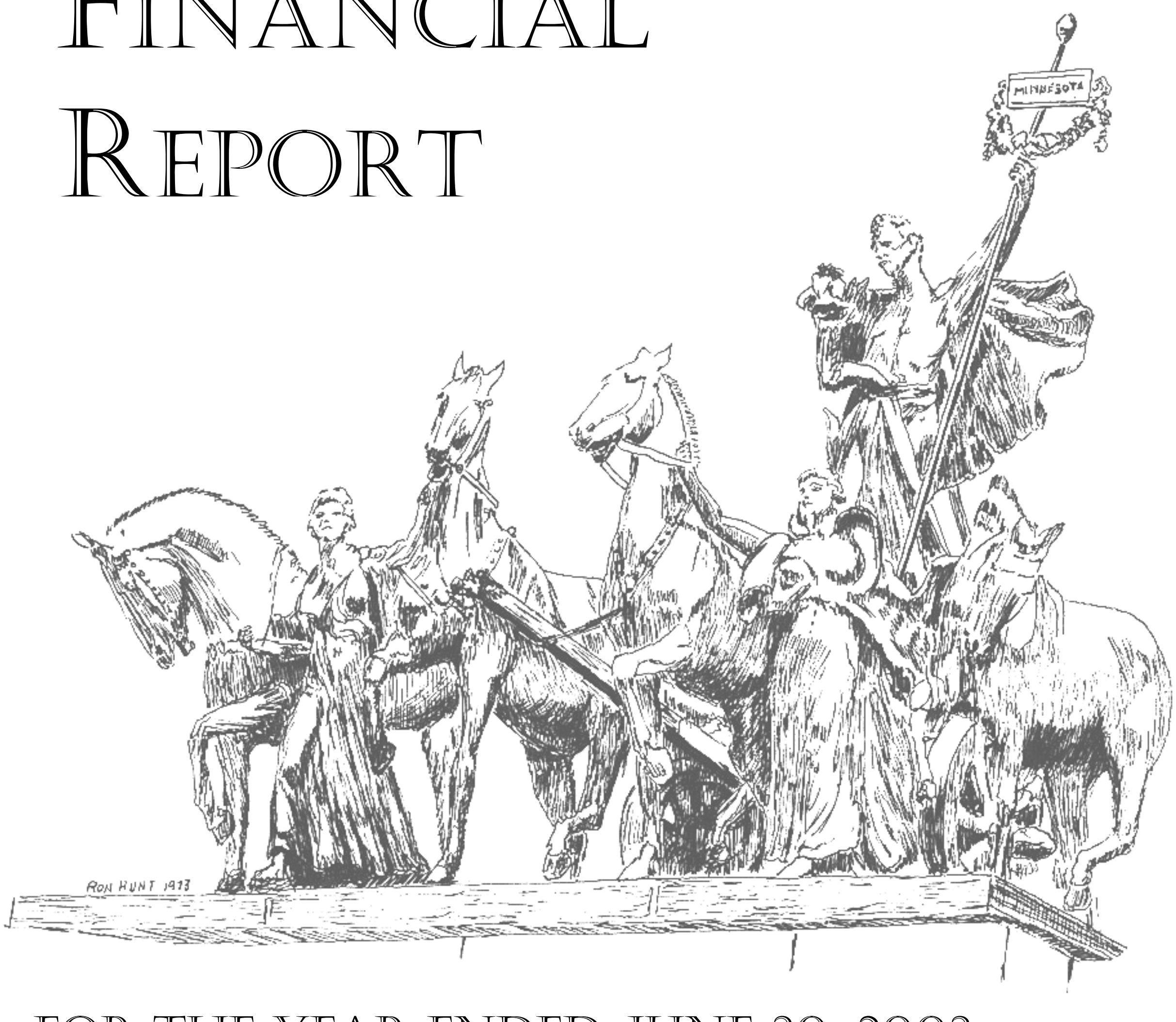
State of Minnesota

Comprehensive Annual Financial Report



For the Year Ended June 30, 2003

On the Cover:

Artist Ron Hunt created the line drawing in ink of the Quadriga. This image was reproduced with the permission of the Minnesota Historical Society for use on the Minnesota Comprehensive Annual Financial Report and Supplement covers.

The statue of four golden horses that stands atop the roof of the Minnesota State Capitol is commonly known as the *Quadriga*. Officially named *Progress of the State*, the copper statuary with gilded gold leaf was sculpted by Daniel Chester French and Edward Potter. The work's more popular name, *Quadriga*, refers to a chariot drawn by four horses. The horses represent earth, fire, water and wind. The male figure on the chariot holding a cornucopia in his right hand, a standard bearing the word Minnesota in his left, represents the progress of the state. The two female figures leading the horses represent agriculture and industry.

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2003

Prepared By the Minnesota Department of Finance
Dan McElroy, Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

The State of Minnesota Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-297-1326

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Comprehensive Annual Financial Report is available at the following web site:

http://www.finance.state.mn.us/

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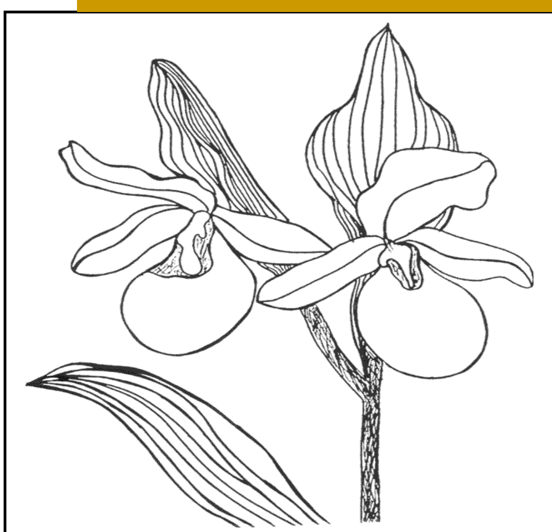
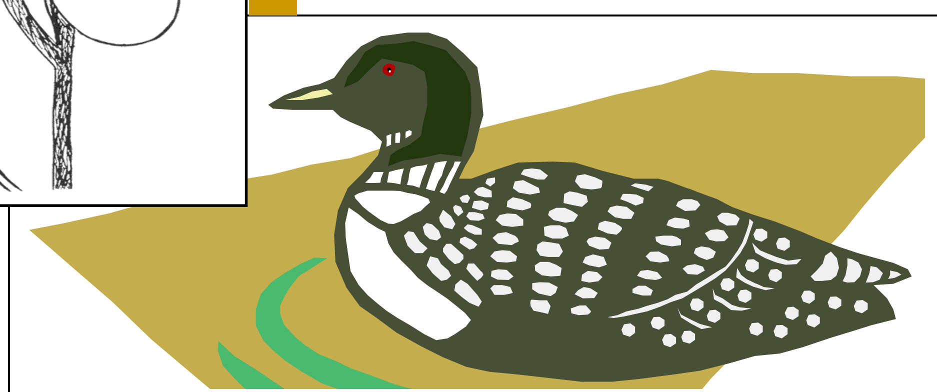
2003 Comprehensive Annual Financial Report

Introduction

State Flower - Ladyslipper





State Bird - Loon

Minnesota

Transmittal Letter from the Commissioner of Finance

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

December 5, 2003

The Honorable Tim Pawlenty, 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 (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2003. 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 report is divided into three sections: Introductory, Financial, and Statistical. The introductory section includes this letter, the certificate of achievement, the state's organization chart, and the list of principal officials. The financial section includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, and the general obligation debt schedules. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state. The statistical section provides mainly trend data and nonfinancial information useful in assessing a government's financial condition.

This report consists of management's representations concerning the finances of the state of Minnesota. Consequently, management 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. To provide a reasonable basis for making these representations, management of the state has established a comprehensive internal control framework that is designed both to protect the state's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the state's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the state's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The independent Office of the Legislative Auditor audited the state's CAFR with a goal to provide reasonable assurance that the CAFR for the fiscal year ended June 30, 2003 is free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the state's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The independent auditor also issues audit reports or management letters to state agencies.

AN EQUAL OPPORTUNITY EMPLOYER

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2003. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2004.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The state of Minnesota's MD&A can be found immediately following the report of the independent auditors.

Financial Reporting Entity and Responsibilities

The financial reporting entity consists of all the funds of the primary government, as well as its component units. Component units are legally separate organizations for which the state is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The Department of Finance is responsible for the Minnesota Accounting and Procurement System (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 Constitution and 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, Solid Waste, Health Care Access, Minnesota Resources, Natural Resources, Game and Fish, Environmental, and Special Compensation 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.

Economic Condition and Outlook

Minnesota's economy struggled during fiscal year 2003 as both the U.S. economy and the state economy failed to perform as well as is typical following a recession. The statewide unemployment rate held relatively constant, averaging just 4.35 percent over the fiscal year, well below the U.S. average of 5.9 percent. But, by the end of the fiscal year, Minnesota payroll employment had fallen by 19,500 jobs, or 0.7 percent. Nationally, payroll employment declined by 0.4 percent. As in the rest of the nation, Minnesota's manufacturing employment was particularly weak, falling by 13,700 jobs (3.8 percent) during the fiscal year. During the same period, U.S. manufacturing employment was even weaker, dropping by 4.2 percent.

Minnesota personal income grew 3.4 percent during fiscal year 2003, 0.4 percentage points faster than the national average. Strong growth in farm income, due to above average yields and the higher prices brought on by drought-reduced yields elsewhere, is only part of the explanation. Non-farm personal income also grew more rapidly than the national average. In calendar 2002, personal income per capita in Minnesota was $34,071, up 3.1 percent from calendar 2001 levels, and 110 percent of the U.S. average. Minnesota now ranks seventh among states in per capita personal income.

The economy in fiscal year 2004 is expected to be stronger than it has been in recent years. Nationally, job growth is expected to resume, and forecasts of real Gross Domestic Product growth rates of 4 percent or more are common. Minnesota's economy is expected to strengthen as well, but projected growth rates for the state are slightly below the U.S. average. The statewide labor market is improving, with preliminary October payroll employment estimates showing that, on a seasonally adjusted basis, more than 13,000 jobs have been added since June. That turnaround in employment appears to have occurred sooner in Minnesota than nationally. Even though U.S. manufacturing employment continues to decline, manufacturing employment in Minnesota is up, with more than 2,700 jobs added since the start of fiscal year 2004. Minnesota personal income is now forecasted to grow by 3.9 percent during fiscal year 2004, slightly less than the projected national growth rate of 4.1 percent. Total wages and salaries in Minnesota are projected to increase by 3.7 percent. Nationwide wages and salaries are expected to grow by 3.3 percent.

General Fund Condition

Several significant events occurred prior to and during fiscal year 2003. To meet the constitutional requirements of a balanced budget for the General Fund, Minnesota legislators spent the majority of the 2002 and 2003 legislative sessions addressing shortfalls projected for fiscal year 2003 as well as the 2004-2005 biennial budget. As previously stated, the state's Constitution and Statutes require that the state have a balanced budget for each two-year budget period. When the original budget for fiscal year 2003 was enacted, a positive General Fund balance of $235 million on a budgetary basis was projected. The state economy, reflecting the national recession in early 2001, did not show the recovery expected and revenue shortfalls resulted.

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. Generally Accepted Accounting Principals (GAAP) requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Expenditures are recognized when a liability occurs.

Because of the budget shortfalls and the need to use state reserves, the result has been an overall reduction in the General Fund's fund balance. On a budgetary basis, the state's General Fund ended fiscal year 2003 with an undesignated balance of $196 million. On a GAAP basis, however, the accruals of revenue and expenditures required by the modified accrual basis of accounting resulted in a decrease of $1.203 billion from the budgetary General Fund balance, which resulted in a reported unreserved year-end fund balance deficit of $1.007 billion. For details of the budget to GAAP differences, see the notes to the financial statements.

Accrued liabilities for two major state programs, entitlement aid programs for school districts, and human services medical assistance, which are paid on a reimbursement basis, have historically exceeded accrued revenue. However, large General Fund designated reserves and undesignated balances have, in the past, exceeded this net accrued liability, and the state has reported positive GAAP General Fund balances. It is anticipated that the General Fund will continue to report a GAAP deficit for the next biennium.

However, the legislature acted to replenish General Fund reserves over the next two years. A total of $522 million was designated by appropriation in fiscal year 2004-05. This will add to the $104 million reserve balance at year-end to bring the reserve to $631 million by fiscal year 2005. Finally, statutory provisions require that any forecast balances first be allocated to restore the cash flow reserve to $350 million, then to increase the budget reserve to a total of $653 million.

Financial Information

Debt Administration. Minnesota's credit ratings on general obligation bonds continued at AAA by Standard & Poor's and Fitch Ratings, and changed to Aa1 by Moody's Investors Service.

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

- Maintain/Restore 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 ended June 30, 2003 is 2.3 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 1.7 percent and 3.01 percent, respectively, based on debt outstanding at June 30, 2003, and estimated personal income for the year ended 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 3.0 percent based on information at June 30, 2003.

Cash Management. The majority of cash is held in the state treasury and commingled in state bank accounts. The cash in individual funds may be invested separately where permitted by statute. However, cash in most funds is invested as a part of an investment pool. Investment earnings of the pools are allocated to the individual funds where provided by statute. Earnings for all other participants are credited to the General Fund.

Minnesota Statutes require 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 fair value of the collateral.

The State Board of Investment manages the majority of the state's investing. Minnesota Statutes broadly restrict investment 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.

Risk Management. Minnesota Statutes permit the purchase of insurance on state-owned buildings and contents. 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 contents. All losses of state property are self-insured, covered by programs of the Risk Management Fund (an internal service fund), or covered by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Employees' health and a portion of dental insurance are self-insured. Employees' life and the remaining dental insurance are provided through contracts with outside organizations. Premiums collected for these benefits have been more than sufficient to cover claims submitted.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the eighteenth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

Although the Department of Finance accepts final responsibility for this report, staff in many other state agencies and component units provided much of the data. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements 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 would not have been possible.

Sincerely,

Dan McElroy

Dan McElroy
Commissioner

Minnesota

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

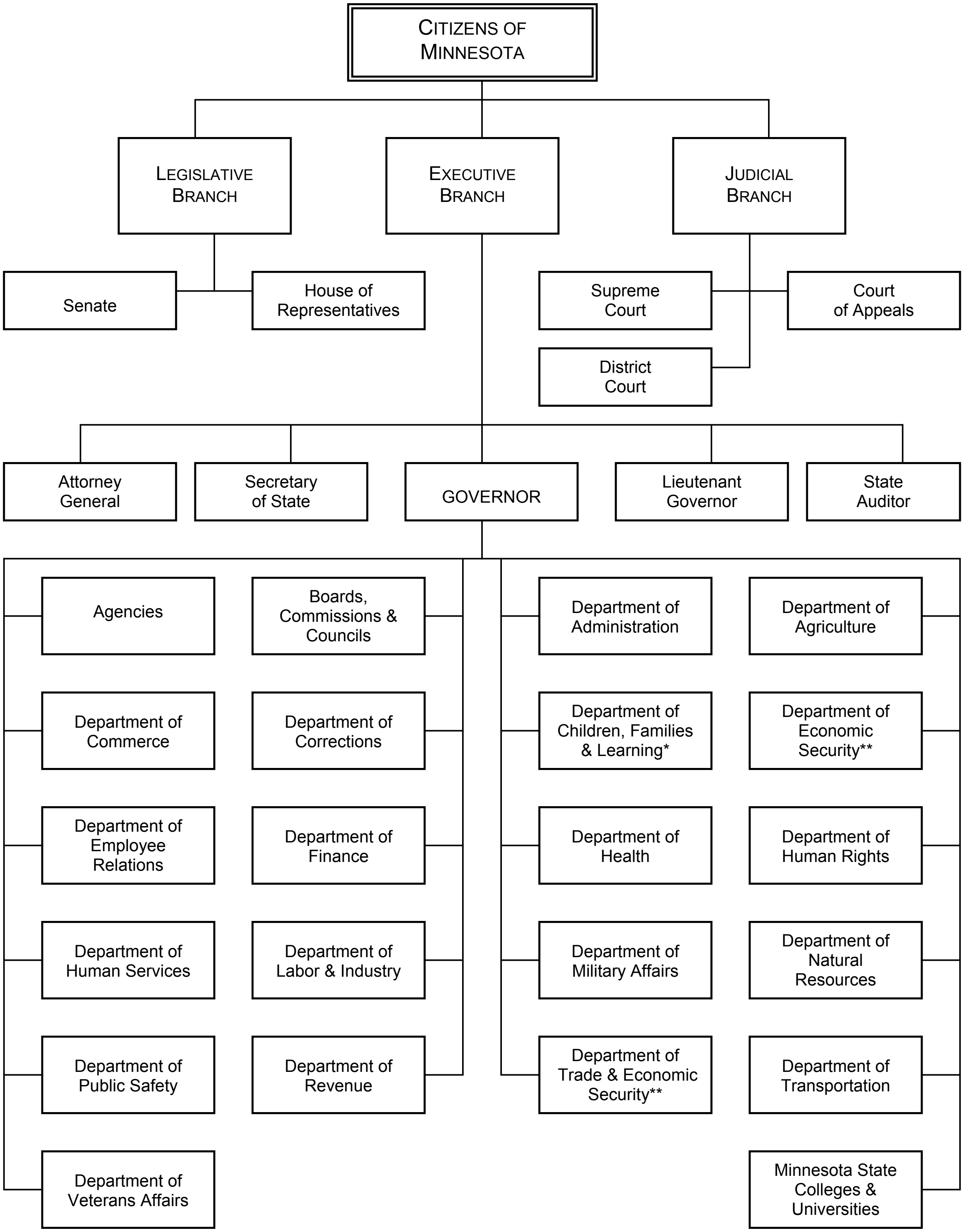
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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.

President

Executive Director

State Organization Chart



Effective during fiscal year 2004:
*The Department of Children, Families and Learning was renamed the Department of Education.
**The Department of Economic Security and the Department of Trade and Economic Development merged to become the Department of Employment and Economic Development.

State Principal Officials

Executive Branch

Governor	Tim Pawlenty
Lieutenant Governor	Carol Molnau
Attorney General	Mike Hatch
Secretary of State	Mary Kiffmeyer
State Auditor	Patricia Awada

Legislative Branch

Speaker of the House of Representatives	Steve Sviggum
President of the Senate	James Metzen

Judicial Branch

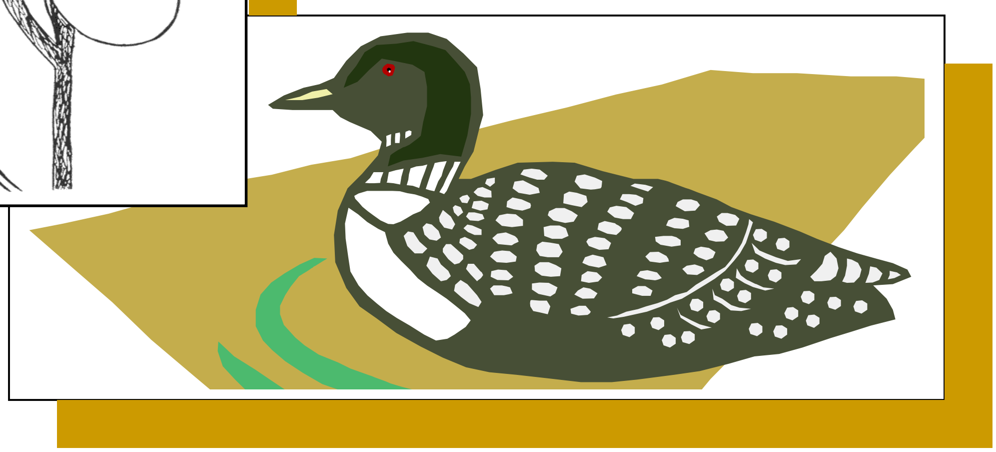
Chief Justice of the Supreme Court	Kathleen Blatz

Minnesota

2003 Comprehensive Annual Financial Report

Financial Section

State Flower - Ladyslipper



State Bird - Loon

OLA **OFFICE OF THE LEGISLATIVE AUDITOR**
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Dan McElroy, Commissioner of Finance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of and for the year ended June 30, 2003, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on those financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities (MnSCU), a business-type activity. The MnSCU financial statements represent 80 percent of the total assets and 36 percent of the operating revenues of the primary government's total business-type activities. We also did not audit the financial statements of the University of Minnesota, Metropolitan Council, Housing Finance Agency, Public Facilities Authority, Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, Higher Education Services Office, and Minnesota Partnership for Action Against Tobacco, which cumulatively represent 99 percent of the total assets and 99 percent of the revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned business-type activities, major proprietary fund, and discretely presented component units is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The financial statements of the Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, and Minnesota Partnership for Action Against Tobacco, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit 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 opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented

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component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the State of Minnesota adopted paragraphs 12 through 15 of Statement No. 38, *Certain Financial Statement Note Disclosures* for the year ended June 30, 2003. The state adopted paragraphs 6 through 11 of Statement No. 38 for the year ended June 30, 2002. This standard establishes and modifies certain financial statement disclosure requirements.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of the State of Minnesota's basic financial statements, but are supplementary information required by generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The combining and individual fund 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 basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial information in the Introduction and Statistical Sections, as listed in the Table of Contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
James R. Nobles
Legislative Auditor

Claudia J. Gudvangen
Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 5, 2003

Minnesota

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2003, and identifies changes in the financial position of the state, which occurred during the fiscal year. Please read this overview in conjunction with the letter of transmittal, which can be found preceding this narrative, and with the state's financial statements and notes to the financial statements.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position, and makes the comparison of Minnesota's government to other governments easier.

This annual financial report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements - Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information to the users of the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the *statement of net assets* and the *statement of activities*, both of which are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Thus, revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements can be found immediately following this discussion and analysis.

The *statement of net assets* presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. *Net assets* is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net assets from one year to the next indicates whether the financial position of the state is improving or deteriorating.

- Other indicators of the state's financial condition include the condition of its infrastructure, and economic events and trends that affect future revenues and expenses.

The *statement of activities* presents the changes in net assets and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government, and includes all current year revenues and expenditures.

Both the statement of net assets and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and protection of persons and property. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance Fund, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component units' governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's eleven component units are reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three discretely presented major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's eight nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- Higher Education Services Office
- Minnesota Partnership for Action Against Tobacco
- Minnesota Technology, Incorporated
- National Sports Center Foundation
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements present financial information in a format familiar to experienced users of governmental financial statements and reports. The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year, and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assists in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains twenty-eight individual governmental funds. Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balance*s for the General, Federal and Debt Service funds, which are reported as major funds. Information from the remaining twenty-five funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The state adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a component of proprietary funds, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and/or services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains seventeen individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds *statement of net assets* and in the proprietary funds *statement of revenues, expenses, and changes in net assets*. Information from the other fifteen funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must assure that the assets reported in fiduciary funds are used for their intended purposes.

The state's fiduciary funds are the pension trust funds, the Investment Trust Fund (which accounts for the transactions, assets, liabilities, and fund equity of the external investment pool), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements elsewhere in this report.

Component Units

As mentioned above, component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the component units in a single column on the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The component units *statements of net assets* and the component units *statement of changes in net assets* provide detail for each major component unit and aggregate the detail for nonmajor component units. Individual nonmajor component unit detail can be found in the combining financial statements elsewhere in this report. A *statement of cash flows* is included for the two nonmajor component units that do not issue separately audited financial statements.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension funding progress, and public employees insurance program development information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2003 by $7.9 billion (presented as *net* assets). Of this amount, a deficit of $347 million was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors.

- The state's total net assets decreased by $1.6 billion (17.3%) during fiscal year 2003. Net assets of governmental activities decreased by $1.4 billion (17.4%), while net assets of the business-type activities showed a decrease of $221.7 million (16.2%).

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $3.9 billion, a decrease of $1.8 billion compared to the prior year. This amount includes an unreserved fund balance deficit $168 million.

- The General Fund includes a deficit of $1.007 billion in the undesignated unreserved fund balance. The remaining governmental funds reported $396 million of undesignated unreserved fund balance, which is available for spending at the government's discretion and $443 million in designated fund balance.

Long-Term Debt

- The state's total long-term debt obligations increased by $466 million (9.0%) during the current fiscal year. The increase is primarily from the issuance of general obligation bonds to finance various state purposes and proceeds on refunding bonds, which were not due to the escrow agent until subsequent year-end.

Government-wide Financial Analysis

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. The state's combined net assets (governmental and business-type activities) totaled $7.897 billion at the end of 2003, compared to $9.546 billion at the end of the previous year. All of the governmental activities and the majority of the business type activities net assets were either restricted by investment in capital assets or restricted for specific purposes. The remaining unrestricted net assets – resources available for future spending – reported a deficit balance of $347 million.

Net Assets
June 30, 2003
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current Assets	$ 8,265,240	$ 9,746,874	$ 787,781	$ 941,012	$ 9,053,021	$ 10,687,886
Noncurrent Assets:						
Capital Assets	7,197,543	6,673,700	977,480	912,145	8,175,023	7,585,845
Other Assets	782,448	340,370	74,084	84,407	856,532	424,777
Total Assets	$ 16,245,231	$ 16,760,944	$ 1,839,345	$ 1,937,564	$ 18,084,576	$ 18,698,508
Current Liabilities	$ 4,698,850	$ 4,088,695	$ 369,059	$ 271,551	$ 5,067,909	$ 4,360,246
Noncurrent Liabilities	4,793,304	4,491,673	326,685	300,682	5,119,989	4,792,355
Total Liabilities	$ 9,492,154	$ 8,580,368	$ 695,744	$ 572,233	$ 10,187,898	$ 9,152,601
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 4,998,667	$ 3,516,294	$ 812,780	$ 776,233	$ 5,811,447	$ 4,292,527
Restricted	2,280,661	2,300,180	151,812	431,695	2,432,473	2,731,875
Unrestricted	(526,251)	2,364,102	179,009	157,403	(347,242)	2,521,505
Total Net Assets	$ 6,753,077	$ 8,180,576	$ 1,143,601	$ 1,365,331	$ 7,896,678	$ 9,545,907

The largest portion, $5.8 billion of $7.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequently, these assets are not available to fund the daily activities of the state. Capital assets are not considered to be convertible to cash and cannot be used to pay for the debt related to the capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $2.4 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used.

The remaining net assets balance represents a deficit in unrestricted net assets of $347 million. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net assets; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the non-capital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities decreased $1.649 billion (17.3%) over the course of this fiscal year. This resulted from a $1.427 billion (17.4%) decrease in net assets of governmental activities, and a $221.7 million (16.2%) decrease in net assets of business-type activities.

Changes in Net Assets
Fiscal Year Ended June 30, 2003
(In Thousands)

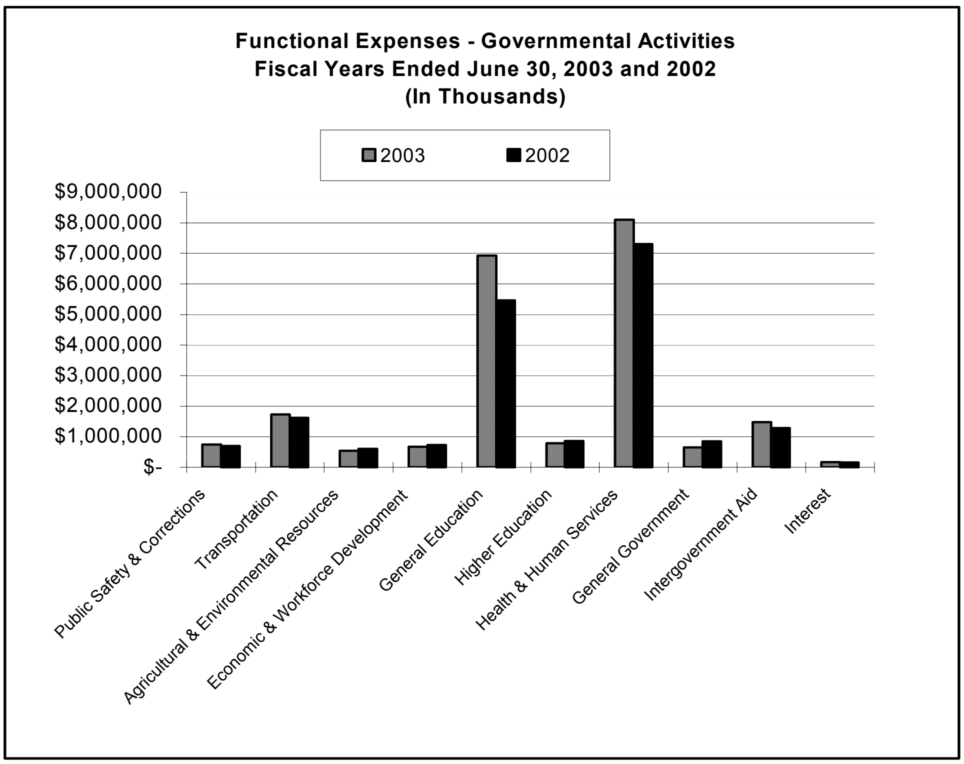
	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	$ 1,211,341	$ 1,398,808	$ 1,697,647	$ 1,396,840	$ 2,908,988	$ 2,795,648
Operating Grants and Contributions	5,219,388	4,697,961	369,481	437,777	5,588,869	5,135,738
Capital Grants	131,632	21,508	2,274	24,333	133,906	45,841
General Revenues:						
Individual Income Taxes	5,497,328	5,419,220	-	-	5,497,328	5,419,220
Corporate Income Taxes	636,214	428,614	-	-	636,214	428,614
Sales Taxes	3,924,424	3,777,259	-	-	3,924,424	3,777,259
Property Taxes	594,094	308,337	-	-	594,094	308,337
Motor Vehicle Taxes	606,137	616,616	-	-	606,137	616,616
Fuel Taxes	656,326	614,285	-	-	656,326	614,285
Other Taxes	1,981,468	1,862,382	-	-	1,981,468	1,862,382
Tobacco Settlement	261,525	380,024	-	-	261,525	380,024
Investment/Interest Income	24,049	83,432	15,697	35,853	39,746	119,285
Other Revenues	203,206	71,621	9,294	721	212,500	72,342
Total Revenues	$ 20,947,132	$ 19,680,067	$ 2,094,393	$ 1,895,524	$ 23,041,525	$ 21,575,591
Expenses:						
Public Safety and Corrections	$ 750,143	$ 702,345	$ -	$ -	$ 750,143	$ 702,345
Transportation	1,727,604	1,619,806	-	-	1,727,604	1,619,806
Agricultural and Environmental Resources	541,828	609,199	-	-	541,828	609,199
Economic and Workforce Development	671,469	731,568	-	-	671,469	731,568
General Education	6,929,870	5,461,074	-	-	6,929,870	5,461,074
Higher Education	785,524	865,729	-	-	785,524	865,729
Health and Human Services	8,102,781	7,307,133	-	-	8,102,781	7,307,133
General Government	652,005	849,938	-	-	652,005	849,938
Intergovernmental Aid	1,480,533	1,287,768	-	-	1,480,533	1,287,768
Interest	169,023	161,129	-	-	169,023	161,129
State Colleges and Universities	-	-	1,386,493	1,296,697	1,386,493	1,296,697
Unemployment Insurance	-	-	1,054,281	946,562	1,054,281	946,562
Lottery	-	-	273,884	296,985	273,884	296,985
Other	-	-	153,397	132,479	153,397	132,479
Total Expenses	$ 21,810,780	$ 19,595,689	$ 2,868,055	$ 2,672,723	$ 24,678,835	$ 22,268,412
Excess (Deficiency) before Transfers and Special Item	$ (863,648)	$ 84,378	$ (773,662)	$ (777,199)	$ (1,637,310)	$ (692,821)
Transfers	(548,291)	(615,758)	548,291	615,758	-	-
Special Item	30,000	134,000	-	-	30,000	134,000
Change in Net Assets	$ (1,381,939)	$ (397,380)	$ (225,371)	$ (161,441)	$ (1,607,310)	$ (558,821)
Net Assets, Beginning	$ 8,180,576	$ 3,821,999	$ 1,365,331	$ 331,930	$ 9,545,907	$ 4,153,929
Prior Period Adjustments	(41,919)	(27,819)	-	-	(41,919)	(27,819)
Change in Accounting Principle	-	2,542,001	-	1,263,574	-	3,805,575
Change in Fund Structure	(3,641)	2,241,775	3,641	(68,732)	-	2,173,043
Net Assets, Ending	$ 6,753,077	$ 8,180,576	$ 1,143,601	$ 1,365,331	$ 7,896,678	$ 9,545,907

Approximately 60 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 25 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 13 percent of the total revenues. The remaining 2 percent came from other general revenues.

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

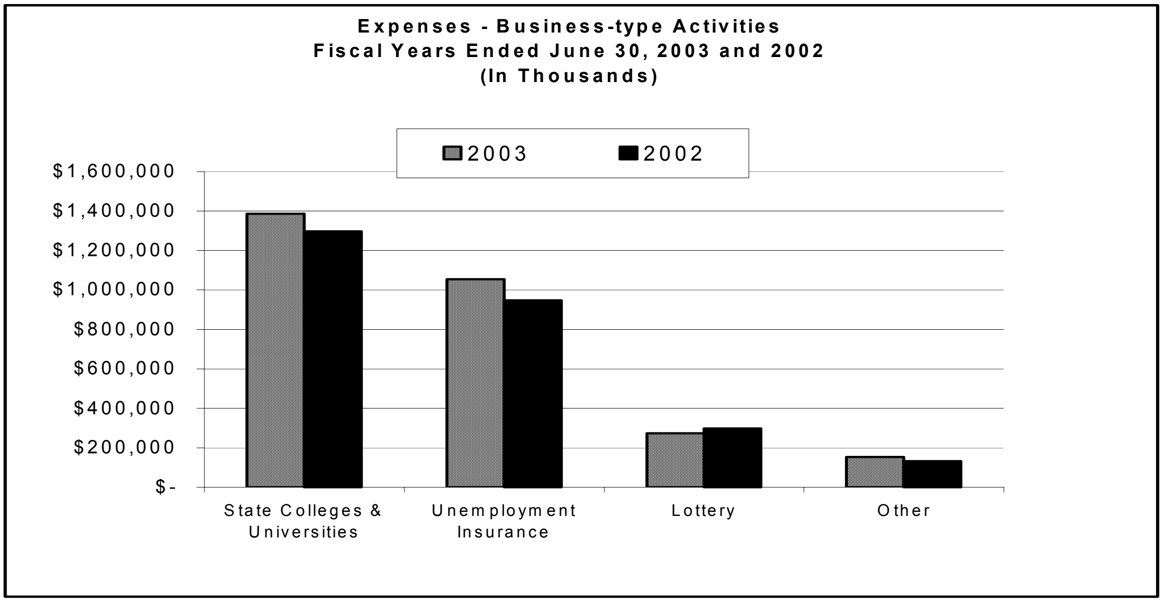
Governmental Activities

Governmental activities decreased the state's net assets by $1.427 billion, which primarily resulted from relatively flat revenues as a result of the economic downturn with an increase in governmental activities expenses. The increase in expenses is primarily attributable to the increase in general education resulting from a property tax reform with the state assuming the full cost of the general education levy in fiscal 2003. This increase was partially offset by an increase in property tax revenue of $286 million.



Business-type Activities

The business-type activities had a decrease in net assets of $221.7 million. This decrease was due primarily to a $301 million decrease in net assets in the Unemployment Insurance Fund, which was offset by a $74 million increase in net assets of the State Colleges and Universities Fund. The decrease in the Unemployment Insurance Fund net assets resulted from an increase in the unemployment rate corresponding to a downturn in the economy.



State Funds Financial Analysis

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year, and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financing requirements. Unreserved fund balance may serve as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $3.851 billion, a decrease of $1.8 billion in comparison with the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the General Fund was a deficit of $1.007 billion, a decrease of $1.546 billion in comparison with the prior year. This decrease primarily resulted from a slow rebounding economy from the economic downturn, which resulted in revenues not sufficient to cover increases in grants and subsidies associated with education and Health and Human Services expenditures.

As stated above, the increase in General Education of $1.469 billion is primarily attributed to a property tax reform with the state assuming the full cost of the levy in fiscal 2003. This increase in expenditure was partially offset by an increase in property tax revenue of $286 million. The increase in Health and Human Services primarily resulted from an increase in health care costs and caseloads for the Medical Assistance and General Assistance Medical Care Programs.

Proprietary Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The state's net assets decreased by $221.7 million during the current year as a result of operations in the proprietary funds. This primarily resulted from a $301 million decrease in net assets in the Unemployment Insurance Fund due to an increase in the unemployment rate in Minnesota associated with the economic downturn. During fiscal year 2003, the state received a loan payable from the Federal Unemployment Account to cover unemployment benefits in the Unemployment Insurance Trust Fund. The amount outstanding on this loan at June 30, 2003 was $130 million.

General Fund Budgetary Highlights

Several significant economic forecast and budget actions events occurred prior to and during fiscal year 2003. These are material to understanding changes in General Fund balances that occurred in fiscal year 2003. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following represent actions taken by the Minnesota legislature and the governor affecting fiscal year 2003.

