State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005

On the Cover:

Waters of the Dancing Sky Scenic Byway

This route tracks the Minnesota-Canada border for nearly half of its length. This far northern byway offers nighttime visitors an excellent chance of seeing the magnificent Aurora Borealis, better known as Northern Lights. The route touches the shore of the vast Lake of the Woods and ends at Rainy Lake, another huge border lake, one of many that make up Minnesota's water-based Voyageurs National Park.

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005

Prepared by the Minnesota Department of Finance
Peggy Ingison, Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

2005
Comprehensive Annual
Financial Report

State of Minnesota

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 website:

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

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2005
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State of Minnesota

Introduction

State
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Minnesota

Transmittal Letter from the Commissioner of Finance

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November 18, 2005

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, 2005. 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.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2005. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2006.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Financial Reporting Entity and Responsibilities

The financial reporting entity consists of all the funds of the primary government, as well as its 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, National Sports Center Foundation, Public Facilities Authority, Rural Finance Authority, and Workers' Compensation Assigned Risk Plan are component units reported discretely. With the exception of Minnesota Partnership for Action Against Tobacco, the state has either the ability to impose its will over these agencies or provides substantial funding. The state feels that excluding Minnesota Partnership for Action Against Tobacco from the reporting entity would fail to provide a complete overview of tobacco settlement funds.

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. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Minnesota Resources, Natural Resources, Game and Fish, Environmental, Remediation, Special Compensation, and Health Care Access funds.

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

Economic Condition and Outlook

Minnesota's economy grew during the 2005 fiscal year, but by most measures it did not perform as well as the U.S. averages. The state's unemployment rate was the bright spot, falling from 4.6 percent to 3.7 percent between June 2004 and June 2005. The U.S. average also fell over that same 12-month span, but only by 0.6 percentage points. Minnesota's unemployment rate is now 1.3 percentage points below the U.S. average rate of 5.0 percent. Historically, Minnesota's unemployment rate has been between 1 and 1.5 percentage points less than the U.S. average. At the end of fiscal 2004, Minnesota was just 1 percentage point below the U.S. average.

Payroll employment grew by 33,800 jobs between June 2004 and June 2005, the largest fiscal year increase since the 2000 fiscal year. In June 2005, total payroll employment in Minnesota exceeded its pre-recession highs. The national economy exceeded its pre-recession employment high in January 2005. Payroll employment in Minnesota increased by 1.3 percent in the twelve months between June 2004 and June 2005, while nationally payroll employment increased by 1.6 percent.

Personal income growth in Minnesota also lagged the U.S. averages. Personal income grew 6 percent between the second quarter of 2004 and the second quarter of 2005. The U.S. average growth rate was 6.4 percent. In calendar 2004, per capita personal income in Minnesota was $36,173, 9.5 percent above the U.S. average. Minnesota ranked ninth among all states in personal income per capita.

In fiscal 2006, the economy is expected to slow nationally and in Minnesota. Employment and income are expected to continue to grow, but the rate of growth is projected to be slightly slower than that observed in fiscal 2005, and well below the growth rates of the late 1990s.

In Minnesota, personal income is expected to increase by 4.2 percent, 1.8 percentage points less than in fiscal 2005. Higher interest rates, continued high energy prices, and lost production due to Hurricanes Katrina, Rita, and Wilma will slow U.S. economic growth through at least early 2006. Payroll employment in Minnesota is projected to grow at a 1 percent rate during fiscal 2006. U.S. payroll employment is projected to grow at a 1.6 percent annual rate. Private construction spending in storm damaged areas along the Gulf Coast, federal disaster assistance for rebuilding and restoring damaged infrastructure, and a return to normal production levels by energy producers along the Gulf will provide a boost to the national economy, but have relatively little impact on Minnesota.

Major Program Initiatives

The fiscal year 2005 budget was adopted in May 2003. To meet the constitutional requirements for a balanced budget for the state General Fund, material actions were taken to address a $1.751 billion budgetary shortfall projected for fiscal year 2005.

While no general tax increases were enacted, General Fund resources were increased by $473 million or 3.4 percent. Revenue collection changes increased fiscal year 2005 tax revenues by $167 million. Of this amount, $123 million resulted from eliminating the repeal of the June sales tax acceleration that requires remitters to advance a portion of their estimated July tax payments in June. Non-tax revenues were increased by $106 million from fee increases and changes to other non-tax revenues deposited to the General Fund. Transfers from other state funds were increased $211 million, the largest portion, $192 million, reflected utilization of excess balances in the states Health Care Access Fund.

The enacted General Fund budget included spending reductions totaling $1.253 billion, 8.1 percent below forecast General Fund spending for the fiscal year. Most of these reductions represented permanent reductions made across all major spending areas. Spending for K-12 education, representing 42 percent of the budget was largely unchanged, down $122 million. General education revenues per student were held at 2003 levels. Health and human services spending, at 26 percent of the budget was reduced by $439 million through a combination of changes in eligibility, utilization, and provider payments. Resulting balances in the state's Health Care Access Fund resulting from program changes were transferred into the General Fund. Spending for all other areas was reduced $692 million. Reductions varied by specific area including 3 percent from state courts, 7 percent for higher education, 19 percent for property tax and local government aids, and an average 15 percent reduction for most state agencies.

Finally, there is a material change in the status of General Fund budgetary reserves. These reserves had been depleted in fiscal year 2003 as part of budget balancing actions. Provisions enacted in 2003 restored the budgetary reserve to $300 million in fiscal year 2004. That amount was increased to $522 million in 2005. In addition, current law provides that any forecast balances during the year first be used to restore $350 million to Cash Flow Account designation, and then to increase the Budget Reserve Account an additional $131 million to $653 million. This occurred in November 2004.

Additional forecast balances occurring in the biennium were automatically allocated to reversing the school payment changes enacted in fiscal year 2004. During fiscal year 2005, $268 million was allocated for this purpose. The action affected formula entitlement payments to school districts that are funded in a manner that requires a final payment be made in the following state fiscal year. The payment schedule was modified from an 80 percent payment with a 20 percent settlement in the following year to an 84.3 percent payment with a 15.7 percent settlement. This action reduced the budget to GAAP difference related to the education aids in the General Fund.

Financial Information

Debt Administration – Minnesota's credit ratings on general obligation bonds continued at AAA by Standard & Poor's and Fitch Ratings, and 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 ending June 30, 2005 is 2.1 percent.

The second and third guidelines state that general obligation bonded debt should not exceed 2.5 percent of the total personal income for the state, and also that the total debt of state agencies and the University of Minnesota should not exceed 3.5 percent of total personal income. These ratios were 1.9 percent and 3.1 percent, respectively, based on debt outstanding at June 30, 2005, 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 3.2 percent based on information at June 30, 2005.

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, 2004. This was the twentieth 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. I appreciate the dedication of the people in the Department of Finance and in other agencies who helped in the preparation of this report, without whose efforts this report would not have been possible.

