-aid anticipation certificates of indebtedness, certificates of indebtedness and capital notes for equipment, certificates of participation and school district general obligation bonds in the event that the school district notifies Commissioner of Children, Families and Learning that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the commissioner of Children, Families and Learning that it has not received from the school district timely payment of moneys to be used to pay debt service. The amounts paid on behalf of any school district are required to be repaid by it with interest, either through a reduction of subsequent state-aid payments or by the levy of an ad valorem tax which may be made with the approval of the commissioner of Children, Families and Learning. As of October 1, 1998, there were approximately \$5.42 billion principal amount of bonds, certificates of indebtedness, and capital notes enrolled in the program. The state has not had to make any debt service payments on behalf of school districts under the program and does not expect to make any payments in the future.

## 13. THE YEAR 2000 ISSUE (Unaudited)

### **Background**

The state is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 (Y2K) issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. Also, some programs may not be able to recognize that 2000 is a leap year. These issues may cause the programs to process data inaccurately or to stop processing data altogether.

During 1996, the state established the Minnesota Year 2000 Project Office (Project Office) under the Department of Administration to develop and monitor the overall statewide effort for Executive Branch agencies. The Project Office has helped identify various computer systems and pieces of electronic equipment that are critical to conducting the state's operations and that need to be year 2000 compliant. The Project Office is monitoring year 2000 compliance efforts at the various agencies on a quarterly basis and is providing assistance and assigning resources to accelerate compliance for all mission-critical systems and equipment. The Project Office also is monitoring and assisting the agencies' efforts to develop contingency plans should year 2000 failures adversely affect the agency's mission-critical operations. Individual agencies are solely responsible for the year 2000 compliance of systems and equipment that are not mission-critical.

## **Stages of Work**

The Department of Finance in 1995 implemented a new accounting/procurement system referred to as MAPS. The accounting system was not Year 2000 (Y2K) ready. The department knew that a new version of the software would have to be put in place to achieve the Y2K compliance. In mid-1997, state technical staff, along with the system vendor, American Management Systems, Inc. (AMS), began a \$6.5 million project to install the new compliant version of the accounting software. The state and AMS at this writing are finishing up the remediation and testing stages of the project, and implemented the new software version on November 30, 1998.

The state's Accounting/Procurement System, (MAPS), has 55 interfaces to other systems, which may have Y2K issues of their own. Department of Finance staff is in contact with owners of these other systems and are indicating that their systems will be compliant sometime in 1999. Of the 55 interfaces, the statistics are currently showing a Y2K status as follows; 24% implemented, 13% in validation/testing, 41% in remediation, and the remainder in awareness and assessment stages. The remaining interfaces in the early stages of compliance will be handled manually if necessary.

The state of Minnesota represents many other computer type systems and other equipment running in state agencies. The Project Office had an initial budget of \$1 million. The scope of the Project Office was to engage state agencies in the awareness of Y2K issues and to ensure each agency moved through the appropriate assessment stages. The 1997 Legislature approved an additional \$25 million for Y2K issues and to maintain the Project Office. Those monies are being spent by the agencies ensuring Y2K readiness of their systems.

The State Y2K Project Office is tracking over 1300 mission-critical applications owned by state agencies. As of September 1998, 75 percent of the applications are compliant or have completed the necessary modifications. Minnesota has a milestone of all mission-critical information system modification completed by December 31, 1998. 94 percent of the agencies are on schedule to meet this milestone. The remaining applications are being monitored closely by the Project Office. It is expected that 100 percent completion will be accomplished by September 1999.

The Project Office monitors the majority of the state's agencies. However, the state has one large agency that is monitoring its own Y2K issues. This agency has a full-time project manager and several sub-committees to oversee the Y2K efforts. The administrative systems are currently in the validation/testing stage. The project manager is in the process of identifying other mission-critical systems and equipment. The majority of these are in the awareness stage and moving into the assessment stage. The project manager will be developing contingency plans to deal with any unexpected problems.

## **Resources Committed**

As of year end, the state has contracted with several vendors for assistance in addressing year 2000 issues relating to its computer systems and other electronic equipment as well as purchase of additional computer hardware and software related to upgrades and the ongoing operations of the state. The amount of those commitments is approximately \$11,322,000.

## **14. NORTHWEST AIRLINES MAINTENANCE FACILITIES**

Minnesota Laws 1991, Chapter 350, authorized the state to issue revenue bonds secured by the state's full faith and credit in an amount up to \$50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to \$125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. ("NAI"), the intended lessee of both facilities, and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the state would use its best efforts to issue revenue bonds secured by the state's full faith and credit for the Duluth facility. The state issued \$47,670,000 of revenue bonds in May 1995. As of June 30, 1998,

\$47,015,000 of the revenue bonds remained outstanding, of which \$27,865,000 are payable primarily from lease payments of NAI, and of which \$19,150,000 are payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event such revenues are insufficient, the state will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the city of Duluth. Of the \$47,015,000 revenue bonds issued by the state, \$44,590,000 are secured by the state's full faith and credit, and \$2,425,000 are secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30-year amortization period. The 1997 Minnesota legislature canceled \$48,765,000 of the bonding authorization for the engine repair facility.

## 15. EQUITY

### Contributed Capital

Components of the changes in the contributed capital of the enterprise and internal service funds and component unit proprietary funds are as follows (in thousands):

<u>Source</u>	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNITS</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	<u>Proprietary</u>
Contributed Capital, July 1, 1997	\$15,158	\$6,064	\$21,222	\$704,720
Additions:				
General Fund Contributions	7	-	7	-
Federal Grants	-	-	-	11,088
Donated Fixed Assets	231	-	231	-
Reductions:				
Amortization/Depreciation on Fixed Assets				
Acquired with Contributed Capital	(353)	-	(353)	(29,358)
Write-off of Contributed Capital	<u>(326)</u>	<u>-</u>	<u>(326)</u>	<u>-</u>
Contributed Capital, June 30, 1998	\$14,717	\$6,064	\$20,781	\$686,450

Write-off of Contributed Capital was an immaterial segment in the Enterprise Activities Fund and is now reported as part of the Miscellaneous Special Revenue Fund.

### Retained Earnings

#### Reserved Retained Earnings - Component Units

The component unit, Reserved Retained Earnings per Law, consists of \$82,075,000 in the Minnesota Housing Finance Agency funds. Retained earnings is the unused portions of state appropriations provided for specific programs. These programs are primarily for interest rate reduction on housing mortgages and home improvement loans.

#### Deficit Fund Balance or Retained Earnings - Primary Government

Historically, the Chemical Dependency Treatment Fund, an enterprise fund, has had deficit retained earnings because rates charged for services were insufficient to cover costs. The deficit retained earnings of \$357,000 is expected to be eliminated in the near future.

The Private Employers Insurance Fund, an enterprise fund, has a deficit retained earnings because premiums charged for services were insufficient to cover costs. The deficit retained earnings of \$15,000 is not expected to be reduced in the future because the Minnesota Employees Insurance Program, which provides the income for the fund, is being discontinued due to economic conditions

in the small group insurance market. The Health Care Access fund (special revenue fund) will likely absorb any loss because it carries an advance to the fund of \$890,000 (see Note 4).

## Fund Balances

The following table identifies in greater detail, the fund balances (in thousands) of the reporting entity:

	<u>Governmental Fund Types</u>					<u>Fiduciary</u>	<u>University</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Component Units</u>	<u>Trust and Agency</u>	<u>University of Minnesota</u>
Fund Balances:							
Reserved for Encumbrances	\$ 115,906	\$ 91,233	\$ 28,072	\$ -	\$ 825	\$ 3,983	\$ 18,565
Reserved for Inventory	-	14,319	-	-	-	2,197	-
Reserved for Long-Term Receivables	9,673	60,944	48,431	-	87,960	22,296	-
Reserved for Long-Term Commitments	-	97,306	204,437	-	36,511	-	-
Reserved for Local Governments	-	-	-	-	-	388,160	-
Reserved for Trust Principal	-	-	-	-	-	762,650	-
Reserved for Debt Requirements	-	-	-	474,490	-	-	-
Reserved for Pension Benefits	-	-	-	-	-	37,385,033	-
Budgetary Reserve	1,414,002	-	-	-	-	-	-
Reserved for Long-Term Advances	1,974	890	-	-	-	-	-
Reserved for Other	-	3,917	-	-	-	-	749,773
Total Reserved Fund Balances	\$1,541,555	\$ 268,609	\$280,940	\$474,490	\$125,296	\$38,564,319	\$ 768,338
Unreserved Fund Balances:							
Designated for Appropriation Carryover	419,990	92,830	-	-	-	-	-
Designated for Fund Purposes	-	256,759	1,320	-	133,658	589,718	193,846
Total Designated Fund Balance	\$ 419,990	\$ 349,589	\$ 1,320	\$ -	\$133,658	\$ 589,718	\$ 193,846
Undesignated	386,795	545,193	231,017	-	34,066	75,547	206,610
Total Unreserved Fund Balances	\$ 806,785	\$ 894,782	\$232,337	\$ -	\$167,724	\$ 665,265	\$ 400,456
Total Fund Balance	\$2,348,340	\$1,163,391	\$513,277	\$474,490	\$293,020	\$39,229,584	\$1,168,794

	<u>Proprietary Fund Types</u>		
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Component Units</u>
Retained Earnings:			
Reserved for Debt Requirements	\$ 14,448	\$ -	\$ 568,431
Reserved per State Law	-	-	82,075
Reserved for Claims	-	63,637	33,669
Total Reserved Retained Earnings	\$ 14,448	\$ 63,637	\$ 684,175
Unreserved Retained Earnings	\$ 145,225	\$ 20,805	\$ 777,946
Total Retained Earnings	\$ 159,673	\$ 84,442	\$ 1,462,121

**Reserved Fund Balances** - The reserved portion of the fund balances indicates that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use.

The Budgetary Reserve in the General Fund is an amount appropriated by the legislature for use only when it appears that probable receipts will be less than anticipated and that the amount available for the remainder of the biennium will be less than needed for budgeted expenditures. In this circumstance, state law requires that the commissioner of Finance, with the approval of the governor and after consulting with legislative leadership, transfer amounts necessary from the reserve to the unreserved fund balance.

Reserved for Local Governments is the equity amount in three expendable trust funds required by the state constitution to be paid to local governments. The funds are the Municipal State-Aid Street, County State-Aid Highway, and Endowment School funds. The payments to these local governments are for street and highway projects (to municipalities and counties) and to subsidize education in the local school districts.

Reserved for Other totaling \$3,917,000 in the special revenue funds consists primarily of petroleum overcharge fines (\$3,162,000 in the Federal Fund and \$325,000 in the Miscellaneous Special Revenue Fund) allocated by the federal courts to be used for energy conservation programs. The balance consists of the reserve for a revenue bond (\$430,000 in the Iron Range Resources and Rehabilitation Fund) as required by bond covenants.

Reserved for Others - University of Minnesota (component unit), totaling \$749,773,000, consists primarily of current externally restricted operating funds along with restricted plant funds that may be utilized only in accordance with the purposes established by the source of the funds.

Unreserved Fund Balances - Primary Government

The unreserved portion of the fund balances consists of designated fund balances indicating tentative managerial plans for future use of resources and undesignated fund balances indicating those unreserved financial resources available for appropriation. A portion of the undesignated fund balances in the Natural Resources funds (special revenue) may be appropriated only for specific programs.

Designated for Fund Purposes consists of fund balances for non-appropriated funds to be used for the following purposes (in thousands):

<u>Special Revenue Funds</u>	
Education	\$ 4,396
Economic Development	93,800
Health and Social Services	77,015
Transportation	3,889
Resource Management	46,021
Miscellaneous	31,638
 <u>Capital Projects Funds</u>	
Economic Development	\$ 1,320
 <u>Expendable Trust Funds</u>	
Economic Development	\$574,823
Resource Management	3,930
Miscellaneous	10,965

The total Designated for Fund Purposes of Governmental Component Units and the University of Minnesota of \$133,658,000 and \$193,846,000, respectively, is to be used primarily for debt service.

16. PRIOR PERIOD ADJUSTMENTS AND OTHER CHANGES IN ACCOUNTING PRINCIPLES

**Prior Period Adjustments**

Primary Government

The Risk Management Fund (internal service fund) reported a net decrease to retained earnings of \$1,521,000. Of this decrease, \$1,352,000 is attributed to recognize an increase in the actuarial valuation of Incurred But Not Reported (IBNR) claims for prior years. In addition, Risk Management Fund Retained Earnings decreased \$169,000 for an adjustment to correct an overstatement of revenue related to a previous period.

The net effect of prior period adjustments in the Plant Management Fund (internal service fund) resulted in an increase in Retained Earnings of \$739,000. Unrecorded sales, which also resulted in an understatement of Accounts Receivable, increased Retained Earnings by \$663,000. The Prior Period Adjustment for workers compensation refund allocation resulted in an increase in Retained Earnings of \$117,000. In addition, an insurance settlement of \$15,000 for equipment damaged and

replaced in fiscal year 1997 increased Retained Earnings. A decrease in Retained Earnings in the Plant Management Fund of \$56,000 was due to an overpayment for Department of Transportation vacant space.

### Component Units

The resulting net affect of Prior Period adjustments for the Metropolitan Council (proprietary fund) is an increase in Retained Earnings of \$1,306,000. Revenue from ticket sales was previously recognized when sold by outlets; it is now recognized when the tickets are distributed to the outlets, This change in the revenue recognition method increased Retained Earnings by \$1,756,000. A decrease in retained earnings in this fund of \$450,000 is attributed to a discrepancy involving current value credits long-term debt and equity in fixed assets.

The Metropolitan Council (governmental fund) Fund Balance decrease of \$2,000,000 is attributed to a discrepancy involving current value credits long-term debt and equity in fixed assets.

### **Other Changes in Accounting Principles**

#### Primary Government

The state implemented GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", for fiscal year 1998. Investment amounts reported at the beginning of the fiscal year must be restated to fair value. The increase or decrease is reported as an adjustment to beginning fund balance on the operating statement entitled, "Change in Accounting Principle." The result of this change increases (decreases) investments and increases (decreases) beginning fund balance by the following amounts:

Debt Service	\$ 1,605,000
Environment and Natural Resources Nonexpendable Trust	39,572,000
Permanent School Fund Nonexpendable Trust	<u>(14,567,000)</u>
Total	\$26,610,000

The state has implemented of GASB Statement No. 32 "*Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans.*" State law, effective July 1, 1997 provides that the assets of deferred compensation plans are held for the exclusive benefit of the participants and their beneficiaries and has implemented the new requirements of Internal Revenue Code (IRC) 457.

In previous years the state's Deferred Compensation agency fund accounted for two plans, Minnesota State Retirement System State Deferred Compensation Plan (SDCP), qualified under IRC 457, and Public Employees Retirement Association Public Employees Defined Contribution Plan (PEDCP), qualified under IRC 401(a), reported July 1, 1997 funds held in trust of \$1,571,330,000 and \$9,248,000, respectively.

The state is reporting the portion of the SDCP plan where the participants have selected the Minnesota State Board of Investment (SBI) to invest their contributions as an expendable trust fund having July 1, 1997 net assets of \$431,332,000. The portion of the SDCP plan that is no longer reported because the state does not have fiduciary responsibility had net assets of \$1,139,998,000 as of July 1, 1997.

The PEDCP is now classified as a defined contribution pension trust fund; because employer contributions are required for all participants, employee contributions are optional for many of the participants, no withdrawals or loans are allowed until retirement, and the IRC 401(a) rules apply to the plan.

## Component Units

The implementation of GASB Statement No. 31 also resulted in increases (decreases) in investments and increases (decreases) in beginning fund balance by the following amounts:

Higher Education Services Office (Proprietary)	\$ (365,000)
Housing Finance Agency (Proprietary)	3,393,000
Workers' Compensation Assigned Risk Plan (Proprietary)	6,513,000
Public Facilities Authority (Proprietary)	<u>3,155,000</u>
Total	\$12,696,000

The state has modified its application of accounting principles to accept the U of M's recognition of a long-term payable to the primary government for future required debt service principal which has required a decrease of \$38,066,000 to previously reported fund balance. The U of M has also modified its recognition of "appropriation revenue" from immediate recognition to reimbursement recognition. The U of M increased reported fund balance by \$44,011,000 and the net effect is an increase of \$5,945,000.

## 17. PENSION TRUST FUNDS

The state of Minnesota performs a fiduciary role for several pension trust funds. For some of these, the state contributes as an employer and for others, performs only a fiduciary role. These pension funds are categorized as either Defined Benefit, Defined Contribution, or Investment Trust funds.

Pension fund information is provided by three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. See Summary of Significant Accounting and Reporting Policies (Note 1) for addresses.

### Plan Administrator

Public Employees Retirement Association (PERA)

Teachers Retirement Association (TRA)

Minnesota State Retirement System (MSRS)

### Plans Covered

Public Employees Retirement Fund

Police and Fire Fund

Police and Fire Consolidated Fund

Public Employees Defined Contribution Retirement Fund

Teachers Retirement Fund

State Employees, State Patrol, Correctional  
Employees, Judicial, Legislative, and  
Unclassified Employee Retirement Funds,  
and Elective State Officers Fund

Norwest Banks is the plan administrator for the College and University Retirement Fund. Norwest prepares but does not publish its financial report. Copies of this report may be obtained from the Department of Finance.

## **Defined Benefit Pension Funds**

### Plan Descriptions and Contribution Information

#### *Multiple employer, cost-sharing plans:*

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-two employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates are 1.2 percent and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by the school districts or by the state. Four hundred sixty-one employers participate in this plan. Normal retirement is age 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund. Currently, however, TRF does not have an unfunded actuarial accrued liability.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions, including counties, cities, school districts and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state is not an employer of the participants in the plan but performs only in a fiduciary capacity and is not responsible for the unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan but performs in a fiduciary capacity. The state is the employer of PERA administrative staff. Approximately 500 employers participate in this plan.

*Single employer (state of Minnesota) plans:*

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. One employer participates in this plan. Normal retirement age is 55. Annuity is based on 3.0 percent for each year of service.

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. One employer participates in this plan. Normal retirement age is 55. The annuity is based on 2.4 percent for each year of service.

The Judicial Retirement Fund (JRF) covers judges of the supreme court, district courts, county courts, probate courts, and various court referees. One employer participates in this plan. Normal retirement age is 65. The annuity is 2.7 percent for each year of service (3.2 percent for each year after June 30, 1980).

The Elective State Officers Fund (ESOF) covers the state's constitutional officers. One employer participates in this plan. Vesting occurs after eight years. Normal retirement age is 62. Annuities are 2.5 percent for each year of service.

The Legislative Retirement Fund (LRF) covers members of the state's house of representatives and senate. One employer participates in this plan. Vesting occurs after six years. Normal retirement age is 62. Annuity is 2.5 percent for each year of service.

*Multiple employer, agent plan:*

The Police and Fire Consolidation Fund (PFCF) covers police officers and firefighters belonging to a local relief association that elected to merge with the Public Employee Retirement Association (PERA). The state is not an employer of participants of the plan but performs only in a fiduciary capacity. Forty-three employers participate in this plan.



Funding Policy Information

	<u>Single Employer</u>					<u>Multiple Employer</u>	
	<u>CERF</u>	<u>SPRF</u>	<u>JRF</u>	<u>ESOF</u>	<u>LRF</u>	<u>SERF</u>	<u>TRF</u>
Statutory Authority, Minnesota, Chapter	352	352B	490	352C	3A	352	354
Required Contribution Rate of Active Members (%)	5.50	8.40	6.27	9.00	9.00	4.00	5.00
Required Contribution Rate of Employer (%)	7.70	12.60	22.00	N/A	N/A	4.00	5.00

Cost Sharing Plan Required Contributions  
(in thousands)

Required Contributions		<u>SERF</u>	<u>TRF</u>
(employee and employer)*	1998	\$125,216	\$275,419
	1997	\$130,416	\$345,830
	1996	\$129,064	\$332,546

\*Contributions were 100 percent of required contributions.

Single Employer Plan Disclosures  
(in thousands)

		<u>SPRF</u>	<u>CERF**</u>	<u>JRF</u>	<u>ESOF</u>	<u>LRF</u>
ARC*	1998	\$6,765	N/A	\$6,803	\$243	\$3,345
	1997	\$6,388	\$10,133	\$6,367	\$235	\$3,616
Interest on NPO*	1998	0	0	0	0	\$27
	1997	0	0	0	0	\$73
Amort adj to ARC*	1998	0	0	0	0	\$(19)
	1997	0	0	0	0	\$(54)
Annual Pension Cost	1998	\$6,765	\$12,161	\$6,803	\$243	\$3,353
	1997	\$6,388	\$10,133	\$6,367	\$235	\$3,635
	1996	\$8,239	\$ 8,022	\$6,291	\$200	\$2,606
Contributions	1998	\$9,110	\$14,100	\$8,700	\$217	\$5,799
	1997	\$9,897	\$14,636	\$8,099	\$209	\$3,874
	1996	\$9,226	\$ 8,134	\$7,871	\$192	\$2,075
% of ARC Contributed	1998	135%	N/A	128%	89%	173%
	1997	155%	144%	127%	89%	107%
	1996	112%	101%	125%	96%	80%
NPO (end of year)	1998	0	0	0	0	0
	1997	0	0	0	0	\$620
	1996	0	0	0	0	\$859
Incr.(Decr) in NPO	1998	0	0	0	0	\$(620)
	1997	0	0	0	0	\$(239)

\* Components of Annual Pension Cost

\*\* The 7/1/98 Actuarial report was not available as of the report date. Due to a change in state statutes, the number of eligible participants broadened during 1998.

Information on annual pension cost, contributions, percentage of annual pension cost contributed, and NPO (end of year) is provided for current and transition years as required in Statement 27, Pensions by State and Local Government Employers. Future presentations will provide the current year and two preceding years.

Actuarial assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method.
- The method used to determine actuarial valuation of assets is cost plus one-third unrealized gains or losses.
- Minnesota statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Investment returns for pre-retirement and post-retirement are 8.5 percent and 6.0 percent respectively for SPRF, CERF, and JRF, and 8.5 percent and 5.0 percent respectively for LRF and ESOF.
- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF, ESOF, and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6.0 percent are accounted for by 6.0 percent post-retirement assumptions for SPRF, CERF, and JRF. Payment of earnings on retired reserves in excess of 5.0 percent are accounted for by 5.0 percent post-retirement assumptions for LRF and ESOF.
- The level percentage of projected payroll is the amortization method used.
- The amortization period of 23 years is closed.

Required Supplementary Information  
Schedule of Funding Progress  
(in thousands)

		<u>SPRF</u>	<u>CERF**</u>	<u>JRF</u>	<u>ESOF</u>	<u>LRF</u>
Actuarial Valuation Date	1998	7/1/98	N/A	7/1/98	7/1/98	7/1/98
	1997	7/1/97	7/1/97	7/1/97	7/1/97	7/1/97
Actuarial Value of Plan Assets	1998	\$430,011	N/A	\$86,578	\$500	\$31,212
	1997	\$375,650	\$241,916	\$74,681	\$456	\$25,678
Actuarial Accrued Liability	1998	\$371,369	N/A	\$130,727	\$3,369	\$62,928
	1997	\$332,427	\$212,638	\$117,714	\$3,214	\$60,055
Total Unfunded Actuarial Liability (Asset)	1998	(\$58,642)	N/A	\$44,149	\$2,869	\$31,716
	1997	(\$43,223)	(\$29,278)	\$43,033	\$2,758	\$34,377
Funded Ratio*	1998	116%	N/A	66%	15%	50%
	1997	113%	113%	63%	14%	43%
Annual Covered Payroll	1998	\$43,170	\$97,363	\$24,647	\$476	\$6,965
	1997	\$40,763	\$81,132	\$23,068	\$460	\$7,529
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	1998	(136%)	N/A	179%	603%	455%
	1997	(106)%	(36)%	187%	600%	457%

\* Actuarial value of assets as a % of actuarial accrued liability.

\*\* The 7/1/98 Actuarial report was not available as of the report date. Due to a change in state statutes, the number of eligible participants broadened during 1998.

Except for CERF, information in this schedule is provided for the current year and previous year as required in Statement 27, "Pensions by State and Local Government Employers". Future presentations will include the current year and two preceding years when the actuarial valuations have been performed in accordance with the parameters required in GASB Statement 27.

### Defined Contribution Funds

The Defined Contribution Funds presented in the financial statements include various statewide public employee retirement funds for which the benefits to be received are limited to an annuity which can be purchased with the combined contributions of both the employee and employer. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial valuation of accrued benefit liability nor any actuarially required contribution.

#### Plan Descriptions & Contribution Information

The Unclassified Employee Retirement Fund, authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 58. Annuity is based on age and value of participant's account. Eighteen employers participate in this plan.

The College and Universities Retirement funds, authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, cover unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time for a minimum of two academic years. The plan administrator is the Minnesota State College and Universities System. Participation is mandatory for qualified employees. These funds consist of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). There are two member groups participating in the IRAP, one for faculty and one for managerial employees. For the faculty, the employer and employee statutory contribution rates are 6.0 and 4.5 percent respectively, while for the managerial employees the employer rate is 6.0 percent and the employee rate is 4.07 percent. For the SRP, the statutory contribution rate is 5 percent of salary between \$6,000 and \$40,000. Vesting occurs immediately, and normal retirement is age 55. Two employers participate in this plan. Total current membership in the plan is 12,370.

The Public Employee Defined Contribution Retirement Fund (PEDCR) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government whose 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 plan administrator is the Public Employee Retirement Association. Plan benefits depend solely on amounts contributed to the plan plus investment earnings less administrative expenses. There is no vesting period required to receive benefits from this plan. The PEDCR Fund covers approximately 1000 units of government. There are 3,845 members in the plan.

Defined Contribution Plans  
Contributions Made for Fiscal Year 1998  
(in thousands)

	<u>Unclassified Employee Retirement Fund</u>	<u>Colleges and Universities Retirement Fund</u>	<u>PERA Defined Contribution Fund</u>
Employee Contributions	\$3,489	\$11,016	\$691
Employer Contributions	\$4,795	\$14,288	\$812

## **Investment Trust Funds**

The Supplemental Retirement investment trust fund, administered by the State Board of Investment, is also included as a pension trust fund. This fund is an investment pool for external participants which are locally administered retirement funds and a deferred compensation plan.

## **Component Units**

The following component units are participants in the SERF, P&FF, and the Unclassified Employees Retirement funds:

Agricultural and Economic Development Board  
Export Finance Authority  
Higher Education Services Office  
Housing Finance Agency  
Metropolitan Council  
Minnesota Technology Inc.  
Public Facilities Authority  
Rural Finance Authority  
University of Minnesota

## **18. POST-RETIREMENT BENEFITS**

For certain employees, post-retirement benefits are available upon retirement at age 55 under terms of their employment contract. Through fiscal year 1998, the employees involved were primarily conservation officers, guards at correctional facilities, and highway patrol officers. If these employees elect retirement at age 55, the state will pay the employer share of health insurance benefits until age 65.

The legislature has, from time to time, provided early retirement incentives for other employees meeting specific requirements. The specific circumstances usually require retiring within a certain narrow time frame whereby the state will pay the employer share of health insurance benefits until age 65. The 1993 and 1995 legislatures approved an incentive window from May 17, 1993 through January 30, 1994, and from May 23, 1994 through January 30, 1995, respectively.

The cost of these benefits, which is recognized as paid, was \$2,145,000 during fiscal year 1998. The number of employees currently receiving this benefit is approximately 610.

19. SEGMENT INFORMATION AND CONDENSED BALANCE SHEET

Significant enterprise fund financial data for the year ended June 30, 1998 follows.

Primary Government:

Enterprise Funds' Segment Information  
(in thousands)

	State University <u>Board</u>	State <u>Lottery</u>	College & University Enterprise <u>Activities</u>	Minnesota Correctional <u>Industries</u>	Chemical Dependency <u>Treatment</u>	Public Employees' <u>Insurance</u>	Private Employers <u>Insurance</u>	Enterprise <u>Activities</u>	<u>Total</u>
Operating Revenues	\$43,243	\$348,635	\$59,361	\$17,854	\$12,818	\$8,843	\$4,931	\$3,728	\$499,413
Depreciation/Amortization Expense	5,105	1,051	298	452	28	7	1	63	7,005
Operating Income (Loss)	(183)	61,001	2,656	(3,910)	284	(214)	67	25	59,726
Nonoperating Revenues (Expenses):									
Investment Income	2,229	1,934	1,073	240	181	316	67	-	6,040
Grants (Revenue)	-	-	240	-	-	-	-	-	240
Grants (Expense)	-	-	(1,193)	-	-	-	-	-	(1,193)
Net Operating Transfers-In (-Out)	-	(63,095)	(1,109)	4,184	-	-	1,185	-	(58,835)
Net Income (Loss)	70	-	1,793	807	465	102	1,319	25	4,581
Changes in Contributed Capital	(353)	-	-	238	-	-	-	(326)	(441)
Fixed Assets:									
Additions	5,291	3,798	351	1,053	-	-	-	96	10,589
Net Working Capital	657	(3,675)	32,045	11,796	5,664	3,592	881	2,803	53,763
Total Assets	117,358	32,164	73,580	15,970	6,136	4,593	916	3,882	254,599
Noncurrent Liabilities Payable from:									
Other Sources	-	-	-	-	-	-	890	-	890
Total Fund Equity	\$81,988	\$-	\$67,563	\$13,240	\$5,105	\$3,593	\$(15)	\$2,916	\$174,390

Listed below are the discretely presented component units:

Component Units - Governmental Funds

Metropolitan Council (MC)  
Minnesota Technology, Inc. (MTI)  
Higher Education Services Office (HESO)  
Export Finance Authority (EFA)  
Agricultural and Economic Development Board (AEDB)  
Rural Finance Authority (RFA)

Component Units - Proprietary Funds

Housing Finance Agency (HFA)  
Public Facilities Authority (PFA)  
Metropolitan Council (MC)  
Workers Compensation Assigned Risk Plan (WCARP)  
National Sports Center Foundation (NSCF)  
Higher Education Services Office (HESO)

Other Component Units

University of Minnesota

Significant component unit financial data for the year ended June 30, 1998 follows.