Actions Establishing the Fiscal Year 2003 Budget

The budget for state fiscal year 2003 was initially adopted in June 2001. The enacted budget included anticipated General Fund resources of $16.053 billion, spending of $14.664 billion, and general reserves and an undesignated balance of $1.389 billion. The most significant component was major property tax reform and relief beginning in fiscal year 2003. This major change eliminated the local property tax component of the K-12 general education levy with the state assuming the full share of General Education costs beginning in fiscal year 2003. A new statewide property tax on commercial-industrial and seasonal recreational property began for property taxes payable in 2002. This change increased General Fund revenues $286 million in fiscal year 2003, while payments to school districts increased to $4.4 billion, $1.2 billion over levels for fiscal year 2002.

By February 2002, economic forecasts recognized the effect of the recession on the U.S. and Minnesota economies. Typical with the experience of other states, the slow recovery of national economic conditions and a decline in state employment and wages resulted in a general decline in forecast tax collections. As a result, a $2.289 billion General Fund budgetary deficit was forecast for June 30, 2003. This equaled approximately 9.7 percent of projected General Fund spending for the biennium.

During the 2002 legislative session, revenue and expenditure measures were enacted to re-balance the budget for the biennium. Actions included $223 million in spending cuts, $605 million transferred from other governmental funds, an increase in bonding to finance previously authorized cash capital projects, and $509 million of changes to selective payment and collection schedules. General Fund reserves were reduced $856 million. These actions primarily affected state fiscal year 2003.

Total spending was reduced $925 million. Permanent spending reductions totaled $223 million, or approximately 10 percent of previously authorized spending for all areas, excluding K-12 education. The balance was composed of $483 million in payment scheduling changes and $219 million in one-time spending reductions. The payment changes largely affected formula entitlement payments to school districts that are funded in a manner that requires a final payment to be paid in the following state fiscal year. The payment schedule was modified from a 90 percent payment with a 10 percent settle-up in the following fiscal year to an 83 percent payment with a 17 percent settle-up. This action results in increasing year-end accrued liabilities on a GAAP basis.

Finally, General Fund reserves and balances were reduced $856 million. The Budget Reserve Account was reduced from $653 million to $319 million. A $350 million balance in the Cash Flow Account balance was eliminated, and $172 million was released from other dedicated accounts.

Budget Actions During Fiscal Year 2003

During fiscal year 2003, economic forecasts reduced tax and non-tax receipts $386 million, and drew down the budget reserve to $24 million.

In February 2003, the commissioner of Finance acted to reduce state spending under the provisions of Minnesota Statutes, Section 16A.152. With the approval of the Governor, the remaining $24 million balance was released from the budget reserve, reducing the forecast deficit to $332 million. A reduction of $282 million was made to unexpended allotments of appropriations and prior transfers from the General Fund. These reductions, along with $50 million in savings from administrative action that delayed for 90 days payments of refunds of sales taxes on capital equipment, acted to balance revenues and expenditures for fiscal year 2003.

The 2003 Legislature enacted additional changes. The effect of these changes increased General Fund resources by $73 million through transfers from the Workers' Compensation Special Fund, State Airports Fund, Solid Waste Fund, State Operated Community Services Special Fund, and reserves in the Higher Education Services Office's SELF Loan program. Authorized spending was reduced further by $118 million. Refinancing $110 million in General Fund transportation projects with Trunk Highway Fund bonds was the largest component of that change.

Budget and GAAP Based Financial Outlook

On December 3, 2003, the Department of Finance released the forecast for the 2004/2005 biennium. Based on the forecast, the state's financial outlook has weakened slightly since the end of the legislative session and projects a deficit of $185 million in absence of legislative or executive action. Both state statutes and constitution require a balanced budget for the biennium. Even though the state will balance the budget by the end of the biennium on a budgetary basis, it is likely that the state's General Fund will continue to show deficits on a GAAP basis over the 2004-2005 biennium.

The enacted 2004-2005 biennial budget will be further impacted by additional changes from fiscal year 2003. Material one-time transfers of $1.292 billion will be made to the General Fund in fiscal years 2004 and 2005 from the Medical Education and Research, Tobacco Use Prevention, and Health Care Access Funds, as well as other various small reserve accounts held by the state. In addition, the payment schedule for the K-12 education aids to school districts will change from the 83 percent payment with a 17 percent settle-up in the following fiscal year to an 80 percent payment with a 20 percent settle-up.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2003, was $10 billion, less accumulated depreciation of $1.8 billion, resulting in a net book value of $8.2 billion. This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2003
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Capital Assets not Depreciated:						
Land	$ 1,378,064	$ 1,216,599	$ 59,664	$ 51,833	$ 1,437,728	$ 1,268,432
State Capitol	20,263	18,569	-	-	20,263	18,569
Construction in Progress	198,185	322,822	82,354	77,941	280,539	400,763
Infrastructure	4,620,135	4,311,441	-	-	4,620,135	4,311,441
Art and Historical Treasures	100	100	-	-	100	100
Total Capital Assets not Depreciated	$ 6,216,747	$ 5,869,531	$ 142,018	$ 129,774	$ 6,358,765	$ 5,999,305
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 1,393,620	$ 1,205,374	$ 1,454,703	$ 1,388,802	$ 2,848,323	$ 2,594,176
Infrastructure	41,670	31,238	-	-	41,670	31,238
Library Collections	-	-	42,878	42,731	42,878	42,731
Equipment, Furniture, Fixtures	357,690	346,788	291,045	278,855	648,735	625,643
Total Capital Assets Depreciated	$ 1,792,980	$ 1,583,400	$ 1,788,626	$ 1,710,388	$ 3,581,606	$ 3,293,788
Less: Accumulated Depreciation	812,184	779,231	953,164	928,017	1,765,348	1,707,248
Capital Assets Net of Depreciation	$ 980,796	$ 804,169	$ 835,462	$ 782,371	$ 1,816,258	$ 1,586,540
Total	$ 7,197,543	$ 6,673,700	$ 977,480	$ 912,145	$ 8,175,023	$ 7,585,845

Under GASB Statement No. 34, the state has adopted an alternative process referred to as the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 2,659 bridges that are maintained by the Minnesota Department of Transportation.

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2002, indicated that the average PQI for principal arterial pavement was 3.39 and 3.30 for all other pavements. The state has maintained a stable condition of pavement over the past four years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2002, indicated that 96 percent of principal arterial system bridges and 92 percent of all other system bridges were in fair to good condition. The state has consistently improved the condition of bridges over the past several years.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 - Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur debt is described in Article XI, Sections 5 and 7, of the state's Constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds are rated as follows:

- Aa1 by Moody's Investors Service
- AAA by Standard & Poors
- AAA by Fitch Ratings

In June 2003, Moody's Investors Service downgraded the state's bond rating from Aaa to Aa1. Moody's stated "the roots of the large deficit that confronted policymakers for the 2004-05 biennium can be traced to the 2002 legislative session, when the state policymakers addressed the then $2.3 billion budget gap for the 2002-03 biennium with a series of non-recurring fixes. These fixes included a drawdown of the remaining budget reserve, as well as a number of payment shifts and transfers. These fixes allowed the state to balance its budget through 2003, but did not address the longer-term structural balance issues that Minnesota faced again in the 2003 session." Moody further comments on the actions taken in the 2003 legislative session to address the 2004-05 biennial budget by stating "While the enacted budget produces surplus funds to contribute to reserves at the end of each of the two years, the first year relies heavily on one-shot budget actions, principally the transfer of tobacco funds to the general fund. The more difficult budget-balancing actions are largely deferred to the second year."

The state also issues revenue bonds, which are payable solely from rentals, revenues, and other income, charges and monies that were pledged for repayment.

Outstanding Bonded Debt
June 30, 2003
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
General Obligation	$ 3,295,545	$ 2,923,221	$ 125,950	$ 108,874	$ 3,421,495	$ 3,032,095
Revenue	-	-	52,925	53,365	52,925	53,365
Total	$ 3,295,545	$ 2,923,221	$ 178,875	$ 162,239	$ 3,474,420	$ 3,085,460

During fiscal year 2003, the state issued the following bonds:

- $267 million in general obligation state various purpose bonds
- $13 million in general obligation state trunk highway bonds

In addition to the general obligation bonds noted above, the state issued $392 million of refunding bonds in June 2003. The payment to the escrow agent was due August 1, 2003, which was subsequent year-end.

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Obligations in the notes to the financial statements.

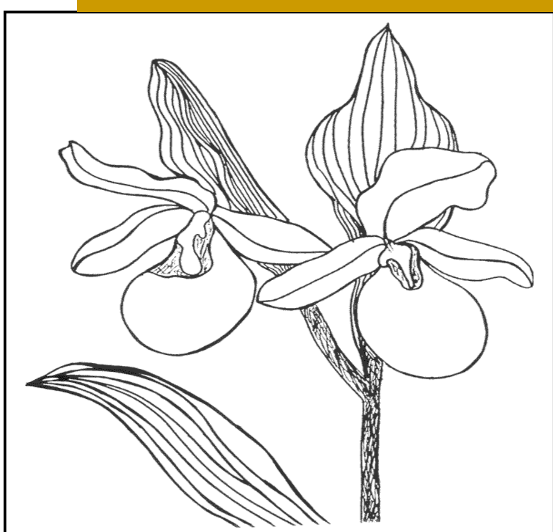
Requests for Information

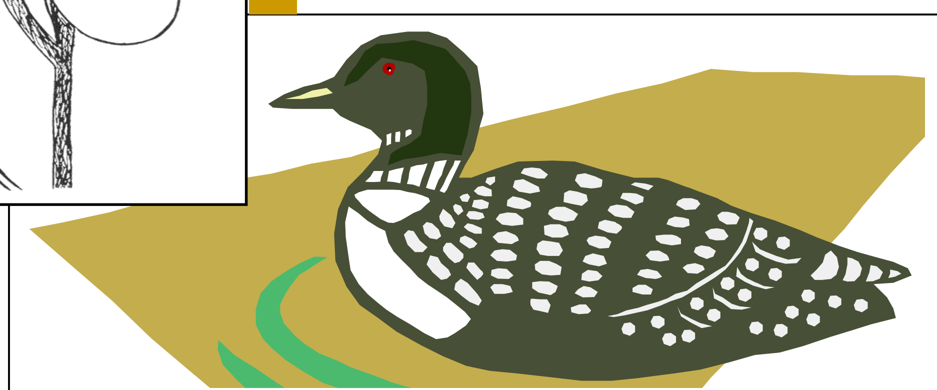
This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Information regarding how to contact the Minnesota Department of Finance regarding questions or further information is shown on the reverse side of the title page of this report.

Basic Financial Statements

State Flower - Ladyslipper



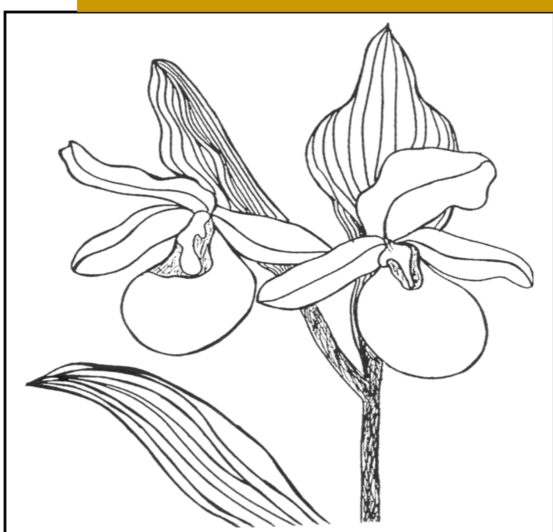


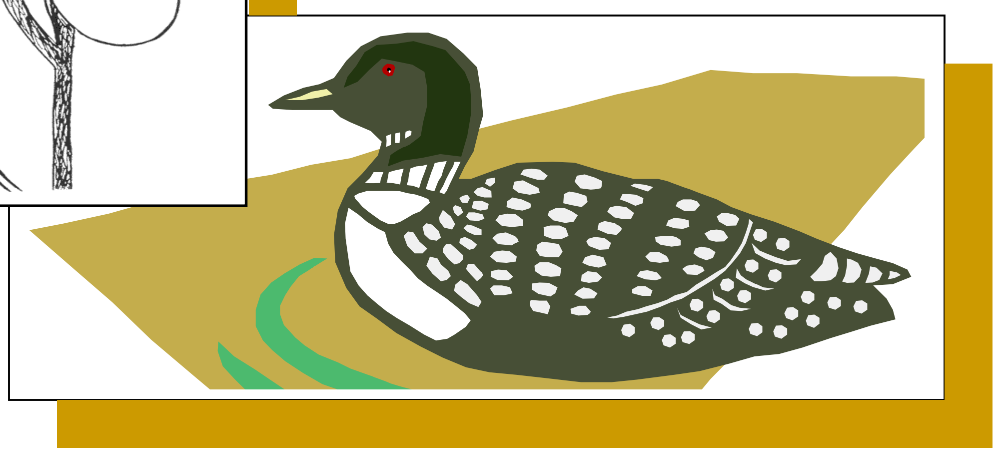
State Bird - Loon

Minnesota

Government-wide Financial Statements

State Flower - Ladyslipper





State Bird - Loon

STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,574,353	$ 460,484	$ 5,034,837	$ 1,441,139
Investments	913,701	20,947	934,648	878,855
Accounts Receivable	1,753,882	263,813	2,017,695	233,314
Due from Component Units	10,761	-	10,761	-
Due from Primary Government	-	-	-	125,434
Accrued Investment/Interest Income	14,079	402	14,481	34,653
Federal Aid Receivable	676,982	16,278	693,260	16,135
Inventories	15,069	17,516	32,585	34,138
Loans and Notes Receivable	30,621	77	30,698	274,959
Internal Balances	9,322	(9,322)	-	-
Securities Lending Collateral	265,426	14,628	280,054	83,208
Other Assets	1,044	2,958	4,002	14,147
Total Current Assets	$ 8,265,240	$ 787,781	$ 9,053,021	$ 3,135,982
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 29,204	$ 29,204	$ 440,477
Investments-Restricted	-	5,999	5,999	141,648
Accounts Receivable-Restricted	-	-	-	34,428
Other Assets-Restricted	-	121	121	3,038
Due from Component Units	120,639	-	120,639	-
Investments	-	-	-	1,046,688
Accounts Receivable	391,235	-	391,235	220,398
Loans and Notes Receivable	211,312	33,656	244,968	2,873,031
Depreciable Capital Assets (Net)	980,796	835,462	1,816,258	2,983,684
Nondepreciable Capital Assets	1,596,612	142,018	1,738,630	614,467
Infrastructure (Not depreciated)	4,620,135	-	4,620,135	-
Other Assets	59,262	5,104	64,366	9,567
Total Noncurrent Assets	$ 7,979,991	$ 1,051,564	$ 9,031,555	$ 8,367,426
Total Assets	$ 16,245,231	$ 1,839,345	$ 18,084,576	$ 11,503,408
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,413,856	$ 176,778	$ 3,590,634	$ 158,950
Due to Component Units	125,434	-	125,434	-
Due to Primary Government	-	-	-	16,555
Deferred Revenue	434,111	23,306	457,417	150,809
Accrued Bond Interest Payable	34,806	168	34,974	67,076
General Obligation Bonds Payable	255,512	8,298	263,810	530,390
Bond Premium Payable	4,811	-	4,811	-
Loans and Notes Payable	11,867	131,426	143,293	1,647
Revenue Bonds Payable	-	1,515	1,515	503,973
Claims Payable	123,949	-	123,949	76,712
Compensated Absences Payable	14,850	7,747	22,597	56,962
Workers' Compensation Liability	11,428	1,255	12,683	-
Capital Leases Payable	2,800	2,979	5,779	-
Securities Lending Collateral	265,426	14,628	280,054	83,208
Other Liabilities	-	959	959	88,482
Total Current Liabilities	$ 4,698,850	$ 369,059	$ 5,067,909	$ 1,734,764
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 46,412
Deferred Revenue-Restricted	-	-	-	116,719
Accrued Bond Interest Payable-Restricted	-	-	-	7,767
Due to Primary Government	-	-	-	120,639
Deferred Revenue	-	-	-	57,280
General Obligation Bonds Payable	3,040,033	117,652	3,157,685	997,715
Bond Premium Payable	87,576	1,694	89,270	-
Loans and Notes Payable	12,331	4,060	16,391	7,574
Revenue Bonds Payable	-	51,410	51,410	2,511,373
Claims Payable	1,329,889	-	1,329,889	324,556
Compensated Absences Payable	216,749	94,819	311,568	16,402
Workers' Compensation Liability	100,680	3,486	104,166	-
Capital Leases Payable	6,046	9,504	15,550	-
Funds Held in Trust	-	7,155	7,155	88,236
Federal Student Loan Financing	-	32,787	32,787	-
Other Liabilities	-	4,118	4,118	42,726
Total Noncurrent Liabilities	$ 4,793,304	$ 326,685	$ 5,119,989	$ 4,337,399
Total Liabilities	$ 9,492,154	$ 695,744	$ 10,187,898	$ 6,072,163

CONTINUED

STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2003
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	$ 4,998,667	$ 812,780	$ 5,811,447	$ 2,274,820
Restricted for:				
Capital Projects	$ 61,512	$ -	$ 61,512	$ -
Debt Service	367,250	-	367,250	-
Transportation	829,638	-	829,638	-
Environmental Resources	427,416	-	427,416	-
Economic and Workforce Development	41,852	-	41,852	-
School Aid-Nonexpendable	552,993	-	552,993	-
Unemployment Benefits	-	52,431	52,431	-
State Colleges and Universities	-	99,381	99,381	-
Component Units	-	-	-	1,960,169
Total Restricted	$ 2,280,661	$ 151,812	$ 2,432,473	$ 1,960,169
Unrestricted	$ (526,251)	$ 179,009	$ (347,242)	$ 1,196,256
Total Net Assets	$ 6,753,077	$ 1,143,601	$ 7,896,678	$ 5,431,245

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBU-TIONS	CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections	$ 750,143	$ 101,157	$ 104,743	$ 10,329
Transportation	1,727,604	16,445	354,799	121,303
Agricultural and Environmental Resources	541,828	179,037	56,180	-
Economic and Workforce Development	671,469	125,832	320,449	-
General Education	6,929,870	34,038	571,653	-
Higher Education	785,524	249	(215)	-
Health and Human Services	8,102,781	571,531	3,764,754	-
General Government	652,005	183,052	47,025	-
Intergovernment Aid	1,480,533	-	-	-
Interest	169,023	-	-	-
Total Governmental Activities	$ 21,810,780	$ 1,211,341	$ 5,219,388	$ 131,632
Business-type Activities:				
State Colleges and Universities	$ 1,386,493	$ 583,236	$ 181,232	$ 2,137
Unemployment Insurance	1,054,281	608,634	188,209	-
Lottery	273,884	351,815	-	-
Other	153,397	153,962	40	137
Total Business-type Activities	$ 2,868,055	$ 1,697,647	$ 369,481	$ 2,274
Total Primary Government	$ 24,678,835	$ 2,908,988	$ 5,588,869	$ 133,906
Component Units:				
University of Minnesota	$ 2,154,930	$ 693,507	$ 661,984	$ 37,310
Metropolitan Council	640,754	284,371	146,012	227,260
Housing Finance	404,253	162,650	198,516	-
Others	316,588	135,905	112,651	-
Total Component Units	$ 3,516,525	$ 1,276,433	$ 1,119,163	$ 264,570

General Revenues:
Taxes:
Individual Income Taxes
Corporate Income Taxes
Sales Taxes
Property Taxes
Motor Vehicle Taxes
Fuel Taxes
Other Taxes
Tobacco Settlement
Unallocated Investment/Interest Income
Other Revenues
State Grants Not Restricted
Special Item
Transfers

Total General Revenues, Transfers and Special Item

Change in Net Assets

Net Assets, Beginning, as Reported
Prior Period Adjustments
Change in Fund Structure

Net Assets, Beginning, as Restated

Net Assets, Ending

The notes are an integral part of the financial statements.

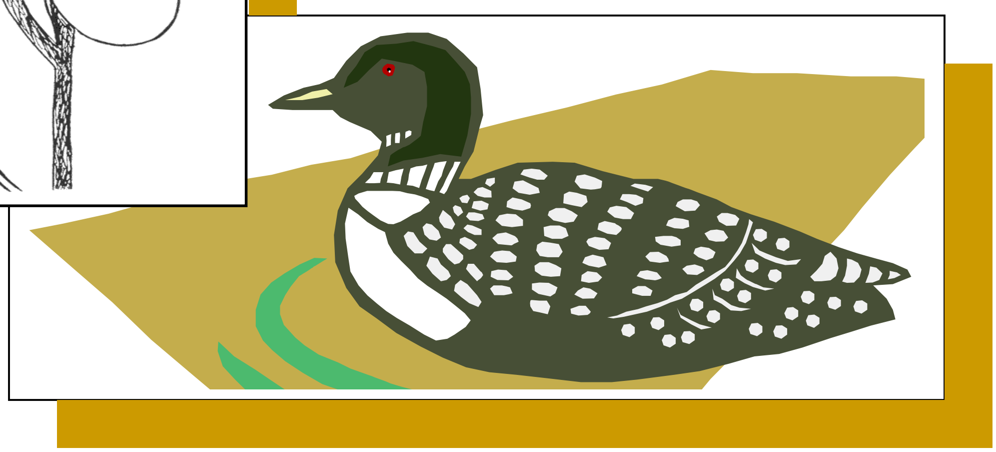
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (533,914)		$ (533,914)	
(1,235,057)		(1,235,057)	
(306,611)		(306,611)	
(225,188)		(225,188)	
(6,324,179)		(6,324,179)	
(785,490)		(785,490)	
(3,766,496)		(3,766,496)	
(421,928)		(421,928)	
(1,480,533)		(1,480,533)	
(169,023)		(169,023)	
$ (15,248,419)		$ (15,248,419)	
	$ (619,888)	$ (619,888)	
	(257,438)	(257,438)	
	77,931	77,931	
	742	742	
	$ (798,653)	$ (798,653)	
$ (15,248,419)	$ (798,653)	$ (16,047,072)	
			$ (762,129)
			16,889
			(43,087)
			(68,032)
			$ (856,359)
$ 5,497,328	$ -	$ 5,497,328	$ -
636,214	-	636,214	-
3,924,424	-	3,924,424	-
594,094	-	594,094	-
606,137	-	606,137	-
656,326	-	656,326	-
1,981,468	-	1,981,468	120,034
261,525	-	261,525	-
24,049	15,697	39,746	45,012
203,206	9,294	212,500	100,417
-	-	-	858,735
30,000	-	30,000	(164,000)
(548,291)	548,291	-	-
$ 13,866,480	$ 573,282	$ 14,439,762	$ 960,198
$ (1,381,939)	$ (225,371)	$ (1,607,310)	$ 103,839
$ 8,180,576	$ 1,365,331	$ 9,545,907	$ 5,350,972
(41,919)	-	(41,919)	(23,566)
(3,641)	3,641	-	-
$ 8,135,016	$ 1,368,972	$ 9,503,988	$ 5,327,406
$ 6,753,077	$ 1,143,601	$ 7,896,678	$ 5,431,245

Minnesota

Financial Section

State Flower - Ladyslipper



State Bird - Loon

Minnesota

Major Governmental Funds

General Fund

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

Federal Fund

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

Debt Service Fund

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003
(IN THOUSANDS)

	GENERAL	FEDERAL	DEBT SERVICE	NONMAJOR FUNDS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 727,207	$ 212	$ 738,869	$ 2,970,207	$ 4,436,495
Investments	31,144	-	126,486	734,287	891,917
Accounts Receivable	1,585,764	218,100	23	313,805	2,117,692
Interfund Receivables	67,847	8,121	5	130,008	205,981
Due from Component Units	-	-	131,400	-	131,400
Accrued Investment/Interest Income	6,402	-	1,430	5,882	13,714
Federal Aid Receivable	-	607,824	-	69,158	676,982
Inventories	-	204	-	13,770	13,974
Loans and Notes Receivable	1,823	359	-	239,751	241,933
Advances to Other Funds	5,647	-	-	-	5,647
Securities Lending Collateral	104,807	-	36,407	115,549	256,763
Investment in Land	-	-	-	15,423	15,423
Total Assets	$ 2,530,641	$ 834,820	$ 1,034,620	$ 4,607,840	$ 9,007,921
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 2,186,029	$ 752,577	$ -	$ 399,962	$ 3,338,568
Interfund Payables	15,742	32,243	14,294	133,923	196,202
Due to Component Units	110,082	498	-	14,854	125,434
Deferred Revenue	1,046,081	42,259	3,265	148,573	1,240,178
Securities Lending Collateral	104,807	-	36,407	115,549	256,763
Total Liabilities	$ 3,462,741	$ 827,577	$ 53,966	$ 812,861	$ 5,157,145
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances	$ 67,296	$ -	$ -	$ 246,406	$ 313,702
Reserved for Refunding Bonds	-	-	391,680	-	391,680
Reserved for Local Governments	-	-	-	454,100	454,100
Reserved for Trust Principal	-	-	-	1,790,860	1,790,860
Other Reserved Fund Balances	7,470	7,243	588,974	464,893	1,068,580
Total Reserved Fund Balances	$ 74,766	$ 7,243	$ 980,654	$ 2,956,259	$ 4,018,922
Unreserved Fund Balances:					
Designated for:					
Special Revenue Funds	$ -	$ -	$ -	$ 442,662	$ 442,662
Undesignated, reported in:					
General Fund	(1,006,866)	-	-	-	(1,006,866)
Capital Project Funds	-	-	-	44	44
Special Revenue Funds	-	-	-	396,014	396,014
Total Unreserved Fund Balance	$ (1,006,866)	$ -	$ -	$ 838,720	$ (168,146)
Total Fund Balances	$ (932,100)	$ 7,243	$ 980,654	$ 3,794,979	$ 3,850,776
Total Liabilities and Fund Balances	$ 2,530,641	$ 834,820	$ 1,034,620	$ 4,607,840	$ 9,007,921

The notes are an integral part of the financial statements.

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

JUNE 30, 2003
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 3,850,776
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 4,620,135	
Depreciable Capital Assets	1,693,681	
Nondepreciable Capital Assets	1,581,189	
Accumulated Depreciation	(742,547)	
Total Capital Assets		7,152,458
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end		810,907
The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds		58,837
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		105,122
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds Payable	$ (3,295,545)	
Bond Premium Payable	(92,387)	
Accrued Interest Payable on Bonds	(34,806)	
Loans and Notes Payable	-	
Claims Payable	(1,453,838)	
Workers' Compensation Liability	(112,108)	
Capital Leases Payable	(8,846)	
Compensated Absences Payable	(227,493)	
Total Liabilities		(5,225,023)
Net Assets of Governmental Activities		$ 6,753,077

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	GENERAL	FEDERAL	DEBT SERVICE	NONMAJOR FUNDS	TOTAL
Net Revenues:					
Individual Income Taxes	$ 5,477,799	$ -	$ -	$ -	$ 5,477,799
Corporate Income Taxes	572,689	-	-	-	572,689
Sales Taxes	3,820,259	-	2,194	-	3,822,453
Property Taxes	585,416	-	-	-	585,416
Motor Vehicle Taxes	412,735	-	-	696,355	1,109,090
Fuel Taxes	-	-	-	645,886	645,886
Other Taxes	1,113,867	-	-	388,641	1,502,508
Tobacco Settlement	150,002	-	-	111,523	261,525
Federal Revenues	83,714	4,862,887	-	319,002	5,265,603
Licenses and Fees	191,146	-	-	225,854	417,000
Departmental Services	44,930	20,073	-	176,106	241,109
Investment/Interest Income	21,384	530	18,128	64,362	104,404
Securities Lending Income	2,675	-	878	3,980	7,533
Other Revenues	264,388	255,926	10,753	147,531	678,598
Net Revenues	$ 12,741,004	$ 5,139,416	$ 31,953	$ 2,779,240	$ 20,691,613
Expenditures:					
Current:					
Public Safety and Corrections	$ 473,851	$ 123,157	$ -	$ 151,474	$ 748,482
Transportation	220,232	167,459	-	1,336,415	1,724,106
Agricultural and Environmental Resources	192,799	30,726	-	371,171	594,696
Economic and Workforce Development	152,824	338,179	-	259,460	750,463
General Education	6,306,356	568,558	-	54,615	6,929,529
Higher Education	764,193	1,811	-	19,883	785,887
Health and Human Services	3,609,619	3,842,645	-	639,051	8,091,315
General Government	517,322	13,581	68	73,510	604,481
Intergovernment Aid	1,480,315	-	-	218	1,480,533
Securities Lending Rebates and Fees	2,553	-	839	3,576	6,968
Total Current Expenditures	$ 13,720,064	$ 5,086,116	$ 907	$ 2,909,373	$ 21,716,460
Capital Outlay	54,388	8,579	-	509,567	572,534
Debt Service	24,530	313	383,903	11,912	420,658
Total Expenditures	$ 13,798,982	$ 5,095,008	$ 384,810	$ 3,430,852	$ 22,709,652
Excess of Revenues Over (Under) Expenditures	$ (1,057,978)	$ 44,408	$ (352,857)	$ (651,612)	$ (2,018,039)
Other Financing Sources (Uses):					
General Obligation Bond Issue Proceeds	$ -	$ -	$ 4,500	$ 251,862	$ 256,362
Loan Proceeds	-	-	-	14,897	14,897
Proceeds from Refunding Bonds	-	-	391,680	-	391,680
Bond Issue Premium	-	-	58,252	-	58,252
Transfers-In	474,536	13,673	337,032	1,640,271	2,465,512
Transfers-Out	(1,065,761)	(58,003)	-	(1,865,066)	(2,988,830)
Capital Leases	2,761	-	-	373	3,134
Net Other Financing Sources (Uses)	$ (588,464)	$ (44,330)	$ 791,464	$ 42,337	$ 201,007
Special Item	$ 30,000	$ -	$ -	$ -	$ 30,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (1,616,442)	$ 78	$ 438,607	$ (609,275)	$ (1,787,032)
Fund Balances, Beginning, as Reported	$ 685,459	$ 7,165	$ 542,047	$ 4,463,915	$ 5,698,586
Prior Period Adjustments	-	-	-	(59,340)	(59,340)
Change in Fund Structure	(1,117)	-	-	-	(1,117)
Fund Balances, Beginning, as Restated	$ 684,342	$ 7,165	$ 542,047	$ 4,404,575	$ 5,638,129
Change in Inventory	-	-	-	(321)	(321)
Fund Balances, Ending	$ (932,100)	$ 7,243	$ 980,654	$ 3,794,979	$ 3,850,776

The notes are an integral part of the financial statements.

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

YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

Net change in fund balances for governmental funds	$	(1,787,032)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation in the current period		509,478
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported with governmental activities		(9,583)
The direct expenses of the appropriate function is used for reporting inventory in the Statement of Activities, but in the Governmental funds the purchases method is used		(321)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		252,791
Bond proceeds provide current financial resources to governmental funds; however issuing debt is reported as an increase of long-term liabilities in the Statement of Net Assets		(704,599)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is reported as a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability increase		(3,134)
Repayment of long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		360,461
Change in net assets of governmental activities	$	(1,381,939)

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 6,049,400	$ 5,500,400	$ 5,380,324
Corporate Income Taxes	628,250	529,800	580,182
Sales Taxes	3,869,132	3,933,600	3,907,766
Property Taxes	594,851	583,975	585,416
Motor Vehicle Taxes	404,544	417,569	506,513
Other Taxes	934,099	1,121,141	1,080,759
Tobacco Settlement	151,592	152,905	152,566
Investment/Interest Income	40,000	24,400	20,604
Other Revenues	470,075	491,817	667,118
Net Revenues	$ 13,141,943	$ 12,755,607	$ 12,881,248
Expenditures:			
Public Safety and Corrections	$ 474,789	$ 483,856	$ 483,847
Transportation	308,175	239,396	239,367
Agricultural and Environmental Resources	233,538	202,163	202,092
Economic and Workforce Development	67,500	119,510	119,438
General Education	5,713,442	5,691,249	5,690,411
Higher Education	807,347	767,588	767,498
Health and Human Services	3,459,825	3,606,592	3,521,134
General Government	557,423	548,921	543,751
Intergovernment Aid	1,485,774	1,494,956	1,494,903
Total Expenditures	$ 13,107,813	$ 13,154,231	$ 13,062,441
Excess of Revenues Over (Under) Expenditures	$ 34,130	$ (398,624)	$ (181,193)
Other Financing Sources (Uses):			
Transfers-In	$ 328,780	$ 421,079	$ 461,008
Transfers-Out	(1,093,108)	(1,093,108)	(1,093,108)
Net Other Financing Sources (Uses)	$ (764,328)	$ (672,029)	$ (632,100)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (730,198)	$ (1,070,653)	$ (813,293)
Fund Balances, Beginning, as Reported	$ 1,157,471	$ 1,157,471	$ 1,157,471
Prior Period Adjustments	-	-	40,755
Fund Balances, Beginning, as Restated	$ 1,157,471	$ 1,157,471	$ 1,198,226
Budgetary Fund Balances, Ending	$ 427,273	$ 86,818	$ 384,933
Less: Appropriation Carryover	-	-	85,651
Less: Budgetary Reserve	319,105	-	103,677
Undesignated Fund Balances, Ending	$ 108,168	$ 86,818	$ 195,605

The notes are an integral part of the financial statements.

Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 391,514	$ 48	$ 68,922	$ 460,484	$ 137,858
Investments	17,480	-	3,467	20,947	21,784
Accounts Receivable	29,985	212,651	21,177	263,813	27,425
Interfund Receivables	14,294	2,823	2,353	19,470	-
Accrued Investment/Interest Income	383	-	19	402	365
Federal Aid Receivable	9,443	6,835	-	16,278	-
Inventories	8,141	-	9,375	17,516	1,095
Deferred Costs	2,112	-	846	2,958	1,044
Loans and Notes Receivable	77	-	-	77	-
Securities Lending Collateral	14,628	-	-	14,628	8,663
Total Current Assets	$ 488,057	$ 222,357	$ 106,159	$ 816,573	$ 198,234
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 25,595	$ -	$ 3,609	$ 29,204	$ -
Investments-Restricted	5,999	-	-	5,999	-
Other Assets-Restricted	121	-	-	121	-
Deferred Costs	-	-	-	-	425
Loans and Notes Receivable	33,656	-	-	33,656	-
Depreciable Capital Assets (Net)	801,285	-	34,177	835,462	29,662
Nondepreciable Capital Assets	140,198	-	1,820	142,018	-
Other Assets	1,602	-	3,502	5,104	-
Total Noncurrent Assets	$ 1,008,456	$ -	$ 43,108	$ 1,051,564	$ 30,087
Total Assets	$ 1,496,513	$ 222,357	$ 149,267	$ 1,868,137	$ 228,321
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 122,830	$ 26,192	$ 27,756	$ 176,778	$ 75,288
Interfund Payables	-	11,750	17,042	28,792	457
Deferred Revenue	18,908	2,047	2,351	23,306	4,840
Accrued Bond Interest Payable	-	-	168	168	-
General Obligation Bonds Payable	8,088	-	210	8,298	-
Loans and Notes Payable	1,489	129,937	-	131,426	11,867
Revenue Bonds Payable	1,205	-	310	1,515	-
Workers' Compensation Liability	1,255	-	-	1,255	-
Capital Leases	2,578	-	401	2,979	-
Compensated Absences Payable	6,859	-	888	7,747	261
Securities Lending Collateral	14,628	-	-	14,628	8,663
Total Current Liabilities	$ 177,840	$ 169,926	$ 49,126	$ 396,892	$ 101,376
Noncurrent Liabilities:					
Accounts Payable	$ -	$ -	$ 4,118	$ 4,118	$ -
General Obligation Bonds Payable	113,810	-	3,842	117,652	-
Loans and Notes Payable	4,060	-	-	4,060	12,331
Revenue Bonds Payable	36,230	-	15,180	51,410	-
Workers' Compensation Liability	3,486	-	-	3,486	-
Capital Leases	8,408	-	1,096	9,504	-
Compensated Absences Payable	86,250	-	8,569	94,819	3,845
Advances from Other Funds	-	-	-	-	5,647
Funds Held in Trust	7,155	-	-	7,155	-
Federal Student Loan Financing	32,787	-	-	32,787	-
Other Liabilities	2,349	-	304	2,653	-
Total Noncurrent Liabilities	$ 294,535	$ -	$ 33,109	$ 327,644	$ 21,823
Total Liabilities	$ 472,375	$ 169,926	$ 82,235	$ 724,536	$ 123,199
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 794,297	$ -	$ 18,483	$ 812,780	$ 5,669
Restricted for:					
Unemployment Benefits	$ -	$ 52,431	$ -	$ 52,431	$ -
Donations	9,209	-	-	9,209	-
Perkins Loans	4,177	-	-	4,177	-
Bond Covenants	19,399	-	-	19,399	-
Debt Service	12,601	-	-	12,601	-
Capital Projects	47,245	-	-	47,245	-
Faculty Contracts	4,342	-	-	4,342	-
Legislatively Mandated Purposes	2,408	-	-	2,408	-
Total Restricted	$ 99,381	$ 52,431	$ -	$ 151,812	$ -
Unrestricted	$ 130,460	$ -	$ 48,549	$ 179,009	$ 99,453
Total Net Assets	$ 1,024,138	$ 52,431	$ 67,032	$ 1,143,601	$ 105,122

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition	$ 419,642	$ -	$ -	$ 419,642	$ -
Room and Board	39,907	-	-	39,907	-
Net Sales	41,242	-	382,311	423,553	12,320
Rental and Service Fees	-	-	97,464	97,464	136,455
Insurance Premiums	-	567,540	23,349	590,889	441,629
Federal Revenues	161,352	188,209	-	349,561	-
State Grants	55,542	-	-	55,542	-
Other Income	26,903	41,094	2,653	70,650	7,530
Total Operating Revenues	$ 744,588	$ 796,843	$ 505,777	$ 2,047,208	$ 597,934
Less: Cost of Goods Sold	-	-	250,226	250,226	8,930
Gross Margin	$ 744,588	$ 796,843	$ 255,551	$ 1,796,982	$ 589,004
Operating Expenses:					
Purchased Services	$ 151,049	$ -	$ 39,722	$ 190,771	$ 127,724
Salaries and Fringe Benefits	895,635	-	90,905	986,540	42,565
Student Financial Aid	84,579	-	-	84,579	-
Unemployment Benefits	-	1,052,410	-	1,052,410	-
Claims	-	-	18,072	18,072	370,017
Depreciation	66,555	-	4,018	70,573	11,238
Amortization	-	-	52	52	145
Supplies and Materials	64,236	-	4,522	68,758	5,833
Repairs and Maintenance	44,450	-	-	44,450	-
Indirect Costs	-	-	8,623	8,623	2,639
Other Expenses	64,022	-	7,882	71,904	14,398
Total Operating Expenses	$ 1,370,526	$ 1,052,410	$ 173,796	$ 2,596,732	$ 574,559
Operating Income (Loss)	$ (625,938)	$ (255,567)	$ 81,755	$ (799,750)	$ 14,445
Nonoperating Revenues (Expenses):					
Investment Income	$ 5,987	$ 7,366	$ 2,333	$ 15,686	$ 5,312
Private Grants	19,880	-	-	19,880	-
Grants and Subsidies	2,137	-	177	2,314	(153)
Securities Lending Income	246	-	-	246	206
Other Nonoperating Revenues	9,917	-	217	10,134	116
Interest and Financing Costs	(8,483)	(1,871)	(503)	(10,857)	(1,219)
Grants, Aids and Subsidies	(7,484)	-	-	(7,484)	-
Securities Lending Rebates and Fees	(235)	-	-	(235)	(197)
Other Nonoperating Expenses	-	-	(2,754)	(2,754)	(3,000)
Gain (Loss) on Disposal of Capital Assets	(861)	-	19	(842)	(120)
Total Nonoperating Revenues (Expenses)	$ 21,104	$ 5,495	$ (511)	$ 26,088	$ 945
Income (Loss) Before Transfers & Contributions	$ (604,834)	$ (250,072)	$ 81,244	$ (773,662)	$ 15,390
Capital Contributions	86,364	-	330	86,694	-
Transfers-In	592,802	2,823	2,223	597,848	-
Transfers-Out	-	(53,445)	(82,806)	(136,251)	(24,973)
Change in Net Assets	$ 74,332	$ (300,694)	$ 991	$ (225,371)	$ (9,583)
Net Assets, Beginning, as Reported	$ 949,806	$ 353,125	$ 62,400	$ 1,365,331	$ 114,705
Change in Fund Structure	-	-	3,641	3,641	-
Net Assets, Beginning, as Restated	$ 949,806	$ 353,125	$ 66,041	$ 1,368,972	$ 114,705
Net Assets, Ending	$ 1,024,138	$ 52,431	$ 67,032	$ 1,143,601	$ 105,122

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 523,671	$ 520,452	$ 498,513	$ 1,542,636	$ 606,329
Receipts from Grants	220,202	193,009	-	413,211	-
Receipts from Other Revenue	-	-	2,430	2,430	7,787
Receipts from Repayment of Program Loans	7,124	-	-	7,124	-
Financial Aid Disbursements	(84,579)	-	-	(84,579)	-
Payments to Claimants	-	(1,066,388)	(18,513)	(1,084,901)	(379,515)
Payments to Suppliers	(311,124)	-	(99,696)	(410,820)	(147,741)
Payments to Employees	(901,651)	-	(94,070)	(995,721)	(42,467)
Payments to Others	-	-	(203,678)	(203,678)	(5,079)
Payments of Program Loans	(7,876)	-	-	(7,876)	-
Net Cash Flows from Operating Activities	$ (554,233)	$ (352,927)	$ 84,986	$ (822,174)	$ 39,314
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 19,514	$ -	$ 40	$ 19,554	$ -
Transfers-In	592,802	-	2,799	595,601	-
Transfers-Out	-	(53,445)	(78,349)	(131,794)	(24,972)
Advances to Other Funds	-	-	(241)	(241)	-
Advances from Other Funds	-	350,279	-	350,279	6,578
Repayments of Advances to Other Funds	-	-	24	24	-
Repayments of Advances from Other Funds	-	(220,341)	-	(220,341)	(6,207)
Interest Paid	-	(1,871)	-	(1,871)	-
Other Nonoperating Expense	(7,484)	-	(3,107)	(10,591)	(806)
Net Cash Flows from Noncapital Financing Activities	$ 604,832	$ 74,622	$ (78,834)	$ 600,620	$ (25,407)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 86,364	$ -	$ 245	$ 86,609	$ (153)
Investment in Capital Assets	(139,746)	-	(5,867)	(145,613)	(10,459)
Proceeds from Disposal of Capital Assets	79	-	146	225	1,760
Proceeds from Capital Debt	23,638	-	-	23,638	-
Proceeds from Insurance Settlement	11,214	-	-	11,214	-
Proceeds from Loans	2,375	-	-	2,375	10,336
Capital Lease Payments	-	-	(264)	(264)	(33)
Repayment of Loan Principal	-	-	-	-	(13,022)
Repayment of Bond Principal	(6,492)	-	(468)	(6,960)	-
Interest Paid	(8,482)	-	(1,423)	(9,905)	(1,234)
Net Cash Flows from Capital and Related Financing Activities	$ (31,050)	$ -	$ (7,631)	$ (38,681)	$ (12,805)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 26,811	$ -	$ 232	$ 27,043	$ 4,982
Purchase of Investments	(22,969)	-	-	(22,969)	(5,074)
Investment Earnings	5,732	7,365	1,967	15,064	4,742
Net Cash Flows from Investing Activities	$ 9,574	$ 7,365	$ 2,199	$ 19,138	$ 4,650
Net Increase (Decrease) in Cash and Cash Equivalents	$ 29,123	$ (270,940)	$ 720	$ (241,097)	$ 5,752
Cash and Cash Equivalents, Beginning, as Reported	$ 387,986	$ 270,988	$ 70,725	$ 729,699	$ 132,106
Change in Fund Structure	-	-	1,086	1,086	-
Cash and Cash Equivalents, Beginning, as Restated	$ 387,986	$ 270,988	$ 71,811	$ 730,785	$ 132,106
Cash and Cash Equivalents, Ending	$ 417,109	$ 48	$ 72,531	$ 489,688	$ 137,858

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (625,938)	$ (255,567)	$ 81,755	$ (799,750)	$ 14,445
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 66,555	$ -	$ 4,384	$ 70,939	$ 11,512
Amortization	-	-	52	52	145
Loan Principal Repayments	7,124	-	-	7,124	-
Loans Issued	(7,876)	-	-	(7,876)	-
Bad Debt Expense	3,481	-	-	3,481	-
Change in Valuation of Assets	18,690	-	-	18,690	-
Change in Assets and Liabilities:					
Accounts Receivable	(2,804)	(94,238)	(3,620)	(100,662)	13,973
Inventories	(250)	-	(89)	(339)	175
Other Assets	1,451	-	(3,244)	(1,793)	1,110
Accounts Payable	(18,082)	(3,877)	4,459	(17,500)	(3,887)
Compensated Absences Payable	4,213	-	798	5,011	(143)
Deferred Revenues	1,145	755	450	2,350	1,983
Other Liabilities	(1,942)	-	41	(1,901)	1
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 71,705	$ (97,360)	$ 3,231	$ (22,424)	$ 24,869
Net Cash Flows from Operating Activities	$ (554,233)	$ (352,927)	$ 84,986	$ (822,174)	$ 39,314
Noncash Investing, Capital and Financing Activities:					
Donated Assets	$ 2,502	$ -	$ -	$ 2,502	$ -
Change in Fair Value of Investments	-	-	902	902	-
Capital Assets Acquired Through Leases	6,755	-	-	6,755	30
Capital Assets Purchased on Account	10,304	-	-	10,304	-
Disposal of Capital Assets	-	-	-	-	608
Buildings Capitalized under Notes Payable	2,972	-	-	2,972	-
Accrual of Computer Equipment as an Investment in Capital Assets	-	-	-	-	632
Trade-in Allowance for Investment in Capital Assets	-	-	-	-	79
General Fund Capital Assets Transfers-In	-	-	-	-	219

The notes are an integral part of the financial statements.

Minnesota

Fiduciary Funds

Pension Trust Funds

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

Investment Trust Fund

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

Agency Fund

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

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	AGENCY	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 47,516	$ -	$ 47,840	$ 95,356
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 1,898,631	$ 44,247	$ -	$ 1,942,878
Investments:				
Repurchase Agreements	$ 8,731	$ -	$ -	$ 8,731
Commercial Paper	19,748	154	-	19,902
US Treasury Obligations	1,524,508	16,191	-	1,540,699
Mortgage Backed	3,948,608	52,538	-	4,001,146
Corporate Obligations	3,222,892	49,799	-	3,272,691
Foreign and Other Obligations	205,523	2,206	-	207,729
Corporate Stocks	23,085,530	235,393	-	23,320,923
Other Equity	1,899,329	-	-	1,899,329
Total Investments	$ 33,914,869	$ 356,281	$ -	$ 34,271,150
Accrued Interest and Dividends	$ 107,691	$ 1,526	$ -	$ 109,217
Net Receivables (Payables)	(1,290,403)	(12,320)	-	(1,302,723)
Total Investment Pool Participation	$ 34,630,788	$ 389,734	$ -	$ 35,020,522
Receivables:				
Employer Contributions	$ 13,767	$ -	$ -	$ 13,767
Member Contributions	5,987	-	-	5,987
Accounts Receivable	-	-	11,820	11,820
Interfund Receivables	2,412	-	-	2,412
Other Receivables	48,975	-	-	48,975
Accrued Interest and Dividends	66	-	-	66
Total Receivables	$ 71,207	$ -	$ 11,820	$ 83,027
Securities Lending Collateral	$ 2,713,740	$ 27,328	$ -	$ 2,741,068
Depreciable Capital Assets (Net)	30,598	-	-	30,598
Nondepreciable Capital Assets	429	-	-	429
Total Assets	$ 37,494,278	$ 417,062	$ 59,660	$ 37,971,000
LIABILITIES				
Accounts Payable	$ 10,838	$ 68	$ 21,479	$ 32,385
Interfund Payables	2,412	-	-	2,412
Deferred Revenue	10	-	-	10
Accrued Expense	1	-	-	1
Revenue Bonds Payable	28,124	-	-	28,124
Bond Interest	54	-	-	54
Compensated Absences Payable	1,732	-	-	1,732
Securities Lending Collateral	2,713,740	27,328	-	2,741,068
Funds Held in Trust	-	-	38,181	38,181
Total Liabilities	$ 2,756,911	$ 27,396	$ 59,660	$ 2,843,967
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 34,737,367	$ 389,666	$ -	$ 35,127,033

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	TOTAL
Additions:			
Contributions:			
Employer	$ 569,029	$ -	$ 569,029
Member	656,532	-	656,532
Contributions From Other Sources	7,267	-	7,267
Participating Plans	-	60,247	60,247
Total Contributions	$ 1,232,828	$ 60,247	$ 1,293,075
Net Investment Income:			
Investment Income	$ 777,126	$ 15,730	$ 792,856
Less: Investment Expense	(46,134)	(272)	(46,406)
Net Investment Income	$ 730,992	$ 15,458	$ 746,450
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 51,713	$ 538	$ 52,251
Borrower Rebates	(34,831)	(418)	(35,249)
Management Fees	(3,535)	-	(3,535)
Net Securities Lending Revenue	$ 13,347	$ 120	$ 13,467
Total Investment Income	$ 744,339	$ 15,578	$ 759,917
Transfers From Other Funds	$ 10,869	$ -	$ 10,869
Other Additions	10,603	-	10,603
Total Additions	$ 1,998,639	$ 75,825	$ 2,074,464
Deductions:			
Benefits	$ 2,255,996	$ -	$ 2,255,996
Refunds/Withdrawals	157,978	17,558	175,536
Administrative Expenses	32,997	-	32,997
Transfers to Other Funds	10,869	-	10,869
Total Deductions	$ 2,457,840	$ 17,558	$ 2,475,398
Net Increase (Decrease)	$ (459,201)	$ 58,267	$ (400,934)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning	$ 35,196,568	$ 331,399	$ 35,527,967
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 34,737,367	$ 389,666	$ 35,127,033

The notes are an integral part of the financial statements.

Minnesota

Major Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system. The Metropolitan Sports Facilities Commission, a component unit of the Council, operates the Metropolitan Sports Center and Hubert H. Humphrey Metrodome sports facilities.

University of Minnesota

The multi-campus university provides under-graduate and graduate degrees, advanced research opportunities, and an extension service.

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2002 and JUNE 30, 2003
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 700,097	$ 132,240	$ 263,423	$ 345,379	$ 1,441,139
Investments	316,363	140,803	-	421,689	878,855
Accounts Receivable	2,499	16,194	162,054	52,567	233,314
Due from Other Governmental Units	-	650	-	-	650
Due from Primary Government	-	15,423	110,011	-	125,434
Accrued Investment/Interest Income	13,543	667	-	20,443	34,653
Federal Aid Receivable	-	15,467	-	668	16,135
Inventories	1,483	15,046	17,593	16	34,138
Deferred Costs	-	-	8,808	4,689	13,497
Loans and Notes Receivable	-	127	12,879	261,953	274,959
Securities Lending Collateral	-	26,598	51,742	4,868	83,208
Total Current Assets	$ 1,033,985	$ 363,215	$ 626,510	$ 1,112,272	$ 3,135,982
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 157,808	$ 160,393	$ 78,102	$ 44,174	$ 440,477
Investments-Restricted	123,282	-	-	18,366	141,648
Accounts Receivable-Restricted	-	34,428	-	-	34,428
Other Assets-Restricted	-	3,038	-	-	3,038
Investments	-	-	844,780	201,908	1,046,688
Accounts Receivable	-	-	1,706	218,692	220,398
Loans and Notes Receivable	1,478,002	27,455	54,921	1,312,653	2,873,031
Depreciable Capital Assets (Net)	733	1,260,029	1,722,141	781	2,983,684
Nondepreciable Capital Assets	-	496,221	115,548	2,698	614,467
Other Assets	-	470	2,655	6,442	9,567
Total Noncurrent Assets	$ 1,759,825	$ 1,982,034	$ 2,819,853	$ 1,805,714	$ 8,367,426
Total Assets	$ 2,793,810	$ 2,345,249	$ 3,446,363	$ 2,917,986	$ 11,503,408
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 14,078	$ 50,397	$ 63,819	$ 26,160	$ 154,454
Payable to Other Governmental Units	-	1,723	-	-	1,723
Due to Primary Government	-	2,615	4,761	9,179	16,555
Deferred Revenue	-	6,728	103,649	40,432	150,809
Accrued Bond Interest Payable	43,464	3,578	5,692	14,342	67,076
General Obligation Bonds Payable	-	78,385	452,005	-	530,390
Loans and Notes Payable	-	-	1,585	62	1,647
Revenue Bonds Payable	460,173	735	805	42,260	503,973
Grants Payable	-	-	-	2,773	2,773
Claims Payable	-	10,709	23,198	42,805	76,712
Compensated Absences Payable	75	2,383	54,044	460	56,962
Securities Lending Collateral	-	26,598	51,742	4,868	83,208
Other Liabilities	-	-	85,135	3,347	88,482
Total Current Liabilities	$ 517,790	$ 183,851	$ 846,435	$ 186,688	$ 1,734,764
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 46,412	$ -	$ -	$ 46,412
Deferred Revenue-Restricted	-	116,719	-	-	116,719
Accrued Bond Interest Payable-Restricted	-	7,767	-	-	7,767
Due to Primary Government	-	-	59,520	61,119	120,639
Deferred Revenue	-	-	57,280	-	57,280
General Obligation Bonds Payable	-	755,047	242,668	-	997,715
Loans and Notes Payable	-	-	4,993	2,581	7,574
Revenue Bonds Payable	1,386,506	12,188	9,261	1,103,418	2,511,373
Claims Payable	-	8,235	13,926	302,395	324,556
Compensated Absences Payable	1,218	4,935	9,518	731	16,402
Funds Held in Trust	88,116	-	-	120	88,236
Other Liabilities	-	2,415	39,367	944	42,726
Total Noncurrent Liabilities	$ 1,475,840	$ 953,718	$ 436,533	$ 1,471,308	$ 4,337,399
Total Liabilities	$ 1,993,630	$ 1,137,569	$ 1,282,968	$ 1,657,996	$ 6,072,163
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 733	$ 1,131,078	$ 1,142,311	$ 698	$ 2,274,820
Restricted	799,447	139,750	-	1,020,972	1,960,169
Unrestricted	-	(63,148)	1,021,084	238,320	1,196,256
Total Net Assets	$ 800,180	$ 1,207,680	$ 2,163,395	$ 1,259,990	$ 5,431,245

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2002 AND JUNE 30, 2003
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 404,253	$ 640,754	$ 2,154,930	$ 316,588	$ 3,516,525
Program Revenues:					
Charges for Services	$ 162,650	$ 284,371	$ 693,507	$ 135,905	$ 1,276,433
Operating Grants and Contributions	198,516	146,012	661,984	112,651	1,119,163
Capital Grants and Contributions	-	227,260	37,310	-	264,570
Net (Expense) Revenue	$ (43,087)	$ 16,889	$ (762,129)	$ (68,032)	$ (856,359)
General Revenues:					
Taxes	$ -	$ 120,034	$ -	$ -	$ 120,034
Investment Income	-	10,638	24,472	9,902	45,012
Other Revenues	701	380	96,002	3,334	100,417
Total General Revenues	$ 701	$ 131,052	$ 120,474	$ 13,236	$ 265,463
State Grants Not Restricted	$ 52,911	$ -	$ 633,747	$ 172,077	$ 858,735
Special Item	-	-	-	(164,000)	(164,000)
Total General Revenues, Grants	$ 53,612	$ 131,052	$ 754,221	$ 21,313	$ 960,198
Change in Net Assets	$ 10,525	$ 147,941	$ (7,908)	$ (46,719)	$ 103,839
Net Assets, Beginning, as Reported	$ 789,655	$ 1,055,398	$ 2,171,303	$ 1,334,616	$ 5,350,972
Prior Period Adjustments	-	4,341	-	(27,907)	(23,566)
Net Assets, as Restated	$ 789,655	$ 1,059,739	$ 2,171,303	$ 1,306,709	$ 5,327,406
Net Assets, Ending	$ 800,180	$ 1,207,680	$ 2,163,395	$ 1,259,990	$ 5,431,245

The notes are an integral part of the financial statements.

Minnesota

Index of Notes to the Financial Statements

Minnesota

Notes to the Financial Statements

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

Note 1 - Summary of Significant Accounting and Reporting Policies

Basis of Presentation

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

GASB Statement No. 38, “Certain Financial Statement Note Disclosures” was issued during June 2001. This statement modified, established, and rescinded certain financial statement disclosure requirements. As allowed under provisions of this statement, the state implemented the required portions covering summary of significant accounting polices, violations of finance-related legal or contractual provisions, and debt and lease obligations (paragraphs 6 though 11) for the fiscal year ended June 30, 2002. The state implemented the additional disclosure items for short-term debt, disaggregation of receivables and payables, and interfund balances and transfers (paragraphs 12 through 15) during the fiscal year ended June 30, 2003.

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. 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 (the primary government) and its component units.

Discretely presented component units - These 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 in the note disclosures because of their separate legal status.

Component units are determined to be major or nonmajor depending on the component unit’s significance relative to other component units and the nature and significance of the unit’s relationship to the primary government. The Housing Finance Agency, Metropolitan Council, and the University of Minnesota are considered major component units for this report.

Component Units - The fund types of the individual discretely presented component units are available from the financial statements issued separately by the component units. All component units are presented on the economic resources measurement focus and the accrual basis of accounting.

- Housing Finance Agency (HFA) - HFA provides money for loans and technical assistance for the construction and rehabilitation of housing for families of low and moderate incomes. The HFA board is comprised of seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.

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

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

- Agricultural and Economic Development Board (AEDB) - AEDB provides services to state government by administering state programs for agricultural and economic development. AEDB consists of seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.

- Higher Education Services Office (HESO) - HESO makes and guarantees loans to qualified post-secondary students. HESO provides the state grant and loan program services for which the state provides administrative funding. Revenue bonds are issued in HESO’s name with limitations set by the legislature. The governor appoints all voting members of the board, who appoint the director of HESO.

- Minnesota Partnership for Action Against Tobacco (MPAAT) - MPAAT issues grants to health, community and academic organizations throughout Minnesota in support of research and cessation activities that will encourage and help tobacco users quit. MPAAT is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of MPAAT’s governing board and is neither able to impose its will on MPAAT nor is there a potential financial benefit/burden to the state, the state feels that excluding MPAAT from the reporting entity would fail to provide a complete overview of tobacco settlement funds.

- Minnesota Technology, Incorporated (MTI) - 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 primary government appoints a voting majority of the board of directors, actions of the president are subject to the control of the board, and the state's General Fund provides a majority of the funding for MTI.

- National Sports Center Foundation (NSCF) - NSCF is under contract with the Minnesota Amateur Sports Commission to operate the National Sports Center facility primarily for holding youth-oriented athletic and other non-athletic functions and events. 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 owns any reserve funds. The facility belongs to the state. The foundation's fiscal year ends December 31.

- Public Facilities Authority (PFA) - PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to PFA. The state provides funding for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.

- Rural Finance Authority (RFA) - RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of agriculture who is a member of the board. The state has issued general obligation bond debt for the programs administered by RFA.

- Workers' Compensation Assigned Risk Plan (WCARP) - WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by a board comprised of six members appointed by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. WCARP's fiscal year ends December 31.

Because AEDB and RFA do not issue separately audited financial statements, the Basic Financial Statements for these nonmajor component units include a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows.

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

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

Minnesota Partnership for Action Against Tobacco
590 Park Street
Suite 400
St. Paul, Minnesota 55103

Metropolitan Council
Mears Park Centre
230 East 5th Street
St. Paul, Minnesota 55101

Minnesota Technology, Incorporated
111 3rd Avenue South
Minneapolis, Minnesota 55401

University of Minnesota
657A West Bank Office Building
1300 South Second Street
Minneapolis, Minnesota 55454

National Sports Center Foundation
National Sports Center
1700 105th Avenue Northeast
Blaine, Minnesota 55449

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

Public Facilities Authority
Department of Employment & Economic Development
500 Metro Square Building, 121 East 7th Place
St. Paul, Minnesota 55101

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

Related Entities - These 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 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.

- 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 - The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.

- 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 association members. The state has no authority to affect the operations of the association.

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

State Lottery 2645 Long Lake Road Roseville, Minnesota 55113	Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul, Minnesota 55103
Public Employees Retirement Association 60 Empire Drive, Suite 200 St. Paul, Minnesota 55103	Teachers Retirement Association 60 Empire Drive, Suite 400 St. Paul, Minnesota 55103
State Board of Investment 60 Empire Drive Suite 355 St. Paul, Minnesota 55103	Minnesota State Colleges and Universities Financial Reporting Unit 500 Wells Fargo Place, 30 East 7th Street St. Paul, Minnesota 55101

The financial statements available from the State Board of Investment report on the external investment pool (Supplemental Investment Fund).

Financial Reporting Structure of the State of Minnesota

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report on the state as a whole while the fund financial statements emphasize fund types. This reporting model focuses on the state as a whole in the government-wide financial statements and on the major individual funds in the fund financial statements. Both types of statements categorize primary activities as governmental or business-type.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once by the function to which they were allocated. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the General Government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports on the degree to which the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales tax, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function, or a business-type activity. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues rather than program revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures as in the fund financial statements. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reduction of the related liabilities, rather than as expenditures.

The state’s fiduciary funds are presented in the fund financial statements by type (pension, investment trust, and agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are not incorporated into the government-wide statements.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are not included in the government-wide financial statements. The emphasis in fund statements is on the major funds in either the governmental or business-type categories. Nonmajor funds are summarized into single columns.

The major governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources, and how the state's actual experience conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, a reconciliation is presented which explains the adjustments required to restate the fund-based financial statements for the government-wide governmental column.

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types - These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. Included in this classification are:

- General Fund which accounts for all financial resources except those required to be accounted for in another fund.

- Special revenue funds which account for revenue sources that are restricted to expenditure for specific purposes (not including major capital projects).

- Capital project funds which account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or special revenue funds.

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

- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state has three major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund receives and disburses federal government grants and reimbursements. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligations long-term debt principal and interest.

Proprietary Fund Types - These funds focus on determining net income, changes in net assets, financial position, and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are used in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Enterprise funds activities are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.

- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include employee insurance; travel management; risk management; central stores; state print shops; plant management; central services such as administrative hearings, and bookstore; and intertechnologies which directs and supports the various automated systems of the state.

The state has two major proprietary funds, both of which are enterprise funds. The State Colleges and Universities Fund accounts for the activities of Minnesota State College and Universities (MnSCU). MnSCU, the largest higher education system in the state, is a system of public colleges and universities. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Funds Types - These 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 pension, investment trust, and agency fund types.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.

- The Investment Trust Fund provides an investment vehicle for the assets of various public retirement plans and funds.

- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by the measurement focus of each fund. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in early September to be available, and recognizes these receivables as revenues of the current year for fund financial statements prepared on the modified accrual basis. Federal revenues that are earned by incurring obligations are recognized in the same period as the recognition of the obligation. Expenditures and other uses of financial resources are recognized when the related liabilities are incurred. Agency funds use the modified accrual basis of accounting, but do not have a measurement focus because agency funds do not recognize revenues and expenditures.

Proprietary, pension, and investment trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans.

All enterprise funds, except the Workers' Compensation Assigned Risk Plan (WCARP) (component unit), follow applicable GASB guidance or Financial Accounting Standards 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. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989 that do not contradict GASB pronouncements.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reporting as nonoperating items.

The following provides further detail on specific items regarding the modified accrual basis of accounting.

Revenues - Property, individual income, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes are estimated and recorded as reductions in revenue in the period when the related tax is received. 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.

Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county.

Property taxes are due to counties in two installments for each year - May 15 and October 15. The counties pay the state general tax to the state on three dates - June 30, December 1, and January 25 for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Expenditures and Related Liabilities - Expenditures and related liabilities are recognized when fund obligations are incurred as a result of the receipt of the goods and services, except debt service, compensated absences, and claims and judgments, which are recorded when due. Grant expenditures are discussed separately.

Cash Equivalents and Investments

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

Investments - Investments are reported at fair value. The basis for determining the fair value of investments that is not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals. Investments in derivatives are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the Minnesota State Board of Investment. See Note 2 - Cash and Investments for additional information regarding cash and investments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. For the Trunk Highway Fund (special revenue), inventories are valued using the weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, and specific cost methods.

Restricted Assets

Mandatory asset segregations required by bond covenants and other external restrictions are presented in various enterprise funds as restricted net assets. The excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the balance sheet. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Assets; or the Statement of Changes in Net Assets, as appropriate for the various fund types.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits as part of the individual income tax system. For financial reporting purposes, some credits are accounted for as revenue reductions, while others are reported as expenditures. Income tax credits that are limited by the amount of the individual's tax liability before considering such credits are reported as revenue reductions.

Credits that may be received even if they exceed the individual's tax liability are reported as expenditures because the essence of the transaction is payment of a grant using the income tax system as a filing and payment mechanism. The amount of the credit is not part of determining tax liability. These credits are Education, Working Family, and Child and Dependent Care.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis. Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of specific services to eligible recipients or makes eligible types of expenditures.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. For governmental funds, the current and noncurrent liabilities for compensated absences are reported only in the government-wide Statement of Net Assets. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the state as assets with an initial, individual cost of more than $30,000 for equipment and $300,000 for buildings, and an estimated useful life longer than one year.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available. 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. In accordance with the requirements of GASB Statement No. 34, depreciation is reported on all assets other than works of art and historical treasures. The state capitol building is considered a historic treasure.

Capital assets are depreciated using the straight-line method based on the following useful lives: 40-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, and 3-12 years for equipment.

For proprietary funds, depreciation expense reported on the Statement of Cash Flows exceeds depreciation expense reported on the Statement of Revenues, Expenses and Changes in Net Assets because a portion of depreciation expense is included in the cost of goods sold amount.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets which reflects a reasonable value of the assets and cost required to maintain the service potential at established minimum standards in lieu of depreciation. Transportation infrastructure capital assets, such as highways, curbs, bridges, and lighting systems, are reported on the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's system of highways are included in notes to the Required Supplementary Information.

See Note 6 - Capital Assets for further information on capital assets.

Current and Noncurrent Assets

Assets are classified as current or noncurrent at fund level for proprietary funds, but are not classified at the fund level for governmental funds. At the government-wide level, assets are classified as current or noncurrent for all funds. Current assets in the governmental funds are those considered available for appropriation and expenditure, and include cash, various receivables, and short-term investments. Current assets in proprietary funds are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent.

Noncurrent Liabilities

General long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, post retirement benefits, and arbitrage rebate requirements.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 - Long-Term General Obligations for further information.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan is available to all public employees in the state and is administered by Great West Life and Annuity. The State Board of Investment (SBI) and two insurance companies manage investments. The portion of the plan for which 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 for which participants have selected investment options provided by SBI is accounted for in the State Deferred Compensation Fund, a fiduciary fund, with its investments reported at fair 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 for investments managed by SBI.

Restricted Net Assets

GASB Statement No. 34 requires net assets to be reported as restricted when net asset use is constrained either externally by parties such as creditors or grantors, or legally through constitution provisions or enabling legislation. Restricted net assets were determined at the fund level. For a fund with more than one revenue stream, restricted net assets were determined by the materiality of any restricted revenues coming into the fund. When both restricted and unrestricted net assets are available for use, the state policy is to use restricted resources first.

Net Assets/Fund Balance

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements.

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are included in restricted for capital projects.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations 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, Petroleum Tank Cleanup, Maximum Effort School Loan, Iron Range Resources and Rehabilitation, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Standard practice is that unencumbered appropriation balances 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, the 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. There are no instances where expenditures exceed the authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from the Department of Finance.

See Note 20 – Budgetary Basis vs. GAAP for additional information.

Interfund Activity and Balances

As a general rule, the effect of internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

Special Items

GASB Statement No. 34 defines a special item as a significant transaction or event within the control of management, but either unusual in nature or infrequent in occurrence. The following two special items are reported as special items in the government-wide statement of activities:

- Payment of $134,000,000 by the Workers' Compensation Assigned Risk Plan (WCARP) to the General Fund as required by the Laws of Minnesota 2002. The payment was received and reported by the General Fund during the year ended June 30, 2002. WCARP reported the payment as a special item for their fiscal year ended December 31, 2002.

- Payment of $30,000,000 by the Higher Education Services Office to the General Fund as required by Laws of Minnesota 2003.

Note 2 - Cash and Investments

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. The cash in individual funds may be invested separately where permitted by statute, but cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. 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, including amounts reported as restricted assets at December 31, 2002 or June 30, 2003, whichever is applicable. Warrants outstanding is the amount of negotiable warrants issued by the state, but not presented for collection as of June 30, 2003.

Cash and Cash Equivalents
As of June 30, 2003
(In Thousands)

Carrying Amount	Primary Government	Component Units
Cash in Bank	$ 53,046	$ 38,694
Warrants Outstanding	(184,566)	-
Checks Outstanding	-	(25,493)
Cash on Hand and Imprest Cash	2,397	-
Cash Equivalents:		
Cash Management Investment Pools	7,133,599	760,225
Other	97,799	1,108,190
Total Cash and Cash Equivalents(1)	$ 7,102,275	$ 1,881,616

(1)Includes fiduciary funds of $2,038,234.

Deposits

At June 30, 2003, the primary government's bank balance was $131,065,000. For component units at December 31, 2002 or June 30, 2003, whichever is applicable, the bank balances were $26,249,000. These bank balances were adjusted by items in transit to arrive at the state’s cash in bank balance. 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 fair value of the collateral. At June 30, 2003, a collateral shortage was due to a large wire transfer failure. The amount of the wire transfer exceeded pre-authorized security amount limits established at the bank. On June 30, 2003, the state’s collateral was approximately $59 million under the amount required by law.

Investments

The Minnesota State Board of Investment (SBI) manages the majority of the state's investing. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. In accordance with Minnesota Statutes, SBI has the authority to enter into, and has entered into, derivative transactions including investment in derivatives of asset-backed and mortgage-backed securities, put and call options, and futures contracts traded on a market or exchange regulated by a governmental agency or by a financial institution regulated by a governmental agency. Investments in asset-backed and mortgage-backed derivatives are made to improve yield. They receive investment cash flows from interest and principal payments on underlying mortgages, and therefore the prices of mortgage derivatives are sensitive to mortgage prepayments caused by changing market conditions. Put options and index futures were used during the year to reduce risk. Any agreements for put and call options or futures contracts may only be entered into with a fully offsetting amount of cash or securities.

The following tables show the primary government's and component units' investments, including cash equivalents, at their carrying and fair values.

Primary Government - Investments
As of June 30, 2003
(In Thousands)

Investment Type	Fair Value
Repurchase Agreements	$ 1,110,429
Commercial Paper	3,620,160
Short-Term Corporate Notes	75,683
U.S. Treasury Obligations	1,672,954
Mortgage Backed	4,457,664
Corporate Obligations	3,454,938
Foreign and Other Obligations	276,583
Corporate Stocks	22,654,962
Other Equity	3,040,197
Total Investments in Risk Category 1	$ 40,363,570
Trustee Managed Pools (Not Categorized)	2,079,625
Total Investments(1)	$ 42,443,195

(1)Includes $34,271,150 for fiduciary funds and $7,231,398 of cash equivalents.

Component Units
Investments at December 31, 2002 or June 30, 2003, As Applicable
(In Thousands)

Investment Type	Risk 1	Risk 2	Fair Value
Repurchase Agreements	$ 105,091	$ 19,571	$ 124,662
Commercial Paper	265,602	-	265,602
U.S. Treasury Obligations	1,003,531	-	1,003,531
Mortgage Backed	434,784	-	434,784
Corporate Obligations	682,972	-	682,972
Municipal and Other Obligations	65,699	-	65,699
Corporate Stocks	274,676	-	274,676
Other Equity	1,022	-	1,022
Total Investments	$ 2,833,377	$ 19,571	$ 2,852,948
Trustee Managed Pools/Mutual Funds	-	-	1,082,658
Total Investments(1)	$ 2,833,377	$ 19,571	$ 3,935,606

(1)Includes $1,868,415 of cash equivalents.

Risk category 1 includes securities which are insured or registered or are held by the government or its agent in the government's name. Risk category 2 investments include uninsured and unregistered securities held by the counter party's trust department or agent in the government's name. 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 government's name.

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by way of Custodial Trust Agreements, authorized State Street Bank and Trust Company (State Street) and Wells Fargo Bank, Minnesota, N.A., (Wells Fargo) to act as agents in lending state securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street and Wells Fargo lent on behalf of the state, certain securities held by State Street or Wells Fargo 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. Neither State Street nor Wells Fargo has 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 one hundred percent (100%) of the fair value of the loaned securities.

The state did not impose any restrictions during the fiscal year on the amount of the loans that either State Street or Wells Fargo made on the state's behalf. State Street and Wells Fargo 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. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year. In addition, there were no losses during the fiscal year resulting from default of the borrowers.

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 in the separately managed funds of SBI.

Primary Government
Securities Lending Analysis
As of June 30, 2003
(In Thousands)

	Wells Fargo	State Street
Fair Value of Securities on Loan	$ 256,858	$ 3,275,226
Collateral Held	$ 261,731	$ 3,387,546
Average Duration	21 days	70 days
Average Weighted Maturity	9 days	493 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, 2003, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

Funds not invested by SBI are primarily Minnesota State Colleges and Universities agency funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

The University of Minnesota and the Metropolitan Council (component units) were engaged in separate securities lending programs during the fiscal year and calendar year, respectively. Their separately issued financial statements disclose the facts regarding those programs. Neither had a credit risk at year-end.

Note 3 - Disaggregation of Receivables

The following reflects the components of net accounts receivable as reported in the government-wide Statement of Net Assets at June 30, 2003.