Sincerely,

Peggy Ingison

Peggy Ingison
Commissioner

State
of
Minnesota

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

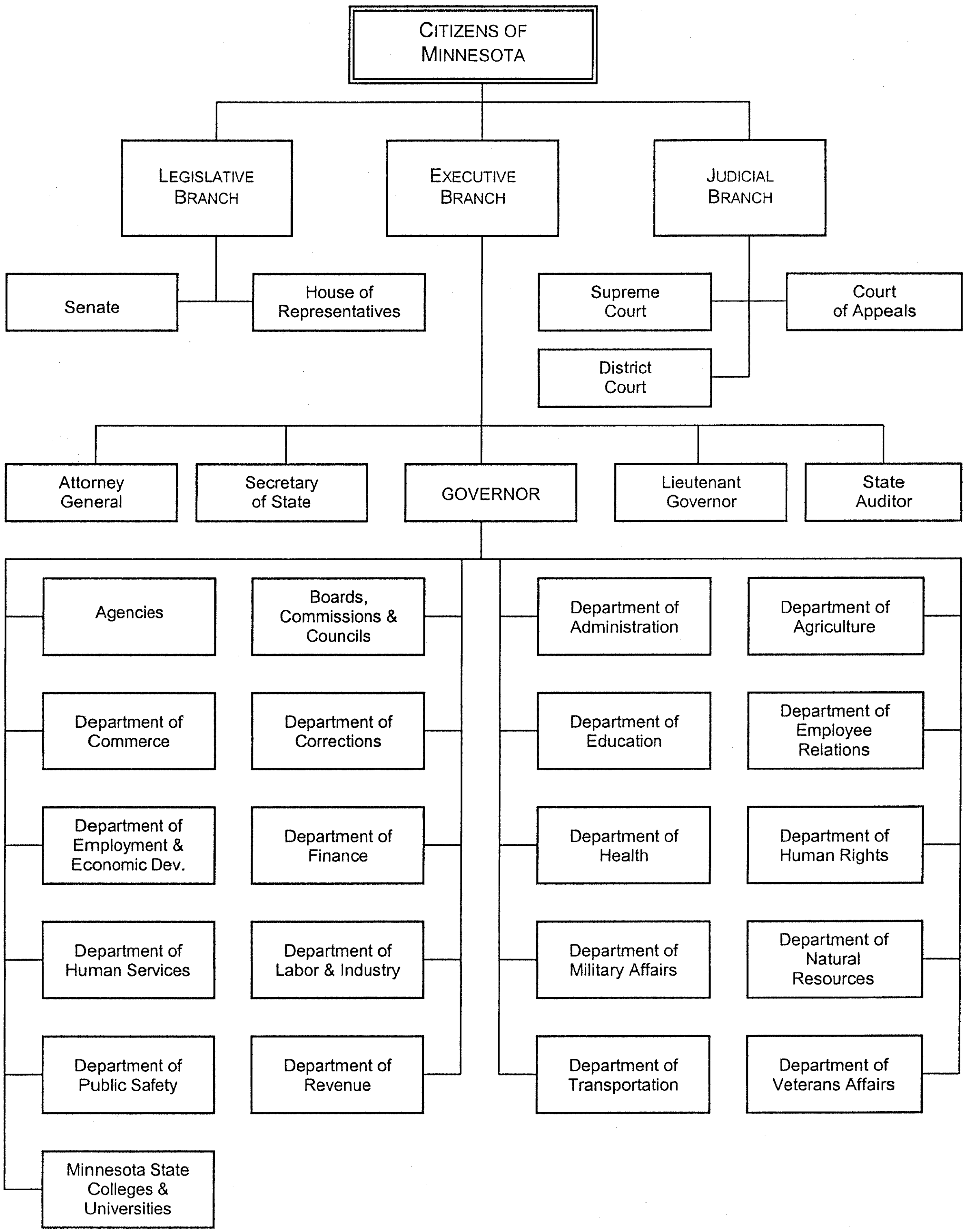
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



State Principal Officials

Executive Branch

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

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

State
of
Minnesota

2005
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State of Minnesota

Financial Section

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

Ms. Peggy Ingison, 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, 2005, 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), which is both a major fund and 78 percent, 79 percent, and 35 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's 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, Higher Education Services Office, and Minnesota Partnership for Action Against Tobacco, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and 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 and Minnesota Partnership for Action Against Tobacco, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

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Minnesota as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the General Fund budgetary comparison 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 GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2005. This standard establishes and modifies disclosure requirements for deposit and investment risks including credit risk, interest rate risk, and foreign currency risk.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. 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 Introduction, the Combining and Individual Nonmajor Fund Financial Statements, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, 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 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.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

November 18, 2005

State
of
Minnesota

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, 2005, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

The government-wide financial statements are located immediately following this discussion and analysis.

The *statement of net 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 expenses.

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 unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's ten 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 seven 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
- 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 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 27 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 balances* for the General and Federal funds, which are reported as major funds. Information from the remaining 25 funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the 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 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 17 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 7 nonmajor enterprise funds and the 8 internal service funs are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

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

The state maintains 17 individual fiduciary funds. 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 included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the 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 included 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, 2005, by $9.1 billion (presented as *net assets*). Of this amount, a deficit of $675 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. As the state budgets based on the timing of the liquidation of liabilities, a deficit unrestricted net assets may result from certain long-term liabilities reflected in the statement of net assets that will be liquidated with resources collected in future years.

- The state's total net assets increased by $1.0 billion (12.6 percent) during fiscal year 2005. Net assets of governmental activities increased by $797 million (11.5 percent), while net assets of the business-type activities showed an increase of $226 million (19.2 percent).

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $3.6 billion, an increase of $561 million compared to the prior year. This amount includes an unreserved fund balance of $597 million.

- The General Fund includes a deficit of $68 million in the undesignated unreserved fund balance, while showing a $93 million total fund balance. The remaining governmental funds reported $182 million of undesignated unreserved fund balance, which is available for spending at the government's discretion and $484 million in designated fund balance.

Long-Term Debt

- The state's total long-term debt obligations increased by $76 million (1.4 percent) during the current fiscal year. The increase is primarily due to the issuance of general obligation bonds for the trunk highway projects and other various state purposes.

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 $9.126 billion at the end of 2005, compared to $8.103 billion at the end of the previous year. All of the governmental activities and 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 $674 million in the governmental activities and $1 million in the business-type activities.

Net Assets
June 30, 2005 and 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current Assets	$ 8,146,869	$ 7,875,733	$ 941,984	$ 928,778	$ 9,088,853	$ 8,804,511
Noncurrent Assets:						
Capital Assets	8,413,867	7,826,826	1,110,287	1,072,726	9,524,154	8,899,552
Other Assets	718,969	894,598	52,664	59,424	771,633	954,022
Total Assets	$ 17,279,705	$ 16,597,157	$ 2,104,935	$ 2,060,928	$ 19,384,640	$ 18,658,085
Current Liabilities	$ 4,833,877	$ 5,135,904	$ 342,004	$ 541,660	$ 5,175,881	$ 5,677,564
Noncurrent Liabilities	4,723,597	4,535,676	358,796	341,376	5,082,393	4,877,052
Total Liabilities	$ 9,557,474	$ 9,671,580	$ 700,800	$ 883,036	$ 10,258,274	$ 10,554,616
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 5,943,503	$ 5,525,157	$ 884,486	$ 872,804	$ 6,827,989	$ 6,397,961
Restricted	2,452,423	2,387,732	520,745	86,291	2,973,168	2,474,023
Unrestricted	(673,695)	(987,312)	(1,096)	218,797	(674,791)	(768,515)
Total Net Assets	$ 7,722,231	$ 6,925,577	$ 1,404,135	$ 1,177,892	$ 9,126,366	$ 8,103,469

The largest portion, $6.8 billion of $9.1 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. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $3.0 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 $675 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 governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities increased $1.023 billion (12.6 percent) over the course of this fiscal year. This resulted from a $797 million (11.5 percent) increase in net assets of governmental activities, and a $226 million (19.2 percent) increase in net assets of business-type activities.