Component Units:

Condensed Statements - Governmental Funds  
(in thousands)

	<u>MC*</u>	<u>MTI</u>	<u>HESO</u>	<u>EFA</u>	<u>AEDB</u>	<u>RFA</u>	<u>Totals</u>
<b>Balance Sheet:</b>							
Current Assets	\$ 64,573	\$11,431	\$ 2,975	\$ 1,007	\$ 20,912	\$20,223	\$ 121,121
Non-Current Assets	98,847	10,101	-	-	44,952	48,358	202,258
Due from Other Governmental Units	3,742	-	-	-	-	-	3,742
Fixed Assets	14,034	663	145	-	-	-	14,842
Amount Available for Debt Service	38,652	-	-	-	-	-	38,652
Amount to be Provided for Debt Service	<u>93,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,777</u>	<u>-</u>	<u>136,717</u>
Total Assets and Other Debits	<u>\$313,788</u>	<u>\$22,195</u>	<u>\$ 3,120</u>	<u>\$ 1,007</u>	<u>\$108,641</u>	<u>\$68,581</u>	<u>\$ 517,332</u>
Current Liabilities	\$ 24,789	\$ 1,229	\$2,331	\$ -	\$ 1,250	\$ -	\$ 29,599
Due to Other Governmental Units	1,075	37	-	-	-	-	1,112
Long-Term Liabilities	<u>136,222</u>	<u>156</u>	<u>267</u>	<u>-</u>	<u>42,777</u>	<u>-</u>	<u>179,422</u>
Total Liabilities	<u>\$162,086</u>	<u>\$ 1,422</u>	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ 44,027</u>	<u>\$ -</u>	<u>\$ 210,133</u>
Total Equity	\$151,702	\$20,773	\$ 522	\$ 1,007	\$ 64,614	\$68,581	\$ 307,199
<b>Operating Statement:</b>							
Revenues	\$ 58,012	\$ 4,176	\$ 2,387	\$ 52	\$ 5,023	\$ 3,232	\$ 72,882
Current Expenditures	(117,668)	(10,739)	(7,001)	-	(513)	-	(135,921)
Capital Outlay	(803)	-	-	-	-	-	(803)
Debt Service	(30,518)	-	-	-	(9,746)	-	(40,264)
Grants & Subsidies	-	-	<u>(116,442)</u>	-	-	-	<u>(116,442)</u>
Excess of Revenues Over Expenditures	<u>(\$90,977)</u>	<u>(\$6,563)</u>	<u>(\$121,056)</u>	<u>\$ 52</u>	<u>(\$5,236)</u>	<u>\$ 3,232</u>	<u>(\$220,548)</u>
Bond Proceeds	32,070	-	-	-	16,290	23,000	71,360
Transfers-In from Primary Government	71,279	9,537	121,097	-	-	-	201,913
Other Financing Sources (Uses)	<u>12,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,777)</u>	<u>7,023</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ 25,172	\$ 2,974	\$ 41	\$ 52	\$ 11,054	\$20,455	\$ 59,748

\* December 31 year end

Condensed Statements - Proprietary Funds  
(in thousands)

	HFA	PFA	MC*	WCARP*	NSCF*	HESO	Totals
<b>Balance Sheet:</b>							
Current Assets	\$ 480,806	\$ -	\$ 34,425	\$267,139	\$ 562	\$ 13,492	\$ 796,424
Non-Current Assets	2,105,869	-	63,867	615,645	-	275,359	3,060,740
Due from Other Governmental Units	-	-	3,509	-	-	-	3,509
Restricted Assets	205,175	805,112	233,625	-	-	29,444	1,273,356
Fixed Assets	<u>1,097</u>	<u>11</u>	<u>1,120,971</u>	<u>-</u>	<u>521</u>	<u>44</u>	<u>1,122,644</u>
Total Assets	<u>\$2,792,947</u>	<u>\$ 805,123</u>	<u>\$1,456,397</u>	<u>\$882,784</u>	<u>\$ 1,083</u>	<u>\$318,339</u>	<u>\$6,256,673</u>
<b>Current Liabilities</b>							
Due to Primary Government	\$ 7,385	\$ 1,122	\$ 66,498	\$ 23,977	\$ 378	\$ 389	\$ 99,749
Long-Term Liabilities	-	-	-	5,108	-	-	5,108
Total Liabilities	<u>2,215,906</u>	<u>520,484</u>	<u>716,951</u>	<u>481,000</u>	<u>505</u>	<u>68,399</u>	<u>4,003,245</u>
Total Equity	<u>\$2,223,291</u>	<u>\$ 521,606</u>	<u>\$ 783,449</u>	<u>\$510,085</u>	<u>\$ 883</u>	<u>\$ 68,788</u>	<u>\$4,108,102</u>
<b>Operating Statement:</b>							
Revenues	\$ 188,522	\$ 37,498	\$ 226,509	\$ 98,948	\$4,001	\$ 12,582	\$ 568,060
Operating Expenditures	<u>(161,186)</u>	<u>(26,443)</u>	<u>(292,575)</u>	<u>(40,011)</u>	<u>(4,344)</u>	<u>(7,870)</u>	<u>(532,429)</u>
Operating Income (Loss)	\$ 27,336	\$ 11,055	(\$66,066)	\$ 58,937	(\$343)	\$ 4,712	\$ 35,631
Nonoperating Revenues(Expenses)	(28,620)	-	72,447	83,115	428	7,050	134,420
Transfer-in from Primary Government	50,330	-	-	-	-	-	50,330
Other sources	-	-	16,665	-	-	-	16,665
Inc/Dec in Retained Earnings	<u>\$ 49,046</u>	<u>\$ 11,055</u>	<u>\$ 23,046</u>	<u>\$142,052</u>	<u>\$ 85</u>	<u>\$ 11,762</u>	<u>\$ 237,046</u>
Changes in Contributed Capital	\$ -	\$ 1	(\$18,271)	\$ -	\$ -	\$ -	(\$18,270)

\* December 31 year end

Component Unit Condensed Balance Sheet  
University Fund  
(in thousands)

	U OF M
Current Assets	\$ 660,839
Non-Current Assets	798,218
Due from Primary Government	78,488
Fixed Assets	1,197,710
Restricted Assets	<u>72,894</u>
Total Assets	<u>\$2,808,149</u>
Current Liabilities	\$ 158,677
Due to Primary Government	40,890
Bonds and Other Long-Term Liabilities	<u>503,025</u>
Total Liabilities	<u>\$ 702,592</u>
Total Equity	\$2,105,557

	Governmental <u>Totals</u>	Proprietary <u>Totals</u>	University <u>Totals</u>	Total Component <u>Units</u>
Balance Sheet:				
Current Assets	\$121,121	\$ 796,424	\$ 660,839	\$1,578,384
Non-Current Assets	202,258	3,060,740	798,218	4,061,216
Due from other Governmental Units	3,742	3,509	-	7,251
Due from Primary Government	-	-	78,488	78,488
Restricted Assets	-	1,273,356	72,894	1,346,250
Fixed Assets	14,842	1,122,644	1,197,710	2,335,196
Amount Available for Debt Service	38,652	-	-	38,652
Amount to be Provided	<u>136,717</u>	<u>-</u>	<u>-</u>	<u>136,717</u>
Total Assets	\$517,332	\$6,256,673	\$2,808,149	\$9,582,154
Current Liabilities	29,599	99,749	158,677	288,025
Due to Other Governmental Units	1,112	-	-	1,112
Due to Primary Government	-	5,108	40,890	45,998
Long-term Liabilities	<u>179,422</u>	<u>4,003,245</u>	<u>503,025</u>	<u>4,685,692</u>
Total Liabilities	\$210,133	\$4,108,102	\$ 702,592	\$5,020,827
Total Equity	\$307,199	\$2,148,571	\$2,105,557	\$4,561,327

Investments are no longer included in the current asset calculation, they are represented within non-current assets.

## 20. DEFERRED COMPENSATION

The state offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement Association. Investments are managed by the State Board of Investment (SBI) and two insurance companies. The portion of the plan where participants have selected investment options provided by the two insurance companies is excluded from the state's financial statements because the funds are not under the state's control. The portion of the plan where participants have selected investment options provided by the SBI is accounted for in the State Deferred Compensation Fund, an expendable trust fund, with its investments reported at market value.

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 will be held in trust, in custodial accounts, or in qualifying contracts as required by federal law. The state is not liable for any investment losses under the plan but does have the duty of due care of a prudent investor where the SBI manages the investments.

## 21. 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from differences in the recognition of accruals, reimbursements, deferred revenue, intrafund and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis expenditures are recognized when goods or services are received, regardless of the year encumbered. A reconciliation of the fund balances under the two bases for the general and special revenue funds is provided in the table "Reconciliation of GAAP Basis Fund Balances to Budgetary Basis Fund Balances".



A major difference between GAAP and budgetary fund balances for special revenue funds is an entity difference for those funds which do not require legal appropriations. A reconciliation of this entity difference is presented here (in thousands). Other differences in basis of accounting and perspective (fund structure) are included in the following table:

Total GAAP Basis Fund Balances -	
All Special Revenue Funds	\$1,163,391
Special Revenue Funds not requiring	
Legal appropriation	<u>(399,984)</u>
Total GAAP Fund Balances -	
Appropriated Special Revenue Funds	\$ 763,407

Reconciliation of GAAP Basis Fund Balances to Budgetary Basis Fund Balances  
June 30, 1998  
(in thousands)

	Special Revenue Funds								
	General Fund	Trunk Highway	Highway User Tax Distribution	State Airport	Environ- mental	Solid Waste	Natural Resources	Health Care Access	Total Special Revenue
GAAP Basis Fund Balances	\$2,348,340	\$336,370	\$8,801	\$23,320	\$18,655	\$40,207	\$37,119	\$298,935	\$763,407
Less Reserved Fund Balances	1,541,555	139,990	201	11,991	2,001	-	8,136	5,150	167,469
Less Designated Fund Balances	<u>419,990</u>	<u>28,751</u>	-	<u>2,400</u>	<u>16,654</u>	<u>790</u>	<u>5,596</u>	<u>3,934</u>	<u>58,125</u>
Undesignated Fund Balances	\$386,795	\$167,629	\$8,600	\$8,929	\$ 0	\$39,417	\$23,387	\$289,851	\$537,813
Basis of Accounting Differences									
Revenue Accruals/Adjustments									
Taxes Receivable	(385,319)	-	(184)	-	-	-	-	(24,989)	(25,173)
Human Services Receivable	(19,143)	-	-	-	-	-	-	-	-
Deferred Revenue	104,657	-	-	-	-	-	-	-	-
Other Receivables	(5,277)	-	-	-	-	-	(6,967)	-	(6,967)
Expenditure Accruals/Adjustments:									
Family Support, Medical Assist., and MAXIS	162,269	-	-	-	-	-	-	-	-
Police and Fire Aid	56,083	-	-	-	-	-	-	-	-
Community Service Grants	13,796	-	-	-	-	-	-	-	-
Education Aids	287,718	-	-	-	-	-	-	-	-
Other Payables	57,066	2,271	44	(1,127)	-	(489)	49	2,134	2,882
Other Financial Sources (Uses):									
Transfers-In	(4,438)	(23,874)	-	-	-	-	(638)	-	(24,512)
Transfers-Out	51,596	-	(6,501)	-	-	-	46	(1,185)	(7,640)
Reserved Fund Balances:									
Long-Term Receivables	-	-	-	2,790	-	-	-	-	2,790
Fund Structure Differences									
Terminally Funded Pension Plan	7,252	-	-	-	-	-	-	-	-
Cambridge Bank Fund Consolidation	954	-	-	-	-	-	-	-	-
Other	<u>(4,960)</u>	-	-	-	-	-	-	-	-
Budgetary Basis:									
Undesignated Fund Balances	\$709,049	\$146,026	\$1,959	\$10,592	\$ 0	\$38,928	\$15,877	\$265,811	\$479,193

## 22. SUBSEQUENT EVENTS

### Primary Government

On November 1, 1998, \$299,700,000 of general obligation state various purpose and state refunding bonds were sold at a true interest rate of 4.41 percent. The bonds were issued to finance the cost of capital improvements and refunding \$96,100,000 in principal amount outstanding governmental obligation bonds of the state dated October 1, 1994. These bonds are backed by the full faith and credit and taxing powers of the state of Minnesota.

As required by the constitution and statutes, transfers from the funds presented below (in thousands) were made on November 18, 1998 to the separately invested Debt Service Fund to cover principal and interest maturing through July 1, 2000.

General	\$286,495
Natural Resources	31
Trunk Highway	5,149
Maximum Effort School Loan	1,294
Colleges and Universities	<u>13,971</u>
Total Transfers to Debt Service	\$306,940

On May 8, 1998, the state of Minnesota settled its lawsuit with several tobacco companies, resulting in estimated payments of \$6.1 billion over the next 25 years. A portion of the payments (\$202 million) are dedicated for two specific purposes: research and smoking cessation. While these specific payments will begin in fiscal year 1998, they are administered by the courts and will not be a part of the state's general revenues. The remainder of the payments, beginning in fiscal year 1999, will be General Fund revenues and subject to the appropriation process. To date the General Fund has received \$240,000,000 for fiscal year 1999.

The 1998 Legislature adopted a provision to allocate any positive unrestricted budgetary General Fund balance for the remainder of the current biennium that may be forecast as of November 1998. The laws stipulate that up to \$400 million in cash should be allocated to reduce the amount of capital projects financed from bond funds for projects appropriated in the Laws of 1998, Chapter 404. As a result of available balances in the November forecast, several 1998 capital projects, totaling \$400 million, which were initially funded through the sales of bonds will be paid from the General Fund's cash. Thus, reducing the amount of general obligation bonds that are authorized but unissued by the \$400 million.

#### Component Units

On May 1, 1998, \$13,500,000 of general obligation transit bonds with a true interest rate of 4.45 and \$2,395,000 of general obligation refund bonds with a true interest rate of 4.24 were issued by the Metropolitan Council (governmental component), which has a December 31 year end.

In January 1998, Metropolitan Sports Facilities Commission, a component of Metropolitan Council (proprietary component), sold the Met Center property to the Metropolitan Airports Commission for \$25,672,000. In March 1998, Met Council entered into an Escrow Agreement with the Trustee pursuant to which all outstanding Sports Facilities Revenue Refund bonds were defeased to maturity (October 2009) in accordance with the provisions of the Indenture relating to such defeasance. Under the Escrow Agreement, Metropolitan Council irrevocably deposited with the Trustee \$35,372,063.

On July 23, 1998, \$65,640,000, on August 20, 1998, \$72,465,000, and on September 3, 1998, \$2,865,000 of revenue bonds with varying interest rates from 3.65 to 5.19 were issued by Housing Finance Agency (proprietary component) for the purpose of providing funds for home ownership programs.

On November 17, 1998, the University of Minnesota (U of M) and the United States settled a lawsuit brought against the U of M in December 1996, involving sale of an investigational drug, Ant-Lymphocyte Globulin (ALG) and mismanagement of grants in the U of M department of surgery. The monetary portion of the settlement is in three parts: 1. the U of M paid \$20 million upon settlement; 2. the U of M will return \$8 million of the \$40 million which the United States has been ordered to pay in the medical resident's Social Security tax withholding case; 3. over the next three years, the U of M will self-fund \$4 million in National Institute of Health grants.

## SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for the specific purposes as described below.

The *Trunk Highway Fund* is supported by revenues from the Highway User Tax Distribution Fund and federal grants to provide planning, design, construction and maintenance of the state trunk highway system.

The *Highway User Tax Distribution Fund* receives revenue from taxes on motor vehicles and motor fuels for transfer to various transportation related funds.

The *State Airports 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.

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

The *Environmental Fund* accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems.

The *Petroleum Tank Cleanup Fund* receives funding from a fee imposed on petroleum distributors for the purpose of reimbursing responsible parties for most of their costs to cleanup environmental contamination from petroleum tanks.

The *Solid Waste Fund* receives funding from a fee imposed on solid waste haulers for the purpose of cleanup of closed municipal landfills.

The *Natural Resources Funds* include three funds created for the purposes of preserving and improving the state's natural resources.

*Minnesota Resources Fund* receives a portion of the cigarette and tobacco taxes which are appropriated for various natural resource development purposes.

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

*Game and Fish Fund* receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes.

The *Maximum Effort School Loan Fund* receives bond proceeds and reimbursements from school districts to help finance school district construction projects.

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

The *Health Care Access Fund* receives taxes on health service providers and premiums for programs which will help contain the costs of health care, make reforms in health insurance, and provide competitive priced insurance for people unable to obtain affordable coverage.

The *Iron Range Resources and Rehabilitation Fund* receives revenues from taconite taxes which are used to promote economic development in northeastern Minnesota.

The *Miscellaneous Special Revenue Fund* includes numerous smaller accounts whose revenues are dedicated to a variety of specific purposes.

STATE OF MINNESOTA

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1998  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	FEDERAL	ENVIRONMENTAL	PETROLEUM TANK CLEANUP
<b>ASSETS</b>						
Cash and Cash Equivalents.....	\$ 344,067	\$ 11,700	\$ 22,462	\$ 349	\$ 20,196	\$ 35,736
Accounts Receivable.....	1,462	57,063	376	5,390	1,086	6,501
Interfund Receivables.....	35,652	9,522	-	2,780	-	6,501
Federal Aid Receivable.....	21,933	-	-	337,220	-	-
Inventories.....	14,319	-	-	-	-	-
Food Stamps.....	-	-	-	31,947	-	-
Loans Receivable.....	-	-	2,790	4,208	504	303
Advances to Other Funds.....	-	-	-	-	-	-
Other Assets.....	-	-	-	6,566	-	-
<b>Total Assets.....</b>	<b>\$ 417,433</b>	<b>\$ 78,285</b>	<b>\$ 25,628</b>	<b>\$ 388,460</b>	<b>\$ 21,786</b>	<b>\$ 49,041</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable.....	\$ 75,173	\$ 836	\$ 2,308	\$ 307,353	\$ 3,131	\$ 12,974
Interfund Payables.....	5,742	68,648	-	19,270	-	-
Deferred Revenue.....	148	-	-	54,467	-	-
<b>Total Liabilities.....</b>	<b>\$ 81,063</b>	<b>\$ 69,484</b>	<b>\$ 2,308</b>	<b>\$ 381,090</b>	<b>\$ 3,131</b>	<b>\$ 12,974</b>
<b>Fund Balances:</b>						
<b>Reserved Fund Balances:</b>						
Reserved for Encumbrances .....	\$ 28,365	\$ 201	\$ 9,201	\$ -	\$ 1,497	\$ 2,108
Reserved for Inventory.....	14,319	-	-	-	-	-
Reserved for Long-Term Receivables	-	-	2,790	4,208	504	303
Reserved for Long-Term Advances.....	-	-	-	-	-	-
Reserved for Long-Term Commitments....	97,306	-	-	-	-	-
Reserved for Other.....	-	-	-	3,162	-	-
<b>Total Reserved Fund Balances.....</b>	<b>\$ 139,990</b>	<b>\$ 201</b>	<b>\$ 11,991</b>	<b>\$ 7,370</b>	<b>\$ 2,001</b>	<b>\$ 2,411</b>
<b>Unreserved Fund Balances:</b>						
Designated for Appropriation Carryover....	\$ 28,751	\$ -	\$ 2,400	\$ -	\$ 16,654	\$ -
Designated for Fund Purposes.....	-	-	-	-	-	33,656
Undesignated.....	167,629	8,600	8,929	-	-	-
<b>Total Unreserved Fund Balances.....</b>	<b>\$ 196,380</b>	<b>\$ 8,600</b>	<b>\$ 11,329</b>	<b>\$ -</b>	<b>\$ 16,654</b>	<b>\$ 33,656</b>
<b>Total Fund Balances.....</b>	<b>\$ 336,370</b>	<b>\$ 8,801</b>	<b>\$ 23,320</b>	<b>\$ 7,370</b>	<b>\$ 18,655</b>	<b>\$ 36,067</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 417,433</b>	<b>\$ 78,285</b>	<b>\$ 25,628</b>	<b>\$ 388,460</b>	<b>\$ 21,786</b>	<b>\$ 49,041</b>

	SOLID WASTE	NATURAL RESOURCES	MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	IRON RANGE RESOURCES AND REHABILITATION	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 41,368	\$ 36,220	\$ -	\$ 56,177	\$ 306,364	\$ 59,037	\$ 248,758	\$ 1,182,434	
4,200	5,783	-	6,754	25,071	351	32,555	146,592	
-	3,022	-	-	-	-	10,691	68,168	
-	849	-	-	-	-	-	360,002	
-	-	-	-	-	-	-	14,319	
-	-	-	-	-	-	-	31,947	
-	-	13,663	-	189	6,498	32,876	61,031	
-	-	-	-	890	-	-	890	
-	-	-	-	-	-	24	6,590	
<b>\$ 45,568</b>	<b>\$ 45,874</b>	<b>\$ 13,663</b>	<b>\$ 62,931</b>	<b>\$ 332,514</b>	<b>\$ 65,886</b>	<b>\$ 324,904</b>	<b>\$ 1,871,973</b>	
\$ 2,430	\$ 8,640	\$ -	\$ 45,755	\$ 11,145	\$ 3,603	\$ 47,795	\$ 521,143	
2,931	115	2,594	-	20,515	-	4,586	124,401	
-	-	-	6,099	1,919	-	405	63,038	
\$ 5,361	\$ 8,755	\$ 2,594	\$ 51,854	\$ 33,579	\$ 3,603	\$ 52,786	\$ 708,582	
\$ -	\$ 8,136	\$ -	\$ 1,103	\$ 4,071	\$ 20,486	\$ 16,065	\$ 91,233	
-	-	-	-	-	-	-	14,319	
-	-	13,663	-	189	6,411	32,876	60,944	
-	-	-	-	890	-	-	890	
-	-	-	-	-	-	-	97,306	
-	-	-	-	-	430	325	3,917	
<b>\$ -</b>	<b>\$ 8,136</b>	<b>\$ 13,663</b>	<b>\$ 1,103</b>	<b>\$ 5,150</b>	<b>\$ 27,327</b>	<b>\$ 49,266</b>	<b>\$ 268,609</b>	
\$ 790	\$ 5,596	\$ -	\$ -	\$ 3,934	\$ 34,705	\$ -	\$ 92,830	
-	-	-	-	-	251	222,852	256,759	
39,417	23,387	(2,594)	9,974	289,851	-	-	545,193	
<b>\$ 40,207</b>	<b>\$ 28,983</b>	<b>\$ (2,594)</b>	<b>\$ 9,974</b>	<b>\$ 293,785</b>	<b>\$ 34,956</b>	<b>\$ 222,852</b>	<b>\$ 894,782</b>	
<b>\$ 40,207</b>	<b>\$ 37,119</b>	<b>\$ 11,069</b>	<b>\$ 11,077</b>	<b>\$ 298,935</b>	<b>\$ 62,283</b>	<b>\$ 272,118</b>	<b>\$ 1,163,391</b>	
<b>\$ 45,568</b>	<b>\$ 45,874</b>	<b>\$ 13,663</b>	<b>\$ 62,931</b>	<b>\$ 332,514</b>	<b>\$ 65,886</b>	<b>\$ 324,904</b>	<b>\$ 1,871,973</b>	

STATE OF MINNESOTA

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	FEDERAL	ENVIRONMENTAL	PETROLEUM TANK CLEANUP	SOLID WASTE	NATURAL RESOURCES	MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	IRON RANGE RESOURCES AND REHABILITATION	MISCELLANEOUS SPECIAL REVENUE	TOTAL
<b>Net Revenues:</b>														
Motor Vehicle License Taxes.....	\$ -	\$ 511,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,431
Fuel Taxes.....	-	554,222	3,334	-	-	-	-	-	-	-	-	-	-	557,556
Other Taxes.....	-	-	11,248	-	4,069	-	11,160	6,970	-	103,116	131,866	28,986	29,725	327,140
Federal Revenues.....	237,999	-	-	3,380,740	-	-	-	14,300	-	-	-	-	8,093	3,641,132
Licenses and Fees.....	28,037	4,869	964	-	19,240	51,824	15,237	49,814	-	-	-	-	71,667	241,652
Care and Hospitalization Revenues.....	-	-	-	-	-	-	-	-	-	-	-	-	538	538
Tuition and Student Fees.....	-	-	-	-	-	-	-	-	-	-	-	-	12,425	12,425
Departmental Services.....	2,590	292	-	-	51	-	-	-	-	-	13,849	2,463	86,440	105,685
Investment/Interest Income.....	16,144	1,353	1,209	289	858	1,625	1,849	1,185	688	4,542	16,539	3,119	7,773	57,173
Penalties and Fines.....	7,053	617	-	6	3,874	123	-	-	-	-	-	-	2,244	13,917
Other Revenues.....	23,875	52	1,163	7,852	184	211	2,110	3,181	-	4,563	2,188	432	62,910	108,721
<b>Net Revenues.....</b>	<b>\$ 315,698</b>	<b>\$ 1,072,836</b>	<b>\$ 17,918</b>	<b>\$ 3,388,887</b>	<b>\$ 28,276</b>	<b>\$ 53,783</b>	<b>\$ 30,356</b>	<b>\$ 75,450</b>	<b>\$ 688</b>	<b>\$ 112,221</b>	<b>\$ 164,442</b>	<b>\$ 35,000</b>	<b>\$ 281,815</b>	<b>\$ 5,577,370</b>
<b>Expenditures:</b>														
<b>Current:</b>														
Protection of Persons and Property.....	\$ 75,179	\$ 12,509	\$ -	\$ 22,863	\$ 42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,520	\$ 122,113
Transportation.....	413,092	304	7,726	2,206	22	-	-	-	-	-	-	-	948	424,298
Resource Management.....	-	-	-	16,364	20,374	20,070	18,565	70,894	-	-	-	-	30,695	176,962
Economic and Manpower Development.....	692	-	-	65,988	495	-	-	251	-	23,017	75	10,133	36,575	137,226
Education.....	25	-	-	58,360	-	-	-	-	-	-	-	-	29,366	87,751
Health and Social Services.....	937	-	-	197,409	148	-	-	-	-	-	18,295	-	106,257	323,046
General Government.....	2,504	2,203	-	3,103	226	-	624	54	-	4,292	1,524	-	14,602	29,132
<b>Total Current Expenditures.....</b>	<b>\$ 492,429</b>	<b>\$ 15,016</b>	<b>\$ 7,726</b>	<b>\$ 366,293</b>	<b>\$ 21,307</b>	<b>\$ 20,070</b>	<b>\$ 19,189</b>	<b>\$ 71,199</b>	<b>\$ -</b>	<b>\$ 27,309</b>	<b>\$ 19,894</b>	<b>\$ 10,133</b>	<b>\$ 229,963</b>	<b>\$ 1,300,528</b>
Capital Outlay.....	430,674	113	-	10,165	128	57	-	1,496	-	198	468	2,183	9,718	455,200
Debt Service.....	5,633	-	-	1,467	3	-	2	-	-	259	1,330	501	3,369	12,564
Grants and Subsidies.....	4,867	-	9,715	2,991,927	1,916	3,202	85	9,593	33,986	91,929	106,406	21,435	114,722	3,389,783
<b>Total Expenditures.....</b>	<b>\$ 933,603</b>	<b>\$ 15,129</b>	<b>\$ 17,441</b>	<b>\$ 3,369,852</b>	<b>\$ 23,354</b>	<b>\$ 23,329</b>	<b>\$ 19,276</b>	<b>\$ 82,288</b>	<b>\$ 33,986</b>	<b>\$ 119,695</b>	<b>\$ 128,098</b>	<b>\$ 34,252</b>	<b>\$ 357,772</b>	<b>\$ 5,158,075</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ (617,905)</b>	<b>\$ 1,057,707</b>	<b>\$ 477</b>	<b>\$ 19,035</b>	<b>\$ 4,922</b>	<b>\$ 30,454</b>	<b>\$ 11,080</b>	<b>\$ (6,838)</b>	<b>\$ (33,298)</b>	<b>\$ (7,474)</b>	<b>\$ 36,344</b>	<b>\$ 748</b>	<b>\$ (75,957)</b>	<b>\$ 419,295</b>
<b>Other Financing Sources (Uses):</b>														
General Obligation Bonds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,400	\$ 3,400
Operating Transfers-In.....	630,211	-	-	2	138	-	-	13,537	-	-	-	668	120,979	765,535
Operating Transfers to Debt Service.....	(5,626)	-	-	-	-	-	-	(115)	(1,882)	-	-	-	(265)	(7,888)
Other Operating Transfers-Out.....	-	(1,052,994)	-	(7,278)	-	-	(138)	(46)	-	-	(19,965)	-	(21,586)	(1,102,007)
Transfers-Out to Component Units.....	-	-	-	(12,127)	(359)	-	-	(3,725)	-	-	(2,823)	-	(1,541)	(20,575)
Capital Leases.....	-	-	-	-	-	-	-	-	-	-	-	-	2,784	2,784
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ 624,585</b>	<b>\$ (1,052,994)</b>	<b>\$ -</b>	<b>\$ (19,403)</b>	<b>\$ (221)</b>	<b>\$ -</b>	<b>\$ (138)</b>	<b>\$ 9,651</b>	<b>\$ (1,882)</b>	<b>\$ -</b>	<b>\$ (22,788)</b>	<b>\$ 668</b>	<b>\$ 103,771</b>	<b>\$ (358,751)</b>
<b>Excess of Revenues and Other Sources Over</b>														
<b>(Under) Expenditures and Other Uses.....</b>	<b>\$ 6,680</b>	<b>\$ 4,713</b>	<b>\$ 477</b>	<b>\$ (368)</b>	<b>\$ 4,701</b>	<b>\$ 30,454</b>	<b>\$ 10,942</b>	<b>\$ 2,813</b>	<b>\$ (35,180)</b>	<b>\$ (7,474)</b>	<b>\$ 13,556</b>	<b>\$ 1,416</b>	<b>\$ 27,814</b>	<b>\$ 60,544</b>
<b>Fund Balances, July 1.....</b>	<b>\$ 329,940</b>	<b>\$ 4,088</b>	<b>\$ 22,843</b>	<b>\$ 7,738</b>	<b>\$ 13,954</b>	<b>\$ 5,613</b>	<b>\$ 29,265</b>	<b>\$ 34,306</b>	<b>\$ 46,249</b>	<b>\$ 18,551</b>	<b>\$ 285,379</b>	<b>\$ 60,867</b>	<b>\$ 244,304</b>	<b>\$ 1,103,097</b>
Change in Inventory.....	(250)	-	-	-	-	-	-	-	-	-	-	-	-	(250)
<b>Fund Balances, June 30.....</b>	<b>\$ 336,370</b>	<b>\$ 8,801</b>	<b>\$ 23,320</b>	<b>\$ 7,370</b>	<b>\$ 18,655</b>	<b>\$ 36,067</b>	<b>\$ 40,207</b>	<b>\$ 37,119</b>	<b>\$ 11,069</b>	<b>\$ 11,077</b>	<b>\$ 298,935</b>	<b>\$ 62,283</b>	<b>\$ 272,118</b>	<b>\$ 1,163,391</b>

**APPROPRIATED SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
BUDGETARY BASIS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	TRUNK HIGHWAY			HIGHWAY USER TAX DISTRIBUTION		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Net Revenues:</b>						
Motor Vehicle License Taxes.....	\$ -	\$ -	\$ -	\$ 508,921	\$ 511,394	\$ 2,473
Fuel Taxes.....	-	-	-	549,867	552,987	3,120
Other Taxes.....	-	-	-	-	-	-
Federal Revenues.....	248,903	239,746	(9,157)	-	-	-
Licenses and Fees.....	-	-	-	-	-	-
Departmental Services.....	32,850	30,328	(2,522)	5,387	5,161	(226)
Investment/Interest Income.....	10,350	16,126	5,776	1,390	1,353	(37)
Other Revenues.....	34,197	30,926	(3,271)	823	669	(154)
<b>Net Revenues.....</b>	<b>\$ 326,300</b>	<b>\$ 317,126</b>	<b>\$ (9,174)</b>	<b>\$ 1,066,388</b>	<b>\$ 1,071,564</b>	<b>\$ 5,176</b>
<b>Expenditures:</b>						
Protection of Persons and Property.....	\$ 77,251	\$ 74,820	\$ 2,431	\$ 12,523	\$ 12,523	\$ -
Transportation.....	865,405	864,010	1,395	406	406	-
Resource Management.....	-	-	-	-	-	-
Economic and Manpower Development.....	706	706	-	-	-	-
Education.....	21	21	-	-	-	-
Health and Social Services.....	1,556	1,556	-	-	-	-
General Government.....	578	578	-	2,314	2,309	5
<b>Total Expenditures.....</b>	<b>\$ 945,517</b>	<b>\$ 941,691</b>	<b>\$ 3,826</b>	<b>\$ 15,243</b>	<b>\$ 15,238</b>	<b>\$ 5</b>
<b>Excess of Revenues Over (Under)</b>						
Expenditures.....	\$ (619,217)	\$ (624,565)	\$ (5,348)	\$ 1,051,145	\$ 1,056,326	\$ 5,181
<b>Other Financing Sources (Uses):</b>						
Operating Transfers-In.....	\$ 624,166	\$ 631,540	\$ 7,374	\$ -	\$ -	\$ -
Operating Transfers to Debt Service.....	(5,950)	(5,626)	324	-	-	-
Other Operating Transfers-Out.....	-	-	-	(1,054,558)	(1,054,558)	-
Transfers-Out to Component Units.....	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ 618,216</b>	<b>\$ 625,914</b>	<b>\$ 7,698</b>	<b>\$ (1,054,558)</b>	<b>\$ (1,054,558)</b>	<b>\$ -</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>\$ (1,001)</b>	<b>\$ 1,349</b>	<b>\$ 2,350</b>	<b>\$ (3,413)</b>	<b>\$ 1,768</b>	<b>\$ 5,181</b>
Fund Balances, July 1, as Reported.....	183,251	183,251	-	3,413	3,413	-
Prior Period Adjustments.....	-	(9,823)	(9,823)	-	(3,222)	(3,222)
<b>Total Fund Balances, June 30.....</b>	<b>\$ 182,250</b>	<b>\$ 174,777</b>	<b>\$ (7,473)</b>	<b>\$ -</b>	<b>\$ 1,959</b>	<b>\$ 1,959</b>
Less Appropriation Carryover.....	-	28,751	(28,751)	-	-	-
Less Reserve for Other.....	-	-	-	-	-	-
<b>Undesignated Fund Balances, June 30.....</b>	<b>\$ 182,250</b>	<b>\$ 146,026</b>	<b>\$ (36,224)</b>	<b>\$ -</b>	<b>\$ 1,959</b>	<b>\$ 1,959</b>