Components of Net Receivables
As of June 30, 2003
(In Thousands)

	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Business-type Activities (Enterprise Funds)	Total
Taxes:					
Corporate and Individual	$ 458,258	$ -	$ -	$ -	$ 458,258
Sales and Use	379,067	-	853	-	379,920
Property	289,389	-	-	-	289,389
Health Care Provider	-	-	48,260	-	48,260
Highway Users	-	-	67,096	-	67,096
Other	111,220	-	12,878	-	124,098
Child Support	172,759	173,408	-	-	346,167
Unemployment Insurance	-	-	-	189,056	189,056
Workers' Compensation	-	-	114,901	-	114,901
Other	175,071	44,692	97,242	74,757	391,762
Net Receivables	$ 1,585,764	$ 218,100	$ 341,230	$ 263,813	$ 2,408,907

[1]Includes Internal Service Funds.

In addition to the receivables shown in the above table, the Debt Service Fund (major governmental fund) has $23,000 of other receivables, bringing total receivables at the government-wide level to $2,408,930,000.

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

- Corporate and Individual Taxes $183,685,000
- Sales and Use Taxes $55,319,000
- Child Support $271,990,000
- Other Receivables $88,380,000

Significant receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $80,023,000
- Sales and Use Taxes $16,723,000
- Child Support $234,906,000
- Other Receivables $59,583,000

Note 4 - Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2003, consisted of the following:

Primary Government
Loans and Notes Receivable
As of June 30, 2003
(In Thousands)

	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds
Student Loan Program	$ 128	$ -	$ -	$ 33,733
Economic Development	200	46,766	87,469	-
School Districts	-	17,297	-	-
Energy	-	-	4,153	-
Agricultural	1,009	42,339	-	-
Transportation	-	27,191	-	-
Resources	486	13,775	-	-
Other	-	1,081	39	-
Total	$ 1,823	$ 148,449	$ 91,661	$ 33,733

Component Units
Loans and Notes Receivable
As of June 30, 2003
(In Thousands)

Housing Finance Authority	$ 1,478,002
Metropolitan Council	27,582
University of Minnesota	67,800
Agricultural and Economic Development Board	23,252
Higher Education Services Office	430,626
Public Facilities Authority	1,068,879
Rural Finance Authority	51,849
Total	$ 3,147,990

Note 5 - Interfund Transactions

Primary Government

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

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

Interfund Receivables and Payables
As of June 30, 2003
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	29,548
Nonmajor Governmental Funds		28,048
Nonmajor Enterprise Funds		10,251
Total Due to General Fund From Other Funds	$	67,847
Due to the Federal Fund From:		
Nonmajor Governmental Funds	$	8,121
Total Due to Federal Fund From Other Funds	$	8,121
Due to the Debt Service Fund From:		
General Fund	$	5
Total Due to Debt Service Fund From Other Funds	$	5
Due to the State Colleges and Universities Fund From:		
Debt Service Fund	$	14,294
Total Due to State Colleges and Universities From Other Funds	$	14,294
Due to the Fiduciary Funds From:		
Fiduciary Funds	$	2,412
Total Due to Fiduciary Funds From Other Fiduciary Funds	$	2,412
Due to the Unemployment Insurance Fund From:		
Nonmajor Governmental Funds	$	2,823
Total Due to Unemployment Insurance From Other Funds	$	2,823
Due to the Nonmajor Governmental Funds From:		
General Fund	$	14,181
Federal Fund		2,695
Unemployment Insurance		11,750
Nonmajor Governmental Funds		94,591
Nonmajor Enterprise Funds		6,791
Total Due to Nonmajor Governmental Funds From Other Funds	$	130,008
Due to the Nonmajor Enterprise Funds From:		
General Fund	$	1,556
Nonmajor Governmental Funds		340
Internal Service Funds		457
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,353

The Central Motor Pool Fund had an outstanding advance of $5,647,000 from the General Fund as of June 30, 2003. This advance is not expected to be repaid within one year.

Interfund Transfers
Year Ended June 30, 2003
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	31,254
Unemployment Insurance Fund		1,397
Nonmajor Governmental Funds		383,256
Nonmajor Enterprise Funds		40,676
Internal Service Funds		17,953
Total Transfers to General Fund From Other Funds	$	474,536
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	13,673
Total Transfers to Federal Fund From Other Funds	$	13,673
Transfers to the Debt Service Fund From:		
General Fund	$	295,600
Federal Fund		135
Nonmajor Governmental Funds		41,297
Total Transfers to Debt Service Fund From Other Funds	$	337,032
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	592,802
Nonmajor Governmental Funds - Capital Contributions		86,364
Total Transfers to State Colleges and Universities From Other Funds	$	679,166
Transfers to the Fiduciary Funds From:		
Other Fiduciary Funds	$	10,869
Total Transfers to Fiduciary Funds From Other Funds	$	10,869
Transfers to the Unemployment Insurance Fund From:		
Nonmajor Governmental Funds	$	2,823
Total Transfers to Unemployment Insurance From Other Funds	$	2,823
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	177,359
Federal Fund		26,614
Unemployment Insurance Fund		38,375
Nonmajor Governmental Funds		1,348,773
Nonmajor Enterprise Funds		42,130
Internal Service Funds		7,020
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	1,640,271
Transfers to the Nonmajor Enterprise Funds From:		
Nonmajor Governmental Funds	$	2,223
Nonmajor Governmental Funds - Capital Contributions		330
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	2,553

The following one-time transfers to the General Fund are included in the previous table. These transfers were processed as part of the solution to balance the state's budget.

- $265,000,000 from the Special Compensation Fund
- $49,000,000 from the Miscellaneous Special Revenue Fund
- $11,000,000 from the Employee Insurance Fund
- $15,000,000 from the State Airports Fund
- $11,000,000 from the Solid Waste Fund

Component Units

Receivables and payables at June 30, 2003, between the primary government and component units, were summarized as follows:

Primary Government and Component Units
Receivables and Payables
As of June 30, 2003
(In Thousands)

	Due From	Due To
Component Units		
Metropolitan Council	$ 15,423	$ 2,615
University of Minnesota	110,011	64,281
Rural Finance Authority	-	67,119
Workers' Compensation Assigned Risk Plan	-	3,179
Total Component Units	$ 125,434	$ 137,194
Primary Government		
Governmental Funds:		
General Fund	$ -	$ 110,082
Federal Fund	-	498
Natural Resources Fund	-	709
Miscellaneous Special Revenue	-	9
Building Fund	-	5,483
Medical Education and Research Fund	-	8,653
Debt Service Fund	131,400	-
Total Primary Government	$ 131,400	$ 125,434
Total	$ 256,834	$ 262,628

Due to primary government exceeds due from component units by $5,794,000 for amounts owed to the primary government by the Metropolitan Council and the Workers' Compensation Assigned Risk Plan because the fiscal year end used by the component units differs from the primary government.

Note 6 - Capital Assets

Primary Government

Capital Asset Activity - Year Ended June 30, 2003 (In Thousands)	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 1,216,599	$ 163,029	$ (1,564)	$ 1,378,064
State Capitol	18,569	1,694	-	20,263
Construction in Progress	322,822	81,591	(206,228)	198,185
Infrastructure	4,311,441	319,985	(11,291)	4,620,135
Art and Historical Treasures	100	-	-	100
Total Capital Assets not Depreciated	$ 5,869,531	$ 566,299 (1)	$ (219,083)	$ 6,216,747
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 1,205,374	$ 199,201	$ (10,955)	$ 1,393,620
Infrastructure	31,238	10,432	-	41,670
Equipment, Furniture, Fixtures	346,788	32,996	(22,094)	357,690
Total Capital Assets Depreciated	$ 1,583,400	$ 242,629 (1)	$ (33,049)	$ 1,792,980
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (566,350)	$ (29,123)	$ 10,955	$ (584,518)
Infrastructure	(2,163)	(1,295)	-	(3,458)
Equipment, Furniture, Fixtures	(210,718)	(32,195)	18,705	(224,208)
Total Accumulated Depreciation	$ (779,231)	$ (62,613)	$ 29,660	$ (812,184)
Total Capital Assets Depreciated, Net	$ 804,169	$ 180,016	$ (3,389)	$ 980,796
Governmental Act. Capital Assets, Net	$ 6,673,700	$ 746,315	$ (222,472)	$ 7,197,543
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 51,833	$ 7,831	$ -	$ 59,664
Construction in Progress	77,941	100,845	(96,432)	82,354
Total Capital Assets not Depreciated	$ 129,774	$ 108,676	$ (96,432)	$ 142,018
Capital Assets Depreciated:				
Buildings	$ 1,380,221	$ 57,703	$ -	$ 1,437,924
Library Collections	42,731	6,802	(6,655)	42,878
Improvements, Other than Buildings	8,581	8,198	-	16,779
Equipment, Furniture, Fixtures	278,855	26,454	(14,264)	291,045
Total Capital Assets Depreciated	$ 1,710,388	$ 99,157	$ (20,919)	$ 1,788,626
Accumulated Depreciation for:				
Buildings	$ (724,976)	$ (14,263)	$ -	$ (739,239)
Library Collections	(23,405)	(6,125)	6,655	(22,875)
Improvements, Other than Buildings	(1,843)	(239)	-	(2,082)
Equipment, Furniture, Fixtures	(177,793)	(26,283)	15,108	(188,968)
Total Accumulated Depreciation	$ (928,017)	$ (46,910)	$ 21,763	$ (953,164)
Total Capital Assets Depreciated, Net	$ 782,371	$ 52,247	$ 844	$ 835,462
Business-type Act. Capital Assets, Net	$ 912,145	$ 160,923	$ (95,588)	$ 977,480
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,886	$ 2	$ (143)	$ 29,745
Equipment, Furniture, Fixtures	5,879	266	(186)	5,959
Total Capital Assets Depreciated	$ 35,765	$ 268	$ (329)	$ 35,704
Accumulated Depreciation for:				
Buildings	$ (794)	$ (743)	$ -	$ (1,537)
Equipment, Furniture, Fixtures	(3,094)	(644)	169	(3,569)
Total Accumulated Depreciation	$ (3,888)	$ (1,387)	$ 169	$ (5,106)
Total Capital Assets Depreciated, Net	$ 31,877	$ (1,119)	$ (160)	$ 30,598
Fiduciary Funds, Capital Assets, Net	$ 32,306	$ (1,119)	$ (160)	$ 31,027

(1) The schedule above includes prior period adjustments totaling $17,421,000. Non-depreciable assets were adjusted $11,994,000 and depreciable assets were adjusted $5,427,000.

Art and historical treasures are reported as capital assets that are not depreciated.

Depreciation expense was charged to functions/programs of the primary government as follows:

Primary Government
Depreciation Expense
Year Ended June 30, 2003
(In Thousands)

Governmental Activities:	
Public Safety and Corrections	$ 13,510
Transportation	10,688
Agricultural and Environmental Resources	4,963
Economic and Workforce Development	731
General Education	844
Higher Education	-
Health and Human Services	8,883
General Government	5,517
Internal Service Funds	17,477
Total Governmental Activities	$ 62,613
Business-type Activities:	
State Colleges and Universities	$ 42,588
Unemployment Insurance	-
Lottery	1,797
Other	2,525
Total Business-type Activities	$ 46,910

Capital outlay expenditures in the governmental funds totaled $572,534,000 for fiscal year 2003. Donations of general capital assets received during fiscal year 2003 are valued at $105,000.

General capital assets purchased with resources provided by outstanding capital lease agreements at June 30, 2003 consisted of equipment with a cost of $62,138,620.

Authorizations and commitments as of June 30, 2003 for the largest construction in progress projects consisted of the following (in thousands):

	Administration Projects	Educational Buildings	Military Affairs	Veterans Affairs	Correctional Facilities	Human Services
Authorization	$ 163,932	$ 2,066	$ 10,048	$ 8,195	$ 22,376	$ 8,277
Expended through June 30, 2003	94,421	2,027	9,995	5,230	3,031	854
Total	$ 69,511	$ 39	$ 53	$ 2,965	$ 19,345	$ 7,423

Land in the Permanent School Fund totaling 2,512,371 acres was donated by the federal government and valued at the estimated fair value at the time of donation.

Component Units

Component unit capital assets consisted of the following as of December 31, 2002 or June 30, 2003, as applicable:

Capital Assets
As of December 31, 2002 or June 30, 2003
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land	$ -	$ 52,755	$ 35,590	$ 2,500	$ 90,845
Buildings and Improvements	-	2,148,239	2,223,708	766	4,372,713
Equipment	1,919	403,735	670,334	4,227	1,080,215
Infrastructure	-	-	298,198	-	298,198
Total	$ 1,919	$ 2,604,729	$ 3,227,830	$ 7,493	$ 5,841,971
Less: Accumulated Depreciation	1,186	848,479	1,390,141	4,014	2,243,820
Net Total	$ 733	$ 1,756,250	$ 1,837,689	$ 3,479	$ 3,598,151

Note 7 - Disaggregation of Payables

The following reflects the components of accounts payable as reported in the government-wide Statement of Net Assets at June 30, 2003:

Components of Accounts Payable
As of June 30, 2003
(In Thousands)

	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Business-type Activities (Enterprise Funds)	Total
School Aid Programs	$ 1,094,195	$ 98,672	$ 11	$ -	$ 1,192,878
Tax Refunds	528,692	-	-	-	528,692
Medical Assistance	269,635	371,934	-	-	641,569
Grants	196,391	230,284	21,043	4,350	452,068
Salaries and Benefits	36,889	5,645	183,808	88,022	314,364
Vendors/Service Providers	40,231	42,509	270,388	84,406	437,534
Other	19,996	3,533	-	-	23,529
Total	$ 2,186,029	$ 752,577	$ 475,250	$ 176,778	$ 3,590,634

[1]Includes Internal Service Funds.

Note 8 - Pension and Investment Trust Funds

The state performs a fiduciary role for several pension trust funds. For some of these funds, the state contributes as an employer, and for other funds performs only a fiduciary role. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

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

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Fund Correctional Employees Fund Elective State Officers Fund Judicial Fund Legislative Fund State Patrol Fund Unclassified Employees Retirement Fund Postretirement Health Care Benefits Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Public Employees Defined Contribution Retirement Fund

Wells Fargo is the plan administrator for the State Colleges and Universities Retirement Fund. Wells Fargo prepares, but does not publish, its financial report. Copies of this report may be obtained from Minnesota State Colleges and Universities.

Basis of Accounting and Valuation of Investments

The three plan administrators prepare financial statements using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which they are earned and become measurable. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Except as described below, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported trade price. Investments that do not have an established marked are reported at estimated fair value.

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. Twenty-nine 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 for each year of allowable service are 1.2 percent and 1.7 percent of a member's average salary, which is defined as the highest salary paid in five successive years of service. 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 school districts or by the state. Five hundred fifteen (515) employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the act. The annuity formula for 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 each year of allowable service based on average salary 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, 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 as defined above. 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 each year of allowable service based on average salary 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 in a fiduciary capacity.

  The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. Approximately 500 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. 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 Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Approximately 80 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single employer (state of Minnesota) plans:

  The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service.

The Elective State Officers Fund (ESOF) covers the state's constitutional officers. Vesting occurs after eight years. Normal retirement age is 62. The annuity is 2.5 percent of average salary for each year of service. The ESOF is excluded from the Single Employers Plan disclosures since the remaining active employees have retired, terminated or elected coverage under another plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C.

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

The Legislative Retirement Fund (LRF) covers members of the state's house of representatives and senate. Vesting occurs after six years. Normal retirement age is 62. The annuity ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on length of service.

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. Normal retirement age is 55. The annuity is 3.0 percent of average salary for each year of service.

Funding Policy Information

	Single Employer					Multiple Employer	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352	352C	490	3A	352B	352	354
Required Contribution Rate of Active Members (%)	5.69	N/A	8.15	9.00	8.40	4.00	5.00
Required Contribution Rate of Employer (%)	7.98	N/A	20.50	N/A	12.60	4.00	5.00

Multiple Employer Plan Required Contributions
(In Thousands)

		SERF	TRF
Required Contributions:			
Employee[(1)]	2003	$ 83,850	$ 155,577
	2002	$ 79,487	$ 152,331
	2001	$ 74,364	$ 145,075
Employer[(1)]	2003	$ 80,399	$ 149,481
	2002	$ 76,614	$ 142,222
	2001	$ 73,362	$ 139,799

[(1)]Contributions were 100 percent of required contributions.

The date of actuarial valuation for the multiple employee plans is July 1, 2003.

Single Employer Plan Disclosures for Current Year
(In Thousands)

	CERF	JRF	LRF[2]	SPRF
Annual Required Contributions (ARC)[1]	$ 19,345	$ 9,057	$ 3,061	$ 7,769
Interest on Net Pension Obligation (NPO) [1]	(879)	(1,426)	(368)	(1,597)
Amort Adj to ARC[1]	-	-	-	-
Annual Pension Cost	$ 18,466	$ 7,631	$ 2,693	$ 6,172
Contributions	18,090	9,497	4,593	11,381
Increase (Decrease) in NPO	$ 376	$ (1,866)	$ (1,900)	$ (5,209)
NPO, Beginning (Asset)	(10,337)	(16,773)	(4,334)	(18,794)
NPO, Ending (Asset)	$ (9,961)	$ (18,639)	$ (6,234)	$ (24,003)

[1]Components of annual pension cost.
[2]Prior year amounts. The 2003 Annual Valuation Report was not available at the time of printing.

The Net Pension Obligation (NPO) for each of the four single employer plans is reported at the government-wide level as an expenditure reduction in the Statement of Activities and an asset in the Statement of Net Assets.

Single Employer Plan Disclosures
(In Thousands)

		JRF	LRF[1]	SPRF	CERF
Annual Pension Cost (APC)	2003	$ 7,631	$ -	$ 6,172	$ 18,466
	2002	$ 7,179	$ 2,693	$ 5,703	$ 16,363
	2001	$ 7,447	$ 3,239	$ 6,687	$ 15,849
Percentage of ARC Contributed	2003	105%	-	147%	94%
	2002	129%	150%	151%	100%
	2001	104%	170%	136%	100%
NPO (End of Year)	2003	$ (18,639)	$ -	$ (24,003)	$ (9,961)
	2002	$ (16,773)	$ (6,234)	$ (18,794)	$ (10,337)
	2001	$ (13,238)	$ (4,334)	$ (14,073)	$ (9,568)

[1]The 2003 Annual Valuation Report was not available at the time of printing. The 2000 actuarial valuation amounts are Annual Pension Cost - $3,062, Percentage of ARC Contributed - 121%, and Net Pension Obligation - $(2,007).

Actuarial Assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method. The date of actuarial valuation is July 1, 2003, except as noted.

- The calculation of the actuarial valuation of assets is a market value based formula based on the Unrecognized Asset Return (UAR is actual net return on market value minus net return based on actuarial assumption). The actuarial value of assets is the Market Value of Assets at June 30, 2003 less: 80 percent UAR for fiscal year 2003; 60 percent UAR for fiscal year 2002; 40 percent UAR for fiscal year 2001; and 20 percent UAR for fiscal year 2000.

- Minnesota Statutes or valuation standards do not require an inflation rate assumption to cost the plans.

- Expected investment returns for pre-retirement and post-retirement are 8.5 percent for all plans.

- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF and JRF, projected salary increases are a level 5.0 percent.

- The payment of earnings on retired reserves in excess of 6.0 percent is accounted for by 6.0 percent post-retirement assumptions for all plans. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent post-retirement discount rate is used to account for the one-time adjustment applicable at retirement.

- The level percentage of projected payroll is the amortization method used, except for the ESOF plan which uses the level dollar amortization method.

- The amortization period is through July 1, 2020.

- The amortization period is closed.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds under 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 and Contribution Information

The Unclassified Employee Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state and specified employees of the Metropolitan Council. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 55. Annuity is based on age and value of the participant's account.

The College and University Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time by Minnesota State Colleges and Universities for a minimum of two academic years. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and managerial employees participate in the IRAP. 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 4.0 percent. For the SRP, the statutory contribution rate is 5.0 percent of salary between $6,000 and $15,000. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 14,500.

The Public Employee Defined Contribution Retirement Fund (PEDCRF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. 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. PEDCRF covers approximately 1,000 units of government. There are approximately 4,700 members in the plan.

The Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a postretirement health care savings plan or plans, by which public employers and employees may save to cover postretirement health care costs. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following retirement from public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted.

Defined Contribution Plans
Contributions Made for Fiscal Year 2003
(In Thousands)

	UERF	CURF	PEDCRF	PHCBF
Employee Contributions	$ 4,642	$ 21,710	$ 1,043	$ 26,892
Employer Contributions	$ 6,166	$ 25,349	$ 1,155	N/A

Investment Trust Fund

The Supplemental Retirement Fund (investment trust fund) is administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting Policies for the address). 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 State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF) and the Unclassified Employees Retirement funds:

- Agricultural and Economic Development Board
- Higher Education Services Office
- Housing Finance Agency
- Metropolitan Council
- Minnesota Technology, Incorporated
- Public Facilities Authority
- Rural Finance Authority
- University of Minnesota

Note 9 - 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 2003, the employees involved were primarily conservation officers, correctional counselors at state correctional facilities, highway patrol officers, and State Colleges and Universities faculty entitled to early retirement incentives. If these employees elect retirement at age 55, the state pays the employer's share of health insurance benefits until the employees reach age 65.

Periodically, the legislature has provided early retirement incentives for other employees meeting specific requirements. The specific circumstances usually require the employee to retire within a narrow time frame, whereby the state will pay the employer's share of health insurance benefits until the employee reaches age 65. The 1993 and 1995 legislatures approved incentive windows 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 when paid, was $9,025,000 during fiscal year 2003. Approximately 1,600 former employees currently receive this benefit.

Note 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, gas tax and motor vehicle registration revenues, and federal grants. Long-term commitments as of June 30, 2003 were as follows:

Primary Government
Long-Term Commitments
As of June 30, 2003
(In Thousands)

Special Revenue Fund:	
Trunk Highway Fund	$ 956,743
Capital Projects Funds:	
General Projects Fund	17,167
Transportation Fund	12,219
Building Fund	262,376
Enterprise Funds:	
State Colleges and Universities	72,064
Total Primary Government	$ 1,320,569

On November 1, 2002, the Port Authority of Saint Paul and the state entered into two separate Lease and Option to Purchase Agreements. Under the Lease and Option to Purchase Agreements, the Port Authority has agreed, under certain conditions, to issue bonds to finance the designing, constructing, equipping, and furnishing of two office buildings and related parking facilities, and to lease the buildings and related parking facilities to the state. The buildings are approximately 400,000 square feet and 342,000 square feet in size. On October 29, 2003, the second tranche of bonds was sold to finance these projects. The amount of bonds sold to finance both of the facilities is $193,105,000.

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse petroleum storage tank owners for most of their costs to investigate or clean up contamination from petroleum tank releases. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). A significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of June 30, 2003, the Petrofund has reimbursed eligible applicants approximately $335 million since program inception in 1987. The estimated total payments from the program, which terminates on June 30, 2007, are between $380-$400 million for investigative and cleanup costs.

Component Units

The University of Minnesota (U of M) has construction projects in progress with an estimated cost of $186,144,000 to complete. These costs will be funded from plant fund assets and state appropriations.

The U of M owns certain steam production facilities that produce steam for heating and cooling for the Twin Cities campuses. By agreement, these facilities are managed, operated and maintained by an unaffiliated company. The term of the agreement is 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 steam plant required payments at June 30, 2003 were as follows:

University of Minnesota
Required Steam Plant Payments
(In Thousands)

Fiscal Year Ending June 30	Total
2004	$ 6,217
2005	6,217
2006	6,217
2007	6,217
2008	6,217
2009-2013	31,086
2014-2018	24,869
Total Commitments	$ 87,040

The Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2002, unpaid commitments for transit services were approximately $51.6 million. Future commitments for Metropolitan Transit Light Rail were approximately $173.6 million. Future commitments for regional transit services were approximately $63.2 million. Finally, future commitments for Environmental Services were approximately $162.3 million.

Note 11 - Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures for the year ended June 30, 2003 totaled approximately $64,224,000 and $15,275,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2002 totaled approximately $3,357,000 for component units.

Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ending June 30	Amount	Year Ending June 30	Amount	Year Ending December 31	Amount
2004	$ 69,731	2004	$ 9,945	2003	$ 2,231
2005	51,390	2005	8,430	2004	1,914
2006	43,788	2006	7,115	2005	1,692
2007	36,606	2007	6,661	2006	1,118
2008	23,862	2008	6,202	2007	557
2009-2013	24,146	2009-2013	20,295	2008-2012	1,122
2014-2018	4,827	2014-2018	3,661	2013-2017	79
2019-2023	2,918	2019-2023	-	2018-2022	-
Total	$ 257,268	Total	$ 62,309	Total	$ 8,713

Note 12 - General Long-Term Obligations - Primary Government

The following table is a summary of general long-term obligations at June 30, 2003 and the changes during fiscal year 2003:

General Long-Term Obligations
Year Ended June 30, 2003
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 2, 923,221	$ 648,042	$ 275,718	$ 3,295,545	$ 255,512
Bond Premium	37,722	56,557	1,892	92,387	4,811
Loans	39,618	12,502	27,922	24,198	11,867
Claims	1,545,033	34,764	125,959	1,453,838	123,949
Compensated Absences	232,342	-	743	231,599	14,850
Workers' Compensation	114,949	8,440	11,281	112,108	11,428
Capital Leases	18,027	2,724	11,905	8,846	2,800
Total	$ 4,910,912	$ 763,029	$ 455,420	$ 5,218,521	$ 425,217
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 108,874	$ 23,638	$ 6,562	$ 125,950	$ 8,298
Bond Premium	-	1,694	-	1,694	-
Loans	4,498	133,055	2,067	135,486	131,426
Revenue Bonds	53,365	-	440	52,925	1,515
Compensated Absences	97,369	5,197	-	102,566	7,747
Workers' Compensation	4,392	4,805	4,456	4,741	1,255
Capital Leases	8,578	6,753	2,848	12,483	2,979
Total	$ 277,076	$ 175,142	$ 16,373	$ 435,845	$ 153,220

The resources to repay the various general long-term obligations of the primary government have been, or will be, provided from the fund types as follows:

Primary Government
Resources for Repayment of General Long-Term Obligations
(In Thousands)

	Governmental Activities			
	General Fund	Special Revenue Funds	Business-type Activities	Total
Liabilities For:				
General Obligation Bonds	$ 2,976,959	$ 318,586	$ 125,950	$ 3,421,495
Bond Premium	92,387	-	1,694	94,081
Revenue Bonds	-	-	52,925	52,925
Loans	-	24,198	135,486	159,684
Claims	79,057	1,374,781	-	1,453,838
Compensated Absences	125,109	106,490	102,566	334,165
Workers' Compensation	84,847	27,261	4,741	116,849
Capital Leases	3,452	5,394	12,483	21,329
Total	$ 3,361,811	$ 1,856,710	$ 435,845	$ 5,654,366

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, and capital leases. There are no payment schedules for claims, compensated absences, or workers' compensation.

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

	Governmental Activities		Business-type Activities		Total	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 255,512	$ 152,835	$ 8,298	$ 7,305	$ 263,810	$ 160,140
2005	283,585	146,918	8,315	6,024	291,900	152,942
2006	284,323	134,175	8,337	5,590	292,660	139,765
2007	293,954	120,505	8,516	5,141	302,470	125,646
2008	267,523	106,377	8,242	4,687	275,765	111,064
2009-2013	1,064,436	348,503	39,239	16,881	1,103,675	365,384
2014-2018	609,829	133,290	29,866	7,595	639,695	140,885
2019-2023	236,383	23,078	15,137	1,582	251,520	24,660
Total	$ 3,295,545	$ 1,165,681	$ 125,950	$ 54,805	$ 3,421,495	$ 1,220,486

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

Fiscal Year(s)	Business-type Activities Principal	Business-type Activities Interest
2004	$ 1,515	$ 3,074
2005	1,575	2,992
2006	1,945	2,895
2007	2,190	2,783
2008	2,060	2,653
2009-2013	11,260	11,397
2014-2018	12,660	8,038
2019-2023	16,370	3,877
2024-2028	3,350	389
Total	$ 52,925	$ 38,098

Primary Government
Loans
Principal and Interest Payments
(In Thousands)

Fiscal Year(s)	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2004	$ 11,867	$ 682	$ 131,426	$ 2,061	$ 143,293	$ 2,743
2005	7,685	292	1,053	163	8,738	455
2006	3,592	83	599	145	4,191	228
2007	1,054	12	447	128	1,501	140
2008	-	-	329	108	329	108
2009-2013	-	-	1,511	224	1,511	224
2014-2018	-	-	121	-	121	-
Total	$ 24,198	$ 1,069	$ 135,486	$ 2,829	$ 159,684	$ 3,898

The state has entered into several capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board 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.

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

	Governmental Activities		Business-type Activities		Total	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 2,800	$ 427	$ 2,979	$ 745	$ 5,779	$ 1,172
2005	2,956	271	1,958	603	4,914	874
2006	2358	105	1,191	492	3,549	597
2007	732	21	906	410	1,638	431
2008	-	-	876	364	876	364
2009-2013	-	-	1,453	1,003	1,453	1,003
2014-2018	-	-	575	750	575	750
2019-2023	-	-	747	578	747	578
2024-2028	-	-	971	353	971	353
2029-2033	-	-	827	78	827	78
Total	$ 8,846	$ 824	$ 12,483	$ 5,376	$ 21,329	$ 6,200

Debt Service Fund

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

During fiscal year 2003, the Department of Finance made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2003 (In Thousands)

General Fund	$ 295,600
Special Revenue Funds:	
Federal Fund	135
Trunk Highway Fund	8,825
Natural Resources Funds	27
Maximum Effort School Loan Fund	19,405
Miscellaneous Special Revenue Fund	1,289
Total Special Revenue Funds	$ 29,681
Capital Projects Funds:	
Building Fund	$ 11,751
Total Capital Projects Funds	$ 11,751
Total Operating Transfers to Debt Service Fund	$ 337,032

General Obligation Bond Issues

On November 1, 2002, $267,000,000 in general obligation state various purpose bonds and $13,000,000 in general obligation state trunk highway bonds were issued at a true interest cost of 4.36 percent. On June 1, 2003, $391,680,000 in general obligation state refunding bonds were issued at a true interest cost of 2.05 percent. During fiscal year 2003, $243,830,000 in general obligation bond principal was repaid.

The state issues 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.

The June 2003 bond sale included $391,680,000 of refunding bonds for a current refunding of $401,865,000 in previously issued bonds of the state. The proceeds for these refunding bonds were held in the state's Debt Service Fund until August 1, 2003 when the refunded bonds were called for redemption and prepayment. Because the $401,865,000 was outstanding on June 30, 2003 and the money available for the refunding was in the state's Debt Service Fund, the total amount was still included in the general obligation bond balance as of June 30, 2003, but was removed as of August 1, the redemption date.

The balance outstanding for all extinguished debt at June 30, 2003 was $72,200,000 which is shown below. The state remains contingently liable to pay the refunded general obligation bonds.

General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call Date
November 1, 1998	$ 99,700	$ 96,100	$ 72,200	October 1, 2004

In addition, $2,040,000 of state-guaranteed bonds are being held in escrow because the bond proceeds exceeded the cost of the project. The refunded bond call date is August 1, 2005.

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding at June 30, 2003. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities Funds (enterprise funds).

General Obligation Bonds Authorized, but Unissued and Bonds Outstanding
At June 30, 2003
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 48,531	$ 1,365,103	3.00 – 6.00
State Operated Community Services	-	4,252	3.75 - 7.56
State Transportation	4,879	106,170	3.00 – 6.38
Waste Management	375	5,505	4.00 – 6.00
Water Pollution Control	1,400	108,650	3.00 – 6.00
Maximum Effort School Loan	-	114,345	4.00 – 6.00
Reinvest in Minnesota	629	9,350	4.00 - 6.00
Rural Finance Administration	-	67,600	4.63 – 7.05
Refunding Bonds	-	813,514	1.50 – 5.40
Municipal Energy Building	128	4,650	3.00 – 6.00
Game and Fish Building	-	71	1.50 – 5.00
Trunk Highway	522,725	98,000	1.50 – 5.50
Airport Facilities	-	39,485	5.30 - 7.95
Landfill	-	26,335	4.25 – 6.00
Various Purpose	1,246,210	658,465	
Total	$ 1,824,877	$ 3,421,495	

Loans Payable

Business-type loans are primarily loans for the Department of Administration to purchase equipment.

Revenue Bonds Payable

The State Colleges and Universities is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $100,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, student union, and food service purposes at six of the state universities.

On November 1, 2000, $16,000,000 in state revenue bonds were issued for financing the Giants Ridge recreational area at a true interest rate of 7.48 percent. In addition, $3,710,000 of these bonds were refunded. The entire refunding bonds proceeds of $3,674,000 from the Iron Range Resources and Rehabilitation fund (special revenue) have been placed in a special escrow account. This amount has been certified as 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 have been added to the Giants Ridge Fund. Beginning with fiscal year 2002, all Giants Ridge financial activity, including revenue bonds, is reported in a separate enterprise fund.

Giants Ridge
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call Date
November 1, 2000	$ 3,710	$ 3,710	$ 3,310	October 1, 2012

Claims

Municipal solid waste landfills liability of $198,078,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Solid Waste Fund (special revenue fund) and the General Fund.

Claims of $58,114,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $53,746,000 are for certain employees who qualify for post-retirement benefits upon retirement at age 55 under terms of their employment contract. See Note 9 - Post-Retirement Benefits for the amount paid in fiscal year 2003.

The remaining claim amount of $1,143,900,000 is for reimbursements of supplementary and second injury benefits for old workers’ compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated undiscounted cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2045 for supplementary benefits and 2033 for second injuries.

Compensated Absences

The compensated absences liability for governmental funds of $231,599,000 is primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers’ Compensation

The governmental funds liability for workers' compensation of $112,108,000 is based on claims filed for injuries to state employees occurring prior to June 30, 2003 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2003, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable - Fiduciary Funds

The following defined benefit funds have the authority to issue, and have issued, revenue bonds, which are not general obligations of the state, but are solely secured by certain pledged assets of the funds. On June 1, 2000, $29,000,000 of revenue bonds were issued. The pledged assets include certain payments made by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF). Minnesota Statutes, Section 356.89, authorized the issuance of these revenue bonds to finance the construction of an administrative office building. The debt service payments on the revenue bonds will be allocated to each fund based on the percentage interest each fund has in the facility. The repayment schedule for the combined three funds follows:

Long-Term Debt Repayment Schedule
Fiduciary Funds
(In Thousands)

Revenue Bonds - SERF, TRF, and PERF

Fiscal Year(s)	Principal	Interest
2004	$ 475	$ 1,620
2005	500	1,594
2006	525	1,567
2007	550	1,539
2008	575	1,509
2009-2013	3,350	7,051
2014-2018	4,375	6,021
2019-2023	5,900	4,602
2024-2028	7,950	2,647
2029-2033	3,924	357
Total	$ 28,124	$ 28,507

Note 13 - Long-Term Obligations - Component Units

Revenue and General Obligation Bonds

Component Units

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes for the purpose of providing funds for rehabilitation, construction and mortgage loans, or for refunding bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $3,000,000,000, according to Minnesota Statutes, Section 462A.22.

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 outstanding on these bonds at any time shall not exceed $1,000,000,000, according to Minnesota Statutes, Section 446A.12.

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 outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed $850,000,000, according to Minnesota Statutes, Section 136A.171.

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

The Metropolitan Council (MC) issues general obligation bonds for parks, solid waste, sewers and transportation, backed by the full faith and credit and taxing powers of MC. MC had $833,432,000 in general obligation bonds outstanding, net of unamortized premium, on December 31, 2002.

The Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects.

Component Units
General Obligation Bonds
(In Thousands)

	U of M		MC[1]	
Fiscal Years	Principal	Interest	Principal	Interest
2004	$ 452,005	$ 17,136	$ 78,385	$ 34,100
2005	7,089	5,482	76,498	31,795
2006	7,489	4,634	88,808	28,061
2007	7,539	4,511	66,899	24,130
2008	7,289	4,387	55,530	21,123
2009-2013	38,597	20,134	235,918	70,624
2014-2018	59,697	16,171	146,941	29,740
2019-2023	81,418	10,831	80,211	6,623
2024-2028	16,800	5,962	-	-
2029-2033	16,750	1,881	-	-
	$ 694,673	$ 91,129	$ 829,190	$ 246,196
Unamortized Discounts/Premiums and Issuance Costs	-	-	4,242	-
Total	$ 694,673	$ 91,129	$ 833,432	$ 246,196

[1]MC fiscal year ends December 31.

Component Units
Long-Term Debt Repayment Schedule
Revenue Bonds
Major Component Units
(In Thousands)

Fiscal Years	U of M Principal	U of M Interest	HFA Principal[1]	HFA Interest	MC[2] Principal	MC[2] Interest
2004	$ 805	$ 602	$ 388,893	$ 87,212	$ 735	$ 643
2005	855	554	77,360	79,695	770	609
2006	905	502	41,935	77,281	810	573
2007	955	448	38,110	75,313	845	535
2008	1,015	389	43,250	73,270	890	494
2009-2013	4,910	1,001	244,345	331,615	5,190	1,740
2014-2018	621	38	285,625	256,780	3,835	323
2019-2023	-	-	287,555	173,067	-	-
2024-2028	-	-	294,620	88,514	-	-
2029-2033	-	-	150,570	20,039	-	-
2034-2038	-	-	9,810	2,198	-	-
	$ 10,066	$ 3,534	$ 1,862,073	$ 1,264,984	$ 13,075	$ 4,917
Unamortized						
Discounts/Premiums and Insurance Costs	-	-	(15,394)	-	(152)	-
Total	$ 10,066	$ 3,534	$ 1,846,679	$ 1,264,984	$ 12,923	$ 4,917

[1]See Note 23 - Subsequent Events for bond redemption information.