Changes in Net Assets
Fiscal Years Ended June 30, 2005 and 2004
(In Thousands)

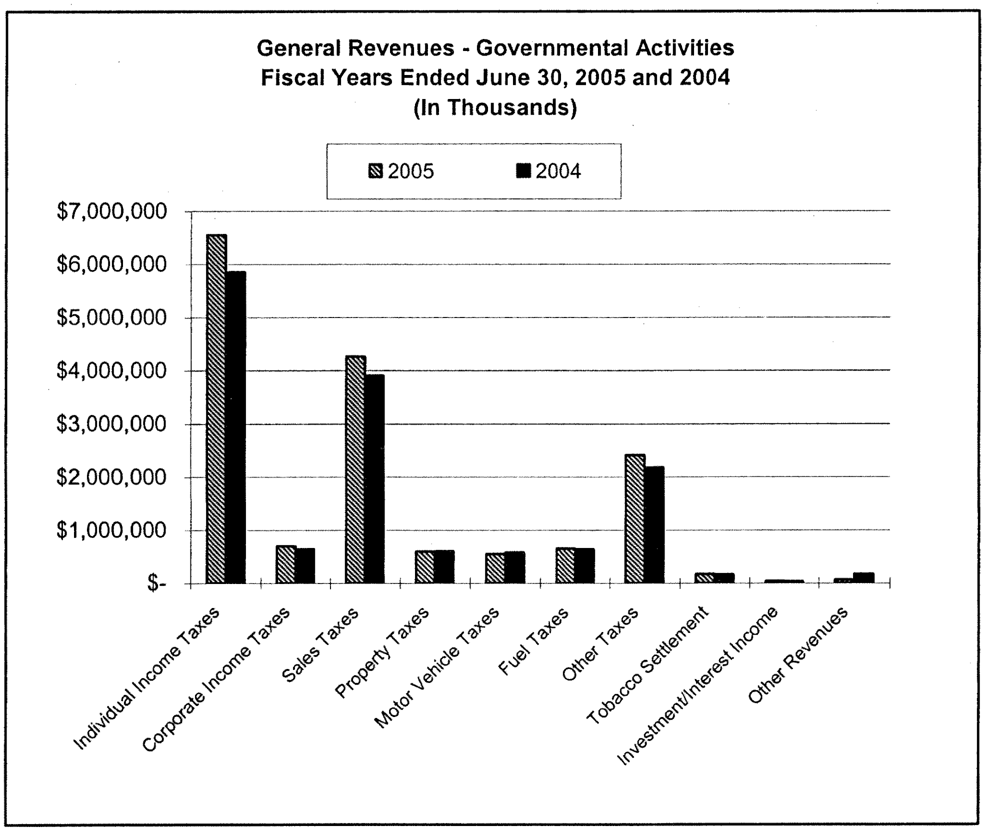
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	$ 1,144,454	$ 1,265,184	$ 2,136,827	$ 2,001,721	$ 3,281,281	$ 3,266,905
Operating Grants and Contributions	5,556,221	5,428,859	198,217	312,200	5,754,438	5,741,059
Capital Grants	261,236	269,786	1,687	2,307	262,923	272,093
General Revenues:						
Individual Income Taxes	6,556,331	5,863,383	-	-	6,556,331	5,863,383
Corporate Income Taxes	702,839	643,442	-	-	702,839	643,442
Sales Taxes	4,269,837	3,911,496	-	-	4,269,837	3,911,496
Property Taxes	603,412	608,860	-	-	603,412	608,860
Motor Vehicle Taxes	552,856	587,223	-	-	552,856	587,223
Fuel Taxes	652,493	643,964	-	-	652,493	643,964
Other Taxes	2,417,175	2,190,491	-	-	2,417,175	2,190,491
Tobacco Settlement	178,177	173,173	-	-	178,177	173,173
Investment/Interest Income	42,753	32,712	9,264	16,213	52,017	48,925
Other Revenues	63,182	178,255	12,240	2,417	75,422	180,672
Total Revenues	$ 23,000,966	$ 21,796,828	$ 2,358,235	$ 2,334,858	$ 25,359,201	$ 24,131,686
Expenses:						
Public Safety and Corrections	$ 764,307	$ 731,438	$ -	$ -	$ 764,307	$ 731,438
Transportation	1,685,256	1,662,402	-	-	1,685,256	1,662,402
Agricultural and Environmental Resources	612,566	557,414	-	-	612,566	557,414
Economic and Workforce Development	505,901	591,513	-	-	505,901	591,513
General Education	6,820,389	6,512,834	-	-	6,820,389	6,512,834
Higher Education	762,092	744,112	-	-	762,092	744,112
Health and Human Services	8,466,865	8,228,552	-	-	8,466,865	8,228,552
General Government	654,758	671,908	-	-	654,758	671,908
Intergovernmental Aid	1,284,576	1,355,683	-	-	1,284,576	1,355,683
Interest	184,573	181,323	-	-	184,573	181,323
State Colleges and Universities	-	-	1,394,893	1,385,817	1,394,893	1,385,817
Unemployment Insurance	-	-	686,818	931,659	686,818	931,659
Lottery	-	-	302,575	287,550	302,575	287,550
Other	-	-	172,886	166,923	172,886	166,923
Total Expenses	$ 21,741,283	$ 21,237,179	$ 2,557,172	$ 2,771,949	$ 24,298,455	$ 24,009,128
Excess (Deficiency) Before Transfers	$ 1,259,683	$ 559,649	$ (198,937)	$ (437,091)	$ 1,060,746	$ 122,558
Transfers	(425,180)	(471,382)	425,180	471,382	-	-
Change in Net Assets	$ 834,503	$ 88,267	$ 226,243	$ 34,291	$ 1,060,746	$ 122,558
Net Assets, Beginning	$ 6,925,577	$ 6,753,077	$ 1,177,892	$ 1,143,601	$ 8,103,469	$ 7,896,678
Prior Period Adjustments	(37,849)	84,233	-	-	(37,849)	84,233
Net Assets, Ending	$ 7,722,231	$ 6,925,577	$ 1,404,135	$ 1,177,892	$ 9,126,366	$ 8,103,469

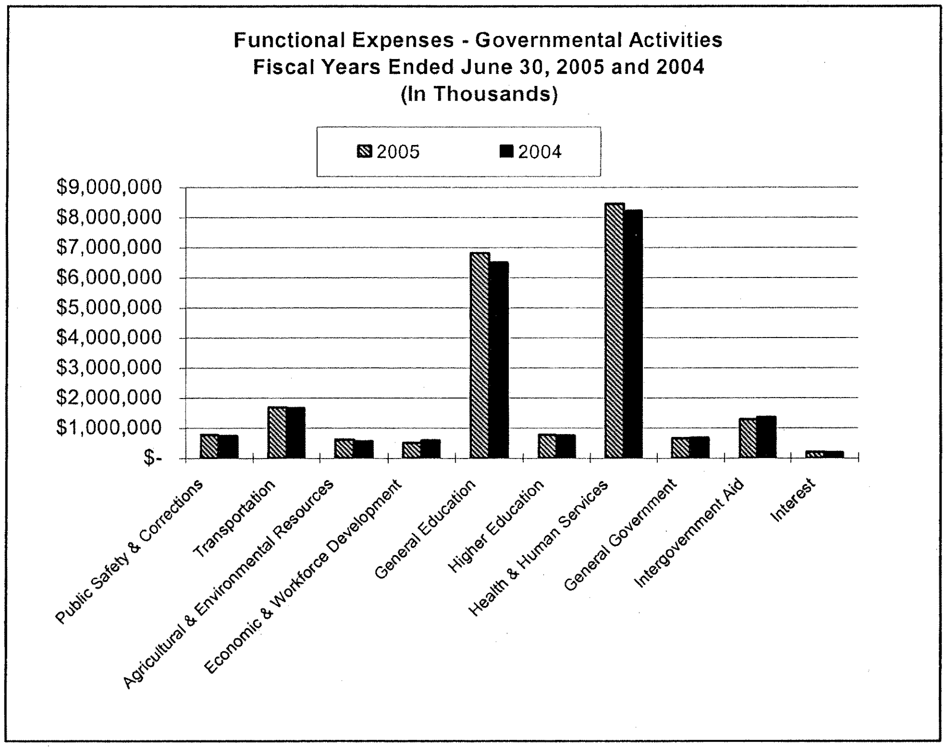
Approximately 62 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 24 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 13 percent of the total revenues. The remaining 1 percent came from other general revenues.