	STATE AIRPORTS			ENVIRONMENTAL			NATURAL RESOURCES			SOLID WASTE			HEALTH CARE ACCESS			COMBINED TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Net Revenues:</b>																		
Motor Vehicle License Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508,921	\$ 511,394	\$ 2,473
Fuel Taxes.....	3,635	3,334	(301)	-	-	-	-	-	-	-	-	-	-	-	-	549,867	552,987	3,120
Other Taxes.....	10,471	11,248	777	3,399	4,069	670	7,492	6,969	(523)	11,000	11,000	-	142,730	139,949	-	553,502	556,321	2,819
Federal Revenues.....	-	-	-	-	-	-	14,000	14,593	593	-	-	-	-	-	-	-	-	-
Licenses and Fees.....	-	-	-	18,854	19,240	386	46,679	50,226	3,547	-	-	-	-	-	-	262,903	254,339	(8,564)
Departmental Services.....	973	969	(4)	-	51	51	-	-	-	13,386	15,237	1,851	-	-	-	78,919	84,703	5,784
Investment/Interest Income.....	1,033	1,209	176	480	841	361	1,073	1,263	190	-	-	-	21,907	14,613	(7,294)	61,117	51,122	(9,995)
Other Revenues.....	1,052	1,163	111	3,656	3,681	25	4,214	2,329	(1,885)	1,200	1,848	648	13,316	16,539	3,223	28,842	39,179	10,337
<b>Net Revenues.....</b>	<b>\$ 17,164</b>	<b>\$ 17,923</b>	<b>\$ 759</b>	<b>\$ 26,389</b>	<b>\$ 27,882</b>	<b>\$ 1,493</b>	<b>\$ 73,458</b>	<b>\$ 75,380</b>	<b>\$ 1,922</b>	<b>\$ 25,687</b>	<b>\$ 30,194</b>	<b>\$ 4,607</b>	<b>\$ 177,953</b>	<b>\$ 171,101</b>	<b>\$ (6,852)</b>	<b>\$ 1,713,239</b>	<b>\$ 1,711,170</b>	<b>\$ (2,069)</b>
<b>Expenditures:</b>																		
Protection of Persons and Property.....	\$ -	\$ -	\$ -	\$ 42	\$ 42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,816	\$ 87,385	\$ 2,431
Transportation.....	19,691	19,691	-	260	260	-	-	-	-	-	-	-	-	-	-	885,762	884,367	1,395
Resource Management.....	-	-	-	21,066	21,066	-	80,059	79,372	687	18,513	18,512	1	-	-	-	119,638	118,950	688
Economic and Manpower Development.....	-	-	-	821	821	-	267	267	-	-	-	-	-	-	-	-	-	-
Education.....	-	-	-	-	-	-	584	584	-	-	-	-	15,075	15,075	-	16,869	16,869	-
Health and Social Services.....	-	-	-	169	169	-	-	-	-	-	-	-	-	-	-	605	605	-
General Government.....	-	-	-	226	226	-	850	850	-	600	555	45	2,851	2,851	-	7,419	7,369	50
<b>Total Expenditures.....</b>	<b>\$ 19,691</b>	<b>\$ 19,691</b>	<b>\$ -</b>	<b>\$ 22,584</b>	<b>\$ 22,584</b>	<b>\$ -</b>	<b>\$ 81,760</b>	<b>\$ 81,073</b>	<b>\$ 687</b>	<b>\$ 19,113</b>	<b>\$ 19,067</b>	<b>\$ 46</b>	<b>\$ 128,139</b>	<b>\$ 128,139</b>	<b>\$ -</b>	<b>\$ 1,232,047</b>	<b>\$ 1,227,483</b>	<b>\$ 4,564</b>
<b>Excess of Revenues Over (Under)</b>																		
Expenditures.....	\$ (2,527)	\$ (1,768)	\$ 759	\$ 3,805	\$ 5,298	\$ 1,493	\$ (8,302)	\$ (5,693)	\$ 2,609	\$ 6,474	\$ 11,127	\$ 4,653	\$ 49,814	\$ 42,962	\$ (6,852)	\$ 481,192	\$ 483,687	\$ 2,495
<b>Other Financing Sources (Uses):</b>																		
Operating Transfers-In.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,644	\$ 12,899	\$ (745)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 637,810	\$ 644,439	\$ 6,629
Operating Transfers to Debt Service.....	-	-	-	-	-	-	(115)	(115)	-	-	-	-	-	-	-	(6,065)	(5,741)	324
Other Operating Transfers-Out.....	-	-	-	-	-	-	-	-	-	(138)	(138)	-	(19,965)	(19,965)	-	(1,074,661)	(1,074,661)	-
Transfers-Out to Component Units.....	-	-	-	(359)	(359)	-	(3,725)	(3,725)	-	-	-	-	(2,537)	(2,537)	-	(6,621)	(6,621)	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (359)</b>	<b>\$ (359)</b>	<b>\$ -</b>	<b>\$ 9,804</b>	<b>\$ 9,059</b>	<b>\$ (745)</b>	<b>\$ (138)</b>	<b>\$ (138)</b>	<b>\$ -</b>	<b>\$ (22,502)</b>	<b>\$ (22,502)</b>	<b>\$ -</b>	<b>\$ (449,537)</b>	<b>\$ (442,584)</b>	<b>\$ 6,953</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>\$ (2,527)</b>	<b>\$ (1,768)</b>	<b>\$ 759</b>	<b>\$ 3,446</b>	<b>\$ 4,939</b>	<b>\$ 1,493</b>	<b>\$ 1,502</b>	<b>\$ 3,366</b>	<b>\$ 1,864</b>	<b>\$ 6,336</b>	<b>\$ 10,989</b>	<b>\$ 4,653</b>	<b>\$ 27,312</b>	<b>\$ 20,460</b>	<b>\$ (6,852)</b>	<b>\$ 31,655</b>	<b>\$ 41,103</b>	<b>\$ 9,448</b>
Fund Balances, July 1, as Reported.....	15,565	15,565	-	10,686	10,686	-	17,908	17,908	-	29,143	29,143	-	251,240	251,240	-	511,206	511,206	-
Prior Period Adjustments.....	-	(110)	(110)	-	1,132	1,132	-	199	199	-	(414)	(414)	-	(1,201)	(1,201)	-	(13,439)	(13,439)
<b>Total Fund Balances, June 30.....</b>	<b>\$ 13,038</b>	<b>\$ 13,687</b>	<b>\$ 649</b>	<b>\$ 14,132</b>	<b>\$ 16,757</b>	<b>\$ 2,625</b>	<b>\$ 19,410</b>	<b>\$ 21,473</b>	<b>\$ 2,063</b>	<b>\$ 35,479</b>	<b>\$ 39,718</b>	<b>\$ 4,239</b>	<b>\$ 278,552</b>	<b>\$ 270,499</b>	<b>\$ (8,053)</b>	<b>\$ 542,861</b>	<b>\$ 538,870</b>	<b>\$ (3,991)</b>
Less Appropriation Carryover.....	-	3,095	(3,095)	-	16,757	(16,757)	-	5,596	(5,596)	-	790	(790)	-	3,934	(3,934)	-	58,923	(58,923)
Less Reserve for Other.....	-	-	-	-	-	-	-	-	-	-	-	-	754	754	-	754	754	-
<b>Undesignated Fund Balances, June 30.....</b>	<b>\$ 13,038</b>	<b>\$ 10,592</b>	<b>\$ (2,446)</b>	<b>\$ 14,132</b>	<b>\$ -</b>	<b>\$ (14,132)</b>	<b>\$ 19,410</b>	<b>\$ 15,877</b>	<b>\$ (3,533)</b>	<b>\$ 35,479</b>	<b>\$ 38,928</b>	<b>\$ 3,449</b>	<b>\$ 277,798</b>	<b>\$ 265,811</b>	<b>\$ (11,987)</b>	<b>\$ 542,107</b>	<b>\$ 479,193</b>	<b>\$ (62,914)</b>

**STATE OF MINNESOTA**

**NATURAL RESOURCES FUNDS**

**COMBINING BALANCE SHEET**

JUNE 30, 1998

(IN THOUSANDS)

	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 3,633	\$ 16,025	\$ 16,562	\$ 36,220
Accounts Receivable.....	1,139	824	3,820	5,783
Interfund Receivables.....	-	3,022	-	3,022
Federal Aid Receivable.....	-	-	849	849
<b>Total Assets.....</b>	<b>\$ 4,772</b>	<b>\$ 19,871</b>	<b>\$ 21,231</b>	<b>\$ 45,874</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 1,452	\$ 2,297	\$ 4,891	\$ 8,640
Interfund Payable.....	-	52	63	115
<b>Total Liabilities.....</b>	<b>\$ 1,452</b>	<b>\$ 2,349</b>	<b>\$ 4,954</b>	<b>\$ 8,755</b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances:</b>				
Reserved for Encumbrances.....	\$ 3,320	\$ 3,238	\$ 1,578	\$ 8,136
<b>Total Reserved Fund Balances.....</b>	<b>\$ 3,320</b>	<b>\$ 3,238</b>	<b>\$ 1,578</b>	<b>\$ 8,136</b>
<b>Unreserved Fund Balances:</b>				
Designated for Appropriation Carryover.....	\$ -	\$ 2,989	\$ 2,607	\$ 5,596
Undesignated.....	-	11,295	12,092	23,387
<b>Total Unreserved Fund Balances.....</b>	<b>\$ -</b>	<b>\$ 14,284</b>	<b>\$ 14,699</b>	<b>\$ 28,983</b>
<b>Total Fund Balances.....</b>	<b>\$ 3,320</b>	<b>\$ 17,522</b>	<b>\$ 16,277</b>	<b>\$ 37,119</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 4,772</b>	<b>\$ 19,871</b>	<b>\$ 21,231</b>	<b>\$ 45,874</b>

STATE OF MINNESOTA

**NATURAL RESOURCES FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	TOTAL
<b>Net Revenues:</b>				
Tobacco Taxes.....	\$ 6,970	\$ -	\$ -	\$ 6,970
Federal Revenues.....	-	-	14,300	14,300
Licenses and Fees.....	-	10,129	39,685	49,814
Investment Income.....	284	188	713	1,185
Other Revenues.....	1	1,456	1,724	3,181
<b>Net Revenues.....</b>	<b>\$ 7,255</b>	<b>\$ 11,773</b>	<b>\$ 56,422</b>	<b>\$ 75,450</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Resource Management.....	\$ 1,582	\$ 16,476	\$ 52,836	\$ 70,894
Economic and Manpower Development.....	251	-	-	251
General Government.....	54	-	-	54
<b>Total Current Expenditures.....</b>	<b>\$ 1,887</b>	<b>\$ 16,476</b>	<b>\$ 52,836</b>	<b>\$ 71,199</b>
Capital Outlay.....	-	396	1,100	1,496
Grants and Subsidies.....	3,918	5,161	514	9,593
<b>Total Expenditures.....</b>	<b>\$ 5,805</b>	<b>\$ 22,033</b>	<b>\$ 54,450</b>	<b>\$ 82,288</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ 1,450</b>	<b>\$ (10,260)</b>	<b>\$ 1,972</b>	<b>\$ (6,838)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers-In.....	\$ -	\$ 13,099	\$ 438	\$ 13,537
Operating Transfers to Debt Service Fund.....	-	(52)	(63)	(115)
Other Operating Transfers-Out.....	-	(46)	-	(46)
Transfers-Out Component Unit.....	(3,725)	-	-	(3,725)
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (3,725)</b>	<b>\$ 13,001</b>	<b>\$ 375</b>	<b>\$ 9,651</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>\$ (2,275)</b>	<b>\$ 2,741</b>	<b>\$ 2,347</b>	<b>\$ 2,813</b>
Fund Balances, July 1.....	5,595	14,781	13,930	34,306
<b>Fund Balances, June 30.....</b>	<b>\$ 3,320</b>	<b>\$ 17,522</b>	<b>\$ 16,277</b>	<b>\$ 37,119</b>



STATE OF MINNESOTA

**NATURAL RESOURCES FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
BUDGETARY BASIS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	MINNESOTA RESOURCES			NATURAL RESOURCES			GAME AND FISH			COMBINED TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Net Revenues:</b>												
License Fees.....	\$ -	\$ -	\$ -	\$ 9,847	\$ 9,833	\$ (14)	\$ 36,832	\$ 40,393	\$ 3,561	\$ 46,679	\$ 50,226	\$ 3,547
Federal Revenues.....	-	-	-	-	-	-	14,000	14,593	593	14,000	14,593	593
Tobacco Taxes.....	7,492	6,969	(523)	-	-	-	-	-	-	7,492	6,969	(523)
Investment Income.....	343	284	(59)	234	266	32	496	713	217	1,073	1,263	190
Other Revenues.....	-	-	-	1,124	1,238	114	3,090	1,091	(1,999)	4,214	2,329	(1,885)
<b>Net Revenues.....</b>	<b>\$ 7,835</b>	<b>\$ 7,253</b>	<b>\$ (582)</b>	<b>\$ 11,205</b>	<b>\$ 11,337</b>	<b>\$ 132</b>	<b>\$ 54,418</b>	<b>\$ 56,790</b>	<b>\$ 2,372</b>	<b>\$ 73,458</b>	<b>\$ 75,380</b>	<b>\$ 1,922</b>
<b>Expenditures:</b>												
Resource Management.....	\$ 3,693	\$ 3,109	\$ 584	\$ 22,982	\$ 22,887	\$ 95	\$ 53,384	\$ 53,376	\$ 8	\$ 80,059	\$ 79,372	\$ 687
Economic and Manpower Development.....	267	267	-	-	-	-	-	-	-	267	267	-
Education.....	584	584	-	-	-	-	-	-	-	584	584	-
General Government.....	850	850	-	-	-	-	-	-	-	850	850	-
<b>Total Expenditures.....</b>	<b>\$ 5,394</b>	<b>\$ 4,810</b>	<b>\$ 584</b>	<b>\$ 22,982</b>	<b>\$ 22,887</b>	<b>\$ 95</b>	<b>\$ 53,384</b>	<b>\$ 53,376</b>	<b>\$ 8</b>	<b>\$ 81,760</b>	<b>\$ 81,073</b>	<b>\$ 687</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,441</b>	<b>\$ 2,443</b>	<b>\$ 2</b>	<b>\$ (11,777)</b>	<b>\$ (11,550)</b>	<b>\$ 227</b>	<b>\$ 1,034</b>	<b>\$ 3,414</b>	<b>\$ 2,380</b>	<b>\$ (8,302)</b>	<b>\$ (5,693)</b>	<b>\$ 2,609</b>
<b>Other Financing Sources (Uses):</b>												
Operating Transfers-In.....	\$ -	\$ -	\$ -	\$ 13,206	\$ 12,461	\$ (745)	\$ 438	\$ 438	\$ -	\$ 13,644	\$ 12,899	\$ (745)
Operating Transfers to Debt Service.....	-	-	-	(52)	(52)	-	(63)	(63)	-	(115)	(115)	-
Transfers-Out to Component Units.....	(3,725)	(3,725)	-	-	-	-	-	-	-	(3,725)	(3,725)	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (3,725)</b>	<b>\$ (3,725)</b>	<b>\$ -</b>	<b>\$ 13,154</b>	<b>\$ 12,409</b>	<b>\$ (745)</b>	<b>\$ 375</b>	<b>\$ 375</b>	<b>\$ -</b>	<b>\$ 9,804</b>	<b>\$ 9,059</b>	<b>\$ (745)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>\$ (1,284)</b>	<b>\$ (1,282)</b>	<b>\$ 2</b>	<b>\$ 1,377</b>	<b>\$ 859</b>	<b>\$ (518)</b>	<b>\$ 1,409</b>	<b>\$ 3,789</b>	<b>\$ 2,380</b>	<b>\$ 1,502</b>	<b>\$ 3,366</b>	<b>\$ 1,864</b>
Fund Balances, July 1, as Reported.....	1,331	1,331	-	9,556	9,556	-	7,021	7,021	-	17,908	17,908	-
Prior Period Adjustments.....	-	-	-	-	109	109	-	90	90	-	199	199
<b>Fund Balances, June 30.....</b>	<b>\$ 47</b>	<b>\$ 49</b>	<b>\$ 2</b>	<b>\$ 10,933</b>	<b>\$ 10,524</b>	<b>\$ (409)</b>	<b>\$ 8,430</b>	<b>\$ 10,900</b>	<b>\$ 2,470</b>	<b>\$ 19,410</b>	<b>\$ 21,473</b>	<b>\$ 2,063</b>
Less Appropriation Carryover.....	-	-	-	-	2,989	(2,989)	-	2,607	(2,607)	-	5,596	(5,596)
<b>Undesignated Fund Balances, June 30.....</b>	<b>\$ 47</b>	<b>\$ 49</b>	<b>\$ 2</b>	<b>\$ 10,933</b>	<b>\$ 7,535</b>	<b>\$ (3,398)</b>	<b>\$ 8,430</b>	<b>\$ 8,293</b>	<b>\$ (137)</b>	<b>\$ 19,410</b>	<b>\$ 15,877</b>	<b>\$ (3,533)</b>

## CAPITAL PROJECTS FUNDS

These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds). Descriptions of individual funds in this fund type follow:

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

The *Transportation Fund* receives proceeds of transportation bonds, General Fund appropriations and federal grants for the construction or reconstruction of state and locally owned bridges.

The *Building Fund* receives revenue from the sale of state bonds to provide funds for the maintenance, acquisition and betterment of state lands and buildings and to make grants and loans to local governments for the acquisition and betterment of other public land and buildings.

STATE OF MINNESOTA

**CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 1998  
(IN THOUSANDS)

	GENERAL PROJECT	TRANSPORTATION	BUILDING	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 238,456	\$ 17,796	\$ 210,117	\$ 466,369
Interfund Receivables.....	47,656	-	-	47,656
Accrued Investment/Interest Income.....	-	-	13	13
Loans Receivable.....	252	-	48,179	48,431
<b>Total Assets.....</b>	<b>\$ 286,364</b>	<b>\$ 17,796</b>	<b>\$ 258,309</b>	<b>\$ 562,469</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 1,109	\$ 2,775	\$ 45,035	\$ 48,919
Interfund Payables.....	-	-	99	99
Advances from Other Funds.....	-	-	174	174
<b>Total Liabilities.....</b>	<b>\$ 1,109</b>	<b>\$ 2,775</b>	<b>\$ 45,308</b>	<b>\$ 49,192</b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances:</b>				
Reserved for Encumbrances.....	\$ 15,598	\$ 2	\$ 12,472	\$ 28,072
Reserved for Long-Term Receivables.....	252	-	48,179	48,431
Reserved for Long-Term Commitments.....	38,388	15,019	151,030	204,437
<b>Total Reserved Fund Balances.....</b>	<b>\$ 54,238</b>	<b>\$ 15,021</b>	<b>\$ 211,681</b>	<b>\$ 280,940</b>
<b>Unreserved Fund Balances:</b>				
Designated for Fund Purpose.....	\$ -	\$ -	\$ 1,320	\$ 1,320
Undesignated.....	231,017	-	-	231,017
<b>Total Fund Balances.....</b>	<b>\$ 285,255</b>	<b>\$ 15,021</b>	<b>\$ 213,001</b>	<b>\$ 513,277</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 286,364</b>	<b>\$ 17,796</b>	<b>\$ 258,309</b>	<b>\$ 562,469</b>

STATE OF MINNESOTA

**CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	GENERAL PROJECT	TRANSPORTATION	BUILDING	TOTAL
<b>Net Revenues:</b>				
Investment/Interest Income.....	\$ -	\$ -	\$ 2,296	\$ 2,296
Other Revenues.....	-	-	456	456
<b>Net Revenues.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,752</b>	<b>\$ 2,752</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Protection of Persons and Property.....	\$ 29	\$ -	\$ 380	\$ 409
Transportation.....	-	10	-	10
Resource Management.....	443	-	6,691	7,134
Economic and Manpower Development.....	-	-	30	30
Education.....	378	-	27,514	27,892
General Government.....	4,974	-	58,067	63,041
<b>Total Current Expenditures.....</b>	<b>\$ 5,824</b>	<b>\$ 10</b>	<b>\$ 92,682</b>	<b>\$ 98,516</b>
Capital Outlay.....	315	-	114,529	114,844
Grants and Subsidies.....	1,039	10,195	66,829	78,063
<b>Total Expenditures.....</b>	<b>\$ 7,178</b>	<b>\$ 10,205</b>	<b>\$ 274,040</b>	<b>\$ 291,423</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ (7,178)</b>	<b>\$ (10,205)</b>	<b>\$ (271,288)</b>	<b>\$ (288,671)</b>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds.....	\$ -	\$ 32,355	\$ 377,645	\$ 410,000
Operating Transfers-In.....	289,031	-	-	289,031
Operating Transfers to Debt Service.....	-	-	(4,189)	(4,189)
Other Operating Transfers-Out.....	-	(1,204)	(10)	(1,214)
Transfers-Out to Component Units.....	-	-	(54,558)	(54,558)
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ 289,031</b>	<b>\$ 31,151</b>	<b>\$ 318,888</b>	<b>\$ 639,070</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>	<b>\$ 281,853</b>	<b>\$ 20,946</b>	<b>\$ 47,600</b>	<b>\$ 350,399</b>
<b>Fund Balances, July 1.....</b>	<b>\$ 3,402</b>	<b>\$ (5,925)</b>	<b>\$ 165,401</b>	<b>\$ 162,878</b>
<b>Fund Balances, June 30.....</b>	<b>\$ 285,255</b>	<b>\$ 15,021</b>	<b>\$ 213,001</b>	<b>\$ 513,277</b>

## ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges; or where the state has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Individual enterprise funds are described below.

The *State Colleges and Universities Revenue Fund* constructs, maintains and operates college buildings for residence hall, student union or food service purposes.

The *State Lottery Fund* accounts for the operations of the state lottery. The net proceeds are transferred to the Environment and Natural Resources Trust Fund (40 percent), with the remainder transferred to the Cambridge Bank Fund.

The *College and University Enterprise Activities Fund* includes the auxiliary enterprises and student loan programs operated by the state universities, community and technical colleges.

The *Minnesota Correctional Industries Fund* facilitates prisoner rehabilitation by providing facilities and assistance for manufacturing and marketing goods to the general public.

The *Chemical Dependency Treatment Fund* accounts for the activity of state regional treatment centers for chemical dependency treatment services.

The *Public Employees Insurance Fund* provides life insurance and hospital, medical, and dental benefit coverage to public employees and other eligible persons.

The *Private Employers Insurance Fund* provides group health insurance coverage for small business employers.

The *Enterprise Activities Fund* includes various minor activities providing services to the general public or local governmental units.

STATE OF MINNESOTA

ENTERPRISE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 1998  
 (IN THOUSANDS)

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTAL
<b>ASSETS</b>									
Cash and Cash Equivalents.....	\$ 1,392	\$ 19,872	\$ 22,481	\$ 4,591	\$ 2,760	\$ 4,199	\$ 915	\$ 2,678	\$ 58,888
Investments.....	22,810	-	-	-	-	-	-	-	22,810
Accounts Receivable.....	899	3,486	5,012	2,799	3,164	371	-	185	15,916
Interfund Receivables.....	-	-	1,480	-	-	16	-	50	1,546
Accrued Investment/Interest Income.....	607	142	115	-	-	-	-	-	864
Inventories.....	-	622	6,470	5,830	-	-	-	664	13,586
Deferred Costs.....	591	29	-	-	69	-	-	7	696
Restricted Assets:									
Investments.....	19,161	3,281	-	-	-	-	-	-	22,442
Loans Receivable.....	-	-	34,642	-	-	-	-	-	34,642
Fixed Assets (Net).....	71,898	4,732	3,261	2,441	143	7	1	298	82,781
Other Assets.....	-	-	119	309	-	-	-	-	428
<b>Total Assets.....</b>	<b>\$ 117,358</b>	<b>\$ 32,164</b>	<b>\$ 73,580</b>	<b>\$ 15,970</b>	<b>\$ 6,136</b>	<b>\$ 4,593</b>	<b>\$ 916</b>	<b>\$ 3,882</b>	<b>\$ 254,599</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities</b>									
Accounts Payable.....	\$ -	\$ 15,245	\$ 2,841	\$ 1,700	\$ 329	\$ 994	\$ 18	\$ 599	\$ 21,726
Interfund Payables.....	293	12,377	-	-	-	-	16	-	12,686
Deferred Revenue.....	1,341	204	113	-	-	-	-	176	1,834
Payable from Restricted Assets:									
Revenue Bonds Payable.....	775	-	-	-	-	-	-	-	775
Other Payable.....	2,027	3,281	-	-	-	-	-	-	5,308
Notes Payable.....	-	-	428	24	-	-	-	-	452
Revenue Bonds Payable.....	29,465	-	1,720	-	-	-	-	-	31,185
Compensated Absences Payable.....	1,469	877	780	997	702	6	7	191	5,029
Advances from Other Funds.....	-	-	-	-	-	-	890	-	890
Other Liabilities.....	-	180	135	9	-	-	-	-	324
<b>Total Liabilities.....</b>	<b>\$ 35,370</b>	<b>\$ 32,164</b>	<b>\$ 6,017</b>	<b>\$ 2,730</b>	<b>\$ 1,031</b>	<b>\$ 1,000</b>	<b>\$ 931</b>	<b>\$ 966</b>	<b>\$ 80,209</b>
<b>Fund Equity:</b>									
Contributed Capital.....	\$ 1,913	\$ -	\$ -	\$ 6,573	\$ 5,462	\$ -	\$ -	\$ 769	\$ 14,717
Reserved Retained Earnings:									
Reserved for Debt Requirements.....	\$ 14,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,448
<b>Total Reserved Retained Earnings.....</b>	<b>\$ 14,448</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,448</b>
Unreserved Retained Earnings.....	65,627	-	67,563	6,667	(357)	3,593	(15)	2,147	145,225
<b>Total Retained Earnings.....</b>	<b>\$ 80,075</b>	<b>\$ -</b>	<b>\$ 67,563</b>	<b>\$ 6,667</b>	<b>\$ (357)</b>	<b>\$ 3,593</b>	<b>\$ (15)</b>	<b>\$ 2,147</b>	<b>\$ 159,673</b>
<b>Total Fund Equity.....</b>	<b>\$ 81,988</b>	<b>\$ -</b>	<b>\$ 67,563</b>	<b>\$ 13,240</b>	<b>\$ 5,105</b>	<b>\$ 3,593</b>	<b>\$ (15)</b>	<b>\$ 2,916</b>	<b>\$ 174,390</b>
<b>Total Liabilities and Fund Equity.....</b>	<b>\$ 117,358</b>	<b>\$ 32,164</b>	<b>\$ 73,580</b>	<b>\$ 15,970</b>	<b>\$ 6,136</b>	<b>\$ 4,593</b>	<b>\$ 916</b>	<b>\$ 3,882</b>	<b>\$ 254,599</b>

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTAL
<b>Operating Revenues:</b>									
Net Sales.....	\$ -	\$ 348,635	\$ 53,369	\$ 17,838	\$ -	\$ -	\$ -	\$ 2,675	\$ 422,517
Interest Income.....	-	-	1,539	-	-	-	-	-	1,539
Rental and Service Fees.....	43,243	-	3,375	-	12,818	-	-	1,053	60,489
Insurance Premiums.....	-	-	-	-	-	8,115	4,800	-	12,915
Other Income.....	-	-	1,078	16	-	728	131	-	1,953
<b>Total Operating Revenues.....</b>	<b>\$ 43,243</b>	<b>\$ 348,635</b>	<b>\$ 59,361</b>	<b>\$ 17,854</b>	<b>\$ 12,818</b>	<b>\$ 8,843</b>	<b>\$ 4,931</b>	<b>\$ 3,728</b>	<b>\$ 499,413</b>
Less Cost of Goods Sold.....	-	246,495	34,420	17,217	-	-	-	777	298,909
<b>Gross Margin.....</b>	<b>\$ 43,243</b>	<b>\$ 102,140</b>	<b>\$ 24,941</b>	<b>\$ 637</b>	<b>\$ 12,818</b>	<b>\$ 8,843</b>	<b>\$ 4,931</b>	<b>\$ 2,951</b>	<b>\$ 200,504</b>
<b>Operating Expenses:</b>									
Purchased Services.....	\$ 21,104	\$ 28,888	\$ 7,476	\$ 49	\$ 400	\$ 1,248	\$ 316	\$ 1,056	\$ 60,537
Salaries and Fringe Benefits.....	13,129	9,725	8,298	3,122	10,745	84	88	1,568	46,759
Claims.....	-	-	-	-	-	7,700	4,453	-	12,153
Depreciation.....	5,080	1,051	298	452	28	7	1	63	6,980
Amortization.....	25	-	-	-	-	-	-	-	25
Supplies and Materials.....	4,088	920	2,788	148	722	-	-	129	8,795
Indirect Costs.....	-	-	-	337	482	-	-	110	929
Other Expenses.....	-	555	3,425	439	157	18	6	-	4,600
<b>Total Operating Expenses.....</b>	<b>\$ 43,426</b>	<b>\$ 41,139</b>	<b>\$ 22,285</b>	<b>\$ 4,547</b>	<b>\$ 12,534</b>	<b>\$ 9,057</b>	<b>\$ 4,864</b>	<b>\$ 2,926</b>	<b>\$ 140,778</b>
<b>Operating Income (Loss).....</b>	<b>\$ (183)</b>	<b>\$ 61,001</b>	<b>\$ 2,656</b>	<b>\$ (3,910)</b>	<b>\$ 284</b>	<b>\$ (214)</b>	<b>\$ 67</b>	<b>\$ 25</b>	<b>\$ 59,726</b>
<b>Nonoperating Revenues (Expenses):</b>									
Investment Income.....	\$ 2,229	\$ 1,934	\$ 1,073	\$ 240	\$ 181	\$ 316	\$ 67	\$ -	\$ 6,040
Grants and Subsidies.....	-	-	240	-	-	-	-	-	240
Other Nonoperating Revenues.....	9	160	329	374	-	-	-	-	872
Interest and Financing Costs.....	(1,985)	-	(203)	-	-	-	-	-	(2,188)
Grants, Aids and Subsidies.....	-	-	(1,193)	-	-	-	-	-	(1,193)
Gain (Loss) on Sale of Fixed Assets.....	-	-	-	(81)	-	-	-	-	(81)
<b>Total Nonoperating Revenues (Expenses).....</b>	<b>\$ 253</b>	<b>\$ 2,094</b>	<b>\$ 246</b>	<b>\$ 533</b>	<b>\$ 181</b>	<b>\$ 316</b>	<b>\$ 67</b>	<b>\$ -</b>	<b>\$ 3,690</b>
<b>Income (Loss) Before Operating Transfers.....</b>	<b>\$ 70</b>	<b>\$ 63,095</b>	<b>\$ 2,902</b>	<b>\$ (3,377)</b>	<b>\$ 465</b>	<b>\$ 102</b>	<b>\$ 134</b>	<b>\$ 25</b>	<b>\$ 63,416</b>
Operating Transfers-In.....	-	-	-	4,184	-	-	1,185	-	5,369
Operating Transfers-Out.....	-	(63,095)	(1,109)	-	-	-	-	-	(64,204)
<b>Net Income (Loss).....</b>	<b>\$ 70</b>	<b>\$ -</b>	<b>\$ 1,793</b>	<b>\$ 807</b>	<b>\$ 465</b>	<b>\$ 102</b>	<b>\$ 1,319</b>	<b>\$ 25</b>	<b>\$ 4,581</b>
Depreciation on Fixed Assets Acquired with Contributed Capital.....	353	-	-	-	-	-	-	-	353
<b>Increase (Decrease) in Retained Earnings.....</b>	<b>\$ 423</b>	<b>\$ -</b>	<b>\$ 1,793</b>	<b>\$ 807</b>	<b>\$ 465</b>	<b>\$ 102</b>	<b>\$ 1,319</b>	<b>\$ 25</b>	<b>\$ 4,934</b>
<b>Retained Earnings, July 1.....</b>	<b>\$ 79,652</b>	<b>\$ -</b>	<b>\$ 65,770</b>	<b>\$ 5,860</b>	<b>\$ (822)</b>	<b>\$ 3,491</b>	<b>\$ (1,334)</b>	<b>\$ 2,122</b>	<b>\$ 154,739</b>
<b>Retained Earnings, June 30.....</b>	<b>\$ 80,075</b>	<b>\$ -</b>	<b>\$ 67,563</b>	<b>\$ 6,667</b>	<b>\$ (357)</b>	<b>\$ 3,593</b>	<b>\$ (15)</b>	<b>\$ 2,147</b>	<b>\$ 159,673</b>

**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	STATE COLLEGES AND UNIVERSITIES REVENUE	STATE LOTTERY	COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES	MINNESOTA CORRECTIONAL INDUSTRIES	CHEMICAL DEPENDENCY TREATMENT	PUBLIC EMPLOYEES INSURANCE	PRIVATE EMPLOYERS INSURANCE	ENTERPRISE ACTIVITIES	TOTAL
<b>Cash Flows from Operating Activities:</b>									
Operating Income (Loss).....	\$ (183)	\$ 61,001	\$ 2,656	\$ (3,910)	\$ 284	\$ (214)	\$ 67	\$ 25	\$ 59,726
<b>Adjustments to Reconcile Operating Income to</b>									
<b>Net Cash Flows from Operating Activities:</b>									
Depreciation.....	\$ 5,080	\$ 1,051	\$ 298	\$ 452	\$ 28	\$ 7	\$ 1	\$ 63	\$ 6,980
Amortization.....	25	-	-	-	-	-	-	-	25
Write-off of Equipment.....	2,137	-	1,521	163	-	-	-	-	3,821
Loan Principal Repayments.....	-	-	5,816	-	-	-	-	-	5,816
Loans Issued.....	-	-	(5,892)	-	-	-	-	-	(5,892)
Provision for Loan Defaults.....	15	-	587	-	-	-	-	-	602
Net Nonoperating Revenues (Expenses).....	-	160	-	374	-	-	-	-	534
<b>Change in Assets and Liabilities:</b>									
Accounts Receivable.....	(192)	4,321	459	(739)	(135)	(371)	-	355	3,698
Inventories.....	-	(212)	244	353	-	-	-	(168)	217
Other Assets.....	-	(35)	(107)	(158)	(69)	-	-	-	(369)
Accounts Payable.....	(554)	(1,081)	515	213	12	379	(614)	(948)	(2,078)
Compensated Absences Payable.....	108	97	178	26	33	-	-	(2)	440
Deferred Revenues.....	297	96	(91)	-	-	-	-	23	325
Other Liabilities.....	-	(683)	(1,642)	(14)	-	(233)	-	319	(2,253)
<b>Net Reconciling Items to be Added (Deducted)</b>									
from Operating Income.....	\$ 6,916	\$ 3,714	\$ 1,886	\$ 670	\$ (131)	\$ (218)	\$ (613)	\$ (358)	\$ 11,866
<b>Net Cash Flows from Operating Activities</b> .....	<b>\$ 6,733</b>	<b>\$ 64,715</b>	<b>\$ 4,542</b>	<b>\$ (3,240)</b>	<b>\$ 153</b>	<b>\$ (432)</b>	<b>\$ (546)</b>	<b>\$ (333)</b>	<b>\$ 71,592</b>
<b>Cash Flows from Noncapital Financing Activities</b>									
Grant Receipts.....	\$ -	\$ -	\$ 569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569
Grant Disbursements.....	-	-	(1,193)	-	-	-	-	-	(1,193)
Transfers-In.....	-	-	-	4,184	-	-	-	-	4,184
Transfers-Out.....	-	(63,095)	(2,590)	-	-	-	-	-	(65,685)
Advances from Other Funds.....	-	-	-	238	-	-	-	-	238
<b>Net Cash Flows from Noncapital Financing Activities</b> .....	<b>\$ -</b>	<b>\$ (63,095)</b>	<b>\$ (3,214)</b>	<b>\$ 4,422</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (61,887)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>									
Investment in Fixed Assets.....	\$ (5,291)	\$ (3,798)	\$ (351)	\$ (1,053)	\$ -	\$ -	\$ -	\$ (96)	\$ (10,589)
Proceeds from the Sale of Fixed Assets.....	-	-	226	-	-	-	-	-	226
Repayment of Bond Principal.....	(1,520)	-	(250)	-	-	-	-	-	(1,770)
Interest Paid.....	(2,003)	-	(330)	-	-	-	-	-	(2,333)
<b>Net Cash Flows from Capital and Related Financing Activities</b> .....	<b>\$ (8,814)</b>	<b>\$ (3,798)</b>	<b>\$ (705)</b>	<b>\$ (1,053)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (96)</b>	<b>\$ (14,466)</b>
<b>Cash Flows from Investing Activities:</b>									
Proceeds from Sales and Maturities of Investments.....	\$ 381,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,152
Purchase of Investments.....	(381,884)	(2,564)	-	-	-	-	-	-	(384,448)
Investment Earnings.....	2,418	1,934	1,072	240	181	317	67	-	6,229
<b>Net Cash Flows from Investing Activities</b> .....	<b>\$ 1,686</b>	<b>\$ (630)</b>	<b>\$ 1,072</b>	<b>\$ 240</b>	<b>\$ 181</b>	<b>\$ 317</b>	<b>\$ 67</b>	<b>\$ -</b>	<b>\$ 2,933</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b> .....	<b>\$ (395)</b>	<b>\$ (2,808)</b>	<b>\$ 1,695</b>	<b>\$ 369</b>	<b>\$ 334</b>	<b>\$ (115)</b>	<b>\$ (479)</b>	<b>\$ (429)</b>	<b>\$ (1,828)</b>
Cash and Cash Equivalents, July 1.....	\$ 1,787	\$ 22,680	\$ 20,786	\$ 4,222	\$ 2,426	\$ 4,314	\$ 1,394	\$ 3,107	\$ 60,716
Cash and Cash Equivalents, June 30.....	\$ 1,392	\$ 19,872	\$ 22,481	\$ 4,591	\$ 2,760	\$ 4,199	\$ 915	\$ 2,678	\$ 58,888



## INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one state agency to other state agencies on a cost-reimbursement basis. Descriptions of individual funds in this category are presented below.