[2]MC fiscal year ends December 31.

Component Units
Long-Term Debt Repayment Schedule
Revenue Bonds
Nonmajor Component Units
(In Thousands)

	HESO		PFA		AEDB	
Fiscal Years	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ -	$ 3,531	$ 39,365	$ 40,551	$ 2,895	$ 1,900
2005	-	3,531	40,495	38,696	2,350	1,754
2006	-	3,531	46,915	36,717	2,480	1,615
2007	714	3,531	46,935	34,405	2,475	1,469
2008	3,429	3,523	47,870	32,094	2,430	1,321
2009-2013	21,460	17,018	257,280	123,936	9,755	4,524
2014-2018	23,310	15,821	258,315	58,047	6,500	1,985
2019-2023	40,411	14,350	76,705	6,307	2,605	292
2024-2028	79,017	10,899	-	-	-	-
2029-2033	77,166	6,187	-	-	-	-
2034-2038	54,493	1,778	-	-	-	-
	$ 300,000	$ 83,700	$ 813,880	$ 370,753	$ 31,490	$ 14,860
Unamortized Discounts/Premiums and Insurance Costs	-	-	308	-	-	-
Total	$ 300,000	$ 83,700	$ 814,188	$ 370,753	$ 31,490	$ 14,860

Variable Rate Debt

Higher Education Services Office

Interest rates on the tax-exempt 1992, 1993 and 1994B series of bonds vary weekly based on the determination by the remarketing agent of the lowest rate that would permit the sale of bonds at par plus accrued interest on the date of determination. The variable rate cannot exceed 15 percent per annum. The interest rate for the Series 1992, 1993, and 1994B bonds as of June 30, 2003 was 1.05 percent.

The interest rate on the taxable Series 1999A bonds, taxable Series 2002A bonds, and tax-exempt Series 2002B bonds reset every 28, 28, and 35 days, respectively, based on a determination by the auction agent through auction proceedings. The rate cannot exceed the lesser of the applicable LIBOR rate plus 1.00 percent or 17.00 percent. The interest rates as of June 30, 2003 and 2002 for the Series 1999A bonds were 1.13 percent and 1.95 percent, respectively. The interest rates as of June 30, 2003 and 2002 for the Series 2002A and 2002B bonds were 1.28 percent and 2.02 percent and 1.08 percent and 1.43 percent, respectively. The interest rates as of June 30, 2003 for the Series 2003A and 2003B bonds were 1.30 percent and 1.10 percent, respectively.

University of Minnesota

In connection with the issuance of the 2003A, 2001A, 2001B, 2001C and 1999A variable-rate bonds, the U of M entered into floating-to-fixed interest-rate swap agreements for notional amounts tied to the outstanding balance of the bonds. The U of M makes monthly payments at fixed rates between 3.08 percent and 4.40 percent and receives the weighted average rate that was paid to the bondholders during the previous month. The final maturity dates of the swaps are tied to the final maturity dates of the underlying bonds. With the exception of the Series 2001B taxable bonds, the U of M treats these swaps as qualified hedges with respect to such bonds.

In connection with the issuance of the Series 1996A bonds, the U of M has entered into a fixed-to-floating interest-rate swap agreement on a notional amount of $190,000,000. The U of M makes floating-rate interest payments monthly based upon the weekly Bond Market Association Municipal Swap Index. The interest obligation for future years is calculated on the basis of the interest rate in effect at June 30, 2003 of 0.98 percent. The actual rates to be paid to bondholders over the life of the bonds will be at rates determined on the basis of prevailing market conditions. The U of M receives fixed-rate interest payments ranging from 4.45 to 5.43 percent semiannually. The final maturity date of the swap is in 2021, although there are specified notional reductions annually that began in 2001. The U of M treats this swap as a qualified hedge with respect to such bonds.

At June 30, 2003, the U of M had $694,674,000 in outstanding variable rate bonds.

Bond Defeasances

Public Facilities Authority had $51,995,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2003.

In prior years, the U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt payments on the old bonds. The amounts defeased for general obligation bonds was $112,635,000 with $29,600,000 outstanding at June 30, 2003. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M financial statements.

During the fiscal year ended December 31, 2003, Metropolitan Council issued $63,955,000 in general obligation bonds which refunded the remaining 2003-2016 maturities of the Series 1993A, 1993D, 1994D, 1995A, 1995C, and 1996E general obligation bonds. The transactions resulted in an economic gain of $3,464,202 and a reduction of $2,767,867 in future debt service payments.

Note 14 - Landfill Closure and Postclosure

Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. There are currently 107 closed sites in the program. Up to five additional sites could enter the program in the near future. The state becomes responsible for the long-term care of these closed municipal solid waste facilities only after certain eligibility requirements are met. The state is responsible, in perpetuity, for performing cleanup and final closure work as well as all maintenance and monitoring functions at these qualifying sites. Funding for the state's perpetual obligation at these landfills comes from the Solid Waste Fund (special revenue fund) which includes revenues from the Solid Waste Management Tax authorized by Minnesota Statutes, Chapter 297H, insurance recovery proceeds, and financial assurance from previous owners and operators. Additional funding from the sale of state general obligation bonds is used for design and construction work at the publicly-owned landfills in the program. As of June 30, 2003, cumulative expenditures of about $175 million have been disbursed by the Solid Waste Fund and the bond fund. Estimates show that the total of all payments for the program may reach $532 million. These estimates include costs for planned response actions, costs representing future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and reimbursements. Actual costs could become higher because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

Note 15 - Segment Information

Segment Information Financial Data
Year Ended June 30, 2003
(In Thousands)

		MnSCU		
			Mesabi Range/Vermilion	
	Giants Ridge	Revenue Fund	Residence Halls	Modular Housing
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 1,260	$ 38,989	$ 40	$ 28
Restricted Assets	3,609	36,401	446	147
Capital Assets	23,380	80,632	1,504	862
Other Assets	1,922	-	-	-
Total Assets	$ 30,171	$ 156,022	$ 1,990	$ 1,037
Liabilities:				
Current Liabilities	$ 1,987	$ 10,462	$ 123	$ 112
Noncurrent Liabilities	15,400	40,629	445	575
Total Liabilities	$ 17,387	$ 51,091	$ 568	$ 687
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$ 12,812	$ 73,825	$ 969	$ 237
Restricted	-	2,993	446	147
Unrestricted	(28)	28,113	7	(34)
Total Net Assets	$ 12,784	$ 104,931	$ 1,422	$ 350
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets				
Operating Revenues - Customer Charges	$ 3,104	$ 59,250	$ 378	$ 187
Depreciation Expense	(808)	(5,695)	(71)	(29)
Other Operating Expenses	(3,928)	(47,947)	(249)	(152)
Operating Income (Loss)	$ (1,632)	$ 5,608	$ 58	$ 6
Nonoperating Revenues (Expenses):				
Interest Income	$ 24	$ 1,356	$ 4	$ 1
Interest Expense	(254)	(2,204)	(52)	(39)
Other	(24)	8,666	-	-
Capital Contributions	330	-	-	-
Transfers-In	2,223	-	-	-
Change in Net Assets	$ 667	$ 13,426	$ 10	$ (32)
Beginning Net Assets	12,117	91,505	1,412	382
Ending Net Assets	$ 12,784	$ 104,931	$ 1,422	$ 350
Condensed Statement of Cash Flows				
Net Cash Provided (Used) By:				
Operating Activities	$ (434)	$ 12,188	$ 158	$ 86
Noncapital Financing Activities	2,662	-	-	-
Capital and Related Financing Activities	(4,779)	(7,369)	(141)	(85)
Investing Activities	272	5,010	4	1
Net Increase (Decrease)	$ (2,279)	$ 9,829	$ 21	$ 2
Beginning Cash and Cash Equivalents	$ 6,908	$ 49,266	$ 444	$ 145
Ending Cash and Cash Equivalents	$ 4,629	$ 59,095	$ 465	$ 147

The types of goods or services provided by each segment are as follows:

- Giants Ridge is a four-season recreation facility with golfing, as well as downhill and nordic skiing.
- The MnSCU Revenue Fund constructs, maintains and operates college buildings for residence hall, student union, or food service purposes.
- The MnSCU Mesabi Range/Vermilion segments account for the construction and operation of student housing at Vermilion Community College.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operations and position.

Note 16 - Contingent Liabilities

Primary Government

Pension Trust Funds

In addition to the pension trust funds included in the reporting entity (see Note 8 - Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state's contributions to these local funds. Funding is provided in the state's biennial budget. The pension trust funds involved, the year-end for which the most current data is available, and the unfunded liabilities are described below (in thousands):

Minneapolis Employee Retirement Fund	June 30, 2003	$ 126,500
Minneapolis Teachers Retirement Fund	June 30, 2003	$ 715,069
St. Paul Teachers Retirement Fund	June 30, 2003	$ 290,601
Local Police and Fire Fund	December 31, 2002	$ 193,524

The unfunded liability of the Local Police and Fire Fund for 2002 consists of four local plans.

All of the unfunded liabilities shown above were computed using the entry age normal actuarial cost (level normal cost) method. Assumptions for interest rates and annual salary growth rates using the single rate future salary increase assumption are as follows: Minneapolis Employee Retirement Fund - preretirement interest, 6 percent - postretirement interest, 5 percent - salary growth, initial increase of 1.0198 percent and 4 percent annually thereafter; Minneapolis Teachers, St. Paul Teachers, and Duluth Teachers Retirement Funds - interest, 8.5 percent - salary growth, 5 percent; Minneapolis Police Relief and Minneapolis Fire Department Relief Associations - interest, 6 percent - salary growth, 4 percent; Virginia Fire Department and Fairmont Police Relief Associations - interest, 5 percent - salary growth, 3.5 percent. Additional annual contributions are provided by the state to reduce the current unfunded liabilities.

Component Units

Since January 18, 2000, the Metropolitan Council (MC) has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for $2,695,691, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska, and the MC. The city must reimburse MC for any money paid by MC for debt service on the bonds. These bonds have a final maturity on January 1, 2030.

The 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 a 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 service agreement.

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 in force at December 31, 2002 was approximately $4.5 million.

Note 17 - Northwest Airlines Maintenance Facilities

Laws of Minnesota 1991, Chapter 350 authorized the state to issue revenue bonds secured by the state's full faith and credit to finance the construction of an aircraft facility. In May 1995, the state issued $47,670,000 of revenue bonds to finance the construction and equipment of an aircraft maintenance facility in Duluth, with Northwest Airlines, Inc. (NWA) as the lessee. The bonds are structured so that the initial bonds, together with expected later refunding bond issuances, will provide financing for the facility over a 30-year period.

As of June 30, 2003, $39,485,000 of the revenue bonds remained outstanding. Of this amount, $22,725,000 is payable primarily from lease payments of NWA, and $16,760,000 is payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event these revenues are insufficient to make the debt service payments on the revenue bonds, the state may apply certain state-aid payments otherwise payable to the city of Duluth.

On July 1, 1999, $3,435,000 of the revenue bonds were defeased, thereby reducing the outstanding bonds. The invested funds, which are held in escrow, will be sufficient to pay the principal and interest on the bonds to their earliest call date.

Note 18 - Equity

Fund Balances - Primary Government

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

Primary Government Fund Balances
As of June 30, 2003
(In Thousands)

	Governmental Fund Types					Fiduciary Fund Types
	General	Special Revenue	Debt Service	Permanent	Capital Projects	Trust and Agency
Fund Balances:						
Reserved for Encumbrances	$ 67,296	$ 246,406	$ -	$ -	$ -	$ -
Reserved for Inventory	-	13,770	-	-	-	-
Reserved for Long-Term Receivables	-	142,260	120,639	-	89,230	-
Reserved for Refunding Bonds	-	-	391,680	-	-	-
Reserved for Long-Term Commitments	-	183,870	-	-	35,763	-
Reserved for Local Governments	-	448,725	-	5,375	-	-
Reserved for Trust Principal	-	1,254,746	-	536,114	-	-
Reserved for Debt Requirements	-	-	468,335	-	-	-
Reserved for Other	7,470	7,243	-	-	-	-
Total Reserved Fund Balances	$ 74,766	$ 2,297,020	$ 980,654	$ 541,489	$ 124,993	$ -
Unreserved Fund Balances:						
Designated for Appropriation Carryover	$ -	$ 168,854	$ -	$ -	$ -	$ -
Designated for Fund Purposes	-	273,808	-	-	-	35,127,033
Total Designated Fund Balance	$ -	$ 442,662	$ -	$ -	$ -	$ 35,127,033
Undesignated	(1,006,866)	396,014	-	-	44	-
Total Unreserved Fund Balance	$(1,006,866)	$ 838,676	$ -	$ -	$ 44	$ 35,127,033
Total Fund Balance	$ (932,100)	$ 3,135,696	$ 980,654	$ 541,489	$ 125,037	$ 35,127,033

Reserved Fund Balance

Reserved Fund Balance indicates the portion of the fund balance that is not available for appropriation or is legally segregated for a specific future use.

Reserved for Local Governments is the equity amount in three funds required by the state constitution to be paid to local governments. The funds are the Municipal State-Aid Street Fund and County State-Aid Highway Fund (special revenue funds) and the Permanent School Fund (permanent fund). The payments to municipalities and counties are for street and highway projects. The Permanent School Fund subsidizes education in local school districts.

Reserved for Other of $7,243,000 in the special revenue fund type (Federal Fund) consists primarily of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

Unreserved Fund Balance

Unreserved Fund Balance consists of 1) designated fund balances indicating tentative managerial plans for future use of resources, and 2) undesignated fund balances indicating those unreserved financial resources available for appropriation. A portion of the undesignated fund balances in the Natural Resources (special revenue) funds 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:

Fund Balance Designated for Fund Purposes
As of June 30, 2003
(In Thousands)

	Special Revenue Funds
Public Safety and Corrections	$ 23,103
Transportation	27,049
Environmental Resources	55,580
Economic and Workforce Development	58,763
General Education	9,921
Higher Education	394
Health and Human Services	48,944
General Government	48,774
Intergovernmental Aids	1,280
Total	$ 273,808

Note 19 - Risk Management

Primary Government

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

Risk Management Fund

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

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $2,500,000. The reinsurance program provides coverage up to $300,000,000, which is shared between three reinsurers. Once annual aggregate losses paid by the Risk Management Fund reach $7,500,000, the reinsurer will provide coverage in excess of a $10,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature. The liability coverage is up to the statutory limit (tort claims cap) of $300,000 bodily injury and property damage per person, and $1,000,000 bodily injury and property damage per occurrence.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state is not able to self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes, Section 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are self-insured, covered by programs of the Risk Management Fund, or covered by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Tort Claims

Tort claims against the state are limited to $300,000 bodily injury and property damage per person, and $1,000,000 bodily injury and property damage per occurrence. State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget 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.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation related claims and is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $1,440,000. The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. These costs are paid from each agency's operating budget. During fiscal year 2003, a change in claim liability occurred as a result of several events that contributed to an estimated $3 million reduction in outstanding liabilities. These events included full or partial settlement of claims, the deaths of former employees thus reducing future liabilities, and the recalculation of new claim-based revised financial data.

State Employee Group Insurance Program

The Minnesota State Legislature created an employee insurance trust fund administered by the State Employee Group Insurance Program (SEGIP) to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The insurance trust fund is not associated with any other public risk pools. The fund type used to account for SEGIP fiscal activities is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained within the trust fund to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP has not had any settlements in excess of coverage for the past three years.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota State Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental benefit coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987 codified as Minnesota Statutes, Section 43A.316. The PEIP became a self-funded program again in 1998 after a brief period as a fully funded entity.

PEIP's membership as of June 30, 2003 was 3,632 members and their dependents. The members of the pool include 20 school districts, 85 cities/townships, 3 counties and 29 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for Stop-Loss coverage for claims in excess of $50,000.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred, but not reported. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits the recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2003 and 2002:

Self-Insured Claim Liabilities
As of June 30, 2003 (In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/02	$ 6,383	$ 17,513	$ 4,185	$ 19,711
Fiscal Year Ended 6/30/03	$ 19,711	$ (3,248)	$ 4,749	$ 11,714
Tort Claims [1]				
Fiscal Year Ended 6/30/02	$ -	$ 880	$ 880	$ -
Fiscal Year Ended 6/30/03	$ -	$ 807	$ 807	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/02	$ 127,189	$ 4,923	$ 12,771	$ 119,341
Fiscal Year Ended 6/30/03	$ 119,341	$ 10,151	$ 12,643	$ 116,849
State Employee Insurance Plans				
Fiscal Year Ended 6/30/02	$ 44,555	$ 384,005	$ 387,879	$ 40,681
Fiscal Year Ended 6/30/03	$ 40,681	$ 365,268	$ 367,503	$ 38,446

[1]The Office of the Attorney General does not recognize liabilities for Tort Claims. Claims have never exceeded funding appropriated by the legislature.

Public Employee Insurance Medical (In Thousands)	Year Ended June 30	
	2003	2002
Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year	$ 2,745	$ 2,575
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	19,715	21,055
Increases (Decreases) in Provision for Insured Events of Prior Years	(400)	135
Total Incurred Claims and Claim Adjustment Expenses	$ 19,315	$ 21,190
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 17,418	$ 18,337
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	2,322	2,683
Total Payments	$ 19,740	$ 21,020
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	$ 2,320	$ 2,745

Component Units

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed below. MC has not experienced significant reduction in insurance coverage from the prior year. In addition, MC has not had any settlements in excess of coverage for the past three years.

Liability

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC’s tort exposure to $300,000 per claim and $1,000,000 per occurrence for a claim arising on or after January 1, 2000. For claims arising earlier, the limits are $200,000 per claim and $750,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

Workers' Compensation

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.24 percent. The self-insurance retention limit for workers' compensation is $1,320,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

The University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors and officers liability, and automobile liability through RUMINCO, Ltd., a wholly owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims.

The U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2002 and 2001 or June 30, 2003 and 2002, as applicable:

Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council				
Fiscal Year Ended 12/31/01	$ 17,057	$ 10,163	$ 8,372	$ 18,848
Fiscal Year Ended 12/31/02	$ 18,848	$ 7,055	$ 7,255	$ 18,648
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/02	$ 8,153	$ 815	$ 2,476	$ 6,492
Fiscal Year Ended 6/30/03	$ 6,492	$ 2,197	$ 1,032	$ 7,657
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/02	$ 10,800	$ (495)	$ 1,305	$ 9,000
Fiscal Year Ended 6/30/03	$ 9,000	$ 6,489	$ 3,489	$ 12,000

Note 20 - Budgetary Basis vs GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2003
(In Thousands)

	General Fund
GAAP Basis Fund Balance:	$ (932,100)
Less: Reserved Fund Balance	74,766
Undesignated Fund Balance	$ (1,006,866)
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (467,112)
Tax Refunds Payable	454,347
Human Services Receivable	(28,046)
Deferred Revenue	(6,126)
Other Receivables	(2,370)
Investments at Market	(1,157)
Expenditure Accruals/Adjustments:	
Medical Assistance	269,635
Human Services Grants Payable	51,584
Education Aids	1,041,323
Police and Fire Aid	74,392
Other Payables	3,097
Other Financial Sources (Uses):	
Permanent School Fund Transfers-In	(6,091)
Fund Structure Differences:	
Terminally Funded Pension Plans	8,098
Designated for Appropriation Carryover and Budgetary Reserve	(189,103)
Budgetary Basis:	
Undesignated Fund Balance	$ 195,605

Note 21 - Prior Period Adjustments

Prior Period Adjustments

Primary Government

Two nonmajor special revenue funds understated expenditures for the year ended June 30, 2002. Prior period adjustments of $12,347,000 and $46,993,000 were made to the Municipal State Aid Street Fund and County State Aid Highway Fund, respectively.

A prior period adjustment of $17,421,000 at the government-wide level was reported for capital assets which were not included in the June 30, 2002, balance.

Component Units

The Metropolitan Council implemented a policy in 2000 concerning the ownership of vehicles provided to outside transit providers. The new policy requires that payments previously classified as transit related expenditures be reported as capital outlays. Prior year expenditures that should have been identified as capital outlays resulted in a $4,341,000 increase in net assets.

The Public Facilities Authority represented a prior period adjustment of $27,907,000 to bring grant reporting into compliance with GASB Statement No. 33. This adjustment represents grants recognized in prior years that had not met all applicable eligibility requirements.

Change In Fund Structure

Adolescent Services, operated by the Department of Human Services, which was previously included in the General Fund (modified accrual basis) is now reported in the Behavioral Services Fund (accrual basis). The net effect of this change for the Behavioral Services Fund is an increase of $3,641,000 in assets at both fund and government-wide levels. At the fund level, the General Fund is reporting a change in fund structure adjustment of $1,117,000, which represents the transfer of assets based on the modified accrual basis of accounting. At the government-wide level, the General Fund is reporting a change in fund structure of $3,641,000, which represents the transfer of assets, including cash and receivables, based on the full accrual basis of accounting.

Note 22 - 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. The tort claims appropriation for the fiscal year ended June 30, 2003 was $671,000. The maximum limits of liability for tort claims are $300,000 for any one claim and $1,000,000 for any number of claims arising out of a single occurrence.

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 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.

   b. *AT&T Corp. v. Commissioner of Revenue,* Minnesota Tax Court. The taxpayer appeals, as a representative of Qwest Corp., from the denial of sales and use tax refund claims for the periods January 1990 to January 1996 on two theories. The first claim, in the approximate amount of $10 million, alleges that Qwest purchased equipment which qualifies both under the capital equipment exemption in effect for claims filed prior to May 5, 1993 and under the exemption in effect for later periods. The taxpayer also asserts that the application to Qwest of the subsequent law, on the basis of the date a claim for refund was filed, violates due process. The second claim, in the approximate amount of $2 million, alleges that certain equipment sold by the taxpayer to Qwest was not sold within Minnesota and was not stored or used in

Minnesota. The total of the two claims is approximately $12 million. The parties have now settled all issues, except for the capital equipment claim, which was heard by the Tax Court on briefs and stipulated facts on October 15, 2003. The amount of this remaining claim is approximately $10 million.

c. *Austin, et al. v. Goodno,* Ramsey County District Court. Plaintiffs, Minnesota Family Investment Program (MFIP) recipients, filed a class action seeking to block changes to the MFIP made during the 2003 legislative sessions including a Supplemental Social Security Income deeming provision, a requirement that a family's HUD housing assistance be counted as unearned income and a lowering of the exit level for MFIP from 120 percent of the federal poverty guidelines to 115 percent of the federal poverty guidelines. Fiscal Year 2004 savings from implementation of the three challenged changes are estimated to be in excess of $20 million. The changes were scheduled to go into effect over the next three months. A temporary restraining order issued preventing the Department of Human Services from putting the three changes into effect has been vacated.

d. *Automatic Merchandising Council, et al. v. Commissioner of Revenue, et al.,* Ramsey County District Court. Plaintiffs, a membership organization comprised of suppliers and operators of vending machines and an operator of vending machines, seek a declaratory judgment that, beginning with certain amendments to Minnesota's sales tax law effective January 1, 2002, imposition of the tax on sales of food through vending machines is unconstitutional under the Federal Equal Protection Clause and the Uniformity Clause of the Minnesota Constitution. A determination in the Plaintiffs' favor would result in a potential tax refund liability well in excess of $10 million when applied as precedent to Plaintiffs' subsequent tax periods, as well as to the potential refund claims of other vending companies. Plaintiffs' Motion for Summary Judgment, heard on August 26, 2002, was denied and Defendants were granted Summary Judgment at the end of November 2002. Plaintiffs filed an appeal with the Court of Appeals, which affirmed the District Court in a decision filed on August 12, 2003. Plaintiffs filed a Petition for Review of the Court of Appeals decision with the Supreme Court, which was granted on October 29, 2003.

e. *Council of Independent Tobacco Manufacturers of America, et al., v. The State of Minnesota, et al.* Ramsey County District Court. Plaintiffs challenge the Statute which imposes a fee of 35 cents per pack on the sale of cigarettes manufactured by a manufacturer that is not making annual payments to the State of Minnesota under the settlement in State v. Philip Morris Inc., et al. or that has not entered into a similar agreement also requiring annual payments. Plaintiffs challenge enforcement of the statute alleging that it abridges free speech, violates equal protection and due process guarantees, and is a bill of attainder. Plaintiffs' motion for a temporary restraining order was denied. The fee is estimated to generate $12.9 million over the Current Biennium. The merits were argued on October 6, 2003. On November 19, 2003, the District Court upheld § 297F.24 against Plaintiffs' challenges.

f. *ARRM et al. v. Goodno; Masterman, et al v. Goodno, et al.* These are two consolidated cases in U.S District Court, in which the first group of plaintiffs is a trade association for residential facilities and an individual plaintiff, and the second group of plaintiffs is an advocacy group and four disabled individuals receiving services under Minnesota's Mental Retardation/Related Condition (MR/RC) Waiver. All plaintiffs challenge the state's rebasing will reduce services that clients receive, reduce funding to facilities, and violate federal law. If Plaintiffs are successful in their challenge, Minnesota's MR/RC waiver expenditures may increase by up to $56 million through Fiscal Year 2005. On October 31, 2003, the state argued a motion to dismiss and plaintiffs argued a motion for preliminary injunction in *Masterman*. The federal government has filed a motion to dismiss in *ARRM*, which has not yet been heard.

g. *Northern States Power Co., d/b/a Xcel Energy, Inc. v. Minnesota Metropolitan Council, Minnesota Department of Transportation, et al.* Xcel Energy brought an inverse condemnation action alleging construction of the light rail transit system in Fifth Street in downtown Minneapolis "takes" its property right of access. The respondents' motions to dismiss the case were granted by the district and Xcel appealed. The Minnesota Court of Appeals reversed, holding that Xcel

Energy had arguably met the test to establish the taking of the property right of access. Defendants Petition for Review to the Minnesota Supreme Court was granted. In the event Xcel Energy ultimately prevails on its claim, the claim is likely to exceed $10 million.

h. *Rukavina, et al. v. Pawlenty, et al.*, Ramsey County District Court. In January 2003, two Minnesota State legislators, two Minnesota residents and an association of counties and school districts sued the Governor and the Commissioner of Finance claiming that the Governor and Commissioner's unallotment of $49 million from the Minnesota 21st Century Minerals Account was in violation of State law and the Minnesota Constitution. The State's motion for summary judgment was granted. Plaintiffs have appealed to the Minnesota Court of Appeals.

i. *Sprint Spectrum LP, Sprint Communications Company, LP, and United Telephone Company of Minnesota v. Comm'r of Revenue*, Minn. Tax Court Nos. 7299, 7308, 7309; and *XO Communications, Inc. v. Comm'r of Revenue*, Minn. Tax Court Nos. 7430 & 7442, Minnesota Tax Court. Plaintiffs, regional telecommunication public utilities, claim that they are entitled to capital equipment refunds of sales taxes paid. The claims are based on the theory that the Plaintiffs use the telecommunications equipment they purchase or install in Minnesota for the tax-exempt purpose of "manufacturing, fabricating or refining" of "tangible property." A determination in the Plaintiffs' favor would result in a combined potential tax refund liability in excess of $10 million. The Tax Court held that the Commissioner properly denied the claims in the *Sprint* cases on May 23, 2003, and Sprint appealed to the Minnesota Supreme Court. The *Sprint* case was heard on the oral argument calendar on December 2, 2003. The Tax Court held that the Commissioner properly denied the claims in the *XO Communications* case on August 27, 2003. XO appealed to the Minnesota Supreme Court, which stayed further proceedings, pending the *Sprint* decision, on October 20, 2003.

Note 23 - Subsequent Events

Primary Government

As required by the constitution and statutes, transfers from primary government funds and payments from component units presented below were made on November 26, 2003 to the separately invested Debt Service Fund to cover the principal and interest maturing through July 1, 2005 (in thousands):

Primary Government	
General Fund	$ 265,689
Other Special Revenue Funds	4,424
Trunk Highway Fund	16,289
Maximum Effort School Loan Fund	13,876
Minnesota Colleges and Universities	12,785
Total Primary Government	$ 313,063
Component Units	
Rural Finance Administration	$ 17,500
University of Minnesota	6,788
Total Component Units	$ 24,288
Total Amount to Debt Service	$ 337,351

On July 1, 2003, $451,574,000 from the Medical Education and Research Fund and $575,026,000 from the Tobacco Use Prevention Fund were transferred to the General Fund.

On July 22, 2003, $296,645,000 of general obligation state various purpose bonds, $142,500,000 of general obligation state trunk highway bonds, and $20,855,000 of general obligation state refunding bonds were sold at a true interest rate of 4.00 percent. The bonds were issued to finance the cost of capital improvements. These bonds are backed by the full faith and credit and taxing powers of the state.

On July 24, 2003, $3,000,000 of general obligation taxable state various purpose bonds were sold at a true interest rate of 3.42 percent. The bonds were issued to finance the cost of capital improvements. These bonds are backed by the full faith and credit and taxing powers of the state.

Component Units

On June 4, 2003, the Minnesota Housing Finance Agency (HFA) approved series resolutions authorizing the issuance of $65,000,000 bonds for the purpose of providing funds for certain HFA home ownership programs. The Residential Housing Bonds, 2003 Series A and 2003 Series B, were delivered on July 23, 2003.

On June 26, 2003, the HFA approved a series resolution authorizing the issuance of $1,945,000 bonds to finance the acquisition and rehabilitation of a multi-family development in Vadnais Heights, Minnesota. The Rental Housing Bonds, 2003 Series B, were delivered on August 14, 2003.

On July 10, 2003, the HFA approved series resolutions authorizing the issuance of $204,510,000 convertible option bonds. The Residential Housing Finance Bonds, 2003 Series D, 2003 Series E, 2003 Series F, 2003 Series G, and 2003 Series H, were delivered on July 23, 2003.

On July 10, 2003, the HFA approved the remarketing of $23,000,000 convertible option bonds for the purpose of providing funds for certain of the agency's home ownership programs. The Single Family Mortgage Bonds, 2001 Series E were delivered on July 24, 2003.

The agency called for early redemption subsequent to June 30, 2003 for the following bonds:

Program Funds	Retirement Date	Original Par Value
Single Family	July 1, 2003	$ 47,250,000
Residential Housing Finance	July 1, 2003	2,540,000
Rental Housing	July 8, 2003	1,885,000
Rental Housing	August 1, 2003	19,605,000
Total		$ 71,280,000

Required Supplementary Information

Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", the state has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,078 lane miles of pavement and approximately 2,659 bridges and tunnels that the state maintains.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system, the Present Serviceability Rating (PSR), the Surface Rating (SR) and the Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking) and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below.

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI will be used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
1999	3.45	3.33
2000	3.47	3.35
2001	3.47	3.35
2002	3.39	3.30

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the 2,659 bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 through 9 where 9 is excellent and 0 is failed.

Rating	Description
9	Excellent (no specific definition).
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have some minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Good - If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.

Fair - If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.

Poor - If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will be maintained at fair to good.

Assessed Conditions

Principal Arterial	1998	1999	2000	2001	2002
Fair to Good	95.4%	96.3%	96.1%	95.9%	95.6%

All Other Systems	1998	1999	2000	2001	2002
Fair to Good	88.4%	90.1%	89.6%	90.8%	92.2%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the years ended June 30, 2003 and June 30, 2002 (in thousands):

	2003		2002	
	Budget	Actual	Budget	Actual
Costs to be Capitalized	$ 719,300	$ 333,605	$ 296,500	$ 258,803
Maintenance of System	316,400	304,029	417,400	357,823
Total Construction Program	$ 1,035,700	$ 637,634	$ 713,900	$ 616,626

MnDOT projects may span several years. Project costs are budgeted in the first year but spent throughout the life of the project. This process does not allow an accurate comparison of the amounts budgeted and spent within a fiscal year due to funding carryover between two or more fiscal years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past year, the state spending has been in line with the budgeted amounts and other tables contained within this narrative demonstrate that the state has met its desired condition levels.

Actuarial Measures of Pension Funding Progress

The state of Minnesota is the employer for five defined benefit single employer plans that are administered by Minnesota State Retirement System (MSRS). MSRS prepares and publishes its own stand-alone comprehensive annual financial report (see Note 1 - Summary of Significant Accounting Policies for the address).

The Elective State Officers Fund (ESOF) is excluded from the single employer plan disclosures since this plan is closed to new entrants and any remaining active employees have retired, terminated, or elected coverage under another plan.

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		SPRF	CERF	JRF	LRF[1]
Actuarial Valuation Date	2003	7/1/2003	7/1/2003	7/1/2003	-
	2002	7/1/2002	7/1/2002	7/1/2002	7/1/2002
	2001	7/1/2001	7/1/2001	7/1/2001	7/1/2001
	2000	-	-	-	7/1/2000
Actuarial Value of Plan Assets	2003	$ 591,521	$ 470,716	$ 134,142	-
	2002	$ 591,383	$ 457,416	$ 131,379	$ 45,501
	2001	$ 572,815	$ 431,134	$ 123,589	$ 42,608
	2000	-	-	-	$ 37,265
Actuarial Accrued Liability	2003	$ 538,980	$ 484,974	$ 176,291	-
	2002	$ 510,344	$ 446,426	$ 171,921	$ 78,070
	2001	$ 489,483	$ 398,633	$ 165,244	$ 75,072
	2000	-	-	-	$ 69,364
Total Unfunded Actuarial Liability (Asset)	2003	$ (52,541)	$ 14,258	$ 42,149	-
	2002	$ (81,039)	$ (10,990)	$ 40,542	$ 32,569
	2001	$ (83,332)	$ (32,501)	$ 41,655	$ 32,464
	2000	-	-	-	$ 32,099
Funded Ratio[2]	2003	110%	97%	76%	-
	2002	116%	102%	76%	58%
	2001	117%	108%	75%	57%
	2000	-	-	-	54%
Annual Covered Payroll	2003	$ 54,175	$ 131,328	$ 33,771	-
	2002	$ 49,278	$ 124,373	$ 31,078	$ 5,089
	2001	$ 48,935	$ 120,947	$ 28,246	$ 5,858
	2000	-	-	-	$ 5,808
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2003	(97%)	11%	125%	-
	2002	(164%)	(9%)	130%	640%
	2001	(170%)	(27%)	147%	554%
	2000	-	-	-	553%

[1]The 2003 Annual Valuation Report was not available at the time of printing.
[2]Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

During fiscal year 1998, the Public Employees Insurance Program's medical claims became a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past five years.

	Fiscal and Policy Year Ended (In Thousands)					
	1998	1999	2000	2001	2002	2003
1. Required Contribution and Investment Revenue:						
Earned	$ 2,564	$ 7,713	$ 10,995	$ 18,005	$ 22,149	$ 23,458
Ceded	195	624	1,031	1,972	2,243	2,321
Net Earned	$ 2,369	$ 7,089	$ 9,964	$ 16,033	$ 19,906	$ 21,137
2. Unallocated Expenses	$ 538	$ 1,458	$ 1,983	$ 2,535	$ 2,715	$ 2,528
3. Estimated Claims and Expenses End of Policy Year:						
Incurred	$ 2,002	$ 5,800	$ 9,972	$ 16,550	$ 21,055	$ 19,715
Ceded	91	171	772	760	2,513	1,570
Net Incurred	$ 1,911	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 18,145
4. Net Paid (Cumulative) as of:						
End of Policy Year	$ 1,376	$ 4,678	$ 7,944	$ 13,228	$ 15,824	$ 15,848
One Year Later	1,849	5,817	9,240	15,908	18,091	
Two Years Later	1,850	5,818	9,243	15,963		
Three Years Later	1,850	5,818	9,243			
Four Years Later	1,850	5,818				
Five Years Later	1,850					
5. Re-estimated Ceded Claims and Expenses	$ 91	$ 171	$ 772	$ 760	$ 2,513	$ 1,570
6. Re-estimated Net Incurred Claims and Expenses:						
End of Policy Year	$ 1,911	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 8,145
One Year Later	1,854	5,828	9,253	15,935	18,114	
Two Years Later	1,850	5,818	9,243	15,963		
Three Years Later	1,850	5,818	9,243			
Four Years Later	1,850	5,818				
Five Years Later	1,850					
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ (61)	$ 189	$ 43	$ 173	$ (428)	$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.