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

Governmental Activities

Governmental activities increased the state's net assets by $797 million, which primarily resulted from increase in revenues as a result of the continued strengthening economy following an economic downturn.

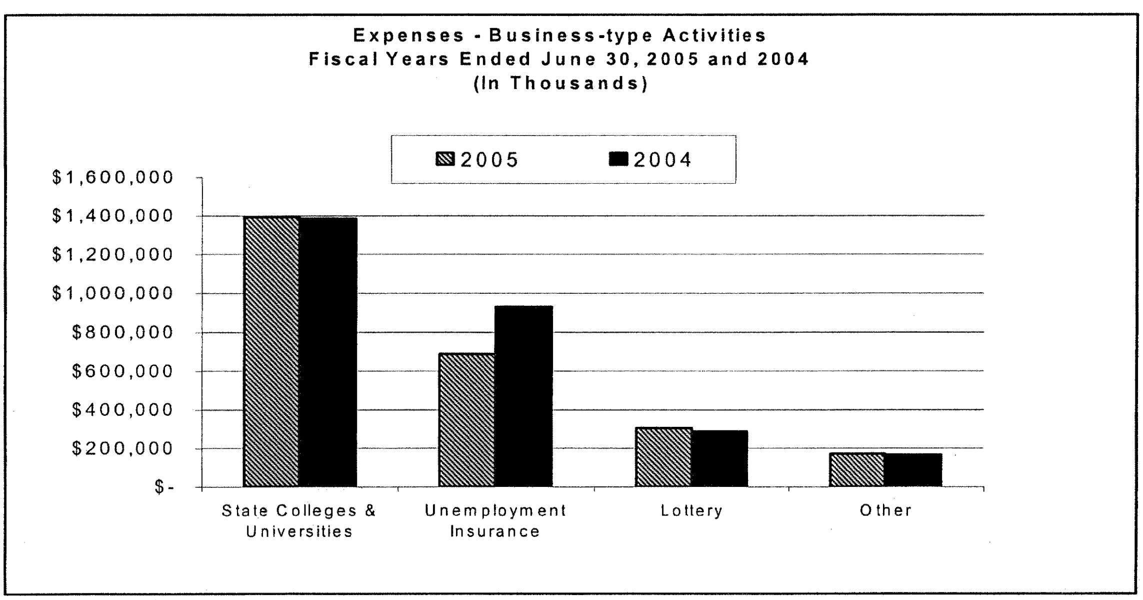




The increase in revenues was partially offset by an increase in General Education expenses resulting from a one time reduction in state general education aid expenses in fiscal year 2004.

Business-type Activities

The business-type activities had an increase in net assets of $226 million. This increase was due primarily to a $202 million increase in net assets of the Unemployment Insurance Fund, which was attributable to a decrease in expenses as a result of a decrease in the number of individuals unemployed compared to the prior year.



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 $3.556 billion, an increase of $561 million 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 $68 million, an increase of $380 million in comparison with the prior year. This improvement primarily resulted from an increase in sales and income tax receipts due to a continued rebound of the economy. The increase in corporate income taxes was partially offset by a $265 million reduction as a result of a Minnesota Supreme Court ruling that allows some corporations increased use of both the Minnesota foreign operating corporation designation and the Minnesota foreign royalty and fee subtraction. For further discussion, see the notes to the financial statements. The increase in revenues was also partially offset by an increase in General Education expenditures resulting from a one time reduction in the state general education aid expenditures in fiscal year 2004.

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 proprietary funds net assets increased by $226 million during the current year. This primarily resulted from a $202 million increase in net assets in the Unemployment Insurance Fund due to a decrease in the state's unemployment. During fiscal year 2005, the loan payable from the Federal Unemployment Account to cover unemployment benefits in the Unemployment Insurance Fund decreased $189 million to $82 million.

General Fund Budgetary Highlights

Based on the February 2005 forecast, the state's financial outlook has improved since the November 2004 forecast. This improvement was primarily caused by a projected increase in income and corporate taxes as well as sales tax. The increase in revenues during fiscal year 2005 was used to increase budgetary reserves and buy back $268 million in the school aid shift, which increased General Education expenditures.

There were no net over-expenditures or line-item over-expenditures by the General Fund departments during the current fiscal year.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2005, was $11.4 billion, less accumulated depreciation of $1.9 billion, resulting in a net book value of $9.5 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, 2005 and 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Capital Assets not Depreciated:						
Land	$ 1,559,646	$ 1,463,091	$ 74,828	$ 72,062	$ 1,634,474	$ 1,535,153
Buildings, Structures, Improvements	26,624	20,039	-	-	26,624	20,039
Construction in Progress	193,137	125,646	54,170	91,245	247,307	216,891
Infrastructure	5,519,129	5,113,949	-	-	5,519,129	5,113,949
Art and Historical Treasures	500	100	-	-	500	100
Total Capital Assets not Depreciated	$ 7,299,036	$ 6,722,825	$ 128,998	$ 163,307	$ 7,428,034	$ 6,886,132
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 1,573,229	$ 1,544,866	$ 1,704,480	$ 1,579,402	$ 3,277,709	$ 3,124,268
Infrastructure	49,201	44,285	-	-	49,201	44,285
Library Collections	-	-	48,059	45,180	48,059	45,180
Equipment, Furniture, Fixtures	374,985	362,009	280,248	282,553	655,233	644,562
Total Capital Assets Depreciated	$ 1,997,415	$ 1,951,160	$ 2,032,787	$ 1,907,135	$ 4,030,202	$ 3,858,295
Less: Accumulated Depreciation	882,584	847,159	1,051,498	997,716	1,934,082	1,844,875
Capital Assets Net of Depreciation	$ 1,114,831	$ 1,104,001	$ 981,289	$ 909,419	$ 2,096,120	$ 2,013,420
Total	$ 8,413,867	$ 7,826,826	$ 1,110,287	$ 1,072,726	$ 9,524,154	$ 8,899,552

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,200 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 2004, indicated that the average PQI for principal arterial pavement was 3.30 and 3.14 for all other pavements. The state has maintained a stable condition of pavement over the past three 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 2004, indicated that 96 percent of principal arterial system bridges and 95 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

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

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, 2005 and 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Obligation	$ 3,315,282	$ 3,055,496	$ 145,028	$ 141,859	$ 3,460,310	$ 3,197,355
Revenue	-	-	52,475	51,410	52,475	51,410
Total	$ 3,315,282	$ 3,055,496	$ 197,503	$ 193,269	$ 3,512,785	$ 3,248,765

During fiscal year 2005, the state issued the following bonds:

- $400 million in general obligation state various purpose bonds
- $120 million in general obligation state trunk highway bonds

In addition to the general obligation bonds noted above, the state issued $172 million of refunding bonds in November 2004.

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.

Questions about this report or requests for additional financial information should be addressed to the Minnesota Department of Finance, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.