The *Intertechnologies Fund* accounts for the operation of statewide communication and information systems.

The *Central Stores Fund* accounts for the operation of centralized supplies purchasing, storage and distribution.

The *State Printer Fund* accounts for the operation of print shops.

The *Central Motor Pool Fund* accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

The *Plant Management Fund* accounts for the cost of maintenance and operation of state owned buildings and grounds in the capitol complex.

The *Employee Insurance Fund* accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

The *Risk Management Fund* accounts for the providing of liability insurance, primarily automobile, to state agencies.

The *Central Services Fund* accounts for miscellaneous centralized support services provided to state agencies.

**INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1998  
(IN THOUSANDS)**

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 9,908	\$ 62	\$ 1,425	\$ 1,069
Investments.....	-	-	-	-
Accounts Receivable.....	10,511	611	765	1,134
Interfund Receivables.....	-	-	25	-
Accrued Investment/Interest Income.....	-	-	-	-
Inventories.....	-	800	317	29
Prepaid Expenses.....	147	-	-	-
Fixed Assets (Net).....	15,280	23	350	14,555
<b>Total Assets.....</b>	<b>\$ 35,846</b>	<b>\$ 1,496</b>	<b>\$ 2,882</b>	<b>\$ 16,787</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 5,545	\$ 530	\$ 343	\$ 384
Interfund Payables.....	-	-	-	1,880
Deferred Revenue.....	55	2	19	565
Loans Payable.....	16,747	-	-	10,392
Compensated Absences Payable.....	1,478	84	240	66
Advances from Other Funds.....	-	-	-	1,800
<b>Total Liabilities.....</b>	<b>\$ 23,825</b>	<b>\$ 616</b>	<b>\$ 602</b>	<b>\$ 15,087</b>
<b>Fund Equity:</b>				
Contributed Capital.....	\$ 2,348	\$ 691	\$ 1,432	\$ 502
<b>Retained Earnings:</b>				
Reserved for Claims.....	\$ -	\$ -	\$ -	\$ -
Unreserved.....	9,673	189	848	1,198
<b>Total Retained Earnings.....</b>	<b>\$ 9,673</b>	<b>\$ 189</b>	<b>\$ 848</b>	<b>\$ 1,198</b>
<b>Total Fund Equity.....</b>	<b>\$ 12,021</b>	<b>\$ 880</b>	<b>\$ 2,280</b>	<b>\$ 1,700</b>
<b>Total Liabilities and Fund Equity.....</b>	<b>\$ 35,846</b>	<b>\$ 1,496</b>	<b>\$ 2,882</b>	<b>\$ 16,787</b>

	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTAL
Cash and Cash Equivalents.....	\$ 3,196	\$ 56,498	\$ 9,294	\$ 695	\$ 82,147
Investments.....	-	20,285	-	-	20,285
Accounts Receivable.....	3,699	15,237	64	984	33,005
Interfund Receivables.....	-	-	-	-	25
Accrued Investment/Interest Income.....	-	272	-	-	272
Inventories.....	231	-	-	35	1,412
Prepaid Expenses.....	-	-	263	-	410
Fixed Assets (Net).....	1,241	144	-	285	31,878
<b>Total Assets.....</b>	<b>\$ 8,367</b>	<b>\$ 92,436</b>	<b>\$ 9,621</b>	<b>\$ 1,999</b>	<b>\$ 169,434</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 1,110	\$ 28,618	\$ 6,651	\$ 306	\$ 43,487
Interfund Payables.....	-	-	-	75	1,955
Deferred Revenue.....	-	-	122	2	765
Loans Payable.....	420	-	-	193	27,752
Compensated Absences Payable.....	755	181	32	333	3,169
Advances from Other Funds.....	-	-	-	-	1,800
<b>Total Liabilities.....</b>	<b>\$ 2,285</b>	<b>\$ 28,799</b>	<b>\$ 6,805</b>	<b>\$ 909</b>	<b>\$ 78,928</b>
<b>Fund Equity:</b>					
Contributed Capital.....	\$ 664	\$ -	\$ -	\$ 427	\$ 6,064
<b>Retained Earnings:</b>					
Reserved for Claims.....	\$ -	\$ 63,637	\$ -	\$ -	\$ 63,637
Unreserved.....	5,418	-	2,816	663	20,805
<b>Total Retained Earnings.....</b>	<b>\$ 5,418</b>	<b>\$ 63,637</b>	<b>\$ 2,816</b>	<b>\$ 663</b>	<b>\$ 84,442</b>
<b>Total Fund Equity.....</b>	<b>\$ 6,082</b>	<b>\$ 63,637</b>	<b>\$ 2,816</b>	<b>\$ 1,090</b>	<b>\$ 90,506</b>
<b>Total Liabilities and Fund Equity.....</b>	<b>\$ 8,367</b>	<b>\$ 92,436</b>	<b>\$ 9,621</b>	<b>\$ 1,999</b>	<b>\$ 169,434</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTAL
<b>Operating Revenues:</b>									
Net Sales.....	\$ -	\$ 6,954	\$ 6,101	\$ -	\$ -	\$ -	\$ -	\$ 7,312	\$ 20,367
Rental and Service Fees.....	70,151	-	-	7,916	28,268	-	-	-	106,335
Insurance Premiums.....	-	-	-	-	-	248,553	6,535	-	255,088
Other Income.....	378	-	13	333	695	3,171	-	-	4,590
<b>Total Operating Revenues.....</b>	<b>\$ 70,529</b>	<b>\$ 6,954</b>	<b>\$ 6,114</b>	<b>\$ 8,249</b>	<b>\$ 28,963</b>	<b>\$ 251,724</b>	<b>\$ 6,535</b>	<b>\$ 7,312</b>	<b>\$ 386,380</b>
Less Cost of Goods Sold.....	-	5,889	4,624	-	-	-	-	153	10,666
<b>Gross Margin.....</b>	<b>\$ 70,529</b>	<b>\$ 1,065</b>	<b>\$ 1,490</b>	<b>\$ 8,249</b>	<b>\$ 28,963</b>	<b>\$ 251,724</b>	<b>\$ 6,535</b>	<b>\$ 7,159</b>	<b>\$ 375,714</b>
<b>Operating Expenses:</b>									
Purchased Services.....	\$ 38,431	\$ 450	\$ 271	\$ 1,224	\$ 8,665	\$ 127,854	\$ 1,773	\$ 2,760	\$ 181,428
Salaries and Fringe Benefits.....	12,882	621	747	804	8,932	1,840	321	3,645	29,792
Claims.....	-	-	-	-	-	122,608	2,686	-	125,294
Depreciation.....	10,058	5	13	4,177	145	82	-	65	14,545
Amortization.....	177	-	-	-	41	-	-	-	218
Supplies and Materials.....	1,970	42	76	1,794	1,434	53	40	369	5,778
Indirect Costs.....	634	162	187	205	509	26	33	107	1,863
Other Expenses.....	278	-	-	-	-	1,056	7	66	1,407
<b>Total Operating Expenses.....</b>	<b>\$ 64,430</b>	<b>\$ 1,280</b>	<b>\$ 1,294</b>	<b>\$ 8,204</b>	<b>\$ 19,726</b>	<b>\$ 253,519</b>	<b>\$ 4,860</b>	<b>\$ 7,012</b>	<b>\$ 360,325</b>
<b>Operating Income (Loss).....</b>	<b>\$ 6,099</b>	<b>\$ (215)</b>	<b>\$ 196</b>	<b>\$ 45</b>	<b>\$ 9,237</b>	<b>\$ (1,795)</b>	<b>\$ 1,675</b>	<b>\$ 147</b>	<b>\$ 15,389</b>
<b>Nonoperating Revenues (Expenses):</b>									
Investment Income.....	\$ 888	\$ -	\$ -	\$ 583	\$ 20	\$ 5,790	\$ 471	\$ 9	\$ 7,761
Other Nonoperating Revenues.....	-	-	-	-	-	-	-	50	50
Interest and Financing Costs.....	(1,098)	-	-	(623)	(23)	-	-	(8)	(1,752)
Gain (Loss) on Sale of Fixed Assets.....	(11)	-	-	336	10	(4)	-	-	331
<b>Net Nonoperating Revenues (Expenses).....</b>	<b>\$ (221)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 296</b>	<b>\$ 7</b>	<b>\$ 5,786</b>	<b>\$ 471</b>	<b>\$ 51</b>	<b>\$ 6,390</b>
<b>Income (Loss) Before Operating Transfers.....</b>	<b>\$ 5,878</b>	<b>\$ (215)</b>	<b>\$ 196</b>	<b>\$ 341</b>	<b>\$ 9,244</b>	<b>\$ 3,991</b>	<b>\$ 2,146</b>	<b>\$ 198</b>	<b>\$ 21,779</b>
Operating Transfers-Out.....	-	-	-	-	(9,926)	-	-	-	(9,926)
<b>Net Income (Loss).....</b>	<b>\$ 5,878</b>	<b>\$ (215)</b>	<b>\$ 196</b>	<b>\$ 341</b>	<b>\$ (682)</b>	<b>\$ 3,991</b>	<b>\$ 2,146</b>	<b>\$ 198</b>	<b>\$ 11,853</b>
Retained Earnings, July 1, as Reported.....	\$ 3,795	\$ 404	\$ 652	\$ 857	\$ 5,361	\$ 59,646	\$ 2,191	\$ 465	\$ 73,371
Prior Period Adjustments.....	-	-	-	-	739	-	(1,521)	-	(782)
Retained Earnings, July 1, as Restated.....	\$ 3,795	\$ 404	\$ 652	\$ 857	\$ 6,100	\$ 59,646	\$ 670	\$ 465	\$ 72,589
Retained Earnings, June 30.....	\$ 9,673	\$ 189	\$ 848	\$ 1,198	\$ 5,418	\$ 63,637	\$ 2,816	\$ 663	\$ 84,442

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
 YEAR ENDED JUNE 30, 1998  
 (IN THOUSANDS)

	INTER- TECHNOLOGIES	CENTRAL STORES	STATE PRINTER	CENTRAL MOTOR POOL	PLANT MANAGEMENT	EMPLOYEE INSURANCE	RISK MANAGEMENT	CENTRAL SERVICES	TOTAL
<b>Cash Flows from Operating Activities:</b>									
Operating Income (Loss).....	\$ 6,099	\$ (215)	\$ 196	\$ 45	\$ 9,237	\$ (1,795)	\$ 1,675	\$ 147	\$ 15,389
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>									
Depreciation.....	\$ 10,058	\$ 5	\$ 132	\$ 4,177	\$ 145	\$ 82	\$ -	\$ 65	\$ 14,664
Amortization.....	177	-	-	-	41	-	-	-	218
<b>Change in Assets and Liabilities:</b>									
Accounts Receivable.....	1,109	276	18	31	(2,108)	(2,768)	(130)	(110)	(3,682)
Inventories.....	-	(80)	(123)	8	(15)	-	-	(14)	(224)
Other Assets.....	475	-	-	-	-	-	(218)	-	257
Accounts Payable.....	2,218	(101)	(22)	(37)	259	1,223	(37)	(20)	3,483
Compensated Absences Payable.....	17	9	26	2	(4)	17	-	15	82
Deferred Revenues.....	(163)	2	19	-	-	-	7	2	(133)
<b>Net Reconciling Items to be Added (Deducted) from Operating Income.....</b>									
	\$ 13,891	\$ 111	\$ 50	\$ 4,181	\$ (1,682)	\$ (1,446)	\$ (378)	\$ (62)	\$ 14,665
<b>Net Cash Flows from Operating Activities.....</b>	<b>\$ 19,990</b>	<b>\$ (104)</b>	<b>\$ 246</b>	<b>\$ 4,226</b>	<b>\$ 7,555</b>	<b>\$ (3,241)</b>	<b>\$ 1,297</b>	<b>\$ 85</b>	<b>\$ 30,054</b>
<b>Cash Flows from Noncapital Financing Activities:</b>									
Transfers-Out.....	\$ -	\$ -	\$ -	\$ -	\$ (9,926)	\$ -	\$ -	\$ -	\$ (9,926)
Advances from Other Funds.....	-	-	-	6,400	-	-	-	-	6,400
Repayments of Advances from Other Funds.....	(2,500)	-	-	(5,791)	-	-	-	(35)	(8,326)
<b>Net Cash Flows from Noncapital Financing Activities.....</b>	<b>\$ (2,500)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 609</b>	<b>\$ (9,926)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (11,852)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>									
Investment in Fixed Assets.....	\$ (6,596)	\$ (17)	\$ (43)	\$ (3,661)	\$ (146)	\$ (42)	\$ -	\$ (205)	\$ (10,710)
Proceeds from the Sale of Fixed Assets.....	-	-	-	1,226	10	-	-	-	1,236
Capital Lease Payments.....	(63)	-	-	-	(23)	-	-	-	(86)
Proceeds from Loans.....	6,498	-	-	3,650	104	-	-	197	10,449
Repayment of Loan Principal.....	(11,513)	-	-	(5,804)	(156)	-	-	(21)	(17,494)
Interest Paid.....	(1,128)	-	-	(634)	-	-	-	(8)	(1,770)
<b>Net Cash Flows from Capital and Related Financing Activities.....</b>	<b>\$ (12,802)</b>	<b>\$ (17)</b>	<b>\$ (43)</b>	<b>\$ (5,223)</b>	<b>\$ (211)</b>	<b>\$ (42)</b>	<b>\$ -</b>	<b>\$ (37)</b>	<b>\$ (18,375)</b>
<b>Cash Flows from Investing Activities:</b>									
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000
Purchase of Investments.....	-	-	-	-	-	(5,010)	-	-	(5,010)
Investment Earnings.....	888	-	-	583	20	5,259	470	8	7,228
<b>Net Cash Flows from Investing Activities.....</b>	<b>\$ 888</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 583</b>	<b>\$ 20</b>	<b>\$ 5,249</b>	<b>\$ 470</b>	<b>\$ 8</b>	<b>\$ 7,218</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	<b>\$ 5,576</b>	<b>\$ (121)</b>	<b>\$ 203</b>	<b>\$ 195</b>	<b>\$ (2,562)</b>	<b>\$ 1,966</b>	<b>\$ 1,767</b>	<b>\$ 21</b>	<b>\$ 7,045</b>
Cash and Cash Equivalents, July 1.....	\$ 4,332	\$ 183	\$ 1,222	\$ 874	\$ 5,758	\$ 54,532	\$ 7,527	\$ 674	\$ 75,102
Cash and Cash Equivalents, June 30.....	\$ 9,908	\$ 62	\$ 1,425	\$ 1,069	\$ 3,196	\$ 56,498	\$ 9,294	\$ 695	\$ 82,147

## FIDUCIARY FUNDS

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Below are descriptions of the generic fund types within this category and specific funds within each fund type.

*PENSION TRUST FUNDS* are funds administered by independent boards for which the state performs a fiduciary role. These funds are categorized by function into three types.

Defined Benefit Pension Funds include those retirement funds for which the participant's retirement annuity is based on a statutory formula utilizing such factors as age, average salary, length of service and others. Individual funds in this category include those described below.

The *Public Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

The *Police and Fire Fund* includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

The *Police and Fire Consolidation Fund* includes resources accumulated to pay present and future retirement annuities to police officers and firefighters belonging to local relief associations, that merged with the Public Employees Retirement Association.

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

The *State Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

The *State Patrol Retirement Fund* includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers and crime bureau personnel.

The *Correctional Employees Retirement Fund* includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for inmates at Minnesota correctional facilities.

The *Judicial Retirement 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.

The *Elective State Officers Fund* includes resources accumulated to pay present and future retirement annuities for the state's constitutional officers.

The *Legislative Retirement Fund* includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

Defined Contribution Funds include those retirement funds for which the amount of the participant's retirement annuity is primarily determined by the employer/employee contributions. Other factors such as age and length of service may provide minimum eligibility qualifications. Individual funds in this category are described below.

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

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

The *College and University Retirement Fund* includes the aggregate of share accounts derived from contributions received from eligible state university and community college with matching state contributions, administered by the State College and University System.

*NONEXPENDABLE TRUST FUNDS* are funds whose principal may not be expended.

The *Permanent School Fund* is a constitutionally established trust fund which receives revenue from investments and the sale of state land and timber. The investment earnings are transferred to the Endowment School Fund for distribution to school districts.

The *Environment and Natural Resources Trust Fund* receives 40 percent of the net lottery proceeds of the State Lottery Fund. The investment earnings of the fund are available for the purpose of managing the state's environmental and natural resources. Available proceeds and earnings are transferred to the Environment and Natural Resources Expendable Trust Fund.

*EXPENDABLE TRUST FUNDS* are funds whose resources, including principal and interest, may be expended. Descriptions of individual funds in this category follow.

The *Municipal State-Aid Street Fund* receives 8.95 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to municipalities for improvement of streets.

The *County State-Aid Highway Fund* receives 30.75 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to counties for improvement of county roads.

The *Endowment School Fund* receives revenue from the investments of the Permanent School Fund and distributes it to school districts.

The *Endowment Fund* receives gifts, donations and endowments which may be expended only for those purposes specified by the donors.

The *Environment and Natural Resources Trust Fund* receives the investment earnings and a portion of the net lottery proceeds deposited in the Environment and Natural Resources Nonexpendable Trust Fund in accordance with a plan approved by the Minnesota Future Resource Commission.

The *Northeast Minnesota Economic Protection 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.

The *Reemployment Insurance Fund* receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

The *State Deferred Compensation Fund* includes the portion of the plan where participants have selected investment options provided by the State Board of Investment.

*AGENCY FUNDS* are funds which hold monies in an agency capacity for various governmental units, individuals or funds. Individual fund description follow.

The *Disbursement Clearing Fund* is a clearing fund used to account for state warrants issued and redeemed.

The *Miscellaneous Agency Fund* includes the amounts held in trust by the state for other governmental units, individuals or funds.

STATE OF MINNESOTA

**FIDUCIARY FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1998  
(IN THOUSANDS)**

	PENSION TRUST	NON- EXPENDABLE TRUST	EXPENDABLE TRUST	AGENCY	TOTAL
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 2,038,035	\$ 42,029	\$ 1,056,876	\$ 195,707	\$ 3,332,647
Investments.....	35,798,732	702,434	538,283	9,871	37,049,320
Accounts Receivable.....	34,172	3,923	15,764	26,435	80,294
Interfund Receivables.....	22,381	4,039	34,179	206	60,805
Accrued Investment/Interest Income.....	171,364	3,927	1,850	-	177,141
Federal Aid Receivable.....	-	-	135	-	135
Inventories.....	-	-	2,197	-	2,197
Loans and Notes Receivable.....	-	-	22,626	-	22,626
Securities Lending Collateral.....	3,565,607	-	47,076	-	3,612,683
Fixed Assets (Net).....	1,737	15,407	-	-	17,144
<b>Total Assets.....</b>	<b>\$ 41,632,028</b>	<b>\$ 771,759</b>	<b>\$ 1,718,986</b>	<b>\$ 232,219</b>	<b>\$ 44,354,992</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Warrants Payable.....	\$ -	\$ -	\$ -	\$ 149,713	\$ 149,713
Accounts Payable.....	1,217,736	47	23,008	32,642	1,273,433
Interfund Payables.....	14,540	9,062	11,285	3,877	38,764
Deferred Revenue.....	-	-	3,188	-	3,188
Compensated Absences Payable.....	840	-	800	-	1,640
Securities Lending Collateral.....	3,565,607	-	47,076	-	3,612,683
Funds Held in Trust.....	-	-	-	45,987	45,987
<b>Total Liabilities.....</b>	<b>\$ 4,798,723</b>	<b>\$ 9,109</b>	<b>\$ 85,357</b>	<b>\$ 232,219</b>	<b>\$ 5,125,408</b>
<b>Fund Balances:</b>					
<b>Reserved Fund Balances:</b>					
Reserved for Encumbrances.....	\$ -	\$ -	\$ 3,983	\$ -	\$ 3,983
Reserved for Inventory.....	-	-	2,197	-	2,197
Reserved for Long-Term Receivables.....	-	-	22,296	-	22,296
Reserved for Local Governments.....	-	-	388,160	-	388,160
Reserved for Trust Principal.....	-	762,650	-	-	762,650
Reserved for Pension Benefits.....	36,833,305	-	551,728	-	37,385,033
<b>Total Reserved Fund Balances.....</b>	<b>\$ 36,833,305</b>	<b>\$ 762,650</b>	<b>\$ 968,364</b>	<b>\$ -</b>	<b>\$ 38,564,319</b>
<b>Unreserved Fund Balances:</b>					
Designated for Fund Purposes.....	-	-	589,718	-	589,718
Undesignated.....	-	-	75,547	-	75,547
<b>Total Fund Balances.....</b>	<b>\$ 36,833,305</b>	<b>\$ 762,650</b>	<b>\$ 1,633,629</b>	<b>\$ -</b>	<b>\$ 39,229,584</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 41,632,028</b>	<b>\$ 771,759</b>	<b>\$ 1,718,986</b>	<b>\$ 232,219</b>	<b>\$ 44,354,992</b>

**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**JUNE 30, 1998**  
**(IN THOUSANDS)**

ASSETS	DEFINED BENEFIT	DEFINED CONTRIBUTION	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	TOTAL
Cash and Cash Equivalents.....	\$ 142,408	\$ 7,816	\$ -	\$ 150,224
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 1,839,246	\$ 36,256	\$ 12,309	\$ 1,887,811
Investments.....	34,975,667	650,273	172,792	35,798,732
Accrued Interest and Dividends.....	168,799	1,761	612	171,172
Security Trades Net Receivables (Payables).....	(1,201,884)	(1,460)	(716)	(1,204,060)
Total Investment Pool Participation.....	\$ 35,781,828	\$ 686,830	\$ 184,997	\$ 36,653,655
Receivables:				
Employer Contributions.....	\$ 27,894	\$ -	\$ -	\$ 27,894
Member Contributions.....	4,671	-	-	4,671
Accounts Receivable.....	-	365	-	365
Interfund Receivables.....	21,594	787	-	22,381
Other Receivables.....	1,242	-	-	1,242
Accrued Interest and Dividends.....	192	-	-	192
Total Receivables.....	\$ 55,593	\$ 1,152	\$ -	\$ 56,745
Securities Lending Collateral.....	\$ 3,490,059	\$ 55,376	\$ 20,172	\$ 3,565,607
Fixed Assets, net of accumulated depreciation.....	1,737	-	-	1,737
<b>Total Assets.....</b>	<b>\$ 39,471,625</b>	<b>\$ 751,174</b>	<b>\$ 205,169</b>	<b>\$ 40,427,968</b>
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 10,862	\$ 2,814	\$ -	\$ 13,676
Interfund Payables.....	9,460	5,080	-	14,540
Compensated Absences Payable.....	840	-	-	840
Securities Lending Collateral.....	3,490,059	55,376	20,172	3,565,607
<b>Total Liabilities.....</b>	<b>\$ 3,511,221</b>	<b>\$ 63,270</b>	<b>\$ 20,172</b>	<b>\$ 3,594,663</b>
<b>Net Assets Held in Trust for Pension Benefits.....</b>	<b>\$ 35,960,404</b>	<b>\$ 687,904</b>	<b>\$ 184,997</b>	<b>\$ 36,833,305</b>



STATE OF MINNESOTA

**PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	DEFINED BENEFIT	DEFINED CONTRIBUTION	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	TOTAL
Additions:				
Contributions:				
Employer.....	\$ 447,264	\$ 19,895	\$ -	\$ 467,159
Member.....	371,482	15,196	-	386,678
Participating Plans.....	-	-	19,360	19,360
Total Contributions.....	\$ 818,746	\$ 35,091	\$ 19,360	\$ 873,197
Net Investment Income:				
Investment Income.....	\$ 6,240,735	\$ 119,048	\$ 34,275	\$ 6,394,058
Less: Investment Expense.....	(25,559)	-	(108)	(25,667)
Net Investment Income.....	\$ 6,215,176	\$ 119,048	\$ 34,167	\$ 6,368,391
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 226,481	\$ 2,908	\$ 1,035	\$ 230,424
Borrower Rebates.....	(208,204)	(2,674)	(951)	(211,829)
Management Fees.....	(5,756)	(70)	(25)	(5,851)
Net Securities Lending Revenue.....	\$ 12,521	\$ 164	\$ 59	\$ 12,744
Total Investment Income.....	\$ 6,227,697	\$ 119,212	\$ 34,226	\$ 6,381,135
Transfers From Other Funds.....	\$ 9,862	\$ 721	\$ -	\$ 10,583
Other Additions.....	27,150	5,577	-	32,727
Total Additions.....	\$ 7,083,455	\$ 160,601	\$ 53,586	\$ 7,297,642
Deductions:				
Benefits.....	\$ 1,285,405	\$ -	\$ -	\$ 1,285,405
Refunds/Withdrawals.....	36,255	25,545	5,528	67,328
Administrative Expenses.....	20,486	1,199	-	21,685
Transfers to Other Funds.....	7,109	3,474	-	10,583
Total Deductions.....	\$ 1,349,255	\$ 30,218	\$ 5,528	\$ 1,385,001
Net Increase.....	\$ 5,734,200	\$ 130,383	\$ 48,058	\$ 5,912,641
Net Assets Held in Trust for Pension Benefits, July 1, as Reported.....	\$ 30,226,204	\$ 548,273	\$ 136,939	\$ 30,911,416
Change in Accounting Principles.....	-	9,248	-	9,248
Net Assets Held in Trust for Pension Benefits, July 1, as Restated.....	\$ 30,226,204	\$ 557,521	\$ 136,939	\$ 30,920,664
Net Assets Held in Trust for Pension Benefits, June 30.....	\$ 35,960,404	\$ 687,904	\$ 184,997	\$ 36,833,305

**DEFINED BENEFIT PENSION FUNDS  
COMBINING STATEMENT OF PLAN NET ASSETS**

JUNE 30, 1998  
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			TEACHERS RETIREMENT ASSOCIATION
	PUBLIC EMPLOYEES RETIREMENT	POLICE AND FIRE	POLICE AND FIRE CONSOLIDATION	TEACHERS RETIREMENT
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 29,475	\$ 16,734	\$ 3,919	\$ 30,594
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 499,458	\$ 121,145	\$ 68,323	\$ 804,043
Investments.....	9,084,157	2,651,857	1,206,719	14,878,414
Accrued Interest and Dividends.....	44,560	12,396	5,970	71,770
Security Trades Net Receivables (Payables).....	(320,619)	(86,263)	(43,207)	(511,184)
Total Investment Pool Participation.....	\$ 9,307,556	\$ 2,699,135	\$ 1,237,805	\$ 15,243,043
Receivables:				
Employer Contributions.....	\$ -	\$ -	\$ -	\$ 22,889
Member Contributions.....	-	-	-	-
Interfund Receivables.....	722	5	7	-
Other Receivables.....	499	134	137	355
Accrued Interest and Dividends.....	-	-	-	-
Total Receivables.....	\$ 1,221	\$ 139	\$ 144	\$ 23,244
Securities Lending Collateral.....	\$ 916,571	\$ 258,807	\$ 122,448	\$ 1,484,023
Fixed Assets net of accumulated depreciation.....	537	-	-	1,085
Total Assets.....	\$ 10,255,360	\$ 2,974,815	\$ 1,364,316	\$ 16,781,989
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 2,296	\$ 706	\$ 180	\$ 5,682
Interfund Payables.....	4	508	165	-
Compensated Absences Payable.....	471	-	-	369
Securities Lending Collateral.....	916,571	258,807	122,448	1,484,023
Total Liabilities.....	\$ 919,342	\$ 260,021	\$ 122,793	\$ 1,490,074
Net Assets Held in Trust for Pension Benefits.....	\$ 9,336,018	\$ 2,714,794	\$ 1,241,523	\$ 15,291,915

A Schedule of Funding Progress for State Patrol Retirement, Correctional Employees Retirement, Judicial Retirement, Elective State Officers, and Legislative Retirement is presented in Note 17.