3. This section shows the fund’s gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

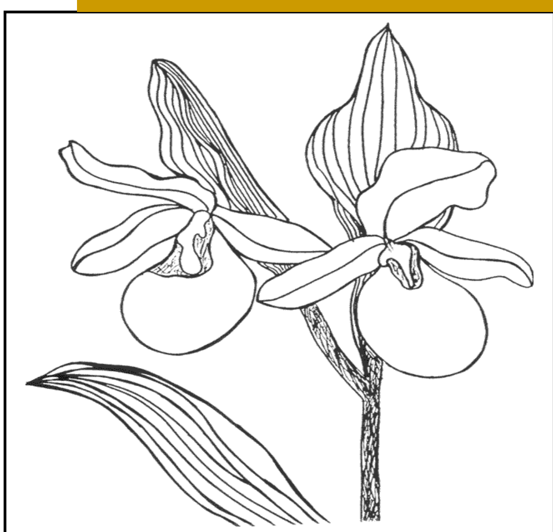
6. This section shows how each policy year’s net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)

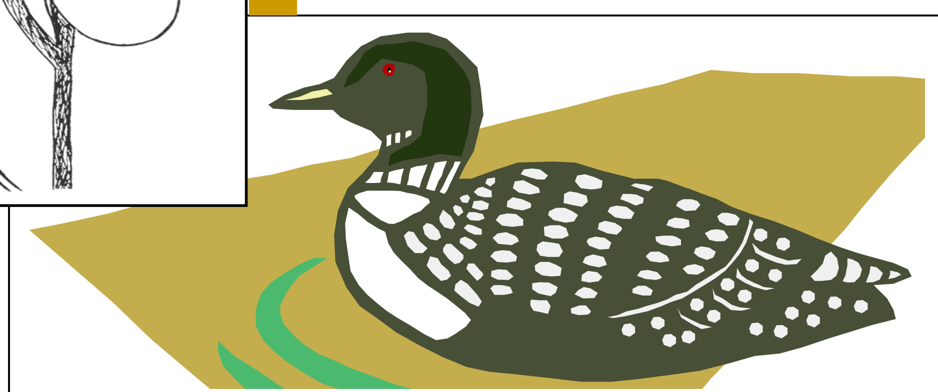
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Minnesota

Combining and Individual Fund Statements – Nonmajor Funds

State Flower - Ladyslipper





State Bird - Loon

Minnesota

Nonmajor Special Revenue, Permanent and Capital Project Funds

Permanent Fund

Permanent School Fund

The constitutionally established trust fund receives revenue from investments and the sale of state land and timber for distribution to school districts.

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2003
(IN THOUSANDS)

	SPECIAL REVENUE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,806,870	$ 90,046	$ 73,291	$ 2,970,207
Investments	299,302	434,985	-	734,287
Accounts Receivable	310,046	3,755	4	313,805
Interfund Receivables	130,008	-	-	130,008
Accrued Investment/Interest Income	2,455	3,427	-	5,882
Federal Aid Receivable	69,158	-	-	69,158
Inventories	13,770	-	-	13,770
Loans and Notes Receivable	148,090	-	91,661	239,751
Securities Lending Collateral	100,734	14,815	-	115,549
Investment in Land	-	15,423	-	15,423
Total Assets	$ 3,880,433	$ 562,451	$ 164,956	$ 4,607,840
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 371,226	$ 18	$ 28,718	$ 399,962
Interfund Payables	122,113	6,092	5,718	133,923
Due to Component Units	9,371	-	5,483	14,854
Deferred Revenue	148,536	37	-	148,573
Securities Lending Collateral	100,734	14,815	-	115,549
Total Liabilities	$ 751,980	$ 20,962	$ 39,919	$ 812,861
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 246,406	$ -	$ -	$ 246,406
Reserved for Local Governments	448,725	5,375	-	454,100
Reserved for Trust Principal	1,254,746	536,114	-	1,790,860
Other Reserved Fund Balances	339,900	-	124,993	464,893
Total Reserved Fund Balances	$ 2,289,777	$ 541,489	$ 124,993	$ 2,956,259
Unreserved Fund Balances:				
Designated for Appropriation Carryover	$ 168,854	$ -	$ -	$ 168,854
Designated for Special Revenue Funds	273,808	-	-	273,808
Undesignated, reported in:				
Capital Project Funds	-	-	44	44
Special Revenue Funds	396,014	-	-	396,014
Total Unreserved Fund Balances	$ 838,676	$ -	$ 44	$ 838,720
Total Fund Balances	$ 3,128,453	$ 541,489	$ 125,037	$ 3,794,979
Total Liabilities and Fund Balances	$ 3,880,433	$ 562,451	$ 164,956	$ 4,607,840

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	SPECIAL REVENUE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:				
Motor Vehicle Taxes	$ 696,355	$ -	$ -	$ 696,355
Fuel Taxes	645,886	-	-	645,886
Other Taxes	388,641	-	-	388,641
Tobacco Settlement	111,523	-	-	111,523
Federal Revenues	319,002	-	-	319,002
Licenses and Fees	225,854	-	-	225,854
Departmental Services	159,842	16,264	-	176,106
Investment/Interest Income	39,551	24,506	305	64,362
Penalties and Fines	11,973	18	-	11,991
Securities Lending Income	2,884	1,096	-	3,980
Other Revenues	134,333	1,163	44	135,540
Net Revenues	$ 2,735,844	$ 43,047	$ 349	$ 2,779,240
Expenditures:				
Current:				
Public Safety and Corrections	$ 145,273	$ -	$ 6,201	$ 151,474
Transportation	1,276,073	-	60,342	1,336,415
Agricultural and Environmental Resources	287,247	6,182	77,742	371,171
Economic and Workforce Development	231,231	-	28,229	259,460
General Education	18,804	19,024	16,787	54,615
Higher Education	3,335	-	16,548	19,883
Health and Human Services	639,051	-	-	639,051
General Government	73,384	-	126	73,510
Intergovernment Aid	218	-	-	218
Securities Lending Rebates and Fees	2,689	887	-	3,576
Total Current Expenditures	$ 2,677,305	$ 26,093	$ 205,975	$ 2,909,373
Capital Outlay	461,847	-	47,720	509,567
Debt Service	11,912	-	-	11,912
Total Expenditures	$ 3,151,064	$ 26,093	$ 253,695	$ 3,430,852
Excess of Revenues Over (Under) Expenditures	$ (415,220)	$ 16,954	$ (253,346)	$ (651,612)
Other Financing Sources (Uses):				
General Obligation Bond Issue Proceeds	$ 15,400	$ -	$ 236,462	$ 251,862
Loan Proceeds	14,897	-	-	14,897
Transfers-In	1,640,271	-	-	1,640,271
Transfers-Out	(1,753,907)	-	(111,159)	(1,865,066)
Capital Leases	373	-	-	373
Net Other Financing Sources (Uses)	$ (82,966)	$ -	$ 125,303	$ 42,337
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (498,186)	$ 16,954	$ (128,043)	$ (609,275)
Fund Balances, Beginning, as Reported	$ 3,686,300	$ 524,535	$ 253,080	$ 4,463,915
Prior Period Adjustments	(59,340)	-	-	(59,340)
Fund Balances, Beginning, as Restated	$ 3,626,960	$ 524,535	$ 253,080	$ 4,404,575
Change in Inventory	(321)	-	-	(321)
Fund Balances, Ending	$ 3,128,453	$ 541,489	$ 125,037	$ 3,794,979

Nonmajor Special Revenue Funds

Trunk Highway Fund

The fund is supported by revenues from the Highway User Tax Distribution Fund and federal grants to plan, design, construct and maintain the state trunk highway system.

Highway User Tax Distribution Fund

The fund receives revenue from taxes on motor vehicles and motor fuels for transfer to various transportation related funds.

State Airports Fund

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

Municipal State-Aid Street Fund

The fund receives 8.95 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to municipalities for improvement of streets.

County State-Aid Highway Fund

The 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.

Petroleum Tank Cleanup Fund

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

Solid Waste Fund

The fund receives funding from a fee imposed on solid waste haulers to clean up closed municipal landfills.

Health Care Access Fund

The 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 competitively priced insurance for people unable to obtain affordable coverage.

Minnesota Resources Fund

The fund receives a portion of the cigarette and tobacco taxes which is appropriated for various natural resource development purposes.

Natural Resources Fund

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

Game and Fish Fund

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

Environment and Natural Resources Trust Fund

The fund receives the investment earnings and a portion of the net lottery proceeds in accordance with a plan approved by the Minnesota Future Resource Commission.

Environmental Fund

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

Iron Range Resources and Rehabilitation Fund

The fund receives revenues from taconite taxes which are used to promote economic development in northeastern Minnesota.

Northeast Minnesota Economic Protection Fund

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

Endowment Fund

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

Maximum Effort School Loan Fund

The fund receives bond proceeds and reimbursements from school districts to help finance school district construction projects.

Special Compensation Fund

The 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.

Medical Education and Research Fund

The fund receives revenues from state and federal government health care assistance programs. These funds are used for medical education activities in the state of Minnesota.

Tobacco Use Prevention Fund

The fund receives tobacco settlement payments as a result of a lawsuit. This money is to be used to fund initiatives to reduce tobacco use by young people and to promote activities to achieve this goal.

Miscellaneous Special Revenue Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
ASSETS					
Cash and Cash Equivalents	$ 254,484	$ 54,309	$ 21,667	$ 140,744	$ 368,447
Investments	-	-	-	-	-
Accounts Receivable	11,902	67,096	876	916	7,271
Interfund Receivables	51,647	-	-	7,033	29,176
Accrued Investment/Interest Income	-	-	-	-	-
Federal Aid Receivable	67,937	-	-	146	184
Inventories	13,770	-	-	-	-
Loans and Notes Receivable	-	-	3,134	-	-
Securities Lending Collateral	22,034	-	-	10,534	26,264
Total Assets	$ 421,774	$ 121,405	$ 25,677	$ 159,373	$ 431,342
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 85,997	$ 1,457	$ 2,294	$ 22,820	$ 74,290
Interfund Payables	2	89,484	-	2,400	-
Due to Component Units	-	-	-	-	-
Deferred Revenue	618	10,817	-	-	-
Securities Lending Collateral	22,034	-	-	10,534	26,264
Total Liabilities	$ 108,651	$ 101,758	$ 2,294	$ 35,754	$ 100,554
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances	$ 120,978	$ 58	$ 13,268	$ 378	$ 5,304
Reserved for Inventory	13,770	-	-	-	-
Reserved for Long-Term Receivables	-	-	3,134	-	-
Reserved for Long-Term Commitments	167,088	-	-	-	-
Reserved for Local Governments	-	-	-	123,241	325,484
Reserved for Trust Principal	-	-	-	-	-
Total Reserved Fund Balances	$ 301,836	$ 58	$ 16,402	$ 123,619	$ 330,788
Unreserved Fund Balances:					
Designated for Appropriation Carryover	$ 11,287	$ 41	$ 417	$ -	$ -
Designated for Fund Purposes	-	19,548	-	-	-
Undesignated	-	-	6,564	-	-
Total Unreserved Fund Balances	$ 11,287	$ 19,589	$ 6,981	$ -	$ -
Total Fund Balances	$ 313,123	$ 19,647	$ 23,383	$ 123,619	$ 330,788
Total Liabilities and Fund Balances	$ 421,774	$ 121,405	$ 25,677	$ 159,373	$ 431,342

PETROLEUM TANK CLEANUP	SOLID WASTE	HEALTH CARE ACCESS	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRONMENTAL
$ 29,524	$ 66,137	$ 188,113	$ 7,333	$ 29,456	$ 30,080	$ 60,994	$ 36,983
-	-	-	-	-	1,471	245,574	14,680
156	7,300	49,829	596	538	1,043	-	3,682
-	5,147	-	-	8,151	1,765	4,511	-
-	-	-	-	-	10	1,280	22
-	-	-	-	-	891	-	-
-	-	-	-	-	-	-	-
201	-	69	-	-	-	-	508
-	-	14,290	-	-	48	7,526	383
$ 29,881	$ 78,584	$ 252,301	$ 7,929	$ 38,145	$ 35,308	$ 319,885	$ 56,258
$ 14,883	$ 5,223	$ 27,440	$ 725	$ 5,065	$ 7,307	$ 943	$ 3,497
-	-	5,794	-	-	-	-	1,094
-	-	-	-	397	-	312	-
147	-	6,955	-	-	-	-	2,929
-	-	14,290	-	-	48	7,526	383
$ 15,030	$ 5,223	$ 54,479	$ 725	$ 5,462	$ 7,355	$ 8,781	$ 7,903
$ 8,869	$ 2,154	$ 4,102	$ 3,337	$ 6,198	$ 6,897	$ 6,945	$ 4,750
-	-	-	-	-	-	-	-
201	-	69	-	-	-	-	508
-	-	-	-	-	-	-	16,782
-	-	-	-	-	-	-	-
-	-	-	-	-	-	278,467	-
$ 9,070	$ 2,154	$ 4,171	$ 3,337	$ 6,198	$ 6,897	$ 285,412	$ 22,040
$ -	$ -	$ 3,050	$ 2,781	$ 3,780	$ 1,541	$ 7,305	$ 6,941
5,781	-	-	-	-	-	18,387	-
-	71,207	190,601	1,086	22,705	19,515	-	19,374
$ 5,781	$ 71,207	$ 193,651	$ 3,867	$ 26,485	$ 21,056	$ 25,692	$ 26,315
$ 14,851	$ 73,361	$ 197,822	$ 7,204	$ 32,683	$ 27,953	$ 311,104	$ 48,355
$ 29,881	$ 78,584	$ 252,301	$ 7,929	$ 38,145	$ 35,308	$ 319,885	$ 56,258

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2003
(IN THOUSANDS)

	IRON RANGE RESOURCES & REHABILITATION	NORTHEAST MINNESOTA ECONOMIC PROTECTION	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
ASSETS				
Cash and Cash Equivalents	$ 35,409	$ 65,344	$ 12,623	$ 454
Investments	-	37,085	492	-
Accounts Receivable	6,678	3,143	144	-
Interfund Receivables	3,051	230	-	-
Accrued Investment/Interest Income	-	326	4	-
Federal Aid Receivable	-	-	-	-
Inventories	-	-	-	-
Loans and Notes Receivable	943	27,100	-	17,297
Securities Lending Collateral	-	-	16	-
Total Assets	$ 46,081	$ 133,228	$ 13,279	$ 17,751
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 3,999	$ 192	$ 179	$ -
Interfund Payables	230	2,475	24	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	7	-	6,284
Securities Lending Collateral	-	-	16	-
Total Liabilities	$ 4,229	$ 2,674	$ 219	$ 6,284
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 14,538	$ 3,974	$ 562	$ -
Reserved for Inventory	-	-	-	-
Reserved for Long-Term Receivables	943	27,100	-	11,467
Reserved for Long-Term Commitments	-	-	-	-
Reserved for Local Governments	-	-	-	-
Reserved for Trust Principal	-	-	-	-
Total Reserved Fund Balances	$ 15,481	$ 31,074	$ 562	$ 11,467
Unreserved Fund Balances:				
Designated for Appropriation Carryover	$ 26,371	$ 99,480	$ -	$ -
Designated for Fund Purposes	-	-	12,498	-
Undesignated	-	-	-	-
Total Unreserved Fund Balances	$ 26,371	$ 99,480	$ 12,498	$ -
Total Fund Balances	$ 41,852	$ 130,554	$ 13,060	$ 11,467
Total Liabilities and Fund Balances	$ 46,081	$ 133,228	$ 13,279	$ 17,751

SPECIAL COMPENSATION	MEDICAL EDUCATION AND RESEARCH	TOBACCO USE PREVENTION	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 26,748	$ 622,079	$ 464,296	$ 291,646	$ 2,806,870
-	-	-	-	299,302
114,901	-	-	33,975	310,046
-	4,809	-	14,488	130,008
-	572	241	-	2,455
-	-	-	-	69,158
-	-	-	-	13,770
-	-	-	98,838	148,090
12,049	-	-	7,590	100,734
$ 153,698	$ 627,460	$ 464,537	$ 446,537	$ 3,880,433
$ 14,305	$ 38,888	$ 511	$ 61,211	$ 371,226
-	-	-	20,610	122,113
-	8,653	-	9	9,371
114,565	-	-	6,214	148,536
12,049	-	-	7,590	100,734
$ 140,919	$ 47,541	$ 511	$ 95,634	$ 751,980
$ 559	$ 4,999	$ 4,065	$ 34,471	$ 246,406
-	-	-	-	13,770
-	-	-	98,838	142,260
-	-	-	-	183,870
-	-	-	-	448,725
-	546,552	429,727	-	1,254,746
$ 559	$ 551,551	$ 433,792	$ 133,309	$ 2,289,777
$ 5,860	$ -	$ -	$ -	$ 168,854
-	-	-	217,594	273,808
6,360	28,368	30,234	-	396,014
$ 12,220	$ 28,368	$ 30,234	$ 217,594	$ 838,676
$ 12,779	$ 579,919	$ 464,026	$ 350,903	$ 3,128,453
$ 153,698	$ 627,460	$ 464,537	$ 446,537	$ 3,880,433

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
Net Revenues:					
Motor Vehicle Taxes	$ -	$ 681,371	$ 14,984	$ -	$ -
Fuel Taxes	-	642,173	3,713	-	-
Other Taxes	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-
Federal Revenues	276,217	-	-	146	184
Licenses and Fees	27,974	9,511	557	-	-
Departmental Services	5,220	128	-	-	-
Investment/Interest Income	6,876	1,459	800	3,255	7,400
Penalties and Fines	2,981	741	-	-	-
Securities Lending Income	517	-	-	245	556
Other Revenues	20,096	123	-	-	-
Net Revenues	$ 339,881	$ 1,335,506	$ 20,054	$ 3,646	$ 8,140
Expenditures:					
Current:					
Public Safety and Corrections	$ 90,021	$ 18,275	$ -	$ -	$ -
Transportation	687,803	498	17,687	138,892	419,056
Agricultural and Environmental Resources	-	-	-	-	-
Economic and Workforce Development	-	-	-	-	-
General Education	-	-	-	-	-
Higher Education	-	-	-	-	-
Health and Human Services	-	-	-	-	-
General Government	349	2,434	-	-	-
Intergovernment Aid	-	-	-	-	-
Securities Lending Rebates and Fees	494	-	-	234	531
Total Current Expenditures	$ 778,667	$ 21,207	$ 17,687	$ 139,126	$ 419,587
Capital Outlay	451,627	-	-	-	-
Debt Service	3,977	-	-	-	-
Total Expenditures	$ 1,234,271	$ 21,207	$ 17,687	$ 139,126	$ 419,587
Excess of Revenues Over (Under) Expenditures	$ (894,390)	$ 1,314,299	$ 2,367	$ (135,480)	$ (411,447)
Other Financing Sources (Uses):					
General Obligation Bond Issue Proceeds	$ 13,000	$ -	$ -	$ -	$ -
Loan Proceeds	14,381	-	-	-	-
Transfers-In	776,071	-	11	114,154	425,453
Transfers-Out	(8,836)	(1,324,148)	(15,000)	-	(2,400)
Capital Leases	-	-	-	-	-
Net Other Financing Sources (Uses)	$ 794,616	$ (1,324,148)	$ (14,989)	$ 114,154	$ 423,053
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (99,774)	$ (9,849)	$ (12,622)	$ (21,326)	$ 11,606
Fund Balances, Beginning, as Reported	$ 413,218	$ 29,496	$ 36,005	$ 157,292	$ 366,175
Prior Period Adjustment	-	-	-	(12,347)	(46,993)
Fund Balances, Beginning, as Restated	$ 413,218	$ 29,496	$ 36,005	$ 144,945	$ 319,182
Change in Inventory	(321)	-	-	-	-
Fund Balances, Ending	$ 313,123	$ 19,647	$ 23,383	$ 123,619	$ 330,788

PETROLEUM TANK CLEANUP	SOLID WASTE	HEALTH CARE ACCESS	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES TRUST	ENVIRONMENTAL
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	31,368	204,768	6,775	-	-	-	5,180
-	-	-	-	-	-	-	-
-	-	-	923	-	16,854	-	-
26,779	-	-	-	11,292	52,692	-	21,572
-	-	25,611	-	7,424	307	-	137
597	1,774	4,873	169	247	773	12,396	750
226	-	-	-	68	286	-	2,103
-	-	366	-	-	3	434	11
12	22,250	4,319	-	1,622	430	12	1
$ 27,614	$ 55,392	$ 239,937	$ 7,867	$ 20,653	$ 71,345	$ 12,842	$ 29,754
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 50
-	-	-	-	-	-	-	-
26,337	42,968	-	6,062	44,563	83,309	11,098	29,732
-	-	-	-	-	-	-	1,193
-	-	-	170	-	-	210	-
-	-	2,537	-	-	-	659	-
-	205	303,478	-	-	-	-	-
92	376	2,296	167	-	-	209	351
-	-	-	-	-	-	-	-
-	-	350	-	-	3	349	8
$ 26,429	$ 43,549	$ 308,661	$ 6,399	$ 44,563	$ 83,312	$ 12,525	$ 31,334
-	1,113	-	248	513	1,263	3,120	57
-	-	534	-	126	-	-	6
$ 26,429	$ 44,662	$ 309,195	$ 6,647	$ 45,202	$ 84,575	$ 15,645	$ 31,397
$ 1,185	$ 10,730	$ (69,258)	$ 1,220	$ (24,549)	$ (13,230)	$ (2,803)	$ (1,643)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	25,044	10,860	21,896	7,477
-	(18,480)	(4,094)	(1,449)	(13)	(14)	-	(1,094)
-	-	-	-	-	-	-	-
$ -	$ (18,480)	$ (4,094)	$ (1,449)	$ 25,031	$ 10,846	$ 21,896	$ 6,383
$ 1,185	$ (7,750)	$ (73,352)	$ (229)	$ 482	$ (2,384)	$ 19,093	$ 4,740
$ 13,666	$ 81,111	$ 271,174	$ 7,433	$ 32,201	$ 30,337	$ 292,011	$ 43,615
-	-	-	-	-	-	-	-
$ 13,666	$ 81,111	$ 271,174	$ 7,433	$ 32,201	$ 30,337	$ 292,011	$ 43,615
-	-	-	-	-	-	-	-
$ 14,851	$ 73,361	$ 197,822	$ 7,204	$ 32,683	$ 27,953	$ 311,104	$ 48,355

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	IRON RANGE RESOURCES & REHABILITATION	NORTHEAST MINNESOTA ECONOMIC PROTECTION	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-
Other Taxes	13,129	7,990	-	-
Tobacco Settlement	-	-	-	-
Federal Revenues	-	-	-	-
Licenses and Fees	-	-	-	-
Departmental Services	576	-	-	-
Investment/Interest Income	733	4,510	270	3,096
Penalties and Fines	-	-	-	-
Securities Lending Income	-	-	1	-
Other Revenues	8	79	7,583	6,271
Net Revenues	$ 14,446	$ 12,579	$ 7,854	$ 9,367
Expenditures:				
Current:				
Public Safety and Corrections	$ -	$ -	$ 106	$ -
Transportation	-	-	-	-
Agricultural and Environmental Resources	-	-	1,244	-
Economic and Workforce Development	23,505	8,021	328	-
General Education	-	-	2,218	-
Higher Education	-	-	139	-
Health and Human Services	-	-	775	-
General Government	-	-	472	-
Intergovernment Aid	-	-	-	-
Securities Lending Rebates and Fees	-	-	1	-
Total Current Expenditures	$ 23,505	$ 8,021	$ 5,283	$ -
Capital Outlay	-	-	277	-
Debt Service	-	-	-	-
Total Expenditures	$ 23,505	$ 8,021	$ 5,560	$ -
Excess of Revenues Over (Under) Expenditures	$ (9,059)	$ 4,558	$ 2,294	$ 9,367
Other Financing Sources (Uses):				
General Obligation Bond Issue Proceeds	$ -	$ -	$ -	$ 2,400
Loan Proceeds	-	-	-	-
Transfers-In	8,474	4,614	25	-
Transfers-Out	(2,786)	(4,381)	(24)	(19,405)
Capital Leases	-	-	-	-
Net Other Financing Sources (Uses)	$ 5,688	$ 233	$ 1	$ (17,005)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (3,371)	$ 4,791	$ 2,295	$ (7,638)
Fund Balances, Beginning, as Reported	$ 45,223	$ 125,763	$ 10,765	$ 19,105
Prior Period Adjustment	-	-	-	-
Fund Balances, Beginning, as Restated	$ 45,223	$ 125,763	$ 10,765	$ 19,105
Change in Inventory	-	-	-	-
Fund Balances, Ending	$ 41,852	$ 130,554	$ 13,060	$ 11,467

SPECIAL COMPENSATION	MEDICAL EDUCATION AND RESEARCH	TOBACCO USE PREVENTION	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ 696,355
-	-	-	-	645,886
119,431	-	-	-	388,641
-	111,523	-	-	111,523
-	-	-	24,678	319,002
-	-	-	75,477	225,854
712	-	-	119,727	159,842
6,839	(16,406)	(7,470)	6,610	39,551
-	-	-	5,568	11,973
514	-	-	237	2,884
5,466	33	-	66,028	134,333
$ 132,962	$ 95,150	$ (7,470)	$ 298,325	$ 2,735,844
$ -	$ -	$ -	$ 36,821	$ 145,273
-	-	-	12,137	1,276,073
-	-	-	41,934	287,247
122,652	-	-	75,532	231,231
-	-	-	16,206	18,804
-	-	-	-	3,335
-	90,790	21,376	222,427	639,051
7,902	-	-	58,736	73,384
-	-	-	218	218
492	-	-	227	2,689
$ 131,046	$ 90,790	$ 21,376	$ 464,238	$ 2,677,305
111	-	-	3,518	461,847
-	-	-	7,269	11,912
$ 131,157	$ 90,790	$ 21,376	$ 475,025	$ 3,151,064
$ 1,805	$ 4,360	$ (28,846)	$ (176,700)	$ (415,220)
$ -	$ -	$ -	$ -	$ 15,400
-	-	-	516	14,897
-	52,740	-	193,452	1,640,271
(265,000)	-	-	(86,783)	(1,753,907)
-	-	-	373	373
$ (265,000)	$ 52,740	$ -	$ 107,558	$ (82,966)
$ (263,195)	$ 57,100	$ (28,846)	$ (69,142)	$ (498,186)
$ 275,974	$ 522,819	$ 492,872	$ 420,045	$ 3,686,300
-	-	-	-	(59,340)
$ 275,974	$ 522,819	$ 492,872	$ 420,045	$ 3,626,960
-	-	-	-	(321)
$ 12,779	$ 579,919	$ 464,026	$ 350,903	$ 3,128,453

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS

YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ 683,175	$ 685,494
Fuel Taxes	-	-	637,572	638,547
Other Taxes	-	-	-	-
Federal Revenues	636,000	597,261	-	-
Licenses and Fees	-	-	-	-
Departmental Services	34,383	32,380	8,554	9,639
Investment/Interest Income	10,000	6,899	1,380	1,457
Other Revenues	63,373	42,027	1,015	865
Net Revenues	$ 743,756	$ 678,567	$ 1,331,696	$ 1,336,002
Expenditures:				
Public Safety and Corrections	$ 97,795	$ 94,495	$ 18,851	$ 18,563
Transportation	1,650,441	1,555,914	498	498
Agricultural and Environmental Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
Health and Human Services	-	-	-	-
General Government	5,267	722	2,820	2,569
Intergovernment Aid	-	-	-	-
Total Expenditures	$ 1,753,503	$ 1,651,131	$ 22,169	$ 21,630
Excess of Revenues Over (Under) Expenditures	$ (1,009,747)	$ (972,564)	$ 1,309,527	$ 1,314,372
Other Financing Sources (Uses):				
General Obligation Bond Issue Proceeds	$ -	$ 13,000	$ -	$ -
Transfers-In	783,840	773,878	-	-
Transfers-Out	(8,836)	(8,836)	(1,320,282)	(1,320,282)
Net Other Financing Sources (Uses)	$ 775,004	$ 778,042	$ (1,320,282)	$ (1,320,282)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (234,743)	$ (194,522)	$ (10,755)	$ (5,910)
Fund Balances, Beginning, as Reported	$ 277,568	$ 277,568	$ 32,461	$ 32,461
Prior Period Adjustments	-	(69,611)	-	(5,623)
Fund Balances, Beginning, as Restated	$ 277,568	$ 207,957	$ 32,461	$ 26,838
Fund Balances, Ending	$ 42,825	$ 13,435	$ 21,706	$ 20,928
Less Appropriation Carryover	-	11,287	-	41
Undesignated Fund Balances, Ending	$ 42,825	$ 2,148	$ 21,706	$ 20,887

STATE AIRPORTS		SOLID WASTE		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 14,800	$ 14,982	$ -	$ -	$ -	$ -
3,100	3,254	-	-	-	-
-	-	28,690	28,817	204,666	201,081
-	-	-	-	-	-
-	-	-	-	-	-
1,590	331	-	-	26,467	26,970
1,008	800	1,540	1,774	4,913	4,889
103	220	21,009	22,250	-	-
$ 20,601	$ 19,587	$ 51,239	$ 52,841	$ 236,046	$ 232,940
$ -	$ -	$ -	$ -	$ -	$ -
26,639	24,240	-	-	-	-
-	-	45,178	44,938	-	-
-	-	-	-	-	-
-	-	242	203	313,232	300,761
-	-	1,024	377	2,302	2,301
-	-	-	-	534	534
$ 26,639	$ 24,240	$ 46,444	$ 45,518	$ 316,068	$ 303,596
$ (6,038)	$ (4,653)	$ 4,795	$ 7,323	$ (80,022)	$ (70,656)
$ -	$ -	$ -	$ -	$ -	$ -
11	11	-	-	-	-
(15,000)	(15,000)	(18,480)	(18,480)	(6,631)	(6,631)
$ (14,989)	$ (14,989)	$ (18,480)	$ (18,480)	$ (6,631)	$ (6,631)
$ (21,027)	$ (19,642)	$ (13,685)	$ (11,157)	$ (86,653)	$ (77,287)
$ 27,159	$ 27,159	$ 75,767	$ 75,767	$ 254,209	$ 254,209
-	1,217	-	4,046	-	490
$ 27,159	$ 28,376	$ 75,767	$ 79,813	$ 254,209	$ 254,699
$ 6,132	$ 8,734	$ 62,082	$ 68,656	$ 167,556	$ 177,412
-	417	-	-	-	3,050
$ 6,132	$ 8,317	$ 62,082	$ 68,656	$ 167,556	$ 174,362

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	MINNESOTA RESOURCES		NATURAL RESOURCES	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-
Other Taxes	6,963	6,775	655	312
Federal Revenues	-	-	-	-
Licenses and Fees	-	-	20,066	18,772
Departmental Services	-	-	-	-
Investment/Interest Income	225	169	319	246
Other Revenues	1,026	923	1,192	1,297
Net Revenues	$ 8,214	$ 7,867	$ 22,232	$ 20,627
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ -	$ -
Transportation	-	-	-	-
Agricultural and Environmental Resources	5,596	4,920	53,070	48,434
Economic and Workforce Development	90	90	-	-
Health and Human Services	-	-	-	-
General Government	224	175	-	-
Intergovernment Aid	-	-	-	-
Total Expenditures	$ 5,910	$ 5,185	$ 53,070	$ 48,434
Excess of Revenues Over (Under) Expenditures	$ 2,304	$ 2,682	$ (30,838)	$ (27,807)
Other Financing Sources (Uses):				
General Obligation Bond Issue Proceeds	$ -	$ -	$ -	$ -
Transfers-In	-	-	24,955	24,903
Transfers-Out	(1,300)	(1,300)	(13)	(13)
Net Other Financing Sources (Uses)	$ (1,300)	$ (1,300)	$ 24,942	$ 24,890
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 1,004	$ 1,382	$ (5,896)	$ (2,917)
Fund Balances, Beginning, as Reported	$ 1,045	$ 1,045	$ 20,382	$ 20,382
Prior Period Adjustments	-	1,435	-	1,619
Fund Balances, Beginning, as Restated	$ 1,045	$ 2,480	$ 20,382	$ 22,001
Fund Balances, Ending	$ 2,049	$ 3,862	$ 14,486	$ 19,084
Less Appropriation Carryover	-	2,781	-	3,780
Undesignated Fund Balances, Ending	$ 2,049	$ 1,081	$ 14,486	$ 15,304

	GAME AND FISH		ENVIRONMENTAL		SPECIAL COMPENSATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-		4,300	5,159	123,143	121,945
	-		-	-	-	-
	68,776	69,803	-	-	-	-
	-	-	21,939	21,710	-	-
	1,007	683	280	640	7,475	6,861
	266	177	2,538	2,098	5,343	3,252
	$ 70,049	$ 70,663	$ 29,057	$ 29,607	$ 135,961	$ 132,058
	$ -	$ -	$ 53	$ 51	$ -	$ -
	-	-	-	-	-	-
	95,899	89,700	43,281	34,192	-	-
	-	-	739	739	122,440	119,068
	-	-	-	-	-	-
	-	-	499	349	8,509	7,941
	-	-	6	6	-	-
	$ 95,899	$ 89,700	$ 44,578	$ 35,337	$ 130,949	$ 127,009
	$ (25,850)	$ (19,037)	$ (15,521)	$ (5,730)	$ 5,012	$ 5,049
	$ -	$ -	$ -	$ -	$ -	$ -
	11,351	10,861	1,671	2,377	-	-
	(22)	(22)	(1,094)	(1,094)	(265,000)	(265,000)
	$ 11,329	$ 10,839	$ 577	$ 1,283	$ (265,000)	$ (265,000)
	$ (14,521)	$ (8,198)	$ (14,944)	$ (4,447)	$ (259,988)	$ (259,951)
	$ 26,796	$ 26,796	$ 28,310	$ 28,310	$ 275,652	$ 275,652
	-	361	-	2,030	-	384
	$ 26,796	$ 27,157	$ 28,310	$ 30,340	$ 275,652	$ 276,036
	$ 12,275	$ 18,959	$ 13,366	$ 25,893	$ 15,664	$ 16,085
	-	1,541	-	6,941	-	5,860
	$ 12,275	$ 17,418	$ 13,366	$ 18,952	$ 15,664	$ 10,225

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	COMBINED TOTALS	
	FINAL BUDGET	ACTUAL
Net Revenues:		
Motor Vehicle Taxes	$ 697,975	$ 700,476
Fuel Taxes	640,672	641,801
Other Taxes	368,417	364,089
Federal Revenues	636,000	597,261
Licenses and Fees	88,842	88,575
Departmental Services	92,933	91,030
Investment/Interest Income	28,147	24,418
Other Revenues	95,865	73,109
Net Revenues	$ 2,648,851	$ 2,580,759
Expenditures:		
Public Safety and Corrections	$ 116,699	$ 113,109
Transportation	1,677,578	1,580,652
Agricultural and Environmental Resources	243,024	222,184
Economic and Workforce Development	123,269	119,897
Health and Human Services	313,474	300,964
General Government	20,645	14,434
Intergovernment Aid	540	540
Total Expenditures	$ 2,495,229	$ 2,351,780
Excess of Revenues Over (Under) Expenditures	$ 153,622	$ 228,979
Other Financing Sources (Uses):		
General Obligation Bond Issue Proceeds	$ -	$ 13,000
Transfers-In	821,828	812,030
Transfers-Out	(1,636,658)	(1,636,658)
Net Other Financing Sources (Uses)	$ (814,830)	$ (811,628)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (661,208)	$ (582,649)
Fund Balances, Beginning, as Reported	$ 1,019,349	$ 1,019,349
Prior Period Adjustments	-	(63,652)
Fund Balances, Beginning, as Restated	$ 1,019,349	$ 955,697
Fund Balances, Ending	$ 358,141	$ 373,048
Less Appropriation Carryover	-	35,698
Undesignated Fund Balances, Ending	$ 358,141	$ 337,350

Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgetary Basis

Year Ended June 30, 2003
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Appropriated Special Revenue Fund - Budget and Actual. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, 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. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the Nonmajor Appropriated Special Revenue Funds is provided in the following table.

	Trunk Highway	Highway User Tax Distribution	State Airports	Solid Waste	Health Care Access	Minnesota Resources	Natural Resources	Game and Fish	Environmental	Special Compensation
GAAP Basis Fund Balances	$ 313,123	$ 19,647	$ 23,383	$ 73,361	$ 197,822	$ 7,204	$ 32,683	$ 27,953	$ 48,355	$ 12,779
Less: Reserved Fund Balances	301,836	58	16,402	2,154	4,171	3,337	6,198	6,897	22,040	559
Less: Designated Fund Balances	11,287	19,589	417	-	3,050	2,781	3,780	1,541	6,941	5,860
Undesignated Fund Balances	$ -	$ -	$ 6,564	$ 71,207	$ 190,601	$ 1,086	$ 22,705	$ 19,515	$ 19,374	$ 6,360
Basis of Accounting Differences										
Revenue Accruals/Adjustments										
Federal Revenues	$ (351,686)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes Receivable	-	13,663	(460)	-	(48,096)	(5)	(178)	(1,693)	(422)	-
Human Services Receivable	-	-	-	-	(31)	-	-	-	-	-
Deferred Revenue	-	-	-	-	6,955	-	-	-	-	-
Other Receivables	-	-	-	(2,551)	-	-	-	-	-	(904)
Expenditure Accruals/Adjustments										
Transportation	356,027	-	2,253	-	-	-	-	-	-	-
Family Support, Medical Assistance	-	-	-	-	24,864	-	-	-	-	-
Other Payables	-	-	(40)	-	-	-	21	(404)	-	4,148
Other Financial Sourses (Uses)										
Transfers-In	(2,193)	-	-	-	-	-	(7,244)	-	-	-
Transfers-Out	-	7,224	-	-	-	-	-	-	-	-
Reserved Fund Balances										
Loans and Advances	-	-	-	-	69	-	-	-	-	-
Long-term Receivables	-	-	-	-	-	-	-	-	-	559
Fund Structure Differences										
Other	-	-	-	-	-	-	-	-	-	62
Budgetary Basis										
Undesignated Fund Balances	$ 2,148	$ 20,887	$ 8,317	$ 68,656	$ 174,362	$ 1,081	$ 15,304	$ 17,418	$ 18,952	$ 10,225

Minnesota

Nonmajor Capital Projects Funds

Building Fund

The fund receives revenue from the sale of state bonds to provide funds for the acquisition, maintenance, 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.