2005
Comprehensive Annual
Financial Report

State of Minnesota

Basic Financial Statements

State
of
Minnesota

2005
Comprehensive Annual
Financial Report

State of Minnesota

Government-wide Financial Statements

STATEMENT OF NET ASSETS
JUNE 30, 2005
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,236,542	$ 483,924	$ 4,720,466	$ 1,375,384
Investments	985,942	23,322	1,009,264	956,109
Accounts Receivable	1,842,833	388,867	2,231,700	283,619
Due from Component Units	19,549	-	19,549	-
Due from Primary Government	-	-	-	154,611
Accrued Investment/Interest Income	19,934	18	19,952	37,731
Federal Aid Receivable	643,018	13,107	656,125	135
Inventories	17,235	19,943	37,178	33,945
Loans and Notes Receivable	67,048	8,656	75,704	158,311
Internal Balances	12,393	(12,393)	-	-
Securities Lending Collateral	300,029	13,508	313,537	244,838
Other Assets	2,346	3,032	5,378	39,156
Total Current Assets	$ 8,146,869	$ 941,984	$ 9,088,853	$ 3,283,839
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 24,800	$ 24,800	$ 304,094
Investments-Restricted	-	-	-	273,407
Accounts Receivable-Restricted	-	-	-	26,370
Due from Primary Government-Restricted	-	-	-	5,690
Other Assets-Restricted	-	108	108	42,254
Due from Component Units	107,661	-	107,661	-
Investments	-	-	-	2,648,534
Accounts Receivable	291,107	-	291,107	458,383
Loans and Notes Receivable	269,296	27,756	297,052	3,419,694
Depreciable Capital Assets (Net)	1,114,831	981,289	2,096,120	3,752,707
Nondepreciable Capital Assets	1,779,907	128,998	1,908,905	434,797
Infrastructure (Not depreciated)	5,519,129	-	5,519,129	-
Other Assets	50,905	-	50,905	13,834
Total Noncurrent Assets	$ 9,132,836	$ 1,162,951	$ 10,295,787	$ 11,379,764
Total Assets	$ 17,279,705	$ 2,104,935	$ 19,384,640	$ 14,663,603
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,432,920	$ 167,508	$ 3,600,428	$ 305,187
Due to Component Units	111,339	-	111,339	-
Due to Primary Government	-	-	-	29,934
Unearned Revenue	483,474	35,819	519,293	151,627
Accrued Bond Interest Payable	43,759	228	43,987	58,062
General Obligation Bonds Payable	276,359	10,176	286,535	499,702
Bond Premium Payable	11,447	-	11,447	-
Loans and Notes Payable	7,056	82,466	89,522	9,073
Revenue Bonds Payable	-	2,015	2,015	607,340
Claims Payable	120,055	-	120,055	107,312
Compensated Absences Payable	30,220	13,954	44,174	62,873
Workers' Compensation Liability	13,016	1,554	14,570	-
Capital Leases Payable	4,203	2,312	6,515	-
Securities Lending Liabilities	300,029	13,508	313,537	244,838
Other Liabilities	-	12,464	12,464	2,995
Total Current Liabilities	$ 4,833,877	$ 342,004	$ 5,175,881	$ 2,078,943
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 67,069
Unearned Revenue-Restricted	-	-	-	85,849
Accrued Bond Interest Payable-Restricted	-	-	-	8,490
Due to Primary Government	-	-	-	107,661
Unearned Revenue	-	-	-	68,683
General Obligation Bonds Payable	3,038,923	134,852	3,173,775	1,075,564
Bond Premium Payable	157,127	4,420	161,547	-
Loans and Notes Payable	10,074	4,910	14,984	6,772
Revenue Bonds Payable	-	50,460	50,460	2,792,306
Claims Payable	1,198,379	-	1,198,379	539,784
Compensated Absences Payable	214,259	103,785	318,044	18,612
Workers' Compensation Liability	98,001	3,594	101,595	-
Capital Leases Payable	6,834	24,185	31,019	-
Funds Held in Trust	-	-	-	82,334
Federal Student Loan Financing	-	32,590	32,590	-
Other Liabilities	-	-	-	38,605
Total Noncurrent Liabilities	$ 4,723,597	$ 358,796	$ 5,082,393	$ 4,891,729
Total Liabilities	$ 9,557,474	$ 700,800	$ 10,258,274	$ 6,970,672

CONTINUED

STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2005
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	$ 5,943,503	$ 884,486	$ 6,827,989	$ 2,679,038
Restricted for:				
Capital Projects	$ 84,969	$ -	$ 84,969	$ -
Debt Service	355,372	-	355,372	-
Transportation	752,126	-	752,126	-
Environmental Resources	481,920	-	481,920	-
Economic and Workforce Development	60,694	4,288	64,982	-
School Aid-Nonexpendable	610,284	-	610,284	-
School Aid-Expendable	107,058	-	107,058	-
Health & Human Services	-	30,709	30,709	-
Unemployment Benefits	-	217,348	217,348	-
State Colleges and Universities	-	246,625	246,625	-
Other Purposes	-	21,775	21,775	
Component Units	-	-	-	4,397,313
Total Restricted	$ 2,452,423	$ 520,745	$ 2,973,168	$ 4,397,313
Unrestricted	$ (673,695)	$ (1,096)	$ (674,791)	$ 616,580
Total Net Assets	$ 7,722,231	$ 1,404,135	$ 9,126,366	$ 7,692,931

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005
(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	$ 764,307	$ 143,998	$ 146,521	$ -
Transportation	1,685,256	17,451	290,197	261,236
Agricultural and Environmental Resources	612,566	196,047	57,728	-
Economic and Workforce Development	505,901	159,929	314,178	-
General Education	6,820,389	39,655	620,481	-
Higher Education	762,092	2	-	-
Health and Human Services	8,466,865	360,563	4,075,420	-
General Government	654,758	226,809	51,696	-
Intergovernment Aid	1,284,576	-	-	-
Interest	184,573	-	-	-
Total Governmental Activities	$ 21,741,283	$ 1,144,454	$ 5,556,221	$ 261,236
Business-type Activities:				
State Colleges and Universities	$ 1,394,893	$ 651,094	$ 178,645	$ 1,687
Unemployment Insurance	686,818	908,540	19,572	-
Lottery	302,575	408,011	-	-
Other	172,886	169,182	-	-
Total Business-type Activities	$ 2,557,172	$ 2,136,827	$ 198,217	$ 1,687
Total Primary Government	$ 24,298,455	$ 3,281,281	$ 5,754,438	$ 262,923
Component Units:				
University of Minnesota	$ 2,581,505	$ 1,052,029	$ 704,350	$ 134,774
Metropolitan Council	652,629	264,298	167,029	140,370
Housing Finance	316,931	139,812	161,354	-
Others	388,798	173,758	48,950	-
Total Component Units	$ 3,939,863	$ 1,629,897	$ 1,081,683	$ 275,144

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

Total General Revenues and Transfers

Change in Net 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
$ (473,788)		$ (473,788)	
(1,116,372)		(1,116,372)	
(358,791)		(358,791)	
(31,794)		(31,794)	
(6,160,253)		(6,160,253)	
(762,090)		(762,090)	
(4,030,882)		(4,030,882)	
(376,253)		(376,253)	
(1,284,576)		(1,284,576)	
(184,573)		(184,573)	
$ (14,779,372)		$ (14,779,372)	
	$ (563,467)	$ (563,467)	
	241,294	241,294	
	105,436	105,436	
	(3,704)	(3,704)	
	$ (220,441)	$ (220,441)	
$ (14,779,372)	$ (220,441)	$ (14,999,813)	
			$ (690,352)
			(80,932)
			(15,765)
			(166,090)
			$ (953,139)
$ 6,556,331	$ -	$ 6,556,331	$ -
702,839	-	702,839	-
4,269,837	-	4,269,837	-
603,412	-	603,412	-
552,856	-	552,856	-
652,493	-	652,493	-
2,417,175	-	2,417,175	188,194
178,177	-	178,177	-
42,753	9,264	52,017	313,591
63,182	12,240	75,422	190,594
-	-	-	763,524
(425,180)	425,180	-	-
$ 15,613,875	$ 446,684	$ 16,060,559	$ 1,455,903
$ 834,503	$ 226,243	$ 1,060,746	$ 502,764
$ 6,925,577	$ 1,177,892	$ 8,103,469	$ 7,185,749
(37,849)	-	(37,849)	8,339
-	-	-	(3,921)
$ 6,887,728	$ 1,177,892	$ 8,065,620	$ 7,190,167
$ 7,722,231	$ 1,404,135	$ 9,126,366	$ 7,692,931