	MINNESOTA STATE RETIREMENT SYSTEM						ELECTIVE STATE OFFICERS	LEGISLATIVE RETIREMENT	TOTAL
	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDICIAL RETIREMENT					
	\$ 48,213	\$ 1,284	\$ 10,759	\$ 1,701	\$ -	\$ (271)	\$ -	\$ 142,408	
	\$ 296,004	\$ 27,702	\$ 12,355	\$ 7,833	\$ -	\$ 2,383	\$ -	\$ 1,839,246	
	6,197,570	501,953	319,455	103,897	-	31,645	-	34,975,667	
	29,471	2,426	1,507	532	-	167	-	168,799	
	(207,579)	(17,284)	(10,553)	(3,937)	-	(1,258)	-	(1,201,884)	
	\$ 6,315,466	\$ 514,797	\$ 322,764	\$ 108,325	\$ -	\$ 32,937	\$ -	\$ 35,781,828	
	\$ 4,081	\$ 323	\$ 459	\$ 142	\$ -	\$ -	\$ -	\$ 27,894	
	4,077	209	327	55	3	-	-	4,671	
	5,895	1	7,712	-	500	6,752	-	21,594	
	110	4	1	2	-	-	-	1,242	
	169	12	10	1	-	-	-	192	
	\$ 14,332	\$ 549	\$ 8,509	\$ 200	\$ 503	\$ 6,752	\$ -	\$ 55,593	
	\$ 611,957	\$ 50,125	\$ 31,741	\$ 11,028	\$ -	\$ 3,359	\$ -	\$ 3,490,059	
	115	-	-	-	-	-	-	1,737	
	\$ 6,990,083	\$ 566,755	\$ 373,773	\$ 121,254	\$ 503	\$ 42,777	\$ -	\$ 39,471,625	
	\$ 1,790	\$ 103	\$ 88	\$ 11	\$ 2	\$ 4	\$ -	\$ 10,862	
	8,499	59	170	29	1	25	-	9,460	
	-	-	-	-	-	-	-	840	
	611,957	50,125	31,741	11,028	-	3,359	-	3,490,059	
	\$ 622,246	\$ 50,287	\$ 31,999	\$ 11,068	\$ 3	\$ 3,388	\$ -	\$ 3,511,221	
	\$ 6,367,837	\$ 516,468	\$ 341,774	\$ 110,186	\$ 500	\$ 39,389	\$ -	\$ 35,960,404	

**DEFINED BENEFIT PENSION FUNDS  
COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			TEACHERS RETIREMENT ASSOCIATION
	PUBLIC EMPLOYEES RETIREMENT	POLICE AND FIRE	POLICE AND FIRE CONSOLIDATION	TEACHERS RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 151,499	\$ 42,786	\$ 13,229	\$ 151,323
Member.....	140,386	28,552	3,733	124,096
Total Contributions.....	\$ 291,885	\$ 71,338	\$ 16,962	\$ 275,419
Net Investment Income:				
Investment Income.....	\$ 1,584,753	\$ 493,468	\$ 230,864	\$ 2,645,608
Less: Investment Expense.....	(5,465)	(2,608)	(684)	(10,826)
Net Investment Income.....	\$ 1,579,288	\$ 490,860	\$ 230,180	\$ 2,634,782
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 59,654	\$ 16,727	\$ 7,979	\$ 96,201
Borrower Rebates.....	(54,819)	(15,353)	(7,334)	(88,527)
Management Fees.....	(1,522)	(433)	(203)	(2,416)
Net Securities Lending Revenue.....	\$ 3,313	\$ 941	\$ 442	\$ 5,258
Total Investment Income.....	\$ 1,582,601	\$ 491,801	\$ 230,622	\$ 2,640,040
Transfers from Other Funds.....	\$ -	\$ -	\$ -	\$ -
Other Additions.....	1,382	193	24,222	1,330
Total Additions.....	\$ 1,875,868	\$ 563,332	\$ 271,806	\$ 2,916,789
Deductions:				
Benefits.....	\$ 412,745	\$ 56,034	\$ 61,106	\$ 533,851
Refunds.....	16,922	1,182	296	5,689
Administrative Expenses.....	8,377	654	626	6,644
Transfers to Other Funds.....	-	-	-	-
Total Deductions.....	\$ 438,044	\$ 57,870	\$ 62,028	\$ 546,184
Net Increase.....	\$ 1,437,824	\$ 505,462	\$ 209,778	\$ 2,370,605
Net Assets Held in Trust for Pension Benefits, July 1.....	\$ 7,898,194	\$ 2,209,332	\$ 1,031,745	\$ 12,921,310
Net Assets Held in Trust for Pension Benefits, June 30.....	\$ 9,336,018	\$ 2,714,794	\$ 1,241,523	\$ 15,291,915

	MINNESOTA STATE RETIREMENT SYSTEM						TOTAL
	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	JUDICIAL RETIREMENT	ELECTIVE STATE OFFICERS	LEGISLATIVE RETIREMENT	
Additions:							
Contributions:							
Employer.....	\$ 62,315	\$ 5,475	\$ 8,146	\$ 7,129	\$ 175	\$ 5,187	\$ 447,264
Member.....	62,901	3,635	5,954	1,571	42	612	371,482
Total Contributions.....	\$ 125,216	\$ 9,110	\$ 14,100	\$ 8,700	\$ 217	\$ 5,799	\$ 818,746
Net Investment Income:							
Investment Income.....	\$ 1,113,091	\$ 90,304	\$ 58,625	\$ 18,399	\$ -	\$ 5,623	\$ 6,240,735
Less: Investment Expense.....	(5,288)	(370)	(289)	(29)	-	-	(25,559)
Net Investment Income.....	\$ 1,107,803	\$ 89,934	\$ 58,336	\$ 18,370	\$ -	\$ 5,623	\$ 6,215,176
Securities Lending Revenues (Expenses):							
Securities Lending Income.....	\$ 39,649	\$ 3,255	\$ 2,071	\$ 724	\$ -	\$ 221	\$ 226,481
Borrower Rebates.....	(36,408)	(2,991)	(1,903)	(666)	-	(203)	(208,204)
Management Fees.....	(1,022)	(83)	(53)	(18)	-	(6)	(5,756)
Net Securities Lending Revenue.....	\$ 2,219	\$ 181	\$ 115	\$ 40	\$ -	\$ 12	\$ 12,521
Total Investment Income.....	\$ 1,110,022	\$ 90,115	\$ 58,451	\$ 18,410	\$ -	\$ 5,635	\$ 6,227,697
Transfers from Other Funds.....	\$ 3,487	\$ -	\$ 6,375	\$ -	\$ -	\$ -	\$ 9,862
Other Additions.....	13	-	-	10	-	-	27,150
Total Additions.....	\$ 1,238,738	\$ 99,225	\$ 78,926	\$ 27,120	\$ 217	\$ 11,434	\$ 7,083,455
Deductions:							
Benefits.....	\$ 182,561	\$ 18,353	\$ 8,226	\$ 9,082	\$ 171	\$ 3,276	\$ 1,285,405
Refunds.....	11,658	23	378	-	-	107	36,255
Administrative Expenses.....	3,202	400	424	85	3	71	20,486
Transfers to Other Funds.....	7,096	-	13	-	-	-	7,109
Total Deductions.....	\$ 204,517	\$ 18,776	\$ 9,041	\$ 9,167	\$ 174	\$ 3,454	\$ 1,349,255
Net Increase.....	\$ 1,034,221	\$ 80,449	\$ 69,885	\$ 17,953	\$ 43	\$ 7,980	\$ 5,734,200
Net Assets Held in Trust for Pension Benefits, July 1.....	\$ 5,333,616	\$ 436,019	\$ 271,889	\$ 92,233	\$ 457	\$ 31,409	\$ 30,226,204
Net Assets Held in Trust for Pension Benefits, June 30.....	\$ 6,367,837	\$ 516,468	\$ 341,774	\$ 110,186	\$ 500	\$ 39,389	\$ 35,960,404

STATE OF MINNESOTA

**DEFINED CONTRIBUTION FUNDS  
COMBINING STATEMENT OF PLAN NET ASSETS**

JUNE 30, 1998  
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION DEFINED CONTRIBUTION	MINNESOTA STATE RETIREMENT SYSTEM UNCLASSIFIED EMPLOYEES RETIREMENT	COLLEGE AND UNIVERSITY RETIREMENT	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 3	\$ 6,715	\$ 1,098	\$ 7,816
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 1,049	\$ 18,104	\$ 17,103	\$ 36,256
Investments.....	11,263	210,152	428,858	650,273
Accrued Interest and Dividends.....	41	765	955	1,761
Security Trades Net Receivables (Payables).....	(77)	(824)	(559)	(1,460)
Total Investment Pool Participation.....	\$ 12,276	\$ 228,197	\$ 446,357	\$ 686,830
Receivables:				
Accounts Receivable.....	\$ -	\$ 365	\$ -	\$ 365
Interfund Receivables.....	-	787	-	787
Total Receivables.....	\$ -	\$ 1,152	\$ -	\$ 1,152
Securities Lending Collateral.....	\$ 1,115	\$ 23,408	\$ 30,853	\$ 55,376
Total Assets.....	\$ 13,394	\$ 259,472	\$ 478,308	\$ 751,174
<b>LIABILITIES</b>				
Accounts Payable.....	\$ -	\$ 115	\$ 2,699	\$ 2,814
Interfund Payables.....	57	5,023	-	5,080
Securities Lending Collateral.....	1,115	23,408	30,853	55,376
Total Liabilities.....	\$ 1,172	\$ 28,546	\$ 33,552	\$ 63,270
Net Assets Held in Trust for Pension Benefits.....	\$ 12,222	\$ 230,926	\$ 444,756	\$ 687,904

## STATE OF MINNESOTA

**DEFINED CONTRIBUTION FUNDS  
COMBINING STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION DEFINED CONTRIBUTION	MINNESOTA STATE RETIREMENT SYSTEM UNCLASSIFIED EMPLOYEES RETIREMENT	COLLEGE AND UNIVERSITY RETIREMENT	TOTAL
Additions:				
Contributions:				
Employer.....	\$ 812	\$ 4,795	\$ 14,288	\$ 19,895
Member.....	691	3,489	11,016	15,196
Total Contributions.....	\$ 1,503	\$ 8,284	\$ 25,304	\$ 35,091
Investment Income.....	\$ 2,045	\$ 41,850	\$ 75,153	\$ 119,048
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 60	\$ 1,236	\$ 1,612	\$ 2,908
Borrower Rebates.....	(55)	(1,134)	(1,485)	(2,674)
Management Fees.....	(2)	(31)	(37)	(70)
Net Securities Lending Revenue.....	\$ 3	\$ 71	\$ 90	\$ 164
Total Investment Income.....	\$ 2,048	\$ 41,921	\$ 75,243	\$ 119,212
Transfers from Other Funds.....	\$ -	\$ 721	\$ -	\$ 721
Other Additions.....	-	60	5,517	5,577
Total Additions.....	\$ 3,551	\$ 50,986	\$ 106,064	\$ 160,601
Deductions:				
Refunds/Withdrawals.....	\$ 520	\$ 5,333	\$ 19,692	\$ 25,545
Administrative Expenses.....	57	117	1,025	1,199
Transfers to Other Funds.....	-	3,474	-	3,474
Total Deductions.....	\$ 577	\$ 8,924	\$ 20,717	\$ 30,218
Net Increase.....	\$ 2,974	\$ 42,062	\$ 85,347	\$ 130,383
Net Assets Held in Trust for Pension Benefits, July 1, as Reported.....	\$ -	\$ 188,864	\$ 359,409	\$ 548,273
Change in Accounting Principles.....	9,248	-	-	9,248
Net Assets Held in Trust for Pension Benefits, July 1, as Restated.....	\$ 9,248	\$ 188,864	\$ 359,409	\$ 557,521
Net Assets Held in Trust for Pension Benefits, June 30.....	\$ 12,222	\$ 230,926	\$ 444,756	\$ 687,904

**NONEXPENDABLE TRUST FUNDS  
COMBINING BALANCE SHEET**

 JUNE 30, 1998  
 (IN THOUSANDS)

ASSETS	PERMANENT SCHOOL	ENVIRONMENT AND NATURAL RESOURCES TRUST	TOTAL
Cash and Cash Equivalents.....	\$ 33,633	\$ 8,396	\$ 42,029
Investments.....	472,228	230,206	702,434
Accounts Receivable.....	3,923	-	3,923
Interfund Receivables.....	-	4,039	4,039
Accrued Investment Income.....	2,686	1,241	3,927
Fixed Assets (Net).....	15,407	-	15,407
<b>Total Assets.....</b>	<b>\$ 527,877</b>	<b>\$ 243,882</b>	<b>\$ 771,759</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable.....	\$ 47	\$ -	\$ 47
Interfund Payables.....	9,062	-	9,062
<b>Total Liabilities.....</b>	<b>\$ 9,109</b>	<b>\$ -</b>	<b>\$ 9,109</b>
Fund Balances			
Reserved for Trust Principal.....	\$ 518,768	\$ 243,882	\$ 762,650
<b>Total Fund Balance.....</b>	<b>\$ 518,768</b>	<b>\$ 243,882</b>	<b>\$ 762,650</b>
<b>Total Liabilities and Fund Balances ..</b>	<b>\$ 527,877</b>	<b>\$ 243,882</b>	<b>\$ 771,759</b>

**NONEXPENDABLE TRUST FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	PERMANENT SCHOOL	ENVIRONMENT AND NATURAL RESOURCES TRUST	TOTAL
<b>Operating Revenues:</b>			
Net Sales.....	\$ 12,854	\$ -	\$ 12,854
Investment Income.....	75,766	39,132	114,898
Total Operating Revenues.....	\$ 88,620	\$ 39,132	\$ 127,752
<b>Operating Expenses:</b>			
Purchased Services.....	\$ 119	\$ -	\$ 119
Investment Management Fees.....	31	-	31
Salaries and Fringe Benefits.....	4,529	-	4,529
Depreciation.....	2	-	2
Total Operating Expenses.....	\$ 4,681	\$ -	\$ 4,681
Operating Income.....	\$ 83,939	\$ 39,132	\$ 123,071
<b>Nonoperating Revenues (Expenses):</b>			
Gain on Sale of Fixed Assets.....	\$ 251	\$ -	\$ 251
Total Nonoperating Revenues.....	\$ 251	\$ -	\$ 251
Income Before Operating Transfers.....	\$ 84,190	\$ 39,132	\$ 123,322
Operating Transfers-In.....	-	24,708	24,708
Operating Transfers-Out.....	(18,569)	(7,065)	(25,634)
Net Income.....	\$ 65,621	\$ 56,775	\$ 122,396
Fund Balances, July 1, as Reported.....	\$ 467,714	\$ 146,072	\$ 613,786
Change in Accounting Principles.....	(14,567)	39,572	25,005
Fund Balances, July 1, as Restated.....	\$ 453,147	\$ 185,644	\$ 638,791
Residual Equity Transfers-In.....	-	1,463	1,463
Fund Balances, June 30.....	\$ 518,768	\$ 243,882	\$ 762,650

**NONEXPENDABLE TRUST FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	PERMANENT SCHOOL	ENVIRONMENT AND NATURAL RESOURCES TRUST	TOTAL
Cash Flows from Operating Activities:			
Operating Income.....	\$ 83,939	\$ 39,132	\$ 123,071
Adjustments to Reconcile Operating Income to			
Net Cash Flows from Operating Activities:			
Investment Income.....	\$ (75,766)	\$ (39,132)	\$ (114,898)
Depreciation.....	2	-	2
Change in Assets and Liabilities:			
Accounts Receivable.....	1,336	-	1,336
Accounts Payable.....	57	-	57
Net Reconciling Items to be Added (Deducted)			
from Operating Income.....	\$ (74,371)	\$ (39,132)	\$ (113,503)
Net Cash Flows from Operating Activities.....	\$ 9,568	\$ -	\$ 9,568
Cash Flows from Noncapital Financing Activities:			
Transfers-In.....	\$ -	\$ 25,099	\$ 25,099
Transfers-Out.....	(23,392)	(8,683)	(32,075)
Residual Equity Transfers-In.....	-	1,463	1,463
Net Cash Flows from Noncapital Financing Activities.....	\$ (23,392)	\$ 17,879	\$ (5,513)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Sale of Fixed Assets.....	\$ 1,007	\$ -	\$ 1,007
Net Cash Flows from Capital and Related Financing Activities.....	\$ 1,007	\$ -	\$ 1,007
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	\$ 218,500	\$ 2,800	\$ 221,300
Purchase of Investments.....	(228,223)	(28,568)	(256,791)
Investment Earnings.....	20,339	8,819	29,158
Net Cash Flows from Investing Activities.....	\$ 10,616	\$ (16,949)	\$ (6,333)
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (2,201)	\$ 930	\$ (1,271)
Cash and Cash Equivalents, July 1.....	\$ 35,834	\$ 7,466	\$ 43,300
Cash and Cash Equivalents, June 30.....	\$ 33,633	\$ 8,396	\$ 42,029



**EXPENDABLE TRUST FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1998  
(IN THOUSANDS)**

	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	ENDOWMENT SCHOOL	ENDOWMENT	ENVIRONMENT AND NATURAL RESOURCES TRUST	NORTHEAST MINNESOTA ECONOMIC PROTECTION	REEMPLOYMENT INSURANCE	MINNESOTA STATE RETIREMENT SYSTEM STATE DEFERRED COMPENSATION	TOTAL
<b>ASSETS</b>									
Cash and Cash Equivalents.....	\$ 105,468	\$ 260,103	\$ -	\$ 11,626	\$ 5,124	\$ 58,918	\$ 566,598	\$ 49,039	\$ 1,056,876
Investments.....	-	-	-	3,860	-	32,230	-	502,193	538,283
Accounts Receivable.....	183	1,243	-	660	-	191	9,639	3,848	15,764
Interfund Receivables.....	6,692	22,781	4,607	99	-	-	-	-	34,179
Accrued Investment/Interest Income.....	-	-	-	-	-	173	-	1,677	1,850
Federal Aid Receivable.....	-	-	-	-	-	-	135	-	135
Inventories.....	-	-	-	-	-	2,197	-	-	2,197
Loans and Notes Receivable.....	-	-	-	-	-	22,626	-	-	22,626
Securities Lending Collateral.....	-	-	-	-	-	-	-	47,076	47,076
<b>Total Assets.....</b>	<b>\$ 112,343</b>	<b>\$ 284,127</b>	<b>\$ 4,607</b>	<b>\$ 16,245</b>	<b>\$ 5,124</b>	<b>\$ 116,335</b>	<b>\$ 576,372</b>	<b>\$ 603,833</b>	<b>\$ 1,718,986</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable.....	\$ 3,155	\$ 4,243	\$ -	\$ 1,565	\$ 1,112	\$ 386	\$ 8,107	\$ 4,440	\$ 23,008
Interfund Payables.....	852	2,928	-	206	-	-	6,710	589	11,285
Deferred Revenue.....	-	-	-	2	-	-	3,186	-	3,188
Compensated Absences Payable.....	177	362	-	121	82	58	-	-	800
Securities Lending Collateral.....	-	-	-	-	-	-	-	47,076	47,076
<b>Total Liabilities.....</b>	<b>\$ 4,184</b>	<b>\$ 7,533</b>	<b>\$ -</b>	<b>\$ 1,894</b>	<b>\$ 1,194</b>	<b>\$ 444</b>	<b>\$ 18,003</b>	<b>\$ 52,105</b>	<b>\$ 85,357</b>
<b>Fund Balances:</b>									
<b>Reserved Fund Balances:</b>									
Reserved for Encumbrances.....	\$ 329	\$ 871	\$ -	\$ 447	\$ -	\$ 2,336	\$ -	\$ -	\$ 3,983
Reserved for Inventory.....	-	-	-	-	-	2,197	-	-	2,197
Reserved for Long-Term Receivables.....	-	-	-	-	-	22,296	-	-	22,296
Reserved for Local Governments.....	107,830	275,723	4,607	-	-	-	-	-	388,160
Reserved for Deferred Compensation Benefits.....	-	-	-	-	-	-	-	551,728	551,728
<b>Total Reserved Fund Balances.....</b>	<b>\$ 108,159</b>	<b>\$ 276,594</b>	<b>\$ 4,607</b>	<b>\$ 447</b>	<b>\$ -</b>	<b>\$ 26,829</b>	<b>\$ -</b>	<b>\$ 551,728</b>	<b>\$ 968,364</b>
<b>Unreserved Fund Balances:</b>									
Designated for Fund Purposes.....	-	-	-	10,965	3,930	86,519	488,304	-	589,718
Undesignated.....	-	-	-	2,939	-	2,543	70,065	-	75,547
<b>Total Fund Balances.....</b>	<b>\$ 108,159</b>	<b>\$ 276,594</b>	<b>\$ 4,607</b>	<b>\$ 14,351</b>	<b>\$ 3,930</b>	<b>\$ 115,891</b>	<b>\$ 558,369</b>	<b>\$ 551,728</b>	<b>\$ 1,633,629</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 112,343</b>	<b>\$ 284,127</b>	<b>\$ 4,607</b>	<b>\$ 16,245</b>	<b>\$ 5,124</b>	<b>\$ 116,335</b>	<b>\$ 576,372</b>	<b>\$ 603,833</b>	<b>\$ 1,718,986</b>

**EXPENDABLE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY	ENDOWMENT SCHOOL	ENDOWMENT	ENVIRONMENT AND NATURAL RESOURCES TRUST	NORTHEAST MINNESOTA ECONOMIC PROTECTION	REEMPLOYMENT INSURANCE	MINNESOTA STATE RETIREMENT SYSTEM STATE DEFERRED COMPENSATION	TOTAL
<b>Net Revenues:</b>									
Unemployment Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 382,829	\$ -	\$ 382,829
Mining Taxes.....	-	-	-	-	-	5,296	-	-	5,296
Federal Revenues.....	-	-	-	16	-	-	4,894	-	4,910
Investment/Interest Income.....	6,155	13,569	-	597	398	8,213	36,517	92,302	157,751
Gifts and Donations.....	-	-	-	16,576	-	-	-	-	16,576
Deferred Compensation Contributions.....	-	-	-	-	-	-	-	52,774	52,774
Securities Lending Income.....	-	-	-	-	-	-	-	2,515	2,515
Other Revenues.....	1	4	-	9,178	4	-	664	3,026	12,877
Net Revenues.....	\$ 6,156	\$ 13,573	\$ -	\$ 26,367	\$ 402	\$ 13,509	\$ 424,904	\$ 150,617	\$ 635,528
<b>Expenditures:</b>									
<b>Current:</b>									
Protection of Persons and Property.....	\$ -	\$ -	\$ -	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 239
Transportation.....	1,370	4,101	-	-	25	-	-	-	5,496
Resource Management.....	-	-	-	1,414	2,452	-	-	-	3,866
Economic and Manpower Development.....	-	-	-	82	67	1,227	-	-	1,376
Education.....	-	-	-	8,067	58	-	-	-	8,125
Health and Social Services.....	-	-	-	1,352	-	-	-	-	1,352
General Government.....	-	-	-	358	476	-	-	3,193	4,027
Borrower Rebates.....	-	-	-	-	-	-	-	2,298	2,298
Management Fees.....	-	-	-	-	-	-	-	65	65
Total Current Expenditures.....	\$ 1,370	\$ 4,101	\$ -	\$ 11,512	\$ 3,078	\$ 1,227	\$ -	\$ 5,556	\$ 26,844
Capital Outlay.....	-	-	-	1,633	1,993	1,212	-	-	4,838
Grants and Subsidies.....	108,813	281,389	23,392	11,054	1,377	475	354,839	-	781,339
Deferred Compensation Withdrawals.....	-	-	-	-	-	-	-	24,665	24,665
Total Expenditures.....	\$ 110,183	\$ 285,490	\$ 23,392	\$ 24,199	\$ 6,448	\$ 2,914	\$ 354,839	\$ 30,221	\$ 837,686
Excess of Revenues Over (Under) Expenditures.....	\$ (104,027)	\$ (271,917)	\$ (23,392)	\$ 2,168	\$ (6,046)	\$ 10,595	\$ 70,065	\$ 120,396	\$ (202,158)
<b>Other Financing Sources (Uses):</b>									
Operating Transfers-In.....	\$ 92,907	\$ 319,198	\$ 18,569	\$ 697	\$ 7,065	\$ -	\$ -	\$ -	\$ 438,436
Transfers-Out to Component Units.....	-	-	-	-	(4,473)	-	-	-	(4,473)
Net Other Financing Sources (Uses).....	\$ 92,907	\$ 319,198	\$ 18,569	\$ 697	\$ 2,592	\$ -	\$ -	\$ -	\$ 433,963
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	\$ (11,120)	\$ 47,281	\$ (4,823)	\$ 2,865	\$ (3,454)	\$ 10,595	\$ 70,065	\$ 120,396	\$ 231,805
Fund Balances, July 1, as Reported.....	\$ 119,279	\$ 229,313	\$ 9,430	\$ 11,486	\$ 8,847	\$ 105,296	\$ 488,304	\$ -	\$ 971,955
Change in Accounting Principles.....	-	-	-	-	-	-	-	431,332	431,332
Fund Balances, July 1, as Restated.....	\$ 119,279	\$ 229,313	\$ 9,430	\$ 11,486	\$ 8,847	\$ 105,296	\$ 488,304	\$ 431,332	\$ 1,403,287
Residual Equity Transfers-Out.....	-	-	-	-	(1,463)	-	-	-	(1,463)
Fund Balances, June 30.....	\$ 108,159	\$ 276,594	\$ 4,607	\$ 14,351	\$ 3,930	\$ 115,891	\$ 558,369	\$ 551,728	\$ 1,633,629

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	BALANCE JULY 1, 1997	INCREASES	DECREASES	BALANCE JUNE 30, 1998
<b>DISBURSEMENT CLEARING</b>				
ASSETS				
Cash and Cash Equivalents.....	\$ 133,530	\$ 12,999,980	\$ 12,983,797	\$ 149,713
Total Assets.....	\$ 133,530	\$ 12,999,980	\$ 12,983,797	\$ 149,713
LIABILITIES				
Warrants Payable.....	\$ 133,530	\$ 12,999,980	\$ 12,983,797	\$ 149,713
Total Liabilities.....	\$ 133,530	\$ 12,999,980	\$ 12,983,797	\$ 149,713
<b>MISCELLANEOUS AGENCY</b>				
ASSETS				
Cash and Cash Equivalents.....	\$ 37,134	\$ 280,437	\$ 271,577	\$ 45,994
Investments.....	4,138	9,871	4,138	9,871
Accounts Receivable.....	17,094	26,566	17,225	26,435
Interfund Receivables.....	1,262	206	1,262	206
Total Assets.....	\$ 59,628	\$ 317,080	\$ 294,202	\$ 82,506
LIABILITIES				
Accounts Payable.....	\$ 18,351	\$ 32,642	\$ 18,351	\$ 32,642
Interfund Payables.....	1,498	3,877	1,498	3,877
Funds Held in Trust.....	39,779	336,930	330,722	45,987
Total Liabilities.....	\$ 59,628	\$ 373,449	\$ 350,571	\$ 82,506
<b>TOTAL AGENCY FUNDS</b>				
ASSETS				
Cash and Cash Equivalents.....	\$ 170,664	\$ 13,280,417	\$ 13,255,374	\$ 195,707
Investments.....	4,138	9,871	4,138	9,871
Accounts Receivable.....	17,094	26,566	17,225	26,435
Interfund Receivables.....	1,262	206	1,262	206
Total Assets.....	\$ 193,158	\$ 13,317,060	\$ 13,277,999	\$ 232,219
LIABILITIES				
Warrants Payable.....	\$ 133,530	\$ 12,999,980	\$ 12,983,797	\$ 149,713
Accounts Payable.....	18,351	32,642	18,351	32,642
Interfund Payables.....	1,498	3,877	1,498	3,877
Funds Held in Trust.....	39,779	336,930	330,722	45,987
Total Liabilities.....	\$ 193,158	\$ 13,373,429	\$ 13,334,368	\$ 232,219

## **GENERAL FIXED ASSETS ACCOUNT GROUP**

The *General Fixed Assets Account Group* is maintained to account for fixed assets acquired or constructed for use by the state, other than those accounted for in proprietary and fiduciary funds.

STATE OF MINNESOTA

**SCHEDULE OF GENERAL FIXED ASSETS  
BY SOURCES**

JUNE 30, 1998  
(IN THOUSANDS)

	TOTALS
<b>GENERAL FIXED ASSETS:</b>	
Land.....	\$ 306,186
Buildings.....	1,931,550
Equipment.....	443,187
Construction in Progress.....	<u>215,086</u>
Total General Fixed Assets.....	<u>\$ 2,896,009</u>
 <b>INVESTMENT IN GENERAL FIXED ASSETS:</b>	
Investment in Assets Acquired Prior to July 1, 1984 - Source Unidentified .....	<b>\$ 832,406</b>
Expenditures from	
General Fund.....	624,551
Special Revenue Funds	
Trunk Highway Fund .....	331,305
Highway User Tax Distribution Fund.....	407
State Airports Fund.....	5,495
Federal Fund.....	132,419
Environmental Fund.....	15,572
Petroleum Tank Cleanup.....	93
Natural Resources Funds.....	29,019
Special Compensation Fund.....	129
Health Care Access Fund.....	1,061
Iron Range Resources and Rehabilitation Fund.....	24,973
Miscellaneous Special Revenue Fund .....	65,278
Capital Projects Funds:	
General Project Fund.....	6,466
Building Fund.....	783,127
Expendable Trust Funds:	
Endowment Fund.....	268
Northeast Minnesota Economic Protection Fund.....	7,247
Donations.....	36,193
Total Investment in General Fixed Assets.....	<b>\$ 2,896,009</b>

STATE OF MINNESOTA

SCHEDULE OF GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY

JUNE 30, 1998  
(IN THOUSANDS)

Function and Activity	LAND	BUILDINGS	EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
<b>Protection of Persons and Property:</b>					
Military Affairs.....	\$ 4,437	\$ 135,541	\$ 352	\$ 14,996	\$ 155,326
Public Safety.....	-	-	30,626	-	30,626
Others.....	-	-	728	-	728
Total Protection of Persons and Property.....	\$ 4,437	\$ 135,541	\$ 31,706	\$ 14,996	\$ 186,680
<b>Transportation:</b>					
Transportation.....	\$ 5,852	\$ 166,685	\$ 190,954	\$ 23,769	\$ 387,260
Total Transportation.....	\$ 5,852	\$ 166,685	\$ 190,954	\$ 23,769	\$ 387,260
<b>Resource Management:</b>					
Natural Resources.....	\$ 227,047	\$ 49,590	\$ 48,184	\$ 1,389	\$ 326,210
Pollution Control.....	709	-	3,499	-	4,208
Others.....	-	-	46	-	46
Total Resource Management.....	\$ 227,756	\$ 49,590	\$ 51,729	\$ 1,389	\$ 330,464
<b>Economic and Manpower Development:</b>					
Agriculture.....	\$ -	\$ -	\$ 2,030	\$ -	\$ 2,030
Commerce.....	-	-	130	-	130
Economic Security.....	1,976	7,410	4,572	-	13,958
Trade and Economic Development.....	-	-	764	-	764
Labor and Industry.....	-	-	788	-	788
Iron Range Resources and Rehabilitation.....	1,061	37,233	3,177	621	42,092
Public Service.....	-	-	1,570	-	1,570
Amateur Sports Commission.....	1,662	14,293	22	-	15,977
Others.....	-	-	66	-	66
Total Economic and Manpower Development.....	\$ 4,699	\$ 58,936	\$ 13,119	\$ 621	\$ 77,375
<b>Education:</b>					
Center for Arts Education.....	\$ 1,955	\$ 2,955	\$ 106	\$ 2,315	\$ 7,331
Minnesota State Colleges and Universities.....	40,261	939,762	100,740	50,621	1,131,384
Education (K-12).....	20	11,779	497	-	12,296
Zoological Garden.....	1,175	40,486	1,555	24,034	67,250
Total Education.....	\$ 43,411	\$ 994,982	\$ 102,898	\$ 76,970	\$ 1,218,261
<b>Health and Social Services:</b>					
Health.....	\$ -	\$ -	\$ 3,362	\$ -	\$ 3,362
Human Services.....	1,444	174,153	19,402	31,629	226,628
Veterans Affairs and Veterans Home Board.....	133	33,560	1,243	8,415	43,351
Corrections.....	108	181,815	8,254	1,846	192,023
Others.....	30	-	1,802	-	1,832
Total Health and Human Services.....	\$ 1,715	\$ 389,528	\$ 34,063	\$ 41,890	\$ 467,196
<b>General Government:</b>					
Administration (1).....	\$ 18,316	\$ 136,288	\$ 1,527	\$ 55,451	\$ 211,582
Attorney General.....	-	-	852	-	852
Employee Relations.....	-	-	454	-	454
Office of Strategic and Long Range Planning.....	-	-	83	-	83
Governor.....	-	-	111	-	111
Legislature.....	-	-	64	-	64
Secretary of State.....	-	-	4,926	-	4,926
Supreme Court.....	-	-	4,819	-	4,819
Revenue.....	-	-	4,568	-	4,568
Others.....	-	-	1,314	-	1,314
Total General Government.....	\$ 18,316	\$ 136,288	\$ 18,718	\$ 55,451	\$ 228,773
Total General Fixed Assets.....	\$ 306,186	\$ 1,931,550	\$ 443,187	\$ 215,086	\$ 2,896,009

(1) Consists Primarily of buildings and land located in the capitol complex area.