General Projects Fund

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

Transportation Fund

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

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 38,327	$ 20,600	$ 14,364	$ 73,291
Accounts Receivable	4	-	-	4
Loans and Notes Receivable	43,622	48,039	-	91,661
Total Assets	$ 81,953	$ 68,639	$ 14,364	$ 164,956
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 23,184	$ 4,024	$ 1,510	$ 28,718
Interfund Payables	4,383	700	635	5,718
Due to Component Units	5,093	390	-	5,483
Total Liabilities	$ 32,660	$ 5,114	$ 2,145	$ 39,919
Fund Balances:				
Reserved Fund Balance:				
Reserved for Long-Term Receivables	$ 41,191	$ 48,039	$ -	$ 89,230
Reserved for Long-Term Commitments	8,058	15,486	12,219	35,763
Total Reserved Fund Balances	$ 49,249	$ 63,525	$ 12,219	$ 124,993
Unreserved Fund Balance:				
Undesignated	$ 44	$ -	$ -	$ 44
Total Fund Balances	$ 49,293	$ 63,525	$ 12,219	$ 125,037
Total Liabilities and Fund Balances	$ 81,953	$ 68,639	$ 14,364	$ 164,956

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 302	$ 3	$ -	$ 305
Other Revenues	44	-	-	44
Net Revenues	$ 346	$ 3	$ -	$ 349
Expenditures:				
Current:				
Public Safety and Corrections	$ 6,042	$ 159	$ -	$ 6,201
Transportation	30,092	7,046	23,204	60,342
Agricultural and Environmental Resources	71,774	5,968	-	77,742
Economic and Workforce Development	22,882	5,347	-	28,229
General Education	11,987	4,800	-	16,787
Higher Education	16,548	-	-	16,548
General Government	-	126	-	126
Total Current Expenditures	$ 159,325	$ 23,446	$ 23,204	$ 205,975
Capital Outlay	47,720	-	-	47,720
Total Expenditures	$ 207,045	$ 23,446	$ 23,204	$ 253,695
Excess of Revenues Over (Under) Expenditures	$ (206,699)	$ (23,443)	$ (23,204)	$ (253,346)
Other Financing Sources (Uses):				
General Obligation Bond Issue Proceeds	$ 223,747	$ -	$ 12,715	$ 236,462
Transfers-Out	(98,115)	(13,042)	(2)	(111,159)
Net Other Financing Sources (Uses)	$ 125,632	$ (13,042)	$ 12,713	$ 125,303
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (81,067)	$ (36,485)	$ (10,491)	$ (128,043)
Fund Balances, Beginning, as Reported	$ 130,360	$ 100,010	$ 22,710	$ 253,080
Fund Balances, Ending	$ 49,293	$ 63,525	$ 12,219	$ 125,037

Minnesota

Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

Public Employees Insurance Fund

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

State Lottery Fund

The fund accounts for the operations of the state lottery. Forty percent (40%) of the net proceeds are transferred to the Environment and Natural Resources Trust Fund, with the remainder transferred to the General Fund.

State Operated Community Services Fund

The fund accounts for waiver residential and day treatment and rehabilitation services for individuals with developmental disabilities.

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 13,344	$ 4,475	$ 1,020	$ 4,454
Investments	-	-	-	-
Accounts Receivable	5,786	837	74	3,252
Interfund Receivables	-	457	-	-
Accrued Investment/Interest Income	-	-	19	-
Inventories	-	770	147	7,608
Deferred Costs	-	12	-	-
Total Current Assets	$ 19,130	$ 6,551	$ 1,260	$ 15,314
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 3,609	$ -
Depreciable Capital Assets (Net)	1,485	141	22,346	2,996
Nondepreciable Capital Assets	-	-	1,034	-
Other Assets	-	-	1,922	1,445
Total Noncurrent Assets	$ 1,485	$ 141	$ 28,911	$ 4,441
Total Assets	$ 20,615	$ 6,692	$ 30,171	$ 19,755
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 2,579	$ 3,003	$ 859	$ 1,376
Interfund Payables	3,200	-	576	-
Deferred Revenue	-	183	-	-
Accrued Bond Interest Payable	-	-	110	-
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	310	-
Capital Leases	-	-	121	-
Compensated Absences Payable	107	13	11	480
Total Current Liabilities	$ 5,886	$ 3,199	$ 1,987	$ 1,856
Noncurrent Liabilities:				
Accounts Payable	$ -	$ -	$ -	$ -
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	15,180	-
Capital Leases	-	-	72	-
Compensated Absences Payable	2,167	255	148	404
Other Liabilities	250	-	-	54
Total Noncurrent Liabilities	$ 2,417	$ 255	$ 15,400	$ 458
Total Liabilities	$ 8,303	$ 3,454	$ 17,387	$ 2,314
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 1,485	$ 141	$ 12,812	$ 2,996
Unrestricted	10,827	3,097	(28)	14,445
Total Net Assets	$ 12,312	$ 3,238	$ 12,784	$ 17,441

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 2,097	$ 19,442	$ 24,090	$ 68,922
-	3,467	-	3,467
1,863	6,138	3,227	21,177
-	1,896	-	2,353
-	-	-	19
-	850	-	9,375
-	834	-	846
$ 3,960	$ 32,627	$ 27,317	$ 106,159
$ -	$ -	$ -	$ 3,609
1	1,589	5,619	34,177
-	-	786	1,820
-	-	135	3,502
$ 1	$ 1,589	$ 6,540	$ 43,108
$ 3,961	$ 34,216	$ 33,857	$ 149,267
$ 2,700	$ 14,649	$ 2,590	$ 27,756
-	13,266	-	17,042
1,218	950	-	2,351
-	-	58	168
-	-	210	210
-	-	-	310
-	-	280	401
-	54	223	888
$ 3,918	$ 28,919	$ 3,361	$ 49,126
$ -	$ 4,118	$ -	$ 4,118
-	-	3,842	3,842
-	-	-	15,180
-	-	1,024	1,096
14	1,179	4,402	8,569
-	-	-	304
$ 14	$ 5,297	$ 9,268	$ 33,109
$ 3,932	$ 34,216	$ 12,629	$ 82,235
$ -	$ -	$ 1,049	$ 18,483
29	-	20,179	48,549
$ 29	$ -	$ 21,228	$ 67,032

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ -	$ 2,373	$ 2,659	$ 25,464
Rental and Service Fees	34,510	5,160	348	1,084
Insurance Premiums	-	-	-	-
Other Income	461	-	97	886
Total Operating Revenues	$ 34,971	$ 7,533	$ 3,104	$ 27,434
Less: Cost of Goods Sold	-	872	-	22,116
Gross Margin	$ 34,971	$ 6,661	$ 3,104	$ 5,318
Operating Expenses:				
Purchased Services	$ 571	$ 1,078	$ 1,750	$ 135
Salaries and Fringe Benefits	24,095	2,164	1,863	3,562
Claims	-	-	-	-
Depreciation	225	32	808	175
Amortization	-	-	52	-
Supplies and Materials	1,822	91	144	196
Indirect Costs	5,250	129	-	534
Other Expenses	2,173	-	119	776
Total Operating Expenses	$ 34,136	$ 3,494	$ 4,736	$ 5,378
Operating Income (Loss)	$ 835	$ 3,167	$ (1,632)	$ (60)
Nonoperating Revenues (Expenses):				
Investment Income	$ 270	$ -	$ 24	$ 102
Grants and Subsidies	177	-	-	-
Other Nonoperating Revenues	-	-	-	76
Interest and Financing Costs	-	-	(254)	-
Other Nonoperating Expenses	-	(2,730)	(24)	-
Gain (Loss) on Disposal of Capital Assets	(2)	-	-	25
Total Nonoperating Revenues (Expenses)	$ 445	$ (2,730)	$ (254)	$ 203
Income (Loss) Before Transfers & Contributions	$ 1,280	$ 437	$ (1,886)	$ 143
Capital Contributions	-	-	330	-
Transfers-In	-	-	2,223	-
Transfers-Out	(3,200)	(204)	-	-
Change in Net Assets	$ (1,920)	$ 233	$ 667	$ 143
Net Assets, Beginning, as Reported	$ 10,591	$ 3,005	$ 12,117	$ 17,298
Change in Fund Structure	3,641	-	-	-
Net Assets, Beginning, as Restated	$ 14,232	$ 3,005	$ 12,117	$ 17,298
Net Assets, Ending	$ 12,312	$ 3,238	$ 12,784	$ 17,441

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 351,815	$ -	$ 382,311
-	-	56,362	97,464
23,349	-	-	23,349
389	-	820	2,653
$ 23,738	$ 351,815	$ 57,182	$ 505,777
-	227,238	-	250,226
$ 23,738	$ 124,577	$ 57,182	$ 255,551
$ 4,600	$ 31,007	$ 581	$ 39,722
208	12,272	46,741	90,905
18,072	-	-	18,072
-	1,880	898	4,018
-	-	-	52
-	568	1,701	4,522
7	-	2,703	8,623
34	919	3,861	7,882
$ 22,921	$ 46,646	$ 56,485	$ 173,796
$ 817	$ 77,931	$ 697	$ 81,755
$ 47	$ 1,330	$ 560	$ 2,333
-	-	-	177
-	141	-	217
-	-	(249)	(503)
-	-	-	(2,754)
-	-	(4)	19
$ 47	$ 1,471	$ 307	$ (511)
$ 864	$ 79,402	$ 1,004	$ 81,244
-	-	-	330
-	-	-	2,223
-	(79,402)	-	(82,806)
$ 864	$ -	$ 1,004	$ 991
$ (835)	$ -	$ 20,224	$ 62,400
-	-	-	3,641
$ (835)	$ -	$ 20,224	$ 66,041
$ 29	$ -	$ 21,228	$ 67,032

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 34,440	$ 7,556	$ 3,166	$ 25,940
Receipts from Other Revenue	444	-	-	977
Payments to Claimants	-	-	-	-
Payments to Suppliers	(10,369)	(2,178)	(1,685)	(19,000)
Payments to Employees	(23,367)	(2,107)	(1,915)	(7,826)
Payments to Others	-	-	-	-
Net Cash Flows from Operating Activities	$ 1,148	$ 3,271	$ (434)	$ 91
Cash Flows from Noncapital Financing Activities:				
Grant Receipts	$ 40	$ -	$ -	$ -
Transfers-In	137	-	2,662	-
Transfers-Out	-	(202)	-	-
Advances to Other Funds	-	(241)	-	-
Repayments of Advances to Other Funds	-	24	-	-
Other Nonoperating Expense	-	(3,107)	-	-
Net Cash Flows from Noncapital Financing Activities	$ 177	$ (3,526)	$ 2,662	$ -
Cash Flows from Capital and Related Financing Activities:				
Capital Contributions	$ -	$ -	$ 245	$ -
Investment in Capital Assets	(214)	(45)	(3,589)	(486)
Proceeds from Disposal of Capital Assets	-	-	-	146
Capital Lease Payments	-	-	-	-
Repayment of Bond Principal	-	-	(310)	-
Interest Paid	-	-	(1,125)	-
Net Cash Flows from Capital and Related Financing Activities	$ (214)	$ (45)	$ (4,779)	$ (340)
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -	$ -
Investment Earnings	270	-	272	102
Net Cash Flows from Investing Activities	$ 270	$ -	$ 272	$ 102
Net Increase (Decrease) in Cash and Cash Equivalents	$ 1,381	$ (300)	$ (2,279)	$ (147)
Cash and Cash Equivalents, Beginning, as Reported	$ 10,877	$ 4,775	$ 6,908	$ 4,601
Change in Fund Structure	1,086	-	-	-
Cash and Cash Equivalents, Beginning, as Restated	$ 11,963	$ 4,775	$ 6,908	$ 4,601
Cash and Cash Equivalents, Ending	$ 13,344	$ 4,475	$ 4,629	$ 4,454
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 835	$ 3,167	$ (1,632)	$ (60)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 225	$ 32	$ 808	$ 541
Amortization	-	-	52	-
Change in Assets and Liabilities:				
Accounts Receivable	(85)	21	63	(516)
Inventories	-	(108)	34	10
Other Assets	-	5	-	(73)
Accounts Payable	(388)	149	291	159
Compensated Absences Payable	565	5	(50)	(15)
Deferred Revenues	-	-	-	-
Other Liabilities	(4)	-	-	45
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 313	$ 104	$ 1,198	$ 151
Net Cash Flows from Operating Activities	$ 1,148	$ 3,271	$ (434)	$ 91
Noncash Investing, Capital and Financing Activities:				
Change in Fair Value of Investments	$ 289	$ -	$ -	$ -

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 23,525	$ 349,688	$ 54,198	$ 498,513
-	189	820	2,430
(18,513)	-	-	(18,513)
(4,573)	(53,504)	(8,387)	(99,696)
(217)	(12,194)	(46,444)	(94,070)
(35)	(203,643)	-	(203,678)
$ 187	$ 80,536	$ 187	$ 84,986
$ -	$ -	$ -	$ 40
-	-	-	2,799
-	(78,147)	-	(78,349)
-	-	-	(241)
-	-	-	24
-	-	-	(3,107)
$ -	$ (78,147)	$ -	$ (78,834)
$ -	$ -	$ -	$ 245
-	(1,040)	(493)	(5,867)
-	-	-	146
-	-	(264)	(264)
-	-	(158)	(468)
-	-	(298)	(1,423)
$ -	$ (1,040)	$ (1,213)	$ (7,631)
$ -	$ 232	$ -	$ 232
47	716	560	1,967
$ 47	$ 948	$ 560	$ 2,199
$ 234	$ 2,297	$ (466)	$ 720
$ 1,863	$ 17,145	$ 24,556	$ 70,725
-	-	-	1,086
$ 1,863	$ 17,145	$ 24,556	$ 71,811
$ 2,097	$ 19,442	$ 24,090	$ 72,531
$ 817	$ 77,931	$ 697	$ 81,755
$ -	$ 1,880	$ 898	$ 4,384
-	-	-	52
(939)	-	(2,164)	(3,620)
-	(25)	-	(89)
-	(3,176)	-	(3,244)
(137)	3,926	459	4,459
(4)	-	297	798
450	-	-	450
-	-	-	41
$ (630)	$ 2,605	$ (510)	$ 3,231
$ 187	$ 80,536	$ 187	$ 84,986
$ -	$ 613	$ -	$ 902

Minnesota

Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Central Stores Fund

The fund accounts for the operation of centralized supplies purchasing, storage, and distribution.

Employee Insurance Fund

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

Intertechnologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

State Printer Fund

The fund accounts for the operation of print and central mail services.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 551	$ 917	$ 750	$ 105,192
Investments	-	-	-	21,784
Accounts Receivable	1,265	568	472	5,404
Accrued Investment/Interest Income	-	-	-	365
Inventories	18	9	766	-
Deferred Costs	-	-	-	-
Securities Lending Collateral	-	-	-	8,663
Total Current Assets	$ 1,834	$ 1,494	$ 1,988	$ 141,408
Noncurrent Assets:				
Deferred Costs	$ -	$ -	$ -	$ -
Depreciable Capital Assets (Net)	17,632	2	4	36
Total Noncurrent Assets	$ 17,632	$ 2	$ 4	$ 36
Total Assets	$ 19,466	$ 1,496	$ 1,992	$ 141,444
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,097	$ 284	$ 307	$ 53,815
Interfund Payables	-	-	-	-
Deferred Revenue	-	1	-	4,524
Loans Payable	7,042	-	-	-
Compensated Absences Payable	3	11	6	13
Securities Lending Collateral	-	-	-	8,663
Total Current Liabilities	$ 8,142	$ 296	$ 313	$ 67,015
Noncurrent Liabilities:				
Loans Payable	$ 4,932	$ -	$ -	$ -
Compensated Absences Payable	68	234	111	246
Advances from Other Funds	5,647	-	-	-
Total Noncurrent Liabilities	$ 10,647	$ 234	$ 111	$ 246
Total Liabilities	$ 18,789	$ 530	$ 424	$ 67,261
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 5,127	$ 2	$ 4	$ -
Unrestricted	(4,450)	964	1,564	74,183
Total Net Assets	$ 677	$ 966	$ 1,568	$ 74,183

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ 8,228	$ 8,527	$ 13,493	$ 200	$ 137,858
-	-	-	-	21,784
12,204	3,220	4,159	133	27,425
-	-	-	-	365
-	280	-	22	1,095
781	-	263	-	1,044
-	-	-	-	8,663
$ 21,213	$ 12,027	$ 17,915	$ 355	$ 198,234
$ 425	$ -	$ -	$ -	$ 425
10,149	882	-	957	29,662
$ 10,574	$ 882	$ -	$ 957	$ 30,087
$ 31,787	$ 12,909	$ 17,915	$ 1,312	$ 228,321
$ 5,832	$ 1,331	$ 12,042	$ 580	$ 75,288
-	-	-	457	457
-	-	311	4	4,840
4,674	79	-	72	11,867
103	56	4	65	261
-	-	-	-	8,663
$ 10,609	$ 1,466	$ 12,357	$ 1,178	$ 101,376
$ 7,336	$ 63	$ -	$ -	$ 12,331
2,128	949	67	42	3,845
-	-	-	-	5,647
$ 9,464	$ 1,012	$ 67	$ 42	$ 21,823
$ 20,073	$ 2,478	$ 12,424	$ 1,220	$ 123,199
$ (1,091)	$ 740	$ -	$ 887	$ 5,669
12,805	9,691	5,491	(795)	99,453
$ 11,714	$ 10,431	$ 5,491	$ 92	$ 105,122

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales	$ -	$ 1,974	$ 7,214	$ -
Rental and Service Fees	12,454	1,503	-	-
Insurance Premiums	-	-	-	431,772
Other Income	388	-	-	7,123
Total Operating Revenues	$ 12,842	$ 3,477	$ 7,214	$ 438,895
Less: Cost of Goods Sold	-	600	5,802	-
Gross Margin	$ 12,842	$ 2,877	$ 1,412	$ 438,895
Operating Expenses:				
Purchased Services	$ 1,884	$ 621	$ 627	$ 72,467
Salaries and Fringe Benefits	880	2,204	701	2,615
Claims	-	-	-	365,268
Depreciation	5,848	14	2	26
Amortization	-	-	-	-
Supplies and Materials	3,084	41	6	19
Indirect Costs	381	57	89	146
Other Expenses	-	100	-	4,185
Total Operating Expenses	$ 12,077	$ 3,037	$ 1,425	$ 444,726
Operating Income (Loss)	$ 765	$ (160)	$ (13)	$ (5,831)
Nonoperating Revenues (Expenses):				
Investment Income	$ 328	$ -	$ -	$ 4,447
Grants and Subsidies	-	-	-	-
Securities Lending Income	-	-	-	206
Other Nonoperating Revenue	-	-	-	-
Interest and Financing Costs	(748)	-	-	-
Securities Lending Rebates and Fees	-	-	-	(197)
Other Nonoperating Expenses	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	(80)	-	-	-
Total Nonoperating Revenues (Expenses)	$ (500)	$ -	$ -	$ 4,456
Income (Loss) Before Transfers	$ 265	$ (160)	$ (13)	$ (1,375)
Transfers-Out	-	-	-	(11,000)
Change in Net Assets	$ 265	$ (160)	$ (13)	$ (12,375)
Net Assets, Beginning, As Reported	$ 412	$ 1,126	$ 1,581	$ 86,558
Net Assets, Ending	$ 677	$ 966	$ 1,568	$ 74,183

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ -	$ -	$ -	$ 3,132	$ 12,320
81,973	40,525	-	-	136,455
-	-	9,857	-	441,629
17	-	2	-	7,530
$ 81,990	$ 40,525	$ 9,859	$ 3,132	$ 597,934
-	-	-	2,528	8,930
$ 81,990	$ 40,525	$ 9,859	$ 604	$ 589,004
$ 46,733	$ 329	$ 4,672	$ 391	$ 127,724
22,920	11,742	707	796	42,565
-	-	4,749	-	370,017
4,871	410	-	67	11,238
145	-	-	-	145
1,407	1,224	37	15	5,833
1,122	719	73	52	2,639
496	9,539	78	-	14,398
$ 77,694	$ 23,963	$ 10,316	$ 1,321	$ 574,559
$ 4,296	$ 16,562	$ (457)	$ (717)	$ 14,445
$ 257	$ -	$ 277	$ 3	$ 5,312
-	(153)	-	-	(153)
-	-	-	-	206
116	-	-	-	116
(451)	(3)	-	(17)	(1,219)
-	-	-	-	(197)
(3,000)	-	-	-	(3,000)
(9)	1	-	(32)	(120)
$ (3,087)	$ (155)	$ 277	$ (46)	$ 945
$ 1,209	$ 16,407	$ (180)	$ (763)	$ 15,390
-	(13,972)	-	(1)	(24,973)
$ 1,209	$ 2,435	$ (180)	$ (764)	$ (9,583)
$ 10,505	$ 7,996	$ 5,671	$ 856	$ 114,705
$ 11,714	$ 10,431	$ 5,491	$ 92	$ 105,122

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers	$ 12,708	$ 3,318	$ 7,174	$ 448,716
Receipts from Other Revenue	-	-	-	7,374
Payments to Claimants	-	-	-	(372,220)
Payments to Suppliers	(5,426)	(1,266)	(6,481)	(66,367)
Payments to Employees	-	(2,159)	(698)	(2,621)
Payments to Others	(896)	-	-	(4,183)
Net Cash Flows from Operating Activities	$ 6,386	$ (107)	$ (5)	$ 10,699
Cash Flows from Noncapital Financing Activities:				
Transfers-Out	$ -	$ -	$ -	$ (11,000)
Advances from Other Funds	6,230	-	-	-
Repayments of Advances from Other Funds	(6,183)	-	-	-
Other Nonoperating Expense	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ 47	$ -	$ -	$ (11,000)
Cash Flows from Capital and Related Financing Activities:				
Capital Contributions	$ -	$ -	$ -	$ -
Investment in Capital Assets	(4,523)	-	-	-
Proceeds from Disposal of Capital Assets	1,754	-	-	-
Proceeds from Loans	4,496	-	-	-
Capital Lease Payments	-	-	-	-
Repayment of Loan Principal	(7,669)	(22)	-	-
Interest Paid	(757)	(1)	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (6,699)	$ (23)	$ -	$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -	$ 4,982
Purchase of Investments	-	-	-	(5,074)
Investment Earnings	328	-	-	3,879
Net Cash Flows from Investing Activities	$ 328	$ -	$ -	$ 3,787
Net Increase (Decrease) in Cash and Cash Equivalents	$ 62	$ (130)	$ (5)	$ 3,486
Cash and Cash Equivalents, Beginning	$ 489	$ 1,047	$ 755	$ 101,706
Cash and Cash Equivalents, Ending	$ 551	$ 917	$ 750	$ 105,192
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 765	$ (160)	$ (13)	$ (5,831)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 5,848	$ 15	$ 2	$ 26
Amortization	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable	(76)	(160)	(24)	9,710
Inventories	11	1	65	-
Other Assets	-	-	-	-
Accounts Payable	(89)	172	(36)	4,699
Compensated Absences Payable	(14)	24	1	46
Deferred Revenues	(58)	1	-	2,049
Other Liabilities	(1)	-	-	-
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 5,621	$ 53	$ 8	$ 16,530
Net Cash Flows from Operating Activities	$ 6,386	$ (107)	$ (5)	$ 10,699
Noncash Investing, Capital and Financing Activities:				
Capital Assets Acquired Through Leases	$ -	$ -	$ -	$ -
Disposal of Capital Assets	-	-	-	-
Accrual of Computer Equipment as an Investment in Capital Assets	-	-	-	-
Trade-In Allowance for Investment in Capital Assets	-	-	-	-
General Fund Capital Assets Transfers-In	-	-	-	-

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ 81,591	$ 39,370	$ 10,155	$ 3,297	$ 606,329
17	394	2	-	7,787
-	-	(7,295)	-	(379,515)
(49,114)	(12,194)	(5,061)	(1,832)	(147,741)
(22,939)	(11,695)	(690)	(1,665)	(42,467)
-	-	-	-	(5,079)
$ 9,555	$ 15,875	$ (2,889)	$ (200)	$ 39,314
$ -	$ (13,972)	$ -	$ -	$ (24,972)
-	-	-	348	6,578
-	-	-	(24)	(6,207)
(806)	-	-	-	(806)
$ (806)	$ (13,972)	$ -	$ 324	$ (25,407)
$ -	$ (153)	$ -	$ -	$ (153)
(5,924)	(12)	-	-	(10,459)
-	2	-	4	1,760
5,840	-	-	-	10,336
-	-	-	(33)	(33)
(4,899)	(326)	-	(106)	(13,022)
(457)	(3)	-	(16)	(1,234)
$ (5,440)	$ (492)	$ -	$ (151)	$ (12,805)
$ -	$ -	$ -	$ -	$ 4,982
-	-	-	-	(5,074)
257	-	277	1	4,742
$ 257	$ -	$ 277	$ 1	$ 4,650
$ 3,566	$ 1,411	$ (2,612)	$ (26)	$ 5,752
$ 4,662	$ 7,116	$ 16,105	$ 226	$ 132,106
$ 8,228	$ 8,527	$ 13,493	$ 200	$ 137,858
$ 4,296	$ 16,562	$ (457)	$ (717)	$ 14,445
$ 4,871	$ 410	$ -	$ 340	$ 11,512
145	-	-	-	145
(382)	(761)	5,501	165	13,973
-	13	-	85	175
1,110	-	-	-	1,110
(433)	(379)	(7,934)	113	(3,887)
(52)	27	10	(185)	(143)
-	-	(9)	-	1,983
-	3	-	(1)	1
$ 5,259	$ (687)	$ (2,432)	$ 517	$ 24,869
$ 9,555	$ 15,875	$ (2,889)	$ (200)	$ 39,314
$ -	$ 30	$ -	$ -	$ 30
-	-	-	608	608
632	-	-	-	632
79	-	-	-	79
219	-	-	-	219

Pension Trust Funds

Minnesota State Retirement System

Correctional Employees Retirement Fund

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

Elective State Officers Fund

The fund includes resources accumulated to pay present and future retirement annuities for the state's constitutional officers.

Judicial Retirement Fund

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

Legislative Retirement Fund

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

Postretirement Health Care Benefits Fund

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

State Deferred Compensation Fund

The fund includes the portion of the plan where participants have selected investment options provided by the State Board of Investment.

State Employees Retirement Fund

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

State Patrol Retirement Fund

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

Unclassified Employees Retirement Fund

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

Teachers Retirement Association

Teachers Retirement Fund

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

State Colleges and Universities

College and University Retirement Fund

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

Public Employees Retirement Association

Defined Contribution Fund

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

Police and Fire Fund

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

Public Employees Correctional Fund

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

Public Employees Retirement Fund

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

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT	POST RETIREMENT HEALTH CARE BENEFITS
ASSETS					
Cash and Cash Equivalents	$ 5,272	$ -	$ 5,033	$ 3	$ 3,542
Investment Pools, at fair value:					
Cash Equivalent Investments	$ 18,735	$ -	$ 5,456	$ 1,858	$ 10,978
Investments:					
Repurchase Agreements	$ -	$ -	$ -	$ -	$ -
Commercial Paper	177	-	50	16	3
US Treasury Obligations	16,594	-	4,708	1,509	289
Mortgage Backed	42,651	-	12,100	3,879	804
Corporate Obligations	33,101	-	9,391	3,010	6,303
Foreign and Other Obligations	2,224	-	656	202	38
Corporate Stocks	233,977	-	64,726	20,365	1,937
Other Equity	36,735	-	7,030	1,406	1
Total Investments	$ 365,459	$ -	$ 98,661	$ 30,387	$ 9,375
Accrued Interest and Dividends	$ 1,154	$ -	$ 325	$ 104	$ 46
Net Receivables (Payables)	(14,098)	-	(4,004)	(1,285)	(242)
Total Investment Pool Participation	$ 371,250	$ -	$ 100,438	$ 31,064	$ 20,157
Receivables:					
Employer Contributions	$ 371	$ -	$ 27	$ -	$ -
Member Contributions	260	-	10	-	2,596
Interfund Receivables	-	-	-	-	24
Other Receivables	2	204	4	7,892	-
Accrued Interest and Dividends	1	-	-	-	-
Total Receivables	$ 634	$ 204	$ 41	$ 7,892	$ 2,620
Securities Lending Collateral	$ 29,556	$ -	$ 8,245	$ 2,611	$ 335
Depreciable Capital Assets (Net)	-	-	-	-	-
Nondepreciable Capital Assets	-	-	-	-	-
Total Assets	$ 406,712	$ 204	$ 113,757	$ 41,570	$ 26,654
LIABILITIES					
Accounts Payable	$ 76	$ -	$ 9	$ -	$ -
Interfund Payables	282	1	34	27	682
Deferred Revenue	-	-	10	-	-
Accrued Expense	-	-	-	-	-
Revenue Bonds Payable	-	-	-	-	-
Bond Interest	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-
Securities Lending Collateral	29,556	-	8,245	2,611	335
Total Liabilities	$ 29,914	$ 1	$ 8,298	$ 2,638	$ 1,017
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 376,798	$ 203	$ 105,459	$ 38,932	$ 25,637

MINNESOTA STATE RETIREMENT SYSTEM				TEACHERS RETIREMENT ASSOCIATION	
STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT
$ -	$ 22,069	$ 4,084	$ 2,556	$ 2,689	$ 372
$ 97,438	$ 308,418	$ 24,177	$ 27,901	$ 718,765	$ 31,499
$ -	$ -	$ -	$ -	$ 1,363	$ -
102	2,922	223	33	7,169	16
11,370	273,805	20,918	4,228	620,004	3,366
40,399	703,708	53,763	18,120	1,593,528	20,024
134,213	546,152	41,726	41,581	1,236,747	34,792
1,528	36,699	2,804	538	83,101	415
334,421	3,864,207	291,603	138,466	8,618,662	415,421
-	614,126	39,251	16	1,197,756	-
$ 522,033	$ 6,041,619	$ 450,288	$ 202,982	$ 13,358,330	$ 474,034
$ 1,677	$ 19,051	$ 1,449	$ 712	$ 42,944	$ 793
(8,122)	(232,604)	(17,781)	(2,630)	(525,914)	(1,323)
$ 613,026	$ 6,136,484	$ 458,133	$ 228,965	$ 13,594,125	$ 505,003
$ -	$ 2,869	$ 213	$ 159	$ 10,128	$ -
-	2,870	141	110	-	-
-	1,351	-	-	-	-
-	40	8	-	-	-
-	23	1	-	41	-
$ -	$ 7,153	$ 363	$ 269	$ 10,169	$ -
$ 25,878	$ 487,960	$ 36,974	$ 10,787	$ 1,094,261	$ 10,139
-	5,934	-	-	12,292	-
-	88	-	-	171	-
$ 638,904	$ 6,659,688	$ 499,554	$ 242,577	$ 14,713,707	$ 515,514
$ 108	$ 1,485	$ 71	$ -	$ 5,965	$ -
-	24	91	234	-	-
-	-	-	-	-	-
-	-	-	-	1	-
-	5,709	-	-	11,221	-
-	-	-	-	54	-
-	457	-	-	599	-
25,878	487,960	36,974	10,787	1,094,261	10,139
$ 25,986	$ 495,635	$ 37,136	$ 11,021	$ 1,112,101	$ 10,139
$ 612,918	$ 6,164,053	$ 462,418	$ 231,556	$ 13,601,606	$ 505,375

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 22	$ 555	$ 201	$ 1,118	$ 47,516
Investment Pools, at fair value:					
Cash Equivalent Investments	$ 2,214	$ 187,305	$ 3,524	$ 460,363	$ 1,898,631
Investments:					
Repurchase Agreements	$ 162	$ 2,541	$ 109	$ 4,556	$ 8,731
Commercial Paper	68	2,785	66	6,118	19,748
US Treasury Obligations	313	164,666	2,090	400,648	1,524,508
Mortgaged Backed	1,314	423,215	5,373	1,029,730	3,948,608
Corporate Obligations	3,127	329,399	4,170	799,180	3,222,892
Foreign and Other Obligations	40	22,070	280	54,928	205,523
Corporate Stocks	10,317	2,671,500	37,016	6,382,912	23,085,530
Other Equity	-	873	11	2,124	1,899,329
Total Investments	$ 15,341	$ 3,617,049	$ 49,115	$ 8,680,196	$ 33,914,869
Accrued Interest and Dividends	$ 52	$ 11,446	$ 147	$ 27,791	$ 107,691
Net Receivables (Payables)	(199)	(139,908)	(1,773)	(340,520)	(1,290,403)
Total Investment Pool Participation	$ 17,408	$ 3,675,892	$ 51,013	$ 8,827,830	$ 34,630,788
Receivables:					
Employer Contributions	$ -	$ -	$ -	$ -	$ 13,767
Member Contributions	-	-	-	-	5,987
Interfund Receivables	-	41	6	990	2,412
Other Receivables	61	33,225	145	7,394	48,975
Accrued Interest and Dividends	-	-	-	-	66
Total Receivables	$ 61	$ 33,266	$ 151	$ 8,384	$ 71,207
Securities Lending Collateral	$ 797	$ 292,843	$ 3,931	$ 709,423	$ 2,713,740
Depreciable Capital Assets (Net)	-	-	-	12,372	30,598
Nondepreciable Capital Assets	-	-	-	170	429
Total Assets	$ 18,288	$ 4,002,556	$ 55,296	$ 9,559,297	$ 37,494,278
LIABILITIES					
Accounts Payable	$ -	$ 940	$ 16	$ 2,168	$ 10,838
Interfund Payables	89	752	149	47	2,412
Deferred Revenue	-	-	-	-	10
Accrued Expense	-	-	-	-	1
Revenue Bonds Payable	-	-	-	11,194	28,124
Bond Interest	-	-	-	-	54
Compensated Absences Payable	-	-	-	676	1,732
Securities Lending Collateral	797	292,843	3,931	709,423	2,713,740
Total Liabilities	$ 886	$ 294,535	$ 4,096	$ 723,508	$ 2,756,911
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 17,402	$ 3,708,021	$ 51,200	$ 8,835,789	$ 34,737,367

Minnesota

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT	POST RETIREMENT HEALTH CARE BENEFITS
Additions:					
Contributions:					
Employer	$ 10,480	$ -	$ 6,923	$ -	$ -
Member	7,610	-	2,574	434	26,892
Contributions From Other Sources	-	371	10	5,396	-
Total Contributions	$ 18,090	$ 371	$ 9,507	$ 5,830	$ 26,892
Net Investment Income:					
Investment Income	$ 5,753	$ -	$ 2,670	$ 560	$ 506
Less: Investment Expense	(509)	-	(142)	(46)	-
Net Investment Income	$ 5,244	$ -	$ 2,528	$ 514	$ 506
Securities Lending Revenues (Expenses):					
Securities Lending Income	$ 565	$ -	$ 158	$ 50	$ 3
Borrower Rebates	(419)	-	(118)	(37)	(2)
Management Fees	-	-	-	-	-
Net Securities Lending Revenue	$ 146	$ -	$ 40	$ 13	$ 1
Total Investment Income	$ 5,390	$ -	$ 2,568	$ 527	$ 507
Transfers From Other Funds	$ 529	$ -	$ -	$ -	$ -
Other Additions	-	-	-	-	57
Total Additions	$ 24,009	$ 371	$ 12,075	$ 6,357	$ 27,456
Deductions:					
Benefits	$ 19,256	$ 370	$ 13,557	$ 5,540	$ 4,056
Refunds/Withdrawals	607	-	-	94	-
Administrative Expenses	615	-	75	66	481
Transfers to Other Funds	-	-	-	-	-
Total Deductions	$ 20,478	$ 370	$ 13,632	$ 5,700	$ 4,537
Net Increase	$ 3,531	$ 1	$ (1,557)	$ 657	$ 22,919
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning	$ 373,267	$ 202	$ 107,016	$ 38,275	$ 2,718
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 376,798	$ 203	$ 105,459	$ 38,932	$ 25,637

MINNESOTA STATE RETIREMENT SYSTEM				TEACHERS RETIREMENT ASSOCIATION	
STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT
$ -	$ 80,399	$ 6,825	$ 6,166	$ 149,481	$ 25,349
100,501	83,850	4,555	4,642	155,577	21,710
-	-	-	-	1,490	-
$ 100,501	$ 164,249	$ 11,380	$ 10,808	$ 306,548	$ 47,059
$ 16,877	$ 122,255	$ 9,594	$ 6,132	$ 306,640	$ 16,224
(441)	(8,322)	(637)	-	(18,958)	-
$ 16,436	$ 113,933	$ 8,957	$ 6,132	$ 287,682	$ 16,224
$ 482	$ 9,336	$ 708	$ 212	$ 20,938	$ -
(367)	(6,916)	(526)	(163)	(13,698)	-
-	-	-	-	(1,838)	-
$ 115	$ 2,420	$ 182	$ 49	$ 5,402	$ -
$ 16,551	$ 116,353	$ 9,139	$ 6,181	$ 293,084	$ 16,224
$ -	$ 9,549	$ -	$ 791	$ -	$ -
-	217	-	33	2,927	468
$ 117,052	$ 290,368	$ 20,519	$ 17,813	$ 602,559	$ 63,751
$ -	$ 311,472	$ 34,316	$ -	$ 976,977	$ -
92,784	8,196	11	5,203	6,656	24,090
-	5,024	224	207	15,083	-
-	1,320	-	9,549	-	-
$ 92,784	$ 326,012	$ 34,551	$ 14,959	$ 998,716	$ 24,090
$ 24,268	$ (35,644)	$ (14,032)	$ 2,854	$ (396,157)	$ 39,661
$ 588,650	$ 6,199,697	$ 476,450	$ 228,702	$ 13,997,763	$ 465,714
$ 612,918	$ 6,164,053	$ 462,418	$ 231,556	$ 13,601,606	$ 505,375

CONTINUED

PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TOTAL
Additions:					
Contributions:					
Employer	$ 1,155	$ 50,917	$ 9,645	$ 221,689	$ 569,029
Member	1,043	34,751	6,430	205,963	656,532
Contributions From Other Sources	-	-	-	-	7,267
Total Contributions	$ 2,198	$ 85,668	$ 16,075	$ 427,652	$ 1,232,828
Net Investment Income:					
Investment Income	$ 537	$ 79,661	$ 1,422	$ 208,295	$ 777,126
Less: Investment Expense	-	(4,993)	(55)	(12,031)	(46,134)
Net Investment Income	$ 537	$ 74,668	$ 1,367	$ 196,264	$ 730,992
Securities Lending Revenues (Expenses):					
Securities Lending Income	$ 16	$ 5,598	$ 76	$ 13,571	$ 51,713
Borrower Rebates	(11)	(3,654)	(49)	(8,871)	(34,831)
Management Fees	(1)	(494)	(7)	(1,195)	(3,535)
Net Securities Lending Revenue	$ 4	$ 1,450	$ 20	$ 3,505	$ 13,347
Total Investment Income	$ 541	$ 76,118	$ 1,387	$ 199,769	$ 744,339
Transfers From Other Funds	$ -	$ -	$ -	$ -	$ 10,869
Other Additions	-	3,281	11	3,609	10,603
Total Additions	$ 2,739	$ 165,067	$ 17,473	$ 631,030	$ 1,998,639
Deductions:					
Benefits	$ -	$ 225,434	$ 559	$ 664,459	$ 2,255,996
Refunds/Withdrawals	1,043	643	409	18,242	157,978
Administrative Expenses	92	976	152	10,002	32,997
Transfers to Other Funds	-	-	-	-	10,869
Total Deductions	$ 1,135	$ 227,053	$ 1,120	$ 692,703	$ 2,457,840
Net Increase (Decrease)	$ 1,604	$ (61,986)	$ 16,353	$ (61,673)	$ (459,201)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning	$ 15,798	$ 3,770,007	$ 34,847	$ 8,897,462	$ 35,196,568
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 17,402	$ 3,708,021	$ 51,200	$ 8,835,789	$ 34,737,367

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	$ 35,456	$ 1,191,540	$ 1,179,156	$ 47,840
Accounts Receivable	5,846	15,024	9,050	11,820
Securities Lending Collateral	1,967	-	1,967	-
Total Assets	$ 43,269	$ 1,206,564	$ 1,190,173	$ 59,660
LIABILITIES				
Accounts Payable	$ 16,996	$ 30,086	$ 25,603	$ 21,479
Securities Lending Collateral	1,967	-	1,967	-
Funds Held in Trust	24,306	1,176,478	1,162,603	38,181
Total Liabilities	$ 43,269	$ 1,206,564	$ 1,190,173	$ 59,660

Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

Higher Education Services Office

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

Minnesota Partnership for Action Against Tobacco

The partnership issues grants to health, community, and academic organizations throughout Minnesota in support of research and cessation activities that will encourage and help tobacco users quit.