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Fund Financial Statements

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Major Governmental Funds

General Fund

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

Federal Fund

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,753,660	$ 3	$ 2,321,326	$ 4,074,989
Investments	55,270	-	910,173	965,443
Accounts Receivable	1,650,509	151,852	324,442	2,126,803
Interfund Receivables	64,315	5,651	94,909	164,875
Due from Component Units	-	-	127,210	127,210
Accrued Investment/Interest Income	11,433	-	8,191	19,624
Federal Aid Receivable	-	577,691	69,447	647,138
Inventories	-	-	16,510	16,510
Loans and Notes Receivable	49,789	70	286,485	336,344
Advances to Other Funds	4,104	-	-	4,104
Securities Lending Collateral	113,863	-	175,103	288,966
Investment in Land	-	-	15,448	15,448
Total Assets	$ 3,702,943	$ 735,267	$ 4,349,244	$ 8,787,454
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,307,398	$ 665,850	$ 376,791	$ 3,350,039
Interfund Payables	15,315	36,308	100,859	152,482
Due to Component Units	89,585	1,838	19,916	111,339
Deferred Revenue	1,083,817	24,991	219,564	1,328,372
Securities Lending Liabilities	113,863	-	175,103	288,966
Total Liabilities	$ 3,609,978	$ 728,987	$ 892,233	$ 5,231,198
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 107,364	$ -	$ 223,023	$ 330,387
Reserved for Local Governments	-	-	453,044	453,044
Reserved for Trust Principal	-	-	985,996	985,996
Other Reserved Fund Balances	53,893	6,280	1,129,250	1,189,423
Total Reserved Fund Balances	$ 161,257	$ 6,280	$ 2,791,313	$ 2,958,850
Unreserved Fund Balances:				
Designated for:				
Special Revenue Funds	$ -	$ -	$ 484,012	$ 484,012
Undesignated, reported in:				
General Fund	(68,292)	-	-	(68,292)
Capital Project Funds	-	-	(8,187)	(8,187)
Special Revenue Funds	-	-	189,873	189,873
Total Unreserved Fund Balance	$ (68,292)	$ -	$ 665,698	$ 597,406
Total Fund Balances	$ 92,965	$ 6,280	$ 3,457,011	$ 3,556,256
Total Liabilities and Fund Balances	$ 3,702,943	$ 735,267	$ 4,349,244	$ 8,787,454

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, 2005
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 3,556,256
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	$ 5,519,129	
Depreciable Capital Assets	1,907,393	
Nondepreciable Capital Assets	1,764,459	
Accumulated Depreciation	(820,165)	
Total Capital Assets		8,370,816
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		824,047
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		48,618
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		130,552
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	$ (3,315,282)	
Bond Premium Payable	(168,574)	
Accrued Interest Payable on Bonds	(43,759)	
Claims Payable	(1,318,434)	
Workers' Compensation Liability	(111,017)	
Capital Leases Payable	(11,037)	
Compensated Absences Payable	(239,955)	
Total Liabilities		(5,208,058)
Net Assets of Governmental Activities		$ 7,722,231

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 6,534,422	$ -	$ -	$ 6,534,422
Corporate Income Taxes	711,136	-	-	711,136
Sales Taxes	4,280,169	-	1,222	4,281,391
Property Taxes	610,809	-	-	610,809
Motor Vehicle Taxes	384,314	-	683,130	1,067,444
Fuel Taxes	-	-	655,162	655,162
Other Taxes	1,285,358	-	614,218	1,899,576
Tobacco Settlement	175,488	-	-	175,488
Federal Revenues	90	5,238,408	368,055	5,606,553
Licenses and Fees	247,211	-	245,659	492,870
Departmental Services	45,254	12,304	193,108	250,666
Investment/Interest Income	21,936	401	119,493	141,830
Securities Lending Income	3,268	-	5,930	9,198
Other Revenues	304,284	164,466	153,398	622,148
Net Revenues	$ 14,603,739	$ 5,415,579	$ 3,039,375	$ 23,058,693
Expenditures:				
Current:				
Public Safety and Corrections	$ 460,583	$ 113,341	$ 179,336	$ 753,260
Transportation	203,121	196,742	1,244,637	1,644,500
Agricultural and Environmental Resources	190,250	30,925	356,825	578,000
Economic and Workforce Development	123,588	303,971	189,688	617,247
General Education	6,181,340	597,663	41,289	6,820,292
Higher Education	681,842	-	82,230	764,072
Health and Human Services	3,779,232	4,100,831	585,484	8,465,547
General Government	557,582	13,002	51,593	622,177
Intergovernment Aid	1,284,390	-	186	1,284,576
Securities Lending Rebates and Fees	3,194	-	5,836	9,030
Total Current Expenditures	$ 13,465,122	$ 5,356,475	$ 2,737,104	$ 21,558,701
Capital Outlay	6,388	14,539	682,850	703,777
Debt Service	17,566	17	427,538	445,121
Total Expenditures	$ 13,489,076	$ 5,371,031	$ 3,847,492	$ 22,707,599
Excess of Revenues Over (Under) Expenditures	$ 1,114,663	$ 44,548	$ (808,117)	$ 351,094
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ 507,294	$ 507,294
Loan Proceeds	-	-	17,885	17,885
Proceeds from Refunding Bonds	-	-	171,880	171,880
Payment to Refunded Bonds Escrow Agent	-	-	(171,880)	(171,880)
Bond Issue Premium	-	-	61,662	61,662
Transfers-In	389,526	801	2,061,258	2,451,585
Transfers-Out	(1,083,265)	(46,162)	(1,709,187)	(2,838,614)
Capital Leases	-	-	8,387	8,387
Net Other Financing Sources (Uses)	$ (693,739)	$ (45,361)	$ 947,299	$ 208,199
Net Change in Fund Balances	$ 420,924	$ (813)	$ 139,182	$ 559,293
Fund Balances, Beginning, as Reported	$ (327,959)	$ 7,093	$ 3,316,521	$ 2,995,655
Change in Inventory	-	-	1,308	1,308
Fund Balances, Ending	$ 92,965	$ 6,280	$ 3,457,011	$ 3,556,256

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, 2005
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	559,293
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		650,404
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported		(28,045)
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		15,109
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		1,308
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		(114,486)
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		(740,836)
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		(8,387)
Repayment of bonds is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		419,434
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		80,709
Change in Net Assets of Governmental Activities	$	834,503