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 1998  
(IN THOUSANDS)**

Function and Activity	GENERAL FIXED ASSETS		DEDUCTIONS/ NET TRANSFERS		GENERAL FIXED ASSETS JUNE 30, 1998
	JULY 1, 1997	ADDITIONS	ADJUSTMENTS		
<b>Protection of Persons and Property:</b>					
Military Affairs.....	\$ 126,315	\$ 11,165	\$ 4,023	\$ 21,869	\$ 155,326
Public Safety.....	33,135	2,482	2,246	(2,745)	30,626
Others.....	475	259	36	30	728
Total Protection of Persons and Property.....	\$ 159,925	\$ 13,906	\$ 6,305	\$ 19,154	\$ 186,680
<b>Transportation:</b>					
Transportation.....	\$ 361,062	\$ 34,836	\$ 7,257	\$ (1,381)	\$ 387,260
Total Transportation.....	\$ 361,062	\$ 34,836	\$ 7,257	\$ (1,381)	\$ 387,260
<b>Resource Management:</b>					
Natural Resources.....	\$ 314,294	\$ 15,958	\$ 6,747	\$ 2,705	\$ 326,210
Pollution Control.....	4,904	228	968	44	4,208
Others.....	233	15	-	(202)	46
Total Resource Management.....	\$ 319,431	\$ 16,201	\$ 7,715	\$ 2,547	\$ 330,464
<b>Economic and Manpower Development:</b>					
Agriculture.....	\$ 1,945	\$ 169	\$ 68	\$ (16)	\$ 2,030
Commerce.....	98	32	-	-	130
Economic Security.....	14,270	67	358	(21)	13,958
Trade and Economic Development.....	659	-	-	105	764
Labor and Industry.....	825	-	21	(16)	788
Iron Range Resources and Rehabilitation.....	39,181	11,885	8,974	-	42,092
Public Service.....	1,725	172	345	18	1,570
Amateur Sports Commission.....	15,977	-	-	-	15,977
Others.....	66	-	-	-	66
Total Economic and Manpower Development.....	\$ 74,746	\$ 12,325	\$ 9,766	\$ 70	\$ 77,375
<b>Education:</b>					
Center for Arts Education.....	\$ 5,016	\$ 1,949	\$ -	\$ 366	\$ 7,331
Minnesota State Colleges and Universities.....	1,101,082	75,076	37,903	(6,871)	1,131,384
Education (K-12).....	12,234	52	11	21	12,296
Zoological Garden.....	66,260	1,020	12	(18)	67,250
Total Education.....	\$ 1,184,592	\$ 78,097	\$ 37,926	\$ (6,502)	\$ 1,218,261
<b>Health and Social Services:</b>					
Health.....	\$ 2,767	\$ 663	\$ 12	\$ (56)	\$ 3,362
Human Services.....	193,445	32,722	1,651	2,112	226,628
Veterans Affairs and Veterans Home Board.....	40,696	2,880	225	-	43,351
Corrections.....	189,819	13,066	10,871	9	192,023
Others.....	1,564	261	-	7	1,832
Total Health and Human Services.....	\$ 428,291	\$ 49,592	\$ 12,759	\$ 2,072	\$ 467,196
<b>General Government:</b>					
Administration (1).....	\$ 154,973	\$ 57,259	\$ 969	\$ 319	\$ 211,582
Attorney General.....	852	-	-	-	852
Employee Relations.....	1,525	47	1,325	207	454
Office of Strategic and Long Range Planning.....	300	-	-	(217)	83
Governor.....	99	-	58	70	111
Legislature.....	65	20	21	-	64
Secretary of State.....	4,949	-	36	13	4,926
Supreme Court.....	4,819	-	-	-	4,819
Revenue.....	4,855	217	489	(15)	4,568
Others.....	1,266	79	24	(7)	1,314
Total General Government.....	\$ 173,703	\$ 57,622	\$ 2,922	\$ 370	\$ 228,773
Total General Fixed Assets.....	\$ 2,701,750	\$ 262,579	\$ 84,650	\$ 16,330	\$ 2,896,009

(1) Consists Primarily of buildings and land located in the capitol complex area.

## **GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP**

The *General Long-Term Obligation Account Group* accounts for unmatured principal of bonds, notes and other forms of long-term indebtedness which are not accounted for in proprietary or fiduciary funds.



STATE OF MINNESOTA

**GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP**  
**STATEMENT OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS**  
**YEAR ENDED JUNE 30, 1998**  
**(IN THOUSANDS)**

	BALANCE JULY 1, 1997	INCREASE	DECREASE	BALANCE JUNE 30, 1998
Amount Available and to be Provided for Payment of General Long-Term Obligations:				
Amount Available in Debt Service Fund.....	\$ 183,665	\$ 199,505	\$ 184,815	\$ 198,355
Amount to be Provided:				
General Fund.....	\$ 2,284,277	\$ 550,166	\$ 221,013	\$ 2,613,430
Trunk Highway Fund.....	90,992	5,402	14,237	82,157
Highway User Tax Distribution Fund.....	834	44	11	867
Solid Waste Fund.....	287,207	38,795	33	325,969
State Airports Fund.....	452	28	-	480
Federal Fund.....	20,187	800	1,451	19,536
Environmental Fund.....	1,770	1	166	1,605
Petroleum Tank Cleanup Fund.....	312	-	63	249
Natural Resources Funds.....	9,161	274	360	9,075
Maximum Effort School Loan Fund.....	111,595	-	8,760	102,835
Special Compensation Fund.....	43,645	5,153	306	48,492
Health Care Access Fund.....	870	88	81	877
Iron Range Resources and Rehabilitation Fund.....	4,860	7	194	4,673
Miscellaneous Special Revenue Fund.....	15,288	5,862	814	20,336
Total Amount to be Provided.....	\$ 2,871,450	\$ 606,620	\$ 247,489	\$ 3,230,581
Total Amount Available and to be Provided.....	\$ 3,055,115	\$ 806,125	\$ 432,304	\$ 3,428,936
General Long-Term Obligations Payable:				
General Obligation Bonds Payable.....	\$ 2,160,719	\$ 531,040	\$ 184,820	\$ 2,506,939
Loans Payable.....	20,964	-	5,241	15,723
Revenue Bonds Payable.....	156,015	-	23,190	132,825
Claims Payable.....	348,925	43,735	6,870	385,790
Compensated Absences Payable.....	245,144	10,370	740	254,774
Workers Compensation Liability.....	106,877	18,180	11,325	113,732
Capital Leases Payable.....	15,016	9,337	6,040	18,313
Pension Liabilities.....	620	-	620	-
Arbitrage Payable.....	835	5	-	840
Total General Long-Term Obligations Payable.....	\$ 3,055,115	\$ 612,667	\$ 238,846	\$ 3,428,936

## COMPONENT UNIT FUNDS

Component units are legally separate organizations for which the primary government 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 to impose the will of the primary government, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the primary government. They are presented here in three reporting groups, Governmental fund type, Proprietary fund type and Universities.

### GOVERNMENTAL FUND TYPE:

The *Metropolitan Council* is responsible for coordinating the planning and development of the Twin Cities metropolitan area.

The *Minnesota Technology, Incorporated* provides financial assistance to new or existing small and medium sized businesses in greater Minnesota, in order to stimulate economic growth and job creation.

The *Higher Education Services Office* administers the states student loan programs and engages in long-range planning for the needs of higher education.

The *Rural Finance Authority* administers state agriculture programs.

The *Agricultural and Economic Development Board* administers programs for agricultural and economic development.

The *Export Finance Authority* aids and facilitates the financing of exports from the state.

### PROPRIETARY FUND TYPE:

The *Housing Finance Agency* provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

The *Public Facilities Authority* provides financial assistance to municipalities, primarily for wastewater treatment construction projects.

The *Metropolitan Council* operates the metropolitan regional sewage treatment and disposal systems and the public transit system. The Metropolitan Sports Facilities Commission, a component unit of the Council, operates the Metropolitan Sports Center and Hubert H. Humphrey Metrodome sports facilities.

The *Minnesota Workers' Compensation Assigned Risk 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.

The *National Sports Center 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.

The *Higher Education Services Office* makes and guarantees loans to qualified post secondary students.

### COLLEGE AND UNIVERSITY TYPE:

The *University of Minnesota* is a multi-campus university providing undergraduate and graduate degrees, advanced research opportunities, and an extension service.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 1997 and JUNE 30, 1998  
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	METROPOLITAN COUNCIL	MINNESOTA TECHNOLOGY INCORPORATED	HIGHER EDUCATION SERVICES OFFICE	EXPORT FINANCE AUTHORITY	AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 53,524	\$ 10,716	\$ 638	\$ 1,007	\$ 20,501	\$ 20,200
Investments	83,808	10,101	-	-	19,572	-
Accounts Receivable	3,093	41	2,015	-	-	23
Interfund Receivables	7,169	-	-	-	-	-
Due from Other Governmental Units	3,742	-	-	-	-	-
Due from Primary Government	-	-	-	-	-	-
Accrued Investment/Interest Income	787	4	-	-	411	-
Federal Aid Receivable	-	670	322	-	-	-
Inventories	-	-	-	-	-	-
Deferred Costs	-	-	-	-	-	-
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-
Other Restricted Assets	-	-	-	-	-	-
Loans and Notes Receivable	14,937	-	-	-	25,380	48,358
Securities Lending Collateral	-	-	-	-	-	-
Fixed Assets (Net)	14,034	663	145	-	-	-
Other Assets	102	-	-	-	-	-
Amount Available for Debt Service	38,652	-	-	-	-	-
Amount to be Provided for Debt Service	93,940	-	-	-	42,777	-
<b>Total Assets and Other Debits</b>	<b>\$ 313,788</b>	<b>\$ 22,195</b>	<b>\$ 3,120</b>	<b>\$ 1,007</b>	<b>\$ 108,641</b>	<b>\$ 68,581</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 20,135	\$ 1,229	\$ 2,331	\$ -	\$ 1,250	\$ -
Interfund Payables	4,654	-	-	-	-	-
Payable to Other Governmental Units	1,075	37	-	-	-	-
Due to Primary Government	-	-	-	-	-	-
Loans Payable between Component Units	-	-	-	-	-	-
Deferred Revenue	2,295	-	-	-	-	-
<b>Payable from Restricted Assets:</b>						
Accounts Payable	-	-	-	-	-	-
Revenue Bonds Payable	-	-	-	-	-	-
General Obligation Bonds Payable	-	-	-	-	-	-
Accrued Bond Interest Payable	-	-	-	-	-	-
Interfund Payables	-	-	-	-	-	-
Other Payables	-	-	-	-	-	-
General Obligation Bonds Payable	130,408	-	-	-	-	-
Loans/Notes Payable	-	-	-	-	-	-
Revenue Bonds Payable	-	-	-	-	42,777	-
Grants Payable	-	-	-	-	-	-
Claims and Judgments	-	-	-	-	-	-
Compensated Absences Payable	2,068	156	267	-	-	-
Securities Lending Collateral	-	-	-	-	-	-
Funds Held in Trust	1,335	-	-	-	-	-
Pension Liabilities	-	-	-	-	-	-
Installment Purchases Payable	-	-	-	-	-	-
Other Liabilities	116	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 162,086</b>	<b>\$ 1,422</b>	<b>\$ 2,598</b>	<b>\$ -</b>	<b>\$ 44,027</b>	<b>\$ -</b>
<b>Fund Equity:</b>						
Contributed Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in Fixed Assets	\$ 14,034	\$ -	\$ 145	\$ -	\$ -	\$ -
<b>Retained Earnings:</b>						
Reserved for Debt Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved per State Law	-	-	-	-	-	-
Reserved for Claims	-	-	-	-	-	-
Unreserved Retained Earnings	-	-	-	-	-	-
<b>Total Retained Earnings</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balances:</b>						
<b>Reserved Fund Balances:</b>						
Reserved for Encumbrances	\$ 825	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for Long-Term Receivables	14,222	-	-	-	25,380	48,358
Reserved for Long-Term Commitments	36,511	-	-	-	-	-
Reserved for Other	-	-	-	-	-	-
<b>Total Reserved Fund Balances</b>	<b>\$ 51,558</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,380</b>	<b>\$ 48,358</b>
<b>Unreserved Fund Balances:</b>						
Designated for Fund Purposes	\$ 53,428	\$ 20,773	\$ -	\$ -	\$ 39,234	\$ 20,223
Undesignated	32,682	-	377	1,007	-	-
<b>Total Unreserved Fund Balances</b>	<b>\$ 86,110</b>	<b>\$ 20,773</b>	<b>\$ 377</b>	<b>\$ 1,007</b>	<b>\$ 39,234</b>	<b>\$ 20,223</b>
<b>Total Fund Balances</b>	<b>\$ 137,668</b>	<b>\$ 20,773</b>	<b>\$ 377</b>	<b>\$ 1,007</b>	<b>\$ 64,614</b>	<b>\$ 68,581</b>
<b>Total Fund Equity</b>	<b>\$ 151,702</b>	<b>\$ 20,773</b>	<b>\$ 522</b>	<b>\$ 1,007</b>	<b>\$ 64,614</b>	<b>\$ 68,581</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 313,788</b>	<b>\$ 22,195</b>	<b>\$ 3,120</b>	<b>\$ 1,007</b>	<b>\$ 108,641</b>	<b>\$ 68,581</b>

	PROPRIETARY FUND TYPES						UNIVERSITY FUND TYPE	
	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	UNIVERSITY OF MINNESOTA	TOTAL
Cash and Cash Equivalents	\$ 453,993	\$ -	\$ 4,782	\$ 31,757	\$ 386	\$ 10,542	\$ 497,707	\$ 1,105,753
Investments	282,526	-	63,642	615,645	-	91,273	653,420	1,819,987
Accounts Receivable	1,925	-	12,180	222,873	125	-	92,938	335,213
Interfund Receivables	-	-	2,864	-	-	-	-	10,033
Due from Other Governmental Units	-	-	3,509	-	-	-	-	7,251
Due from Primary Government	-	-	-	-	-	-	-	78,488
Accrued Investment/Interest Income	22,028	-	146	5,772	-	2,950	5,123	37,221
Federal Aid Receivable	-	-	-	-	-	-	49,841	50,833
Inventories	2,860	-	14,453	-	21	-	15,230	32,564
Deferred Costs	-	-	-	5,076	30	-	9,585	14,691
<b>Restricted Assets:</b>								
Cash and Cash Equivalents	179,771	68,361	2,419	-	-	29,444	72,894	352,889
Investments	25,404	223,370	221,003	-	-	-	-	469,777
Loans Receivable	-	475,263	-	-	-	-	-	475,263
Other Restricted Assets	-	38,118	10,203	-	-	-	-	48,321
Loans and Notes Receivable	1,823,267	-	-	-	-	184,086	62,071	2,158,099
Securities Lending Collateral	-	-	-	-	-	-	72,784	72,784
Fixed Assets (Net)	1,097	11	1,120,971	-	521	44	1,197,710	2,335,196
Other Assets	76	-	225	1,661	-	-	358	2,422
Amount Available for Debt Service	-	-	-	-	-	-	-	38,652
Amount to be Provided for Debt Service	-	-	-	-	-	-	-	136,717
<b>Total Assets and Other Debits</b>	<b>\$ 2,792,947</b>	<b>\$ 805,123</b>	<b>\$ 1,456,397</b>	<b>\$ 882,784</b>	<b>\$ 1,083</b>	<b>\$ 318,339</b>	<b>\$ 2,808,149</b>	<b>\$ 9,582,154</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 7,385	\$ 1,122	\$ 66,498	\$ 483,853	\$ 378	\$ 389	\$ 158,677	\$ 743,247
Interfund Payables	-	-	-	-	-	-	-	4,654
Payable to Other Governmental Units	-	-	-	-	-	-	-	1,112
Due to Primary Government	-	-	-	5,108	-	-	-	40,890
Loans Payable between Component Units	-	-	285,497	-	-	-	-	285,497
Deferred Revenue	-	-	1,257	21,124	194	-	43,350	68,220
<b>Payable from Restricted Assets:</b>								
Accounts Payable	-	-	13,745	-	-	-	-	13,745
Revenue Bonds Payable	236,900	480,147	2,085	-	-	-	-	719,132
General Obligation Bonds Payable	-	-	40,727	-	-	-	-	40,727
Accrued Bond Interest Payable	59,421	8,403	7,968	-	-	211	-	76,003
Interfund Payables	-	-	5,379	-	-	-	-	5,379
Other Payables	-	-	74,187	-	-	-	-	74,187
General Obligation Bonds Payable	-	-	246,571	-	-	-	274,905	651,884
Loans/Notes Payable	-	-	-	-	-	-	3,604	3,615
Revenue Bonds Payable	1,801,940	-	32,005	-	311	68,059	13,620	1,958,401
Grants Payable	-	31,934	-	-	-	-	-	31,934
Claims and Judgments	-	-	-	-	-	-	29,222	29,222
Compensated Absences Payable	870	-	4,301	-	-	129	41,909	49,700
Securities Lending Collateral	-	-	-	-	-	-	72,784	72,784
Funds Held in Trust	116,775	-	-	-	-	-	-	118,110
Pension Liabilities	-	-	-	-	-	-	22,519	22,519
Installment Purchases Payable	-	-	342	-	-	-	-	342
Other Liabilities	-	-	2,887	-	-	-	1,112	4,115
<b>Total Liabilities</b>	<b>\$ 2,223,291</b>	<b>\$ 521,606</b>	<b>\$ 783,449</b>	<b>\$ 510,085</b>	<b>\$ 883</b>	<b>\$ 68,788</b>	<b>\$ 702,592</b>	<b>\$ 5,020,827</b>
<b>Fund Equity:</b>								
Contributed Capital	\$ -	\$ 244,801	\$ 441,649	\$ -	\$ -	\$ -	\$ -	\$ 686,450
Investment in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 936,763	\$ 950,942
<b>Retained Earnings:</b>								
Reserved for Debt Requirements	\$ 487,581	\$ -	\$ 51,617	\$ -	\$ -	\$ 29,233	\$ -	\$ 568,431
Reserved per State Law	82,075	-	-	-	-	-	-	82,075
Reserved for Claims	-	-	33,669	-	-	-	-	33,669
Unreserved Retained Earnings	-	38,716	146,013	372,699	200	220,318	-	777,946
<b>Total Retained Earnings</b>	<b>\$ 569,656</b>	<b>\$ 38,716</b>	<b>\$ 231,299</b>	<b>\$ 372,699</b>	<b>\$ 200</b>	<b>\$ 249,551</b>	<b>\$ -</b>	<b>\$ 1,462,121</b>
<b>Fund Balances:</b>								
<b>Reserved Fund Balances:</b>								
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,565	\$ 19,390
Reserved for Long-Term Receivables	-	-	-	-	-	-	-	87,960
Reserved for Long-Term Commitments	-	-	-	-	-	-	-	36,511
Reserved for Other	-	-	-	-	-	-	749,773	749,773
<b>Total Reserved Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 768,338</b>	<b>\$ 893,634</b>
<b>Unreserved Fund Balances:</b>								
Designated for Fund Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,846	\$ 327,504
Undesignated	-	-	-	-	-	-	206,610	240,676
<b>Total Unreserved Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 400,456</b>	<b>\$ 568,180</b>
<b>Total Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,168,794</b>	<b>\$ 1,461,814</b>
<b>Total Fund Equity</b>	<b>\$ 569,656</b>	<b>\$ 283,517</b>	<b>\$ 672,948</b>	<b>\$ 372,699</b>	<b>\$ 200</b>	<b>\$ 249,551</b>	<b>\$ 2,105,557</b>	<b>\$ 4,561,327</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 2,792,947</b>	<b>\$ 805,123</b>	<b>\$ 1,456,397</b>	<b>\$ 882,784</b>	<b>\$ 1,083</b>	<b>\$ 318,339</b>	<b>\$ 2,808,149</b>	<b>\$ 9,582,154</b>

STATE OF MINNESOTA

COMPONENT UNIT FUNDS - GOVERNMENTAL FUND TYPES  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 YEARS ENDED DECEMBER 31, 1997 AND JUNE 30, 1998  
 (IN THOUSANDS)

	METROPOLITAN COUNCIL	MINNESOTA TECHNOLOGY INCORPORATED	HIGHER EDUCATION SERVICES OFFICE	EXPORT FINANCE AUTHORITY	AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
<b>Net Revenues:</b>							
Other Taxes.....	\$ 41,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,728
Federal Revenues.....	-	-	1,849	-	-	-	1,849
Other Intergovernmental Revenues.....	6,488	1,902	-	-	-	8	8,398
Investment/Interest Income.....	6,550	1,031	-	52	4,386	3,224	15,243
Other Revenues.....	3,246	1,243	538	-	637	-	5,664
<b>Net Revenues.....</b>	<b>\$ 58,012</b>	<b>\$ 4,176</b>	<b>\$ 2,387</b>	<b>\$ 52</b>	<b>\$ 5,023</b>	<b>\$ 3,232</b>	<b>\$ 72,882</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Transportation.....	\$ 42,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,704
Resource Management.....	20,404	-	-	-	-	-	20,404
Economic & Manpower Development.....	1,608	8,162	-	-	513	-	10,283
Education.....	-	-	3,582	-	-	-	3,582
Health and Social Services.....	26,402	-	-	-	-	-	26,402
General Government.....	26,550	2,577	3,419	-	-	-	32,546
<b>Total Current Expenditures.....</b>	<b>\$ 117,668</b>	<b>\$ 10,739</b>	<b>\$ 7,001</b>	<b>\$ -</b>	<b>\$ 513</b>	<b>\$ -</b>	<b>\$ 135,921</b>
Capital Outlay.....	803	-	-	-	-	-	803
Debt Service.....	30,518	-	-	-	9,746	-	40,264
Grants and Subsidies.....	-	-	116,442	-	-	-	116,442
<b>Total Expenditures.....</b>	<b>\$ 148,989</b>	<b>\$ 10,739</b>	<b>\$ 123,443</b>	<b>\$ -</b>	<b>\$ 10,259</b>	<b>\$ -</b>	<b>\$ 293,430</b>
<b>Excess of Revenues Over (Under)</b>							
Expenditures.....	\$ (90,977)	\$ (6,563)	\$ (121,056)	\$ 52	\$ (5,236)	\$ 3,232	\$ (220,548)
<b>Other Financing Sources (Uses):</b>							
General Obligation Bonds.....	\$ 32,070	\$ -	\$ -	\$ -	\$ 16,290	\$ 23,000	\$ 71,360
Operating Transfers-In.....	19,481	-	-	-	-	-	19,481
Other Operating Transfers-Out.....	(6,788)	-	-	-	-	-	(6,788)
Transfers-In from Primary Government.....	71,279	9,537	121,097	-	-	-	201,913
Transfers-Out to Primary Government.....	-	-	-	-	-	(5,777)	(5,777)
Other Sources (Uses).....	107	-	-	-	-	-	107
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ 116,149</b>	<b>\$ 9,537</b>	<b>\$ 121,097</b>	<b>\$ -</b>	<b>\$ 16,290</b>	<b>\$ 17,223</b>	<b>\$ 280,296</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....</b>							
<b>Uses.....</b>	<b>\$ 25,172</b>	<b>\$ 2,974</b>	<b>\$ 41</b>	<b>\$ 52</b>	<b>\$ 11,054</b>	<b>\$ 20,455</b>	<b>\$ 59,748</b>
<b>Fund Balances, July 1, as Reported.....</b>	<b>\$ 120,033</b>	<b>\$ 17,799</b>	<b>\$ 336</b>	<b>\$ 955</b>	<b>\$ 53,560</b>	<b>\$ 48,126</b>	<b>\$ 240,809</b>
Prior Period Adjustments.....	(2,000)	-	-	-	-	-	(2,000)
<b>Fund Balances, July 1, as Restated.....</b>	<b>\$ 118,033</b>	<b>\$ 17,799</b>	<b>\$ 336</b>	<b>\$ 955</b>	<b>\$ 53,560</b>	<b>\$ 48,126</b>	<b>\$ 238,809</b>
Residual Equity Transfers-Out.....	(5,537)	-	-	-	-	-	(5,537)
<b>Fund Balances, June 30.....</b>	<b>\$ 137,668</b>	<b>\$ 20,773</b>	<b>\$ 377</b>	<b>\$ 1,007</b>	<b>\$ 64,614</b>	<b>\$ 68,581</b>	<b>\$ 293,020</b>

STATE OF MINNESOTA

**COMPONENT UNIT FUNDS - PROPRIETARY FUND TYPES  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
YEARS ENDED DECEMBER 31, 1997 AND JUNE 30, 1998  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	TOTAL
<b>Operating Revenues:</b>							
Net Sales.....	\$ -	\$ -	\$ 12,632	\$ -	\$ 3,908	\$ -	\$ 16,540
Interest Income on Loans.....	132,600	17,920	-	-	-	10,331	160,851
Investment Income.....	51,916	19,578	-	-	-	-	71,494
Rental and Service Fees.....	4,006	-	209,249	-	93	-	213,348
Insurance Premiums.....	-	-	-	98,948	-	-	98,948
Other Income.....	-	-	4,628	-	-	2,251	6,879
<b>Total Operating Revenues.....</b>	<b>\$ 188,522</b>	<b>\$ 37,498</b>	<b>\$ 226,509</b>	<b>\$ 98,948</b>	<b>\$ 4,001</b>	<b>\$ 12,582</b>	<b>\$ 568,060</b>
<b>Operating Expenses:</b>							
Interest and Financing Costs.....	\$ 133,707	\$ 25,023	\$ -	\$ -	\$ -	\$ 2,619	\$ 161,349
Purchased Services.....	11,488	256	43,881	7,959	2,499	3,545	69,628
Salaries and Fringe Benefits.....	8,323	846	160,677	-	1,613	941	172,400
Claims.....	-	-	-	26,396	-	-	26,396
Depreciation.....	512	10	61,642	-	99	29	62,292
Amortization.....	-	-	-	-	-	195	195
Supplies and Materials.....	191	4	18,133	-	-	44	18,372
Indirect Costs.....	113	304	-	-	-	31	448
Other Expenses.....	6,852	-	8,242	5,656	133	466	21,349
<b>Total Operating Expenses.....</b>	<b>\$ 161,186</b>	<b>\$ 26,443</b>	<b>\$ 292,575</b>	<b>\$ 40,011</b>	<b>\$ 4,344</b>	<b>\$ 7,870</b>	<b>\$ 532,429</b>
<b>Operating Income (Loss).....</b>	<b>\$ 27,336</b>	<b>\$ 11,055</b>	<b>\$ (66,066)</b>	<b>\$ 58,937</b>	<b>\$ (343)</b>	<b>\$ 4,712</b>	<b>\$ 35,631</b>
<b>Nonoperating Revenues (Expenses):</b>							
Investment Income.....	\$ -	\$ -	\$ 13,914	\$ 83,115	\$ 9	\$ 7,050	\$ 104,088
Interest and Financing Costs.....	-	-	(32,008)	-	(20)	-	(32,028)
Federal Grants and Subsidies.....	73,702	-	-	-	-	-	73,702
Other Nonoperating Revenues.....	576	-	94,823	-	751	-	96,150
Gains (Losses) on Sale of Fixed Assets.....	-	-	(1,856)	-	-	-	(1,856)
Grants, Aids and Subsidies.....	(102,898)	-	-	-	-	-	(102,898)
Other Nonoperating Expenses.....	-	-	(2,426)	-	(312)	-	(2,738)
<b>Total Nonoperating Revenues (Expenses).....</b>	<b>\$ (28,620)</b>	<b>\$ -</b>	<b>\$ 72,447</b>	<b>\$ 83,115</b>	<b>\$ 428</b>	<b>\$ 7,050</b>	<b>\$ 134,420</b>
<b>Income (Loss) Before Transfers.....</b>	<b>\$ (1,284)</b>	<b>\$ 11,055</b>	<b>\$ 6,381</b>	<b>\$ 142,052</b>	<b>\$ 85</b>	<b>\$ 11,762</b>	<b>\$ 170,051</b>
Transfers-In.....	-	-	1,850	-	-	-	1,850
Transfers-In from Primary Government.....	50,330	-	-	-	-	-	50,330
Transfers-Out.....	-	-	(14,543)	-	-	-	(14,543)
<b>Net Income (Loss) before Extraordinary Item.....</b>	<b>\$ 49,046</b>	<b>\$ 11,055</b>	<b>\$ (6,312)</b>	<b>\$ 142,052</b>	<b>\$ 85</b>	<b>\$ 11,762</b>	<b>\$ 207,688</b>
Depreciation on Fixed Assets Acquired with Contributed Capital.....	-	-	29,358	-	-	-	29,358
<b>Increase (Decrease) in Retained Earnings.....</b>	<b>\$ 49,046</b>	<b>\$ 11,055</b>	<b>\$ 23,046</b>	<b>\$ 142,052</b>	<b>\$ 85</b>	<b>\$ 11,762</b>	<b>\$ 237,046</b>
Retained Earnings, July 1, as Reported.....	\$ 517,217	\$ 24,506	\$ 206,571	\$ 224,134	\$ 115	\$ 238,154	\$ 1,210,697
Prior Period Adjustments.....	-	-	1,306	-	-	-	1,306
Changes in Accounting Principles.....	3,393	3,155	-	6,513	-	(365)	12,696
Retained Earnings, July 1, as Restated.....	\$ 520,610	\$ 27,661	\$ 207,877	\$ 230,647	\$ 115	\$ 237,789	\$ 1,224,699
Residual Equity Transfers-In.....	-	-	376	-	-	-	376
<b>Retained Earnings, June 30.....</b>	<b>\$ 569,656</b>	<b>\$ 38,716</b>	<b>\$ 231,299</b>	<b>\$ 372,699</b>	<b>\$ 200</b>	<b>\$ 249,551</b>	<b>\$ 1,462,121</b>

STATE OF MINNESOTA

**COMPONENT UNIT FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1997 AND JUNE 30, 1998  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	PUBLIC FACILITIES AUTHORITY	METROPOLITAN COUNCIL	WORKERS' COMPENSATION ASSIGNED RISK PLAN	NATIONAL SPORTS CENTER FOUNDATION	HIGHER EDUCATION SERVICES OFFICE	TOTAL
<b>Cash Flows from Operating Activities:</b>							
Operating Income (Loss)	\$ 27,336	\$ 11,055	\$ (66,066)	\$ 58,937	\$ (343)	\$ 4,712	\$ 35,631
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>							
Depreciation	\$ 512	\$ 10	\$ 61,642	\$ -	\$ 99	\$ 29	\$ 62,292
Amortization	-	-	-	-	-	195	195
Investment Income	(51,916)	(17,697)	-	-	-	-	(69,613)
Interest and Financing Costs	133,707	25,023	-	-	-	2,619	161,349
Loan Principal Repayments	235,597	19,348	-	-	-	33,143	288,088
Loans Issued	(293,542)	(67,376)	-	-	-	(34,421)	(395,339)
Customer Deposits	53,870	-	-	-	-	-	53,870
Return of Customer Deposits	(64,343)	-	-	-	-	-	(64,343)
Provision for Loan Defaults	6,468	-	-	-	-	(1,691)	4,777
Net Nonoperating Revenues (Expenses)	-	-	(1,483)	-	-	-	(1,483)
<b>Change in Assets and Liabilities:</b>							
Accounts Receivable	(99)	-	(1,219)	29,040	(57)	(204)	27,461
Inventories	(279)	-	(2,398)	-	11	-	(2,666)
Other Assets	1,488	(391)	(39)	759	(1)	-	1,816
Accounts Payable	582	4	5,031	(468)	157	48	5,354
Deferred Revenues	-	-	(613)	(6,853)	107	-	(7,359)
Claims and Judgments Payable	-	-	-	(74,000)	-	-	(74,000)
Other Liabilities	52	-	2,025	(764)	-	21	1,334
Net Reconciling Items to be Added (Deducted) from Operating Income	\$ 22,097	\$ (41,079)	\$ 62,946	\$ (52,286)	\$ 316	\$ (261)	\$ (8,267)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 49,433</b>	<b>\$ (30,024)</b>	<b>\$ (3,120)</b>	<b>\$ 6,651</b>	<b>\$ (27)</b>	<b>\$ 4,451</b>	<b>\$ 27,364</b>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Grant Receipts	\$ 73,702	\$ 17,835	\$ 76,679	\$ -	\$ 437	\$ -	\$ 168,653
Grant Disbursements	(102,898)	-	-	-	-	-	(102,898)
Transfers-In	50,330	-	19,103	-	-	-	69,433
Transfers-Out	-	-	(15,269)	-	-	-	(15,269)
Proceeds from Bond Sales	313,635	242,889	-	-	65	-	556,589
Repayment of Debt	(253,590)	(15,525)	-	-	(22)	(6,600)	(275,737)
Bond Issuance Costs	(3,315)	(1,693)	-	-	-	-	(5,008)
Funds Deposited in Escrow for Bond Refunding	-	(114,517)	-	-	-	-	(114,517)
Interest Paid	(132,307)	(22,205)	-	-	(20)	(2,658)	(157,190)
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>\$ (54,443)</b>	<b>\$ 106,784</b>	<b>\$ 80,513</b>	<b>\$ -</b>	<b>\$ 460</b>	<b>\$ (9,258)</b>	<b>\$ 124,056</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Investment in Fixed Assets	\$ (405)	\$ (5)	\$ (44,420)	\$ -	\$ (127)	\$ (16)	\$ (44,973)
Proceeds from the Sale of Fixed Assets	-	-	37	-	-	-	37
Capital Contributions	-	-	25,091	-	-	-	25,091
Repayment of Advances to Other Funds	-	-	(134)	-	-	-	(134)
Proceeds from Bond Sales	-	-	25,998	-	-	-	25,998
Repayment of Bond Principal	-	-	(39,535)	-	-	-	(39,535)
Interest Paid	-	-	(33,872)	-	-	-	(33,872)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>\$ (405)</b>	<b>\$ (5)</b>	<b>\$ (66,835)</b>	<b>\$ -</b>	<b>\$ (127)</b>	<b>\$ (16)</b>	<b>\$ (67,388)</b>
<b>Cash Flows from Investing Activities:</b>							
Proceeds from Sales and Maturities of Investments	\$ 249,354	\$ 95,545	\$ 474,098	\$ 517,616	\$ -	\$ 98,642	\$ 1,435,255
Purchase of Investments	(219,647)	(143,599)	(491,381)	(537,708)	-	(101,326)	(1,493,661)
Investment Earnings	51,768	15,088	11,087	30,763	9	6,050	114,765
<b>Net Cash Flows from Investing Activities</b>	<b>\$ 81,475</b>	<b>\$ (32,966)</b>	<b>\$ (6,196)</b>	<b>\$ 10,671</b>	<b>\$ 9</b>	<b>\$ 3,366</b>	<b>\$ 56,359</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 76,060</b>	<b>\$ 43,789</b>	<b>\$ 4,362</b>	<b>\$ 17,322</b>	<b>\$ 315</b>	<b>\$ (1,457)</b>	<b>\$ 140,391</b>
Cash and Cash Equivalents, July 1	\$ 557,704	\$ 24,572	\$ 2,839	\$ 14,435	\$ 71	\$ 41,443	\$ 641,064
Cash and Cash Equivalents, June 30	\$ 633,764	\$ 68,361	\$ 7,201	\$ 31,757	\$ 386	\$ 39,986	\$ 781,455