Minnesota Technology, Incorporated

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

National Sports Center Foundation

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

Public Facilities Authority

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

Rural Finance Authority

The authority administers state agriculture programs.

Workers' Compensation Assigned Risk Plan

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

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2002 AND JUNE 30, 2003
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	HIGHER EDUCATION SERVICES OFFICE	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO	MINNESOTA TECHNOLOGY INCORPORATED	NATIONAL SPORTS CENTER FOUNDATION
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 11,710	$ 96,015	$ 27	$ 1,955	$ 383
Investments	-	-	124,717	-	-
Accounts Receivable	-	1,932	10,004	195	335
Accrued Investment/Interest Income	281	1,648	-	-	-
Federal Aid Receivable	-	-	-	501	-
Inventories	-	-	-	-	16
Deferred Costs	-	2,087	-	-	45
Loans and Notes Receivable	2,570	64,594	-	-	-
Securities Lending Collateral	-	-	-	-	-
Total Current Assets	$ 14,561	$ 166,276	$ 134,748	$ 2,651	$ 779
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ -	$ 44,174	$ -	$ -	$ -
Investments-Restricted	18,246	-	-	-	120
Investments	-	-	-	-	-
Accounts Receivable	-	-	26,200	-	-
Loans and Notes Receivable	20,682	366,032	-	-	-
Depreciable Capital Assets (Net)	-	73	66	184	458
Nondepreciable Capital Assets	-	-	-	-	2,698
Other Assets	2,500	-	40	-	-
Total Noncurrent Assets	$ 41,428	$ 410,279	$ 26,306	$ 184	$ 3,276
Total Assets	$ 55,989	$ 576,555	$ 161,054	$ 2,835	$ 4,055
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ -	$ 1,962	$ 847	$ 85	$ 573
Due to Primary Government	-	-	-	-	-
Deferred Revenue	-	-	-	10	253
Accrued Bond Interest	825	-	-	-	-
Loans and Notes Payable	-	-	-	-	62
Revenue Bonds Payable	2,895	-	-	-	-
Grants Payable	-	-	2,773	-	-
Claims Payable	-	-	-	-	-
Compensated Absences Payable	-	25	-	378	-
Securities Lending Collateral	-	-	-	-	-
Other Liabilities	-	-	31	-	-
Total Current Liabilities	$ 3,720	$ 1,987	$ 3,651	$ 473	$ 888
Noncurrent Liabilities:					
Due to Primary Government	$ -	$ -	$ -	$ -	$ -
Loans and Notes Payable	-	-	-	-	2,581
Revenue Bonds Payable	28,595	300,000	-	-	-
Claims Payable	-	-	-	-	-
Compensated Absences Payable	-	512	-	-	-
Funds Held in Trust	-	-	-	-	120
Other Liabilities	-	-	944	-	-
Total Noncurrent Liabilities	$ 28,595	$ 300,512	$ 944	$ -	$ 2,701
Total Liabilities	$ 32,315	$ 302,499	$ 4,595	$ 473	$ 3,589
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ -	$ 73	$ -	$ -	$ 625
Restricted	19,164	273,983	-	-	-
Unrestricted	4,510	-	156,459	2,362	(159)
Total Net Assets	$ 23,674	$ 274,056	$ 156,459	$ 2,362	$ 466

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 200,098	$ 16,712	$ 18,479	$ 345,379
70,970	-	226,002	421,689
-	-	40,101	52,567
16,815	-	1,699	20,443
167	-	-	668
-	-	-	16
-	-	2,557	4,689
185,839	8,950	-	261,953
4,868	-	-	4,868
$ 478,757	$ 25,662	$ 288,838	$ 1,112,272
$ -	$ -	$ -	$ 44,174
-	-	-	18,366
201,908	-	-	201,908
-	-	192,492	218,692
883,040	42,899	-	1,312,653
-	-	-	781
-	-	-	2,698
3,902	-	-	6,442
$ 1,088,850	$ 42,899	$ 192,492	$ 1,805,714
$ 1,567,607	$ 68,561	$ 481,330	$ 2,917,986
$ 1,883	$ 262	$ 20,548	$ 26,160
-	6,000	3,179	9,179
-	-	40,169	40,432
13,517	-	-	14,342
-	-	-	62
39,365	-	-	42,260
-	-	-	2,773
-	-	42,805	42,805
57	-	-	460
4,868	-	-	4,868
3,316	-	-	3,347
$ 63,006	$ 6,262	$ 106,701	$ 186,688
$ -	$ 61,119	$ -	$ 61,119
-	-	-	2,581
774,823	-	-	1,103,418
-	-	302,395	302,395
219	-	-	731
-	-	-	120
-	-	-	944
$ 775,042	$ 61,119	$ 302,395	$ 1,471,308
$ 838,048	$ 67,381	$ 409,096	$ 1,657,996
$ -	$ -	$ -	$ 698
727,825	-	-	1,020,972
1,734	1,180	72,234	238,320
$ 729,559	$ 1,180	$ 72,234	$ 1,259,990

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2002 AND JUNE 30, 2003
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	HIGHER EDUCATION SERVICES OFFICE	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO	MINNESOTA TECHNOLOGY INCORPORATED
Net Expenses:				
Total Expenses	$ 2,172	$ 168,164	$ 9,556	$ 7,815
Program Revenues:				
Charges for Services	$ 24	$ 17,253	$ -	$ 1,192
Operating Grants and Contributions	-	4,755	-	2,016
Net (Expense) Revenue	$ (2,148)	$ (146,156)	$ (9,556)	$ (4,607)
General Revenues:				
Investment Income	$ 3,232	$ 1,792	$ 2,402	$ 109
Other Revenues	-	-	2,300	-
Total General Revenues	$ 3,232	$ 1,792	$ 4,702	$ 109
State Grants Not Restricted	$ -	$ 149,667	$ -	$ 4,284
Special Item	-	(30,000)	-	-
Total General Revenue, Grants	$ 3,232	$ 121,459	$ 4,702	$ 4,393
Change in Net Assets	$ 1,084	$ (24,697)	$ (4,854)	$ (214)
Net Assets, Beginning, as Reported	$ 22,590	$ 298,753	$ 161,313	$ 2,576
Prior Period Adjustments	-	-	-	-
Net Assets, as Restated	$ 22,590	$ 298,753	$ 161,313	$ 2,576
Net Assets, Ending	$ 23,674	$ 274,056	$ 156,459	$ 2,362

NATIONAL SPORTS CENTER FOUNDATION	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 8,233	$ 64,096	$ 4,007	$ 52,545	$ 316,588
$ 7,490	$ 33,799	$ 8	$ 76,139	$ 135,905
-	104,550	1,330	-	112,651
$ (743)	$ 74,253	$ (2,669)	$ 23,594	$ (68,032)
$ 4	$ -	$ 3,849	$ (1,486)	$ 9,902
813	221	-	-	3,334
$ 817	$ 221	$ 3,849	$ (1,486)	$ 13,236
$ -	$ 18,126	$ -	$ -	$ 172,077
-	-	-	(134,000)	(164,000)
$ 817	$ 18,347	$ 3,849	$ (135,486)	$ 21,313
$ 74	$ 92,600	$ 1,180	$ (111,892)	$ (46,719)
$ 392	$ 664,866	$ -	$ 184,126	$ 1,334,616
-	(27,907)	-	-	(27,907)
$ 392	$ 636,959	$ -	$ 184,126	$ 1,306,709
$ 466	$ 729,559	$ 1,180	$ 72,234	$ 1,259,990

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 2,085	$ 3,579	$ 5,664
Investment /Interest Income	1,138	270	1,408
Rental and Service Fees	9	8	17
Operating Grants and Contributions	-	1,330	1,330
Other Income	24	-	24
Total Operating Revenues	$ 3,256	$ 5,187	$ 8,443
Operating Expenses:			
Bond Interest Expense	$ 2,011	$ -	$ 2,011
Economic and Manpower Development	54	4,007	4,061
Other Expenses	107	-	107
Total Operating Expenses	$ 2,172	$ 4,007	$ 6,179
Operating Income (Loss)	$ 1,084	$ 1,180	$ 2,264
Change in Net Assets	$ 1,084	$ 1,180	$ 2,264
Net Assets, Beginning, as Reported	$ 22,590	$ -	$ 22,590
Net Assets, Ending	$ 23,674	$ 1,180	$ 24,854

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

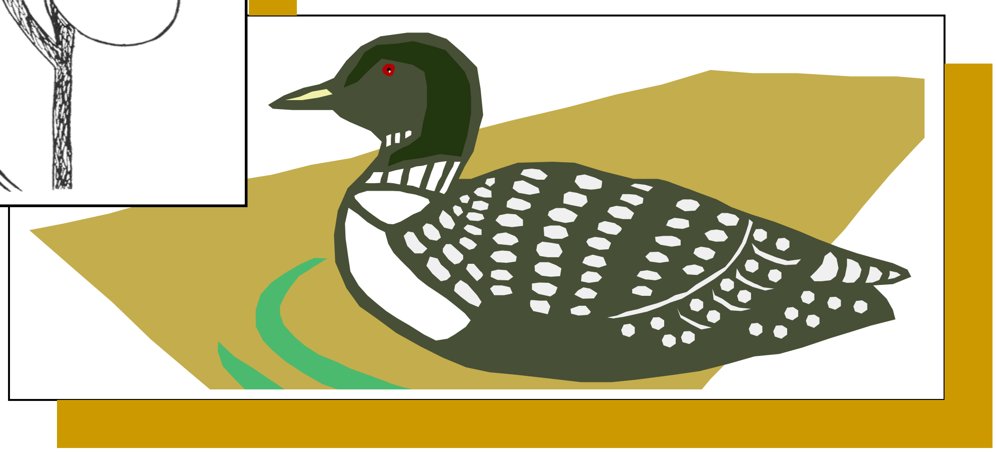
	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 5,177	$ 11,838	$ 17,015
Receipts from Other Revenue	920	262	1,182
Payments to Claimants	(6,595)	(9,347)	(15,942)
Payments to Suppliers	(129)	-	(129)
Payments to Others	(1,684)	(3,485)	(5,169)
Net Cash Flows from Operating Activities	$ (2,311)	$ (732)	$ (3,043)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond Sales	$ 4,440	$ -	$ 4,440
Refunding of Bonds	(4,440)	-	(4,440)
Loan Issuances	(2,434)	-	(2,434)
Net Cash Flows from Capital and Related Financing Activities	$ (2,434)	$ -	$ (2,434)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 4,173	$ -	$ 4,173
Purchase of Investments	(5,066)	-	(5,066)
Net Cash Flows from Investing Activities	$ (893)	$ -	$ (893)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (5,638)	$ (732)	$ (6,370)
Cash and Cash Equivalents, Beginning, as Reported	$ 17,348	$ 17,444	$ 34,792
Cash and Cash Equivalents, Ending	$ 11,710	$ 16,712	$ 28,422
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ 1,084	$ 1,180	$ 2,264
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loan Principal Receipts	$ 3,110	$ 11,838	$ 14,948
Loan Principal Repayments	-	(9,347)	(9,347)
Bond Principal Repayments	(4,440)	-	(4,440)
Net Increase (Decrease), Fair Value of Investments	(225)	-	(225)
Other Receipts (Payments)	(1,601)	-	(1,601)
Change in Assets and Liabilities:			
Other Assets	-	1,247	1,247
Accounts Payable	-	262	262
Due to Primary Government	-	(4,665)	(4,665)
Deferred Revenues	(11)	-	(11)
Accrued Expenses	(228)	-	(228)
Other Liabilities	-	(1,247)	(1,247)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (3,395)	$ (1,912)	$ (5,307)
Net Cash Flows from Operating Activities	$ (2,311)	$ (732)	$ (3,043)

During fiscal year 2003, the Agricultural and Economic Development Board wrote-off a loan of $2,507,000 and took possession of secured assets valued at $2,500,000 from Excelsior Henderson.

Minnesota

General Obligation Debt Schedule

State Flower - Ladyslipper



State Bird - Loon

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2003
($ in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Municipal Energy Building	1983,Ch.323	$ 29,979.9	$ 29,935.0	$ 44.9
Building [6, 7, 8, 9]	1987,Ch.400	369,687.2	369,560.5	126.7
Water Pollution Control	1987,Ch.400	66,747.0	66,740.0	7.0
Building [6, 7, 8, 9]	1989,Ch.300	112,865.4	112,235.0	630.4
Building [6, 7, 8, 9]	1990,Ch.610	270,129.1	270,126.0	3.1
Wetlands/Reinvest in MN	1991,Ch.354	27,989.0	27,360.0	629.0
Building [6, 7, 8]	1992,Ch.558	202,134.0	196,910.0	5,224.0
Waste Management	1992,Ch.558	2,000.0	1,625.0	375.0
Transportation	1992,Ch.558	17,500.0	17,305.0	195.0
Building [6, 8]	1993,Ch.373	39,605.6	38,355.0	1,250.6
Transportation	1993,Ch.373	9,900.0	9,270.0	630.0
Building [1, 4, 5, 7]	1994,Ch.643	526,506.8	523,414.0	3,092.8
Municipal Energy Building	1994,Ch.643	4,000.0	3,975.0	25.0
Transportation [5]	1994,Ch.643	34,948.7	34,820.0	128.7
Water Pollution Control	X1995, Ch.2	718.6	710.0	8.6
Building [1, 4, 6]	1996, Ch. 463	481,953.3	475,155.0	6,798.3
Municipal Energy Building	1996, Ch. 463	3,908.3	3,850.0	58.3
Water Pollution Control	1996, Ch. 463	25,450.0	24,300.0	1,150.0
Transportation	1996, Ch. 463	10,000.0	9,995.0	5.0
Building [1]	1997, Ch. 246	82,625.0	82,400.0	225.0
Water Pollution Control	1997, Ch. 246	4,000.0	3,765.0	235.0
Transportation	1997, Ch. 246	3,000.0	2,985.0	15.0
Building [1, 4]	X1997, Ch. 2	44,055.0	35,815.0	8,240.0
Building [1, 2, 4]	1998, Ch. 404	101,495.0	100,295.0	1,200.0
Transportation	1998, Ch. 404	4,000.0	3,930.0	70.0
Building [2, 4]	1999, Ch. 240	442,105.0	420,365.0	21,740.0
Transportation	1999, Ch. 240	28,440.0	26,105.0	2,335.0
Transportation [3]	2000, Ch. 479	7,000.0	5,500.0	1,500.0
Trunk Highway	2000, Ch. 479	100,100.0	98,000.0	2,100.0
Various Purpose [3]	2000, Ch. 492	535,060.0	434,880.0	100,180.0
Various Purpose	X2001, Ch. 12	117,205.0	69,150.0	48,055.0
Various Purpose	2002, Ch. 280	7,800.0	0.0	7,800.0
Various Purpose	2002, Ch. 374	75,120.0	72,460.0	2,660.0
Various Purpose [2]	2002, Ch. 393	977,635.0	138,850.0	838,785.0
Trunk Highway	X2002, Ch. 1	10,115.0	0.0	10,115.0
Various Purpose	X2002, Ch. 1	16,315.0	4,500.0	11,815.0
Trunk Highway	X2003, Ch. 18	110,110.0	0.0	110,110.0
Trunk Highway	X2003, Ch. 19	400,400.0	0.0	400,400.0
Various Purpose	X2003, Ch. 20	236,915.0	0.0	236,915.0
Totals		$ 5,539,517.9	$ 3,714,640.5	$ 1,824,877.4

(1) Minnesota Statutes 16A.642, required that on February 1, 2003 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective or July 1, 2003. The cancellation report reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by $929; Laws 1996, Chapter 463 by $582,118; Laws 1997, Chapter 246 by $25,056; Special Session Laws 1997, Chapter 2 by 5,746,928; and Laws 1998, and Laws 1998, Chapter 404 by $41,807.

(2) The Governor vetoed $352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The Governor will request that the bond authorization be reduced to match the appropriations in the 2004 Legislative Session. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 3 below by increasing the bond authorization of Laws 1998, Chapter 404 by $2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the $2,700,000.

(3) Laws of 2001, Chapter 55 converted $7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transporation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.

(4) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,964.000; Laws 1996, Chapter 463 by $1,855,000; Special Session Laws 1997, Chapter 2 by $10,000,000; Laws 1998, Chapter 404 by $2,700,000; and Laws 1999, Chapter 240 by $4,000,000. The $2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.

(5) 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.

(6) 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; Transportation Bonds authorized in Laws 1990, Chapter 610 by $165,000; Reinvest in Minnesota Bond authorization in Laws 1990, Chapter 610 by $20,000; and Airport Facility Bond authorization in Laws 1991, Chapter 350 by $48,765,000.

(7) 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 Transporation Bond authorization in Laws 1987, Chapter 400 by $10,000.

(8) 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.

(9) 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.

Minnesota

Statistical Section

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

State of Minnesota
General Government Revenues By Source (1)
General, Special Revenue and Debt Service Funds
Fiscal Years 1994-2003
(In Thousands)

	1994	1995	1996	1997
Individual Income Taxes	$ 3,532,465	$ 3,774,855	$ 4,129,026	$ 4,757,086
Corporate Income Taxes	546,558	667,542	696,393	665,321
Sales Tax	2,515,224	2,728,525	2,933,886	3,013,188
Property Tax	N/A	N/A	N/A	N/A
Motor Vehicle Taxes	752,962	763,466	830,790	888,143
Gasoline and Special Fuel Taxes	482,453	484,573	520,702	542,896
Other Taxes	964,288	1,055,161	1,072,085	1,097,663
Federal Revenues	2,986,532	3,157,038	3,384,598	3,498,849
Other Revenues	906,186	964,623	1,217,204	1,299,714
Net Revenues	$ 12,686,668	$ 13,595,783	$ 14,784,684	$ 15,762,860

State of Minnesota
General Governmental Expenditures By Function and Net Transfers-Out (1)
General, Special Revenue and Debt Service Funds
Fiscal Years 1994-2003
(In Thousands)

	1994	1995	1996	1997
Current Expenditures:				
Protection of Persons/Property	$ 183,695	$ 196,981	$ 202,535	$ 230,252
Transportation	324,729	374,194	351,712	403,806
Resource Management	223,237	233,167	273,961	283,296
Economic/Manpower Development	250,532	263,451	191,283	209,404
Education	551,987	562,672	723,923	869,754
Health and Social Services	596,449	698,295	736,466	849,510
General Government	232,861	258,609	273,786	274,908
Capital Outlay	398,742	330,482	419,555	418,796
Debt Service	295,731	285,344	522,296	378,707
Grants and Subsidies	8,614,081	9,068,110	9,920,296	10,160,159
Total Expenditures	$ 11,672,044	$ 12,271,305	$ 13,615,813	$ 14,078,592
Net Operating Transfers-Out (2)	258,186	277,012	302,618	317,092
Total Expenditures and Net Transfers-Out	$ 11,930,230	$ 12,548,317	$ 13,918,431	$ 14,395,684

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

(2) Net operating transfers-out are reduced by bond proceeds of the special revenue funds for the following years (in thousands):

1994	$25,300	1997	$12,650	2000	$ 2,000	2003	$15,400
1995	$14,025	1998	$ 3,400	2001	$46,490		
1996	$13,990	1999	$ 7,100	2002	$96,000		

1998	1999	2000	2001	2002	2003
$ 5,146,586	$ 5,695,664	$ 5,591,326	$ 5,924,978	$ 5,439,186	$ 5,477,799
746,720	767,364	834,243	709,702	454,318	572,689
3,254,757	2,119,403	3,114,521	3,020,094	3,795,942	3,822,453
N/A	N/A	N/A	N/A	305,573 (3)	585,416
964,680	1,046,703	1,135,693	1,016,437	1,111,953	1,109,090
557,556	587,954	611,112	611,528	611,886	645,886
1,100,359	1,184,104	1,219,179	1,399,013	1,357,595	1,502,508
3,643,217	3,726,654	4,205,802	4,495,512	4,650,483	5,265,603
1,449,177	1,718,857	1,619,680	1,631,081	1,782,164	1,666,773
$ 16,863,052	$ 16,846,703	$ 18,331,556	$ 18,808,345	$ 19,509,100	$ 20,648,217

1998	1999	2000	2001	2002 (4)	2003 (4)
$ 235,346	$ 254,063	$ 268,499	$ 305,176	N/A	N/A
426,775	426,365	451,697	493,602	N/A	N/A
286,312	310,784	326,437	338,456	N/A	N/A
209,431	237,105	230,606	253,357	N/A	N/A
900,590	987,823	1,028,794	1,112,716	N/A	N/A
888,461	884,747	919,925	872,935	N/A	N/A
290,327	321,744	329,102	398,541	N/A	N/A
472,906	504,123	581,256	551,603	N/A	N/A
371,916	653,028	446,939	461,044	N/A	N/A
10,419,601	11,381,301	11,970,060	13,152,055	N/A	N/A
$ 14,501,665	$ 15,961,083	$ 16,553,315	$ 17,939,485	N/A	N/A
648,977	545,435	800,360	520,807	N/A	N/A
$ 15,150,642	$ 16,506,518	$ 17,353,675	$ 18,460,292	N/A	N/A

(3) Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. The levy for taxes payable in 2002 were $592,000,000 and for 2003 were $594,000,000. The counties pay the state general tax to the state on three dates - June 30, December 1, and January 25 for any adjustments or changes.

(4) See the following page for information on a new function structure beginning with 2002.

State of Minnesota
General Governmental Expenditures By Function and Net Transfers-Out
General, Special Revenue and Debt Service Funds
Fiscal Year 2002 and 2003
(In Thousands)

	2002	2003
Current Expenditures:		
Public Safety and Corrections	$ 695,171	$ 742,281
Transportation	1,555,645	1,663,764
Agricultural and Environmental Resources	549,533	510,772
Economic and Workforce Development	742,114	722,234
General Education	5,417,774	6,893,718
Higher Education	794,915	769,339
Health and Human Services	7,111,373	8,091,315
General Government	603,672	604,355
Intergovernment Aid	1,287,768	1,480,533
Securities Lending Rebates and Fees	24,459	6,081
Capital Outlay	446,080	524,814
Debt Service	384,422	420,658
Total Expenditures	$ 19,612,926	$ 22,429,864
Net Operating Transfers-Out	315,989	396,759
Total Expenditures and Net Transfers-Out	$ 19,928,915	$ 22,826,623

Beginning with fiscal year 2002, new functions were established and changes were made to expenditures assigned to particular functions to provide more meaningful information. The major changes in functions include:

1) The Education function was separated into General Education (K-12) and Higher Education functions.

2) Grants and Subsidies have been allocated to specific functions.

3) Intergovernmental Aid was created as a new function.

Additionally, expenditures were reassigned, mainly at the agency level, to more appropriate functions. As an example, Department of Corrections expenditures were moved from the former Health and Social Services function to the new Public Safety and Corrections function.

These changes affect the comparability of prior year statistical information to fiscal years 2002 and 2003.

For 2002, Health and Human Services, and Health Care were reported as separate functions. The functions have been combined for 2003.

State of Minnesota
Assessed Value of Taxable Property
1994-2003

Year of Assessment	Real Property	Personal Property	Tax Assessed Value/ Tax Capacity	Percentage Increase Per Year
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	7.19
1997	3,500,012,129	136,978,564	3,636,990,693	(2.99)
1998	3,479,953,266	124,043,585	3,603,996,851	(0.91)
1999	3,713,253,053	129,817,042	3,843,070,095	6.63
2000	4,135,617,985	131,768,174	4,267,386,159	11.04
2001	3,335,640,103	80,179,049	3,415,819,152	(19.96)
2002	3,666,903,140	83,167,280	3,750,070,420	9.79
2003 (est.)	4,054,015,229	88,446,408	4,142,461,637	10.46

Source: Minnesota Department of Revenue

State of Minnesota
Market Value of Taxable Property
1994-2003

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Increase Per Year
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	219,034,138,639	3,641,069,248	222,675,207,887	7.89
1999	237,547,128,291	3,931,268,879	241,478,397,170	8.44
2000	260,679,384,015	4,003,570,517	264,682,954,532	9.61
2001	288,122,487,520	4,114,925,467	292,237,412,987	10.41
2002	320,941,481,217	4,263,859,610	325,205,340,827	11.28
2003 (est.)	359,207,686,061	4,532,631,400	363,740,317,461	11.85

Source: Minnesota Department of Revenue

State of Minnesota
Schedule of General Obligation Bonded Debt
Per Capita
Fiscal Years 1994-2003
(In Thousands)

Year	General Obligation Bonded Debt	Bonded Debt Per Capita
1994	$ 1,769,435	$ 383.8
1995	1,892,169	406.4
1996	2,162,015	458.7
1997	2,160,719	453.6
1998	2,506,939	520.9
1999	2,384,195	489.2
2000	2,527,281	512.5
2001	2,588,155	520.5
2002	3,032,095	604.0
2003 (est.)	3,421,495	681.6

State of Minnesota
Schedule of Ratio of Annual Debt Service For General Obligation Bonded Debt to General Expenditures
Fiscal Years 1994-2003
(In Thousands)

Year	Principal	Interest	Total Debt Service	General Expenditures [1]	Percent of Expenditures
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	13,615,813	2.00
1997	171,295	180,991	352,286	14,078,592	2.50
1998	184,820	147,297	332,117	14,501,665	2.29
1999	444,941	137,776	582,717	15,961,083	3.65
2000	267,888	123,288	391,176	16,553,315	2.36
2001	279,525	133,038	412,563	17,939,485	2.30
2002	227,379	134,034	361,413	19,612,926	1.84
2003	275,718	144,940	420,658	22,429,864	1.88

[1] Includes the General, Special Revenue and Debt Service Funds

State of Minnesota
Schedule of Revenue Bond Coverage - In Thousands
State University Board Revenue Fund
Fiscal Years 1994-2003

Year	Gross Revenue[1]	Direct Operating Expenses[2]	Net Available For Debt Service	Principal [3]	Interest	Total	Coverage Ratio
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
1999	48,857	40,449	8,408	2,185	1,888	4,073	2.06
2000	51,470	38,543	12,927	665	1,813	2,478	5.22
2001	54,385	42,343	12,042	27,390	2,933	30,323	0.40
2002	55,964	47,830	8,134	-	-	-	N/A
2003	60,606	47,599	13,007	-	2,247	2,247	5.79

State of Minnesota
Schedule of Revenue Bond Coverage - In Thousands
Vermilion Community College Dormitory, Segment of
College and University Enterprise Activities
Fiscal Years 1994-2003

Year	Gross Revenue[1]	Direct Operating Expenses[2]	Net Available For Debt Service	Principal	Interest	Total	Coverage Ratio
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
1999	536	158	378	99	126	225	1.68
2000	596	169	427	105	118	223	1.91
2001	555	329	226	110	110	220	1.03
2002	544	309	235	120	101	221	1.06
2003	570	335	235	130	96	226	1.04

State of Minnesota
Schedule of Revenue Bond Coverage - In Thousands
Giants Ridge
Fiscal Years 1994-2003

Year	Gross Revenue[1]	Direct Operating Expenses[2]	Net Available For Debt Service	Principal	Interest	Total	Coverage Ratio
2001[4]	$ 4,718	$ 3,982	$ 736	$ -	$ 1,066	$ 1,066	0.69
2002	3,455	4,070	(615)	200	151	351	(1.75)
2003	3,128	3,876	(748)	310	574	884	(0.85)

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.
(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.
(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.

Employment Mix in Minnesota
1994-2003 (In Thousands)

Category	1994	1995	1996	1997
Manufacturing Durable	237.7	243.6	244.8	254.2
Manufacturing Non-Durable	178.4	182.3	183.5	179.9
Mining	7.6	7.9	7.9	7.9
Construction	80.6	82.7	88.7	93.5
Transportation/Public Utilities	113.8	117.0	119.7	123.6
Trade	559.2	576.7	592.9	600.3
Finance/Insurance/Real Estate	140.1	138.2	142.5	146.4
Service	635.8	659.4	685.1	712.3
Government	324.3	332.2	332.4	366.8
Agriculture	82.8	72.9	78.1	71.9
Total Employed	2,360.3	2,412.9	2,475.6	2,556.8

Source: Minnesota Department of Economic Security

Minnesota Based Companies Included in the Fortune 500 (In Thousands)

Rank			
2002	2001	Company	Sales
25	34	Target (Marshall Field's)	$ 43,917,000
63	84	United Healthcare Group	25,020,000
81	86	Supervalu	20,908,500
91	131	Best Buy	19,597,000
110	126	Minnesota Mining & Manufacturing (3M)	16,332,000
123	121	U.S. Bancorp	15,422,300
180	137	Xcel Energy	10,341,000
193	194	Northwest Airlines	9,489,000
207	218	St. Paul Companies	8,917,700
235	264	General Mills	7,949,000
237	244	Cenex Harvest States	7,845,200
276	318	Medtronic	6,410,800
297	N/A	Land O'Lakes	5,847,000
408	392	Hormel Foods	3,910,300
410	395	Nash Finch	3,900,000
457	N/A	Ecolab	3,403,600
464	495	C.H. Robinson Worldwide	3,294,500
470	485	PepsiAmericas	3,239,800

Source: Fortune Magazine, dated April 14, 2003

State of Minnesota
Average Daily Public School Membership

School Year	Kindergarten	Elementary	Secondary	All Grades
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
1998-99	59,280	384,641	396,999	840,920
1999-00	57,686	383,682	399,059	840,427
2000-01	57,564	381,893	402,578	842,035
2001-02	56,527	376,421	405,512	838,460
2002-03	58,757	364,376	413,721	836,854

Source: Minnesota Department of Children, Families and Learning

1998	1999	2000	2001	2002	2003
262.3	260.3	262.1	252.3	240.4	232.7
181.8	179.2	177.1	177.8	172.6	165.2
8.1	7.4	7.4	6.0	5.3	5.3
101.8	112.1	114.3	123.5	121.7	121.4
127.6	130.5	129.8	133.7	127.0	124.3
613.9	619.3	630.6	633.9	632.0	627.8
156.2	160.3	163.2	161.6	161.6	168.1
741.8	765.8	789.6	806.8	814.0	819.4
366.5	373.2	386.9	381.5	382.0	387.4
67.2	64.0	66.2	59.0	58.0	59.6
2,627.2	2,672.1	2,727.2	2,736.1	2,714.6	2,711.2

Assets	Rank	Net Income	Rank
$ 28,603,000	122	$ 1,654,000	49
14,164,000	205	1,352,000	62
5,796,200	335	198,300	262
7,375,000	304	570,000	148
15,329,000	195	1,974,000	39
180,027,000	24	3,289,200	26
28,405,800	123	(2,006,000)	472
13,289,000	222	(798,000)	448
39,920,000	89	217,800	251
16,540,000	182	458,000	177
3,481,700	401	N/A	N/A
10,904,500	245	984,000	88
3,246,000	414	N/A	N/A
2,220,200	455	189,300	268
N/A	N/A	29,700	362
2,878,400	427	209,800	256
777,200	498	96,300	321
3,562,600	398	129,700	297

Minnesota Commercial Bank Deposits
1994-2003
(In Millions)

Year	Bank Deposits
1994	$ 44,826
1995	46,809
1996	51,361
1997	71,706
1998	98,769
1999	106,441
2000	117,864
2001	121,275
2002	69,257
2003	75,797

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

Minnesota Population, Per Capita Personal Income and Unemployment Rate
1994-2003

Year	Population (In Thousands)	Personal Income	Unemployment Rate Percent
1994	4,610	$ 23,241	3.9
1995	4,660	24,295	3.7
1996	4,713	25,904	4.0
1997	4,763	27,086	3.3
1998	4,813	29,092	2.5
1999	4,874	30,105	2.8
2000	4,931	31,935	3.3
2001	4,972	32,791	3.7
2002	5,020	34,071	4.4
2003 (est.)	5,068	35,400	4.7

Sources: Minnesota Department of Economic Security
U.S. Department of Commerce

State of Minnesota
New Housing Units Authorized in Permit-Issuing Localities
1994-2003
(In Thousands)

Year	Valuation	Year	Valuation
1994	$ 2,557,846	1999	$ 4,052,716
1995	2,589,746	2000	4,203,928
1996	2,902,560	2001	4,576,087
1997	2,757,956	2002	5,369,212
1998	3,485,224	2003	N/A

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

State of Minnesota
Miscellaneous Statistics
June 30, 2003

Date of Statehood	May 11, 1858 - 32nd State
Land Area - 12th Largest State	84,068 Square Miles

Higher Education (Institutions):		
2 Year State Community Colleges	8	
4 Year State Universities	7	
University of Minnesota	4	
2 Year Technical Colleges	7	
2 Year Consolidated Community/Technical Colleges	15	
4 Year Private Colleges	29	
2 Year Private Colleges	5	
Private Professional Schools	4	
Private Vocational Schools	87	
Trade Routes:		
Miles of Highways	135,561	
Miles of Main Line Railroad Track	4,541	
Public Airports	141	
Waterways-		
Lake Superior		
Mississippi River		
Recreation:		
Lakes	11,842	
State Forests	57	
Area of State Forests	3,200,000	Acres
State Parks	66	
Area of State Parks	244,000	Acres

Sources: Higher Education Services Office
Minnesota State Colleges and Universities
Department of Natural Resources
Department of Transportation

Minnesota