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 5,930,000	$ 6,175,855	$ 6,341,164
Corporate Income Taxes	740,200	828,900	925,874
Sales Taxes	4,230,994	4,225,989	4,239,175
Property Taxes	617,582	617,774	610,874
Motor Vehicle Taxes	434,482	393,842	386,472
Other Taxes	1,141,170	1,165,379	1,147,909
Investment/Interest Income	10,000	14,600	20,123
Tobacco Settlement	167,642	175,388	175,488
Other Revenues	554,572	648,824	679,987
Net Revenues	$ 13,826,642	$ 14,246,551	$ 14,527,066
Expenditures:			
Public Safety and Corrections	$ 451,565	$ 476,701	$ 471,421
Transportation	201,435	201,773	201,773
Agricultural and Environmental Resources	190,319	195,361	194,759
Economic and Workforce Development	92,859	95,662	93,209
General Education	6,137,291	6,439,737	6,439,675
Higher Education	727,729	707,352	707,330
Health and Human Services	3,631,135	3,692,471	3,689,302
General Government	645,599	614,224	608,021
Intergovernment Aid	1,366,955	1,311,978	1,300,012
Total Expenditures	$ 13,444,887	$ 13,735,259	$ 13,705,502
Excess of Revenues Over (Under) Expenditures	$ 381,755	$ 511,292	$ 821,564
Other Financing Sources (Uses):			
Transfers-In	$ 316,517	$ 314,187	$ 338,177
Transfers-Out	(1,047,860)	(1,051,961)	(1,051,961)
Net Other Financing Sources (Uses)	$ (731,343)	$ (737,774)	$ (713,784)
Net Change in Fund Balances	$ (349,588)	$ (226,482)	$ 107,780
Fund Balances, Beginning, as Reported	$ 1,289,123	$ 1,289,123	$ 1,289,123
Prior Period Adjustments	-	-	67,949
Fund Balances, Beginning, as Restated	$ 1,289,123	$ 1,289,123	$ 1,357,072
Budgetary Fund Balances, Ending	$ 939,535	$ 1,062,641	$ 1,464,852
Less: Appropriation Carryover	-	-	53,463
Less: Budgetary Reserve	631,434	1,003,000	1,003,000
Undesignated Fund Balances, Ending	$ 308,101	$ 59,641	$ 408,389

The notes are an integral part of the financial statements.

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Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 412,648	$ 4,728	$ 66,548	$ 483,924	$ 161,545
Investments	23,322	-	-	23,322	20,499
Accounts Receivable	36,377	328,980	23,510	388,867	17,025
Interfund Receivables	14,992	-	-	14,992	-
Accrued Investment/Interest Income	-	-	18	18	310
Federal Aid Receivable	10,408	2,699	-	13,107	-
Inventories	9,684	-	10,259	19,943	725
Deferred Costs	105	-	789	894	2,346
Loans and Notes Receivable	8,656	-	-	8,656	-
Securities Lending Collateral	13,508	-	-	13,508	11,063
Other Assets	-	-	2,138	2,138	-
Total Current Assets	$ 529,700	$ 336,407	$ 103,262	$ 969,369	$ 213,513
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 22,750	$ -	$ 2,050	$ 24,800	$ -
Other Assets-Restricted	108	-	-	108	-
Deferred Costs	-	-	-	-	397
Loans and Notes Receivable	27,756	-	-	27,756	-
Depreciable Capital Assets (Net)	946,828	-	34,461	981,289	27,603
Nondepreciable Capital Assets	127,302	-	1,696	128,998	-
Total Noncurrent Assets	$ 1,124,744	$ -	$ 38,207	$ 1,162,951	$ 28,000
Total Assets	$ 1,654,444	$ 336,407	$ 141,469	$ 2,132,320	$ 241,513
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 129,841	$ 15,273	$ 22,394	$ 167,508	$ 69,158
Interfund Payables	-	15,908	11,477	27,385	-
Unearned Revenue	28,264	6,308	1,247	35,819	4,982
Accrued Bond Interest Payable	-	-	228	228	-
General Obligation Bonds Payable	9,941	-	235	10,176	-
Loans and Notes Payable	896	81,570	-	82,466	7,056
Revenue Bonds Payable	1,400	-	615	2,015	-
Workers' Compensation Liability	1,554	-	-	1,554	-
Capital Leases	2,122	-	190	2,312	-
Compensated Absences Payable	11,757	-	2,197	13,954	552
Securities Lending Liabilities	13,508	-	-	13,508	11,063
Other Liabilities	11,099	-	1,365	12,464	-
Total Current Liabilities	$ 210,382	$ 119,059	$ 39,948	$ 369,389	$ 92,811
Noncurrent Liabilities:					
General Obligation Bonds Payable	$ 131,465	$ -	$ 3,387	$ 134,852	$ -
Loans and Notes Payable	4,910	-	-	4,910	10,074
Revenue Bonds Payable	36,205	-	14,255	50,460	-
Workers' Compensation Liability	3,594	-	-	3,594	-
Capital Leases	23,320	-	865	24,185	-
Compensated Absences Payable	95,128	-	8,657	103,785	3,972
Advances from Other Funds	-	-	-	-	4,104
Federal Student Loan Financing	32,590	-	-	32,590	-
Other Liabilities	4,420	-	-	4,420	-
Total Noncurrent Liabilities	$ 331,632	$ -	$ 27,164	$ 358,796	$ 18,150
Total Liabilities	$ 542,014	$ 119,059	$ 67,112	$ 728,185	$ 110,961
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 865,805	$ -	$ 18,681	$ 884,486	$ 10,508
Restricted for:					
Bond Covenants	$ 32,364	$ -	$ -	$ 32,364	$ -
Debt Service	14,992	-	-	14,992	-
Capital Projects	9,455	-	-	9,455	-
Economic and Workforce Development	-	-	4,288	4,288	-
Health and Human Services	-	-	30,709	30,709	-
Other Purposes	17,955	-	21,775	39,730	-
Total Restricted	$ 74,766	$ -	$ 56,772	$ 131,538	$ -
Unrestricted	$ 171,859	$ 217,348	$ (1,096)	$ 388,111	$ 120,044
Total Net Assets	$ 1,112,430	$ 217,348	$ 74,357	$ 1,404,135	$ 130,552

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, 2005
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 567,859	$ -	$ -	$ 567,859	$ -
Net Sales	-	-	446,542	446,542	16,231
Rental and Service Fees	-	-	108,552	108,552	127,909
Insurance Premiums	-	855,375	18,935	874,310	510,257
Federal Revenues	165,928	19,572	-	185,500	-
State Grants	64,019	-	-	64,019	-
Other Income	19,216	53,165	3,164	75,545	6,206
Total Operating Revenues	$ 817,022	$ 928,112	$ 577,193	$ 2,322,327	$ 660,603
Less: Cost of Goods Sold	-	-	298,282	298,282	5,459
Gross Margin	$ 817,022	$ 928,112	$ 278,911	$ 2,024,045	$ 655,144
Operating Expenses:					
Purchased Services	$ 157,280	$ -	$ 25,270	$ 182,550	$ 136,325
Salaries and Fringe Benefits	954,071	-	103,876	1,057,947	42,180
Student Financial Aid	22,440	-	-	22,440	-
Unemployment Benefits	-	678,107	-	678,107	-
Claims	-	-	15,053	15,053	404,779
Depreciation	70,109	-	3,834	73,943	8,322
Amortization	-	-	71	71	104
Supplies and Materials	77,567	-	6,697	84,264	6,124
Repairs and Maintenance	31,691	-	-	31,691	-
Indirect Costs	-	-	9,248	9,248	2,316
Other Expenses	64,308	-	6,927	71,235	7,460
Total Operating Expenses	$ 1,377,466	$ 678,107	$ 170,976	$ 2,226,549	$ 607,610
Operating Income (Loss)	$ (560,444)	$ 250,005	$ 107,935	$ (202,504)	$ 47,534
Nonoperating Revenues (Expenses):					
Investment Income	$ 7,188	$ 115	$ 1,948	$ 9,251	$ 4,691
Private Grants	12,717	-	-	12,717	-
Grants and Subsidies	1,687	-	-	1,687	-
Securities Lending Income	599	-	-	599	414
Other Nonoperating Revenues	-	13,272	-	13,272	1,413
Interest and Financing Costs	(9,934)	(8,711)	(1,517)	(20,162)	(529)
Grants, Aids and Subsidies	(7,493)	-	-	(7,493)	-
Securities Lending Rebates and Fees	(586)	-	-	(586)	(405)
Other Nonoperating Expenses	-	-	(4,686)	(4,686)	(1,738)
Gain (Loss) on Disposal of Capital Assets	(1,016)	-	(16)	(1,032)	1,880
Total Nonoperating Revenues (Expenses)	$ 3,162	$ 4,676	$ (4,271)	$ 3,567	$ 5,726
Income (Loss) Before Transfers & Contributions	$ (557,282)	$ 254,681	$ 103,664	$ (198,937)	$ 53,260
Capital Contributions	36,952	-	-	36,952	-
Transfers-In	546,444	-	267	546,711	-
Transfers-Out	-	(52,312)	(106,171)	(158,483)	(38,151)
Change in Net Assets	$ 26,114	$ 202,369	$ (2,240)	$ 226,243	$ 15,109
Net Assets, Beginning, as Reported	$ 1,086,316	$ 14,979	$ 76,597	$ 1,177,892	$ 115,443
Net Assets, Ending	$ 1,112,430	$ 217,348	$ 74,357	$ 1,404,135	$ 130,552