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT	1999	2000	2001	2002	2003	2004
		OUTSTANDING 6/30/1998						
GENERAL FUND STATE BUILDING CAPITAL IMPROVEMENT								
	'81.334	5 0	5 0	0 0	0 0	0 0	0 0	0 0
	X'85.015	1,130 51	935 44	195 6	0 0	0 0	0 0	0 0
	X'87.003	25 1	25 1	0 0	0 0	0 0	0 0	0 0
	'87.400	32,715 4,608	13,105 1,654	9,725 905	4,315 450	1,470 267	530 210	320 187
	'88.718	985 104	310 54	310 34	310 14	45 2	10 0	0 0
	'89.041	375 25	190 18	185 6	0 0	0 0	0 0	0 0
	'89.290	1,650 231	550 87	550 51	275 25	65 13	60 11	15 8
	'89.300	46,605 16,635	6,380 2,395	6,375 2,019	4,080 1,725	3,695 1,505	2,510 1,341	2,090 1,224
	'90.365	309 31	100 17	104 10	105 3	0 0	0 0	0 0
	'90.610	30,833 8,353	5,089 1,600	5,080 1,296	5,104 993	3,247 748	2,480 589	835 500
	'91.354	2,800 1,172	175 139	175 131	175 122	175 113	175 105	175 96
	'92.558	116,028 49,789	7,705 5,920	7,701 5,518	8,155 5,107	8,152 4,690	8,220 4,272	6,405 3,898
	'93.373	21,045 10,114	1,325 1,156	1,325 1,084	1,325 1,013	1,285 941	1,280 871	1,285 800
	'93.558	8,800 3,684	550 437	550 410	550 383	550 356	550 329	550 302
	'94.643	333,997 162,617	19,405 17,299	19,459 16,306	20,245 15,302	18,565 14,303	18,570 13,371	18,020 12,431
	X'95.002	4,750 2,351	255 248	260 233	280 219	245 206	245 193	245 181
	'96.463	205,515 96,311	14,935 10,176	14,925 9,494	11,645 8,787	11,155 8,227	11,160 7,685	11,135 7,142
	'97.246	78,000 35,576	6,150 3,698	6,150 3,431	4,500 3,152	3,600 2,940	3,600 2,771	3,700 2,602
	X'97.2	29,000 13,814	1,980 1,412	2,015 1,328	1,400 1,237	1,930 1,171	1,925 1,079	1,400 988
	'98.404	13,000 6,794	650 637	650 609	650 580	650 549	650 518	650 488

STATE OF MINNESOTA  
GENERAL OBLIGATION DEBT  
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
320	320	320	320	320	320	320	320	320	245	95	20	5	5
170	153	137	120	102	85	67	50	32	14	4	1	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	15	15	15	15	15	15	15	15	0	0	0	0	0
7	6	6	5	4	3	2	2	1	0	0	0	0	0
2,090	2,090	1,985	1,985	1,985	1,990	1,990	1,990	1,990	1,795	795	630	105	55
1,115	1,005	892	789	685	580	473	365	256	147	76	36	5	1
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
835	835	835	835	835	835	835	835	835	837	380	90	90	85
456	412	368	325	282	238	193	148	102	57	24	12	7	3
175	175	175	175	175	175	175	175	175	175	0	0	0	0
88	79	70	61	52	42	33	24	14	5	0	0	0	0
6,400	6,400	6,400	6,640	6,630	6,630	6,630	6,630	6,630	6,120	2,395	1,735	450	0
3,569	3,229	2,890	2,551	2,204	1,853	1,498	1,139	778	415	179	67	11	0
1,285	1,190	1,180	1,185	1,185	1,190	1,190	1,190	1,190	1,190	1,190	45	5	5
728	658	591	526	458	390	320	249	179	109	39	3	0	0
550	550	550	550	550	550	550	550	550	550	0	0	0	0
275	247	219	191	162	133	104	74	45	15	0	0	0	0
18,020	18,015	18,325	18,115	18,015	18,010	18,015	18,010	18,010	18,010	18,008	13,310	4,935	2,935
11,459	10,453	9,426	8,487	7,553	6,606	5,643	4,670	3,685	2,689	1,693	848	295	98
245	245	280	280	270	270	270	270	270	270	270	270	5	5
168	154	139	125	111	97	83	68	54	39	23	8	0	0
10,735	10,435	10,250	10,255	9,820	9,820	9,820	9,820	9,370	9,470	9,470	9,470	7,675	4,150
6,573	6,006	5,435	4,909	4,399	3,907	3,407	2,904	2,395	1,908	1,420	935	449	153
4,100	4,400	4,100	4,100	3,600	3,600	3,600	3,600	3,200	3,200	3,200	3,200	3,200	3,200
2,424	2,225	2,012	1,813	1,614	1,441	1,266	1,090	913	755	597	438	278	118
1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,150	1,150	1,150	1,150	1,150
918	848	778	708	638	568	498	428	358	288	230	173	115	58
650	650	650	650	650	650	650	650	650	650	650	650	650	650
455	423	390	358	325	293	260	228	195	163	130	98	65	33



**STATE OF MINNESOTA**  
**GENERAL OBLIGATION DEBT**  
**SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018**

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE GENERAL FUND (CONT)	AUTHORIZATION YEAR-CHAPTER	AMOUNT	1999	2000	2001	2002	2003	2004
		OUTSTANDING 6/30/1998						
STATE BUILDING TAXABLE BONDS	'87.400	<b>2,890</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>
		1,384	263	236	208	180	152	125
STATE MUNICIPAL ENERGY BUILDING BONDS	'83.323	<b>5,060</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>765</b>	<b>705</b>	<b>605</b>
		932	249	208	167	126	88	52
	'94.643	<b>3,150</b>	<b>375</b>	<b>375</b>	<b>375</b>	<b>375</b>	<b>375</b>	<b>375</b>
		701	155	134	115	96	78	59
	'96.463	<b>3,170</b>	<b>325</b>	<b>325</b>	<b>325</b>	<b>325</b>	<b>325</b>	<b>325</b>
		736	142	127	112	96	81	66
REFUNDING BONDS	'85.16A.66	<b>744,085</b>	<b>65,036</b>	<b>80,073</b>	<b>77,168</b>	<b>78,873</b>	<b>86,976</b>	<b>74,133</b>
		211,546	37,693	34,244	30,183	26,013	21,597	17,141
REINVESTMENT IN MINNESOTA (RIM)	'87.400	<b>795</b>	<b>80</b>	<b>80</b>	<b>65</b>	<b>65</b>	<b>115</b>	<b>25</b>
		302	41	37	33	29	26	21
	'89.300	<b>1,150</b>	<b>295</b>	<b>285</b>	<b>245</b>	<b>75</b>	<b>30</b>	<b>15</b>
		231	61	43	26	16	13	11
	'90.610	<b>1,885</b>	<b>240</b>	<b>230</b>	<b>245</b>	<b>160</b>	<b>145</b>	<b>85</b>
		635	100	86	72	60	54	46
	'91.354	<b>13,085</b>	<b>1,230</b>	<b>1,230</b>	<b>1,245</b>	<b>1,175</b>	<b>825</b>	<b>630</b>
		5,195	679	611	543	476	422	385
RURAL FINANCE AUTHORITY (RFA)	'86.398	<b>42,445</b>	<b>2,980</b>	<b>1,440</b>	<b>2,400</b>	<b>0</b>	<b>3,625</b>	<b>5,000</b>
		15,642	2,435	2,287	2,229	2,080	2,080	1,727
	'96.463	<b>28,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>0</b>
		14,341	1,655	1,655	1,655	1,559	1,464	1,464
LANDFILL	'94.639	<b>28,275</b>	<b>1,785</b>	<b>1,785</b>	<b>1,580</b>	<b>1,475</b>	<b>1,475</b>	<b>1,475</b>
		13,738	1,425	1,339	1,252	1,175	1,102	1,029
POLLUTION CONTROL	'87.400	<b>11,460</b>	<b>2,965</b>	<b>2,965</b>	<b>1,665</b>	<b>680</b>	<b>335</b>	<b>235</b>
		2,623	605	413	266	194	165	150
	'89.300	<b>4,440</b>	<b>1,195</b>	<b>1,185</b>	<b>930</b>	<b>135</b>	<b>185</b>	<b>75</b>
		849	237	159	91	58	51	43
	'90.610	<b>10,430</b>	<b>1,885</b>	<b>1,825</b>	<b>1,815</b>	<b>1,525</b>	<b>275</b>	<b>275</b>
		2,744	561	446	333	229	176	162
	'92.558	<b>17,085</b>	<b>1,090</b>	<b>1,080</b>	<b>1,030</b>	<b>1,030</b>	<b>1,075</b>	<b>1,035</b>
		7,752	897	841	787	733	680	624
	'93.373	<b>6,585</b>	<b>585</b>	<b>585</b>	<b>515</b>	<b>330</b>	<b>330</b>	<b>330</b>
		2,992	339	309	285	260	244	227
	'93.558	<b>6,400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>
		2,679	318	298	279	259	240	220

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
290 97	290 69	285 41	285 14	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
405 26	155 10	65 5	65 2	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
375 39	375 18	75 5	75 2	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
325 51	325 35	285 20	285 7	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
<b>62,051</b> 13,413	<b>45,699</b> 10,391	<b>44,829</b> 7,998	<b>39,594</b> 5,743	<b>32,708</b> 3,792	<b>32,188</b> 2,095	<b>12,515</b> 935	<b>12,245</b> 310	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
30 19	30 18	35 16	35 14	35 12	35 10	35 9	35 7	35 5	25 3	25 1	10 0	0 0	0 0
15 11	15 10	20 9	20 8	20 7	20 6	20 5	20 4	20 2	20 1	10 1	5 0	0 0	0 0
85 42	85 38	85 33	85 29	85 24	85 20	85 15	85 10	85 6	5 1	5 1	5 0	0 0	0 0
625 351	625 317	610 283	610 252	610 220	610 188	610 155	610 122	610 89	545 55	365 30	260 12	30 3	30 1
4,000 1,492	14,000 942	9,000 369	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
2,000 1,400	0 1,337	5,000 1,337	18,000 816	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
1,475 951	1,475 870	1,445 788	1,445 713	1,445 640	1,445 566	1,445 492	1,445 416	1,445 340	1,445 264	1,445 188	1,340 116	970 54	435 19
235 138	235 125	235 112	235 99	235 87	235 75	235 62	235 49	235 36	155 23	155 15	130 7	60 2	0 0
75 39	75 35	75 31	75 27	75 23	75 19	75 15	75 11	75 7	15 3	15 2	15 1	15 0	0 0
275 148	275 134	280 119	280 104	280 90	280 75	280 60	280 45	280 30	85 14	85 10	85 5	50 2	15 0
1,035 569	1,035 514	1,035 458	1,035 402	1,020 346	1,020 289	1,015 233	1,015 175	1,020 118	890 60	525 20	50 4	50 1	0 0
330 209	330 190	325 170	325 154	325 137	325 120	325 103	325 85	325 67	325 49	325 30	325 12	0 0	0 0
400 200	400 180	400 159	400 139	400 118	400 97	400 75	400 54	400 32	400 11	0 0	0 0	0 0	0 0

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1998	1999	2000	2001	2002	2003	2004
GENERAL FUND (CONT)								
POLLUTION CONTROL (CONT)								
	'94.643	<b>34,976</b> 16,961	<b>2,030</b> 1,784	<b>2,046</b> 1,680	<b>2,260</b> 1,577	<b>1,855</b> 1,468	<b>1,855</b> 1,376	<b>1,850</b> 1,285
	X'95.002	<b>675</b> 292	<b>70</b> 30	<b>65</b> 27	<b>30</b> 25	<b>30</b> 24	<b>30</b> 22	<b>30</b> 21
	'96.463	<b>18,400</b> 9,087	<b>755</b> 878	<b>755</b> 843	<b>955</b> 803	<b>955</b> 757	<b>955</b> 712	<b>955</b> 667
	'97.246	<b>1,000</b> 523	<b>50</b> 49	<b>50</b> 47	<b>50</b> 45	<b>50</b> 42	<b>50</b> 40	<b>50</b> 38
SPECIAL STATE BUILDING								
	'90.610	<b>555</b> 55	<b>185</b> 31	<b>185</b> 18	<b>185</b> 6	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
STATE TRANSPORTATION								
	'84.597	<b>4,000</b> 1,272	<b>400</b> 241	<b>400</b> 216	<b>400</b> 191	<b>400</b> 166	<b>400</b> 140	<b>400</b> 115
	X'85.015	<b>95</b> 3	<b>95</b> 3	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
	'87.400	<b>2,045</b> 854	<b>175</b> 109	<b>175</b> 99	<b>205</b> 89	<b>150</b> 79	<b>150</b> 71	<b>100</b> 64
	'89.300	<b>1,960</b> 515	<b>455</b> 103	<b>420</b> 75	<b>305</b> 53	<b>80</b> 41	<b>80</b> 37	<b>60</b> 33
	'90.610	<b>5,830</b> 2,402	<b>550</b> 303	<b>550</b> 273	<b>525</b> 243	<b>450</b> 215	<b>350</b> 194	<b>275</b> 178
	'92.558	<b>11,030</b> 4,832	<b>805</b> 570	<b>805</b> 526	<b>805</b> 484	<b>805</b> 441	<b>805</b> 399	<b>555</b> 363
	'93.373	<b>6,705</b> 2,847	<b>825</b> 335	<b>825</b> 295	<b>440</b> 267	<b>310</b> 245	<b>310</b> 230	<b>310</b> 214
	'94.643	<b>23,205</b> 11,328	<b>1,235</b> 1,149	<b>1,235</b> 1,086	<b>1,290</b> 1,025	<b>1,190</b> 963	<b>1,190</b> 905	<b>1,185</b> 848
	X'95.002	<b>3,325</b> 1,584	<b>185</b> 161	<b>185</b> 152	<b>225</b> 143	<b>170</b> 133	<b>175</b> 124	<b>175</b> 116
	'96.463	<b>5,280</b> 2,584	<b>320</b> 257	<b>320</b> 242	<b>335</b> 228	<b>265</b> 212	<b>265</b> 199	<b>265</b> 187
	'97.246	<b>1,110</b> 515	<b>75</b> 52	<b>75</b> 49	<b>75</b> 45	<b>55</b> 42	<b>55</b> 39	<b>55</b> 37
	'98.404	<b>4,000</b> 2,091	<b>200</b> 196	<b>200</b> 188	<b>200</b> 179	<b>200</b> 169	<b>200</b> 160	<b>200</b> 150
WASTE MANAGMENT								
	X'85.015	<b>355</b> 13	<b>345</b> 12	<b>5</b> 0	<b>5</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
	'87.400	<b>935</b> 200	<b>190</b> 50	<b>190</b> 38	<b>185</b> 27	<b>150</b> 16	<b>35</b> 11	<b>15</b> 9

STATE OF MINNESOTA  
GENERAL OBLIGATION DEBT  
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>1,850</b> 1,186	<b>1,850</b> 1,085	<b>1,870</b> 981	<b>1,870</b> 888	<b>1,860</b> 794	<b>1,860</b> 698	<b>1,860</b> 601	<b>1,860</b> 503	<b>1,860</b> 403	<b>1,860</b> 301	<b>1,860</b> 199	<b>1,690</b> 103	<b>465</b> 36	<b>465</b> 13
<b>30</b> 19	<b>30</b> 18	<b>30</b> 17	<b>30</b> 15	<b>30</b> 14	<b>30</b> 12	<b>30</b> 11	<b>30</b> 10	<b>30</b> 8	<b>30</b> 7	<b>30</b> 5	<b>30</b> 4	<b>30</b> 2	<b>30</b> 1
<b>955</b> 621	<b>955</b> 573	<b>955</b> 525	<b>955</b> 478	<b>955</b> 433	<b>955</b> 387	<b>955</b> 341	<b>955</b> 294	<b>955</b> 247	<b>955</b> 199	<b>955</b> 152	<b>955</b> 104	<b>955</b> 57	<b>655</b> 16
<b>50</b> 35	<b>50</b> 33	<b>50</b> 30	<b>50</b> 28	<b>50</b> 25	<b>50</b> 23	<b>50</b> 20	<b>50</b> 18	<b>50</b> 15	<b>50</b> 13	<b>50</b> 10	<b>50</b> 8	<b>50</b> 5	<b>50</b> 3
<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
<b>400</b> 89	<b>400</b> 64	<b>400</b> 38	<b>400</b> 13	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
<b>100</b> 59	<b>100</b> 53	<b>100</b> 48	<b>100</b> 42	<b>100</b> 37	<b>100</b> 31	<b>100</b> 26	<b>100</b> 20	<b>100</b> 14	<b>100</b> 8	<b>70</b> 3	<b>20</b> 1	<b>0</b> 0	<b>0</b> 0
<b>55</b> 30	<b>55</b> 27	<b>50</b> 24	<b>50</b> 21	<b>50</b> 19	<b>50</b> 16	<b>50</b> 13	<b>50</b> 10	<b>50</b> 7	<b>50</b> 4	<b>35</b> 2	<b>15</b> 1	<b>0</b> 0	<b>0</b> 0
<b>280</b> 163	<b>280</b> 148	<b>275</b> 133	<b>270</b> 119	<b>270</b> 104	<b>270</b> 90	<b>270</b> 75	<b>270</b> 60	<b>270</b> 45	<b>270</b> 30	<b>205</b> 17	<b>110</b> 8	<b>45</b> 4	<b>45</b> 1
<b>555</b> 333	<b>550</b> 303	<b>560</b> 274	<b>560</b> 245	<b>560</b> 215	<b>560</b> 185	<b>560</b> 155	<b>560</b> 124	<b>560</b> 93	<b>560</b> 62	<b>455</b> 33	<b>210</b> 15	<b>100</b> 8	<b>100</b> 3
<b>310</b> 197	<b>310</b> 180	<b>310</b> 162	<b>310</b> 146	<b>305</b> 129	<b>305</b> 113	<b>305</b> 97	<b>305</b> 80	<b>300</b> 63	<b>300</b> 46	<b>300</b> 29	<b>245</b> 14	<b>40</b> 4	<b>40</b> 2
<b>1,185</b> 787	<b>1,195</b> 724	<b>1,245</b> 661	<b>1,245</b> 600	<b>1,245</b> 539	<b>1,245</b> 477	<b>1,245</b> 414	<b>1,245</b> 350	<b>1,245</b> 285	<b>1,245</b> 219	<b>1,245</b> 153	<b>1,165</b> 89	<b>580</b> 42	<b>550</b> 14
<b>170</b> 107	<b>170</b> 99	<b>165</b> 90	<b>165</b> 82	<b>165</b> 74	<b>165</b> 66	<b>165</b> 58	<b>165</b> 50	<b>165</b> 42	<b>165</b> 33	<b>165</b> 25	<b>165</b> 16	<b>110</b> 8	<b>110</b> 3
<b>265</b> 173	<b>265</b> 160	<b>255</b> 147	<b>255</b> 134	<b>255</b> 122	<b>255</b> 109	<b>255</b> 97	<b>255</b> 84	<b>255</b> 71	<b>255</b> 58	<b>255</b> 45	<b>255</b> 32	<b>215</b> 19	<b>215</b> 8
<b>55</b> 34	<b>55</b> 32	<b>55</b> 29	<b>55</b> 26	<b>50</b> 24	<b>50</b> 21	<b>50</b> 19	<b>50</b> 17	<b>50</b> 14	<b>50</b> 12	<b>50</b> 9	<b>50</b> 7	<b>50</b> 4	<b>50</b> 2
<b>200</b> 140	<b>200</b> 130	<b>200</b> 120	<b>200</b> 110	<b>200</b> 100	<b>200</b> 90	<b>200</b> 80	<b>200</b> 70	<b>200</b> 60	<b>200</b> 50	<b>200</b> 40	<b>200</b> 30	<b>200</b> 20	<b>200</b> 10
<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
<b>15</b> 9	<b>15</b> 8	<b>15</b> 7	<b>15</b> 6	<b>15</b> 5	<b>15</b> 5	<b>20</b> 4	<b>20</b> 3	<b>20</b> 2	<b>20</b> 1	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0

STATE OF MINNESOTA  
GENERAL OBLIGATION DEBT  
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/1998	1999	2000	2001	2002	2003	2004
GENERAL FUND (CONT)								
WASTE MANAGMENT (CONT)	'90.610	<b>2,730</b> 978	<b>325</b> 142	<b>325</b> 123	<b>325</b> 104	<b>325</b> 85	<b>170</b> 71	<b>90</b> 64
	'92.558	<b>375</b> 85	<b>50</b> 18	<b>50</b> 16	<b>50</b> 13	<b>50</b> 11	<b>50</b> 8	<b>25</b> 6
	'96.463	<b>1,000</b> 436	<b>105</b> 48	<b>110</b> 44	<b>105</b> 39	<b>40</b> 34	<b>40</b> 32	<b>40</b> 30
EXCHANGE BONDS								
	'85.16A.66	<b>6,289</b> 9	<b>0</b> 3	<b>0</b> 3	<b>3,145</b> 2	<b>3,145</b> 1	<b>0</b> 0	<b>0</b> 0
INFRASTRUCTURE DEVELOPMENT								
STATE BUILDING CAPITAL IMPROVEMENT								
	'90.610	<b>68,893</b> 24,033	<b>8,371</b> 3,623	<b>8,381</b> 3,124	<b>8,411</b> 2,627	<b>6,393</b> 2,194	<b>3,390</b> 1,926	<b>3,040</b> 1,761
	'92.558	<b>39,757</b> 18,663	<b>2,460</b> 2,109	<b>2,464</b> 1,974	<b>2,460</b> 1,843	<b>2,458</b> 1,716	<b>2,455</b> 1,589	<b>2,225</b> 1,464
	'94.643	<b>88,807</b> 42,436	<b>5,545</b> 4,536	<b>5,545</b> 4,265	<b>6,350</b> 3,995	<b>4,850</b> 3,687	<b>4,850</b> 3,446	<b>4,850</b> 3,202
	'96.463	<b>39,805</b> 18,990	<b>2,445</b> 1,945	<b>2,445</b> 1,832	<b>2,770</b> 1,718	<b>2,085</b> 1,587	<b>2,085</b> 1,488	<b>2,085</b> 1,388
REFUNDING BONDS								
	'85.16A.66	<b>59,245</b> 25,105	<b>580</b> 2,993	<b>650</b> 2,964	<b>1,420</b> 2,914	<b>2,170</b> 2,827	<b>5,580</b> 2,638	<b>5,915</b> 2,357
REINVESTMENT IN MINNESOTA (RIM)								
	'90.610	<b>500</b> 182	<b>45</b> 25	<b>45</b> 23	<b>45</b> 20	<b>45</b> 18	<b>45</b> 16	<b>25</b> 14
POLLUTION CONTROL								
	'90.610	<b>2,650</b> 929	<b>255</b> 132	<b>255</b> 119	<b>255</b> 106	<b>255</b> 92	<b>255</b> 79	<b>125</b> 69
CIGARETTE TAX								
STATE BUILDING CAPITAL IMPROVEMENT								
	'87.400	<b>6,310</b> 211	<b>6,310</b> 211	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
REFUNDING BONDS								
	'85.16A.66	<b>11,675</b> 1,534	<b>2,335</b> 543	<b>2,335</b> 430	<b>2,335</b> 311	<b>2,335</b> 188	<b>2,335</b> 63	<b>0</b> 0
REINVESTMENT IN MINNESOTA (RIM)								
	'87.400	<b>720</b> 24	<b>720</b> 24	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
POLLUTION CONTROL								
	'87.400	<b>970</b> 32	<b>970</b> 32	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
STATE TRANSPORTATION								
	'87.400	<b>220</b> 7	<b>220</b> 7	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0

STATE OF MINNESOTA  
GENERAL OBLIGATION DEBT  
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
90 59	90 54	90 49	90 44	90 39	90 35	90 30	90 25	90 21	90 16	90 11	90 7	90 2	0 0
25 5	25 4	25 3	25 1	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
40 28	40 26	40 24	40 22	40 20	40 18	40 16	40 14	40 12	40 10	40 8	40 6	40 4	40 2
0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
3,040 1,604	3,040 1,445	3,040 1,285	3,040 1,125	3,040 963	3,040 798	3,040 632	3,040 464	3,040 296	2,578 128	825 32	145 5	0 0	0 0
2,225 1,338	2,225 1,209	2,225 1,086	2,230 969	2,230 850	2,225 728	2,225 605	2,225 481	2,225 355	2,225 227	2,225 101	750 20	0 0	0 0
4,855 2,944	4,855 2,683	4,515 2,416	4,510 2,184	4,505 1,952	4,505 1,717	4,505 1,477	4,505 1,236	4,505 991	4,505 746	4,507 502	3,345 293	1,850 123	1,350 43
2,085 1,284	2,085 1,180	1,920 1,072	1,920 978	1,910 885	1,910 791	1,910 695	1,910 598	1,910 500	1,910 401	1,910 303	1,910 204	1,300 104	1,300 39
5,955 2,065	5,770 1,774	5,760 1,481	5,760 1,184	5,685 885	5,690 586	4,135 328	4,175 110	0 0	0 0	0 0	0 0	0 0	0 0
25 13	25 11	25 10	25 9	25 7	25 6	25 5	25 3	25 2	25 1	0 0	0 0	0 0	0 0
125 63	125 56	125 50	125 43	125 37	125 30	125 24	125 17	125 10	125 3	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT	1999	2000	2001	2002	2003	2004
		OUTSTANDING 6/30/1998						
SPORTS & HEALTH TAX STATE BUILDING CAPITAL IMPROVEMENT	'87.400	<b>1,440</b> 59	<b>1,280</b> 53	<b>160</b> 5	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
REFUNDING BONDS	'85.16A.66	<b>13,330</b> 3,840	<b>375</b> 706	<b>1,540</b> 660	<b>1,565</b> 583	<b>1,625</b> 500	<b>1,630</b> 413	<b>1,275</b> 335
GROUP TOTAL GENERAL FUND		<b>2,328,155</b> 892,795	<b>202,676</b> 118,315	<b>203,443</b> 107,779	<b>191,883</b> 97,447	<b>178,398</b> 87,624	<b>179,241</b> 78,483	<b>158,308</b> 69,410
GAME & FISH	'85.16A.66	<b>290</b> 66	<b>49</b> 16	<b>47</b> 13	<b>37</b> 11	<b>32</b> 9	<b>34</b> 7	<b>27</b> 5
EXCHANGE BONDS	'85.16A.66	<b>11</b> 0	<b>0</b> 0	<b>0</b> 0	<b>5</b> 0	<b>5</b> 0	<b>0</b> 0	<b>0</b> 0
GROUP TOTAL GAME & FISH		<b>300</b> 66	<b>49</b> 16	<b>47</b> 13	<b>42</b> 11	<b>37</b> 9	<b>34</b> 7	<b>27</b> 5
TRUNK HIGHWAY REFUNDING BONDS	'85.16A.66	<b>22,585</b> 3,506	<b>4,910</b> 1,040	<b>4,605</b> 797	<b>3,350</b> 599	<b>2,730</b> 444	<b>2,655</b> 306	<b>2,560</b> 169
GROUP TOTAL TRUNK HIGHWAY		<b>22,585</b> 3,506	<b>4,910</b> 1,040	<b>4,605</b> 797	<b>3,350</b> 599	<b>2,730</b> 444	<b>2,655</b> 306	<b>2,560</b> 169
MAX EFFORT SCHOOL LOAN	'85.16A.66	<b>47,025</b> 17,206	<b>2,235</b> 2,463	<b>2,540</b> 2,324	<b>2,795</b> 2,167	<b>3,090</b> 1,994	<b>4,330</b> 1,780	<b>4,900</b> 1,526
SCHOOL LOANS	'80.545	<b>380</b> 21	<b>255</b> 17	<b>125</b> 4	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
	'88.718	<b>3,355</b> 333	<b>1,140</b> 184	<b>1,140</b> 108	<b>985</b> 38	<b>90</b> 3	<b>0</b> 0	<b>0</b> 0
	'90.610	<b>4,925</b> 648	<b>1,165</b> 269	<b>1,165</b> 196	<b>1,165</b> 124	<b>1,165</b> 51	<b>265</b> 8	<b>0</b> 0
	'91.265	<b>21,875</b> 8,427	<b>1,830</b> 1,116	<b>1,825</b> 1,021	<b>1,825</b> 926	<b>1,825</b> 831	<b>1,840</b> 736	<b>1,195</b> 658
	'92.558	<b>6,285</b> 2,236	<b>595</b> 315	<b>595</b> 284	<b>595</b> 252	<b>595</b> 221	<b>595</b> 189	<b>300</b> 166
	'93.373	<b>3,325</b> 1,463	<b>205</b> 170	<b>205</b> 160	<b>205</b> 149	<b>205</b> 139	<b>205</b> 129	<b>205</b> 118
	'94.643	<b>2,680</b> 1,308	<b>145</b> 140	<b>145</b> 132	<b>145</b> 124	<b>145</b> 116	<b>150</b> 109	<b>150</b> 102
	X'95.002	<b>21,925</b> 10,739	<b>1,190</b> 1,126	<b>1,190</b> 1,063	<b>1,190</b> 1,001	<b>1,190</b> 941	<b>1,185</b> 882	<b>1,185</b> 823
GROUP TOTAL MAX EFFORT SCHOOL LOAN		<b>111,775</b> 42,382	<b>8,760</b> 5,800	<b>8,930</b> 5,291	<b>8,905</b> 4,781	<b>8,305</b> 4,297	<b>8,570</b> 3,833	<b>7,935</b> 3,392

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>1,280</b>	<b>1,260</b>	<b>1,260</b>	<b>1,260</b>	<b>130</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
265	194	122	50	11	4	0	0	0	0	0	0	0	0
<b>147,066</b>	<b>138,164</b>	<b>136,109</b>	<b>134,909</b>	<b>106,578</b>	<b>106,063</b>	<b>84,710</b>	<b>84,475</b>	<b>67,205</b>	<b>65,180</b>	<b>56,030</b>	<b>44,235</b>	<b>25,565</b>	<b>17,920</b>
61,251	53,400	46,187	39,052	32,368	26,830	21,825	17,365	13,294	9,660	6,391	3,742	1,730	642
<b>24</b>	<b>16</b>	<b>11</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3	2	1	0	0	0	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>24</b>	<b>16</b>	<b>11</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3	2	1	0	0	0	0	0	0	0	0	0	0	0
<b>600</b>	<b>600</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
84	50	17	0	0	0	0	0	0	0	0	0	0	0
<b>600</b>	<b>600</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
84	50	17	0	0	0	0	0	0	0	0	0	0	0
<b>4,515</b>	<b>3,790</b>	<b>3,770</b>	<b>3,670</b>	<b>3,325</b>	<b>3,305</b>	<b>2,385</b>	<b>2,375</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1,276	1,062	870	678	497	327	182	61	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>1,200</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>1,195</b>	<b>690</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>0</b>
597	536	474	411	348	284	220	154	89	24	2	0	0	0
<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>
151	136	121	105	89	73	57	41	25	9	0	0	0	0
<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>205</b>	<b>205</b>	<b>205</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>0</b>
108	97	87	76	66	55	44	33	21	10	2	0	0	0
<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>0</b>	<b>0</b>
93	84	76	69	61	53	45	37	29	21	12	4	0	0
<b>1,185</b>	<b>1,185</b>	<b>1,185</b>	<b>1,180</b>	<b>1,185</b>	<b>1,185</b>	<b>1,180</b>	<b>1,180</b>	<b>1,175</b>	<b>1,175</b>	<b>1,175</b>	<b>1,175</b>	<b>630</b>	<b>0</b>
759	690	621	559	499	439	377	315	252	188	125	63	16	0
<b>7,550</b>	<b>6,820</b>	<b>6,800</b>	<b>6,695</b>	<b>6,355</b>	<b>6,335</b>	<b>5,410</b>	<b>5,405</b>	<b>3,025</b>	<b>2,520</b>	<b>1,500</b>	<b>1,325</b>	<b>630</b>	<b>0</b>
2,985	2,606	2,249	1,898	1,561	1,231	925	641	416	251	142	67	16	0



## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

(\$ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT	1999	2000	2001	2002	2003	2004
		OUTSTANDING 6/30/1998						
STATE GUARANTEED BONDS GUARANTEED BOND CLASS	'91.350	<b>44,590</b> 39,090	<b>465</b> 2,782	<b>525</b> 2,753	<b>610</b> 2,719	<b>715</b> 2,680	<b>750</b> 2,635	<b>805</b> 2,587
GROUP TOTAL STATE GUARANTEED BONDS		<b>44,590</b> 39,090	<b>465</b> 2,782	<b>525</b> 2,753	<b>610</b> 2,719	<b>715</b> 2,680	<b>750</b> 2,635	<b>805</b> 2,587
TOTAL PRINCIPAL - LESS GUARANTEE		<b>2,462,815</b>	<b>216,395</b>	<b>217,025</b>	<b>204,180</b>	<b>189,470</b>	<b>190,500</b>	<b>168,830</b>
TOTAL INTEREST - LESS GUARANTEE		938,750	125,170	113,881	102,838	92,374	82,628	72,976
TOTAL DEBT SERVICE - LESS GUARANTEE (1)		3,401,565	341,565	330,906	307,018	281,844	273,128	241,806
TOTAL PRINCIPAL - ALL FUNDS		<b>2,507,405</b>	<b>216,860</b>	<b>217,550</b>	<b>204,790</b>	<b>190,185</b>	<b>191,250</b>	<b>169,635</b>
TOTAL INTEREST - ALL FUNDS		977,840	127,952	116,634	105,557	95,054	85,264	75,563
TOTAL DEBT SERVICE - ALL FUNDS (1)		3,485,245	344,812	334,184	310,347	285,239	276,514	245,198

The Total Debt Service - All Funds does not include:

\$38,690,000 of bonds dated April 1, 1988; \$23,200,000 of bonds dated July 1, 1988; \$110,050,000 of bonds dated August 1, 1989;

\$97,900,000 of bonds dated July 1, 1990; \$95,900,000 of bonds dated August 1, 1991; \$81,650,000 of bonds dated July 1, 1992;

For which funds are held in escrow, have been invested and will be sufficient to pay the principal of, and interest on, the bonds to their earliest call date.

STATE OF MINNESOTA  
GENERAL OBLIGATION DEBT  
SCHEDULED DEBT SERVICE FOR FISCAL YEARS 1999-2018

PRINCIPAL PAYMENTS - BOLD FACE

(\$ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>855</b>	<b>975</b>	<b>1,035</b>	<b>1,105</b>	<b>1,180</b>	<b>1,260</b>	<b>1,350</b>	<b>1,430</b>	<b>1,515</b>	<b>1,605</b>	<b>28,410</b>	<b>0</b>	<b>0</b>	<b>0</b>
2,535	2,475	2,409	2,338	2,261	2,177	2,094	2,010	1,922	1,826	888	0	0	0
<b>855</b>	<b>975</b>	<b>1,035</b>	<b>1,105</b>	<b>1,180</b>	<b>1,260</b>	<b>1,350</b>	<b>1,430</b>	<b>1,515</b>	<b>1,605</b>	<b>28,410</b>	<b>0</b>	<b>0</b>	<b>0</b>
2,535	2,475	2,409	2,338	2,261	2,177	2,094	2,010	1,922	1,826	888	0	0	0
<b>155,240</b>	<b>145,600</b>	<b>143,495</b>	<b>141,610</b>	<b>112,935</b>	<b>112,400</b>	<b>90,120</b>	<b>89,880</b>	<b>70,230</b>	<b>67,700</b>	<b>57,530</b>	<b>45,560</b>	<b>26,195</b>	<b>17,920</b>
64,323	56,057	48,453	40,951	33,929	28,062	22,750	18,006	13,710	9,911	6,533	3,809	1,745	642
<b>219,563</b>	<b>201,657</b>	<b>191,948</b>	<b>182,561</b>	<b>146,864</b>	<b>140,462</b>	<b>112,870</b>	<b>107,886</b>	<b>83,940</b>	<b>77,611</b>	<b>64,063</b>	<b>49,369</b>	<b>27,940</b>	<b>18,562</b>
<b>156,095</b>	<b>146,575</b>	<b>144,530</b>	<b>142,715</b>	<b>114,115</b>	<b>113,660</b>	<b>91,470</b>	<b>91,310</b>	<b>71,745</b>	<b>69,305</b>	<b>85,940</b>	<b>45,560</b>	<b>26,195</b>	<b>17,920</b>
66,858	58,533	50,862	43,289	36,190	30,239	24,843	20,016	15,632	11,737	7,421	3,809	1,745	642
<b>222,953</b>	<b>205,108</b>	<b>195,392</b>	<b>186,004</b>	<b>150,305</b>	<b>143,899</b>	<b>116,313</b>	<b>111,326</b>	<b>87,377</b>	<b>81,042</b>	<b>93,361</b>	<b>49,369</b>	<b>27,940</b>	<b>18,562</b>

**STATE OF MINNESOTA  
 AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT  
 BY PURPOSE AS OF JUNE 30, 1998  
 (In Thousands)**

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
1971- 856 (1)	Municipal Aid	\$ 1,192	Municipal Aid	\$ 1,192	\$ -	\$ 1,192
1983- 323	Building	30,000	Municipal Energy	30,000	29,830	170
1984- 597	Transportation	16,000	Railroad Rehabilitation Local Interstate Substitution	12,000 4,000	13,000	3,000
1987- 400 (2)(3)(4)(5)	Building	369,687	Supreme Court Administration Capital Area Architectural Planning Board Natural Resources Energy & Economic Development Iron Range Resources and Rehabilitation Board Military Affairs Veterans Affairs Historical Society Education Vocational Technical Education Community College State Universities University of Minnesota Corrections Human Services Minnesota Center for the Arts Other	32,288 19,554  299 16,745 46,250  2,200 2,500 2,500 54,284 10,981 33,190 34,939 52,466 47,773 2,259 7,171 4,000 287	369,621	67
1987- 400	Water Pollution Control	66,747	Prevention, Control, Abatement of Water Pollution	66,747	66,740	7
1987- 400	Reinvest in Minnesota	19,000	Agriculture Natural Resources	9,000 10,000	19,000	-
1989- 300 (2)(3)(4)(5)	Building	135,740	Vocational Technical Education Community Colleges State Universities University of Minnesota Education Human Services Corrections Health Veterans Home Board Economic Security Historical Society Administration Capital Area Architectural and Planning Board Natural Resources Pollution Control Agency Public Facilities Authority Trade and Economic Development Military Affairs Other	5,110 5,805 27,658 14,194 2,685 9,097 2,600 390 165 1,000 301 35,874 166 3,348 10,125 12,700 4,021 400 97	134,570	1,170
1989- 300	Transportation	8,000	County Municipal Township Bridges	8,000	8,000	-
1989- 300	Reinvest in Minnesota	5,000	Board of Water and Soil Resources Natural Resources	1,500 3,500	5,000	-
1990- 610 (2)(3)(4)(5)	Building	328,340	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Health Veterans Home Board	25,361 50,488 42,945 71,480 4,793 13,446 13,121 1,376 1,750		

**STATE OF MINNESOTA  
 AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT  
 BY PURPOSE AS OF JUNE 30, 1998  
 (In Thousands)**

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
			Economic Security	750		
			Historical Society	3,175		
			Administration	13,665		
			Capital Area Architectural and Planning Board	300		
			Natural Resources	14,934		
			Pollution Control Agency	27,225		
			Public Facilities Authority	30,954		
			Trade and Economic Development	5,000		
			Military Affairs	200		
			Public Safety	545		
			Indian Affairs Council	50		
			Amateur Sports Commission	5,000		
			Housing Finance Agency	1,500		
			Other	279	328,046	294
1990- 610 (5)	Transportation	11,035	County Municipal Township Bridges	11,035	10,685	350
1990- 610 (5)	Reinvest in Minnesota	5,375	Board of Water and Soil Resources Natural Resources	2,375 3,000	5,350	25
1990- 610	Waste Management	7,000	Waste Processing Facility Assistance	7,000	6,570	430
1991- 350 (5)	Airport Facilities	126,235	Airport Facilities	126,235	44,960	81,275
1991- 354	Wetlands/Reinvest in Minnesota	28,000	Board of Water and Soil Resources Natural Resources Trade and Economic Development	13,900 7,545 6,525	27,150	850
1992- 558 (3)(4)(5)	Building	223,035	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Economic Security Housing Finance Agency Administration Military Affairs Trade and Economic Development Public Facilities Authority Natural Resources Board of Water and Soil Resources Agriculture Pollution Control Agency Minnesota Zoological Garden Historical Society Other	12,607 14,630 12,870 61,900 13,606 21,960 11,082 2,000 3,000 24,343 2,400 4,550 7,500 11,682 1,250 365 13,050 1,815 2,375 195	215,450	7,585
1992- 558	Transportation	17,500	County Municipal Township Bridges	17,500	14,905	2,595
1992- 558	Waste Management	2,000	Waste Processing Facility Assistance	2,000	250	1,750
1993- 373 (3)(5)	Building	54,615	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Administration Historical Society Public Facilities Authority Pollution Control Agency Veterans Home Board Other	667 1,367 1,161 2,000 7,000 8,765 9,812 8,246 150 4,000 11,000 400 47	53,550	1,065

**STATE OF MINNESOTA  
 AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT  
 BY PURPOSE AS OF JUNE 30, 1998  
 (In Thousands)**

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
1993- 373	Transportation	9,900	County Municipal Township Bridges	9,900	8,330	1,570
1994- 639	Landfill	90,000	Environmental Response Actions at Municipal Solid Waste Disposal facilities	90,000	29,900	60,100
1994- 643 (4)(6)	Building	566,790	Technical Colleges Community Colleges State Universities University of Minnesota Education Human Services Corrections Administration Capital Area Architectural and Planning Board Finance Veterans Homes Board Amateur Sports Commission Military Affairs Housing Finance Agency Economic Security Labor Interpretive Center Historical Society Trade and Economic Development MN Technologies, Inc. Natural Resources Public Facilities Authority Pollution Control Agency Board of Water and Soil Resources Zoological Garden Other	45,505 36,945 57,250 68,700 36,967 46,350 72,953 32,275 5,098 5,400 10,630 3,119 366 2,500 2,500 750 6,960 4,900 400 58,491 13,400 23,401 9,800 21,500 630	491,120	75,670
1994- 643	Building	4,000	Municipal Energy	4,000	3,750	250
1994- 643 (6)	Transportation	35,000	County Municipal Township Bridges Federal Aid Demonstration Projects Light Rail Transit Transit Capital Improvements	21,076 3,924 - 10,000	24,485	10,515
X1995- 2	Building	5,630	MN State Colleges and Universities Administration Agriculture Natural Resources Pollution Control Agency Public Safety Other	750 1,881 103 1,700 750 410 36	5,500	130
X1995- 2	Transportation	4,500	County Municipal Township Bridges	4,500	3,095	1,405
1996- 463 (5)	Building	511,825	MN State Colleges and Universities University of Minnesota Children, Families and Learning Center for Arts Education Residential Academies Natural Resources Pollution Control Agency Public Facilities Authority Board of Water and Soil Resources Agriculture Administration Amateur Sports Commission Military Affairs Corrections Human Services Veterans Homes Board Transportation Housing Finance Agency	86,431 93,804 19,100 6,879 2,306 36,120 3,350 22,100 14,750 275 78,560 21,600 900 93,430 8,722 740 10,500 2,500		

**STATE OF MINNESOTA  
 AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT  
 BY PURPOSE AS OF JUNE 30, 1998  
 (In Thousands)**

Authorization	Type	Total Authorized	Components/Purpose	Amounts Authorized	Issued	Net Authorized Unissued
			Economic Security	3,500		
			Historical Society	5,650		
			Other	608	276,760	235,065
1996- 463	Building	4,000	Municipal Energy	4,000	3,250	750
1996- 463	Waste Management	3,000	Waste Processing Facility Assistance	3,000	1,000	2,000
1996- 463	Transportation	10,000	County Municipal Township Bridges	10,000	7,560	2,440
1996- 463	Rural Finance Authority	41,000	Farm Loan Restructuring	41,000	28,000	13,000
1997- 246	Building	86,625	Administration	74,035		
			MN State Colleges and Universities	4,500		
			Natural Resources	4,000		
			Public Facilities Authority	4,000		
			Other	90	79,000	7,625
1997- 246	Transportation	3,000	County Municipal Township Bridges	3,000	1,110	1,890
X1997- 2	Building	55,305	Public Safety	30,000		
			Natural Resources	13,000		
			Housing Finance Agency	2,000		
			Public Facilities Authority	9,000		
			Agriculture	1,250		
			Other	55	29,000	26,305
1998- 404	Building	463,795	MN State Colleges and Universities	92,680		
			University of Minnesota	131,970		
			Public Facilities Authority	33,950		
			Corrections	9,485		
			Grants to Political Subdivisions	131,910		
			Human Services	13,700		
			Indian Affairs Council	1,700		
			Transportation	51,000		
			Zoological Garden	1,750		
			Historical Society	6,500		
			Other	500	13,000	450,795
1998- 404	Transportation	34,000	County Municipal Township Bridges	34,000	4,000	30,000
Total Authorized, Unissued						\$ 1,021,335

- (1) Laws 1984, Chapter 597 reduced the Municipal Aid Bonds authorization in Laws 1971, Chapter 856 by \$15,670,000. Minnesota Statutes 16A.642, adopted in 1995, reduced the authorization in Laws 1971, Chapter 856 by \$494,254. Laws 1997, Chapter 202 reduced the Municipal Aid Bonds authorized in Laws 1971, Chapter 856 by an additional \$2,643,451.
- (2) Laws 1993, Chapter 373 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$700,000; Laws 1989, Chapter 300 by \$2,550,000; and Laws 1990, Chapter 610 by \$2,500,000.
- (3) Laws 1994, Chapter 643 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$240,000; Laws 1989, Chapter 300 by \$895,000; Laws 1990, Chapter 610 by \$115,000; Laws 1992, Chapter 558 by \$65,000; and Laws 1993, Chapter 373 by \$15,000.
- (4) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$50,000; Laws 1989, Chapter 300 by \$65,000; Laws 1990, Chapter 610 by \$580,000; Laws 1992, Chapter 558 by \$5,000; and Laws 1994, Chapter 643 by \$1,245,000. Special Session Laws 1995, Chapter 2 also reduced the Transportation Bond authorization in Laws 1987, Chapter 400 by \$10,000.
- (5) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$295,000; Laws 1989, Chapter 300 by \$3,335,000; Laws 1990, Chapter 610 by \$9,260,000; Laws 1992, Chapter 558 by \$6,590,000; Laws 1993, Chapter 373 by \$10,000 and Laws 1996, Chapter 463 by \$37,285,000. Laws 1997, Chapter 202 also reduced: the Transportation Bond authorization in Laws 1990, Chapter 610 by \$165,000; the Reinvest in Minnesota authorization in Laws 1990, Chapter 610 by \$20,000; and Airport Facility Bond authorized in Laws 1991, Chapter 350 by \$48,765,000.
- (6) Laws 1998, Chapter 404 reduced Building Bond authorization in Laws 1994, Chapter 643 by \$1,350,000. Laws 1998, Chapter 404 also reduced Transportation Bond authorization in Laws 1994, Chapter 643 by \$10,000,000.



STATE OF MINNESOTA  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS  
FISCAL YEARS 1989-1998  
(In Thousands)

	1989	1990	1991	1992
Individual Income Taxes.....	\$2,491,602	\$2,881,050	\$ 2,969,239	\$ 3,148,740
Corporate Income Taxes.....	500,177	481,311	462,943	428,412
Sales Tax.....	1,779,569	1,869,592	1,961,716	2,192,547
Gross Earnings Taxes.....	220,007	164,139	159,745	146,487
Motor Vehicle Excise Tax.....	249,507	256,589	236,236	270,151
Motor Vehicle License Tax.....	272,476	297,351	331,783	349,549
Gasoline and Special Fuel Taxes.....	449,621	456,723	451,995	457,826
Other Taxes.....	427,094	441,290	516,981	623,714
Federal Revenues.....	1,959,518	2,151,582	2,213,281	2,508,640
Other Revenues.....	679,575	751,114	756,795	781,761
Net Revenues.....	<u>\$9,029,146</u>	<u>\$9,750,741</u>	<u>\$10,060,714</u>	<u>\$10,907,827</u>

STATE OF MINNESOTA  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS  
FISCAL YEARS 1989-1998  
(In Thousands)

	1993	1994	1995	1996	1997	1998
Individual Income Taxes.....	\$ 3,470,244	\$ 3,532,465	\$ 3,774,855	\$ 4,129,026	\$ 4,757,086	\$ 5,146,586
Corporate Income Taxes.....	507,703	546,558	667,542	696,393	665,321	746,720
Sales Tax.....	2,375,793	2,515,224	2,728,525	2,933,886	3,013,188	3,254,757
Gross Earnings Taxes.....	145,248	136,768	146,646	122,879	178,626	171,463
Motor Vehicle Excise Tax.....	295,755	332,491	346,673	380,574	401,079	452,353
Motor Vehicle License Tax.....	384,209	420,471	416,793	450,216	487,064	512,327
Gasoline and Special Fuel Taxes.....	462,136	482,453	484,573	520,702	542,896	557,556
Other Taxes.....	712,043	827,520	908,515	949,206	919,037	928,896
Federal Revenues.....	2,777,061	2,986,532	3,157,038	3,384,598	3,498,849	3,643,217
Other Revenues.....	789,002	906,186	964,623	1,217,204	1,299,714	1,449,177
Net Revenues.....	<u>\$11,919,194</u>	<u>\$12,686,668</u>	<u>\$13,595,783</u>	<u>\$14,784,684</u>	<u>\$15,762,860</u>	<u>\$16,863,052</u>

STATE OF MINNESOTA  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND NET TRANSFERS-OUT (1)  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE  
FISCAL YEARS 1989-1998  
(In Thousands)

	1989	1990	1991	1992
Current Expenditures:				
Protection of Persons/Property.....	\$ 129,357	\$ 142,613	\$ 157,528	\$ 169,391
Transportation.....	263,339	283,256	304,486	316,628
Resource Management.....	158,710	177,919	196,699	216,059
Economic/Manpower Development.....	176,742	192,726	200,036	221,856
Education.....	408,984	461,412	501,098	505,997
Health and Social Services.....	417,716	467,149	545,547	539,419
General Government.....	178,581	200,603	187,190	205,434
Capital Outlay.....	443,369	508,723	465,632	492,968
Debt Service.....	181,330	245,278	276,982	277,741
Grants and Subsidies.....	6,136,187	6,750,608	7,453,042	7,868,726
Total Expenditures.....	\$8,494,315	\$9,430,287	\$10,288,240	\$10,814,219
Net Operating Transfers-Out (2).....	301,420	293,079	232,882	247,642
Total Expenditures and Net Transfers-Out.....	<u>\$8,795,735</u>	<u>\$9,723,366</u>	<u>\$10,521,122</u>	<u>\$11,061,861</u>

STATE OF MINNESOTA  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND NET TRANSFERS-OUT (1)  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE  
FISCAL YEARS 1989-1998  
(In Thousands)

	1993	1994	1995	1996	1997	1998
Current Expenditures:						
Protection of Persons/Property.....	\$ 178,778	\$ 183,695	\$ 196,981	\$ 202,535	\$ 230,252	\$ 235,346
Transportation.....	329,310	324,729	374,194	351,712	403,806	426,775
Resource Management.....	226,664	223,237	233,167	273,961	283,296	286,312
Economic/Manpower Development.....	258,183	250,532	263,451	191,283	209,404	209,431
Education.....	529,844	551,987	562,672	723,923	869,754	900,590
Health and Social Services.....	558,076	596,449	698,295	736,466	849,510	888,461
General Government.....	222,141	232,861	258,609	273,786	274,908	290,327
Capital Outlay.....	486,578	398,742	330,482	419,555	418,796	472,906
Debt Service.....	313,776	295,731	285,344	522,296	378,707	371,916
Grants and Subsidies.....	8,164,541	8,614,081	9,068,110	9,920,296	10,160,159	10,419,601
Total Expenditures.....	\$11,267,891	\$11,672,044	\$12,271,305	\$13,615,813	\$14,078,592	\$14,501,665
Net Operating Transfers-Out (2).....	261,904	258,186	277,012	302,618	317,092	648,977
Total Expenditures and Net Transfers-Out.....	<u>\$11,529,795</u>	<u>\$11,930,230</u>	<u>\$12,548,317</u>	<u>\$13,918,431</u>	<u>\$14,395,684</u>	<u>\$15,150,642</u>

(1) Revenues and expenditures are accounted for on the modified accrual basis.

(2) Net operating transfers-out, not including transfers to component units, are reduced by bond proceeds of the Special Revenue Funds for the following years:

1989	\$ 7,750,000	1992	\$22,460,000	1995	\$14,025,000	1998	\$3,400,000
1990	20,370,000	1993	34,945,000	1996	13,990,000		
1991	32,904,000	1994	25,300,000	1997	12,650,000		



STATE OF MINNESOTA  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 1989-1998

<u>Year of Assessment</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Tax Assessed Value/ Tax Capacity</u>	<u>Percentage Increase Per Year</u>
1989	\$3,023,231,788	\$131,014,287	\$3,154,246,075	N/A %(1)
1990	3,146,653,676	134,539,984	3,281,193,660	4.02
1991	3,100,542,487	133,137,661	3,233,680,148	(1.45)
1992	3,068,090,432	137,961,249	3,206,051,681	(0.85)
1993	3,036,843,689	134,339,758	3,171,183,447	(1.09)
1994	3,157,294,317	139,515,555	3,296,809,872	3.96
1995	3,350,007,524	147,560,824	3,497,568,348	6.09
1996	3,594,280,546	154,793,236	3,749,073,782	8.12
1997	3,500,012,129	136,978,564	3,636,990,693	(2.99)
1998 (est)	3,458,000,000	123,000,000	3,581,000,000	(1.54)

Source: Minnesota Department of Revenue.

- (1) Laws of 1988 changed the basis for calculating taxes from the assessed value and mill rate to the gross tax capacity rate for 1988 taxes payable in 1989, and to the net capacity rate for 1989 and subsequent years. Therefore, values for 1988 and 1989 are not comparable with each other nor with values for earlier years.

STATE OF MINNESOTA  
 MARKET VALUE OF TAXABLE PROPERTY  
 1989-1998

<u>Year of Assessment</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Market Value</u>	<u>Percentage Increase Per Year</u>
1989	\$135,675,706,727	\$2,649,874,844	\$138,325,581,571	5.78 %
1990	143,606,454,726	2,783,575,907	146,390,030,633	5.83
1991	149,150,447,836	2,873,816,502	152,024,264,338	3.85
1992	153,992,608,020	3,007,985,604	157,000,593,624	3.27
1993	159,008,719,142	2,990,779,548	161,999,498,690	3.18
1994	166,739,642,423	3,104,511,567	169,844,153,990	4.84
1995	177,163,788,491	3,282,461,951	180,446,250,442	6.24
1996	189,112,448,343	3,440,030,594	192,552,478,937	6.71
1997	202,875,382,657	3,515,300,071	206,390,682,728	7.19
1998 (est)	218,237,000,000	3,543,000,000	221,780,000,000	7.46

Source: Minnesota Department of Revenue.



STATE OF MINNESOTA  
 SCHEDULE OF RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE  
 OF TAXABLE PROPERTY AND GENERAL OBLIGATION BONDED DEBT PER CAPITA  
 FISCAL YEARS 1989-1998

<u>Year</u>	<u>General Obligation Bonded Debt (In Thousands)</u>	<u>Bonded Debt Per Capita</u>
1989	\$1,404,145	322.6
1990	1,507,645	344.6
1991	1,573,630	357.9
1992	1,630,105	364.7
1993	1,706,885	377.5
1994	1,769,435	388.7
1995	1,892,169	409.5
1996	2,162,015	462.9
1997	2,160,719	458.0
1998	2,506,939	531.4

STATE OF MINNESOTA  
 SCHEDULE OF RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION  
 BONDED DEBT TO GENERAL EXPENDITURES  
 FISCAL YEARS 1989-1998  
 (In Thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>General Expenditures (1)</u>	<u>Percent of Expenditures</u>
1989	\$ 83,865	\$ 87,528	\$171,393	\$ 8,494,311	2.02 %
1990	121,475	96,276	217,751	9,430,287	2.31
1991	133,990	103,642	237,632	10,288,240	2.31
1992	138,525	112,104	250,629	10,814,219	2.32
1993	140,885	116,614	257,499	11,267,891	2.29
1994	155,743	118,454	274,197	11,672,044	2.35
1995	160,666	99,036	259,702	12,271,305	2.12
1996	169,780	102,747	272,527	13,652,240	2.00
1997	171,295	180,991	352,286	14,078,592	2.50
1998	184,820	147,297	332,117	14,501,499	2.29

(1) Includes the General, Special Revenue and Debt Service Funds.

SCHEDULE OF REVENUE BOND COVERAGE  
STATE UNIVERSITY BOARD REVENUE FUND  
FISCAL YEARS (1989-1998)  
(Dollars in Thousands)

<u>Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1989	\$36,813	\$26,053	\$10,760	\$1,510	\$1,649	\$3,159	3.41
1990	39,415	27,610	11,805	3,215	1,828	5,043	2.34
1991	40,449	30,790	9,659	4,675	1,746	6,421	1.50
1992	39,831	30,525	9,306	580	1,545	2,125	4.38
1993	38,674	29,698	8,976	605	1,371	1,976	4.54
1994	39,051	30,969	8,082	945	2,342	3,287	2.46
1995	41,492	31,715	9,777	945	2,217	3,162	3.09
1996	45,105	34,491	10,614	1,420	2,200	3,620	2.93
1997	46,036	34,508	11,528	1,450	1,974	3,424	3.37
1998	45,481	38,321	7,160	1,520	2,003	3,523	2.03

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

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

STATE OF MINNESOTA  
SCHEDULE OF REVENUE BOND COVERAGE  
VERMILLION COMMUNITY COLLEGE DORMITORY  
COLLEGE AND UNIVERSITY ENTERPRISE ACTIVITIES  
FISCAL YEARS (1989-1998)  
(Dollars in Thousands)

<u>Year</u>	<u>Gross Revenue (3)</u>	<u>Direct Operating Expenses (4)</u>	<u>Net Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1989	\$268	\$ 55	\$213	\$ -	\$130	\$130	1.64
1990	243	84	159	35	111	146	1.09
1991	269	98	171	35	107	142	1.20
1992	255	114	141	40	105	145	0.97
1993	242	132	110	40	102	142	0.77
1994	369	133	236	89	154	243	0.97
1995	425	126	299	83	161	244	1.23
1996	448	230	218	42	116	158	1.38
1997	495	172	323	99	145	244	1.32
1998	506	163	343	119	134	253	1.36

(3) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

(4) Depreciation, amortization, interest and financing expenses are not included.

MINNESOTA BANK DEPOSITS AND GROSS RETAIL SALES  
1989-1998  
(In Millions)

<u>Year</u>	<u>Bank Deposits</u>	<u>Retail Sales</u>
1989	\$40,799	\$37,019
1990	45,384	39,638
1991	45,300	37,919
1992	43,771	38,630
1993	45,157	40,457
1994	44,826	42,925
1995	46,809	45,723
1996	51,361	47,692
1997	71,706	N/A
1998	98,769	N/A

Sources: Federal Deposit Insurance Corporation  
Minnesota Department of Revenue, Unpublished

MINNESOTA POPULATION, PER CAPITA PERSONAL INCOME  
AND UNEMPLOYMENT RATE  
1989-1998

<u>Year</u>	<u>Population (In Thousands)</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
1989	4,341	\$18,412	4.4 %
1990	4,385	19,375	4.8
1991	4,429	19,881	5.1
1992	4,477	21,186	5.1
1993	4,530	21,643	5.1
1994	4,576	22,917	3.9
1995	4,629	23,944	3.7
1996	4,658	25,580	4.0
1997	4,686	26,797	3.3
1998 (est)	4,723	28,089	3.0

Source: Data Resources Incorporated.

STATE OF MINNESOTA  
NEW HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING LOCALITIES  
1989-1998  
(In Thousands)

<u>Year</u>	<u>Valuation</u>	<u>Year</u>	<u>Valuation</u>
1989	\$1,946,611	1994	\$2,557,846
1990	1,867,065	1995	2,589,746
1991	1,882,328	1996	2,902,560
1992	2,481,644	1997	2,757,956
1993	2,672,436	1998	N/A

Source: U.S. Bureau of the Census Construction Reports.

EMPLOYMENT MIX IN MINNESOTA

1989-1998

(In Thousands)

Category	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998 (est)
Manufacturing Durable	235.0	231.5	225.3	223.9	230.8	237.7	243.6	244.8	254.2	257.5
Manufacturing Non-Durable	164.8	169.3	171.0	171.9	174.7	178.4	182.3	183.5	179.9	182.0
Mining	7.7	8.1	7.9	7.6	7.5	7.6	7.9	7.9	7.9	7.5
Construction	79.0	79.5	75.8	76.9	79.1	80.6	82.7	88.7	93.5	94.9
Transportation/Public Utilities	105.2	109.5	110.2	109.4	109.2	113.8	117.0	119.7	123.6	126.7
Trade	514.3	518.5	517.4	426.9	536.6	559.2	576.7	592.9	600.3	612.3
Finance/Insurance/Real Estate	121.0	125.2	127.5	129.6	135.7	140.1	138.2	142.5	146.4	149.5
Service	531.1	549.3	558.2	592.6	614.4	635.8	659.4	685.1	712.3	731.4
Government	328.7	337.8	343.3	346.9	353.8	324.3	332.2	332.4	366.8	373.0
Agriculture	101.6	107.6	93.8	84.1	84.6	82.8	72.9	78.1	71.9	69.7
Total Employed	2,188.4	2,236.3	2,230.4	2,169.8	2,326.4	2,360.3	2,412.9	2,475.6	2,556.8	2,604.5

Source: Minnesota Department of Jobs and Training

STATE OF MINNESOTA

AVERAGE DAILY PUBLIC SCHOOL MEMBERSHIP

School Year	Kindergarten	Elementary	Secondary	Total All Grades
1988-89	61,917	340,969	315,349	718,235
1989-90	62,002	353,944	312,545	728,491
1990-91	63,886	363,978	317,730	745,594
1991-92	67,310	372,558	323,891	763,759
1992-93	68,320	377,274	374,299	819,893
1993-94	65,872	378,214	337,314	781,400
1994-95	65,732	380,891	360,777	807,400
1995-96	66,672	383,458	372,345	822,475
1996-97	63,575	375,683	371,147	810,405
1997-98	64,501	383,904	389,293	837,698

Source: Minnesota Department of Children, Families, and Learning

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

(Dollars in Thousands)

Rank 1997	Rank 1996	Company	Sales	Assets	Rank	Net Income	Rank
34	27	Dayton Hudson	\$27,757,000	\$14,191,000	167	\$ 751,000	118
80	70	Supervalu	16,551,900	4,283,300	346	175,000	332
89	81	Minnesota Mining & Manufacturing (3M)	15,070,000	13,238,000	176	2,121,000	39
130	140	United Healthcare	11,794,000	7,623,000	246	460,000	178
152	147	Northwest Airlines	10,225,800	9,336,200	218	596,500	145
157	165	Norwest Corp.	9,659,700	88,540,200	32	1,351,000	60
194	195	Honeywell	8,027,500	6,411,400	268	471,000	176
199	200	Best Buy	7,770,700	1,734,300	464	1,700	454
228	355	US Bancorp (First Bank System)	6,908,800	71,295,000	42	838,500	103
263	238	St. Paul Companies	6,219,300	21,500,700	124	705,500	127
284	264	General Mills	5,609,300	3,902,400	362	445,400	183
338	404	Nash Finch	4,391,600	906,600	494	(1,200)	456
438	437	Hormel Foods	3,256,600	1,528,500	470	109,500	385
483	483	Lutheran Brotherhood	2,900,300	16,441,700	152	231,600	300
498	489	Northern States Power	2,733,700	7,144,100	253	237,300	298

Source: Fortune Magazine, dated April 27, 1998.



# STATISTICAL SECTION

The following usual statistical tables are not included because they are not applicable to the state's operations: all tables relating to property tax levies and collections; computation of legal debt margin, and computation of overlapping debt. Minnesota data privacy laws prevent disclosure of the names of principal taxpayers.