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 638,304	$ 887,128	$ 578,582	$ 2,104,014	$ 658,721
Receipts from Grants	229,032	19,693	-	248,725	-
Receipts from Other Revenues	-	-	1,940	1,940	6,814
Receipts from Repayment of Program Loans	6,872	-	-	6,872	-
Financial Aid Disbursements	(23,610)	-	-	(23,610)	-
Payments to Claimants	-	(676,871)	(260,303)	(937,174)	(405,106)
Payments to Suppliers	(381,521)	-	(82,194)	(463,715)	(149,307)
Payments to Employees	(942,073)	-	(104,629)	(1,046,702)	(42,297)
Payments to Others	-	-	(25,144)	(25,144)	(1,859)
Payments of Program Loans	(7,789)	-	-	(7,789)	-
Net Cash Flows from Operating Activities	$ (480,785)	$ 229,950	$ 108,252	$ (142,583)	$ 66,966
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 12,717	$ -	$ -	$ 12,717	$ -
Transfers-In	546,444	-	-	546,444	-
Transfers-Out	-	(50,493)	(107,361)	(157,854)	(37,973)
Advances from Other Funds	-	651,110	-	651,110	4,630
Repayments of Advances from Other Funds	-	(835,829)	-	(835,829)	(5,226)
Interest Paid	-	(12,950)	-	(12,950)	-
Other Nonoperating Expenses	(7,493)	-	(3,796)	(11,289)	(4,686)
Other Nonoperating Revenues	1,011	13,272	-	14,283	-
Net Cash Flows from Noncapital Financing Activities	$ 552,679	$ (234,890)	$ (111,157)	$ 206,632	$ (43,255)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 36,952	$ -	$ -	$ 36,952	$ -
Investment in Capital Assets	(101,698)	-	(3,893)	(105,591)	(9,363)
Proceeds from Disposal of Capital Assets	1,508	-	21	1,529	1,809
Proceeds from Capital Debt	15,300	-	-	15,300	-
Proceeds from Loans	1,547	-	-	1,547	7,737
Capital Lease Payments	(2,618)	-	(279)	(2,897)	-
Repayment of Loan Principal	(1,055)	-	-	(1,055)	(11,456)
Repayment of Bond Principal	(11,206)	-	(532)	(11,738)	-
Interest Paid	(9,593)	-	(1,519)	(11,112)	(590)
Net Cash Flows from Capital and Related Financing Activities	$ (70,863)	$ -	$ (6,202)	$ (77,065)	$ (11,863)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 6,552	$ -	$ -	$ 6,552	$ 2,510
Purchase of Investments	(1,874)	-	-	(1,874)	(2,493)
Investment Earnings	5,667	115	1,947	7,729	5,017
Net Cash Flows from Investing Activities	$ 10,345	$ 115	$ 1,947	$ 12,407	$ 5,034
Net Increase (Decrease) in Cash and Cash Equivalents	$ 11,376	$ (4,825)	$ (7,160)	$ (609)	$ 16,882
Cash and Cash Equivalents, Beginning, as Reported	$ 424,022	$ 9,553	$ 75,758	$ 509,333	$ 144,663
Cash and Cash Equivalents, Ending	$ 435,398	$ 4,728	$ 68,598	$ 508,724	$ 161,545

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(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)	$ (560,444)	$ 250,005	$ 107,935	$ (202,504)	$ 47,534
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 70,109	$ -	$ 3,834	$ 73,943	$ 8,322
Amortization	-	-	71	71	104
Loan Principal Repayments	6,872	-	-	6,872	-
Loans Issued	(7,789)	-	-	(7,789)	-
Bad Debt Expense	681	-	-	681	-
Change in Valuation of Assets	(134)	-	9	(125)	-
Change in Assets and Liabilities:					
Accounts Receivable	(1,100)	(22,468)	1,445	(22,123)	4,707
Inventories	(74)	-	(686)	(760)	186
Other Assets	-	-	(29)	(29)	492
Accounts Payable	7,147	77	(5,060)	2,164	5,368
Compensated Absences Payable	3,647	-	448	4,095	465
Unearned Revenues	1,648	2,336	115	4,099	64
Other Liabilities	(1,348)	-	170	(1,178)	(276)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 79,659	$ (20,055)	$ 317	$ 59,921	$ 19,432
Net Cash Flows from Operating Activities	$ (480,785)	$ 229,950	$ 108,252	$ (142,583)	$ 66,966
Noncash Investing, Capital and Financing Activities:					
Donated Assets	$ 1,577	$ -	$ -	$ 1,577	$ -
Change in Fair Value of Investments	(30)	-	-	(30)	-
Capital Assets Acquired Through Leases	13,943	-	-	13,943	-
Capital Assets Purchased on Account	6,639	-	-	6,639	-
Disposal of Capital Assets	2,447	-	-	2,447	19,667
Buildings Capitalized under Notes Payable	2,199	-	-	2,199	-
Investment Earning on Account	1,417	-	-	1,417	-
Trade-in Allowance for Investment in Capital Assets	-	-	-	-	1,948
Change in Capital Asset Threshold	-	-	-	-	3,148

The notes are an integral part of the financial statements.

State of Minnesota

2005
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State of Minnesota

Fiduciary Funds

Pension Trust Funds

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

Investment Trust 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, 2005
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 4,877	$ -	$ 63,394
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,142,605	$ 34,418	$ -
Investments:			
Commercial Paper	$ 34,340	$ -	$ -
Debt Securities	9,895,372	129,236	-
Equity Securities	29,863,698	312,151	-
Mutual Funds	2,644,000	-	-
Total Investments	$ 42,437,410	$ 441,387	$ -
Accrued Interest and Dividends	$ 133,529	$ 1,809	$ -
Securities Trades Receivables (Payables)	(1,051,107)	(9,223)	-
Total Investment Pool Participation	$ 43,662,437	$ 468,391	$ -
Receivables:			
Employer Contributions	$ 15,598	$ -	$ -
Member Contributions	9,021	-	-
Accounts Receivable	-	-	9,520
Interfund Receivables	16,514	-	-
Other Receivables	40,254	-	-
Accrued Interest and Dividends	390	-	-
Total Receivables	$ 81,777	$ -	$ 9,520
Securities Lending Collateral	$ 4,859,020	$ 49,404	$ -
Depreciable Capital Assets (Net)	28,779	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 48,637,319	$ 517,795	$ 72,914
LIABILITIES			
Accounts Payable	$ 13,216	$ 72	$ 36,077
Interfund Payables	16,514	-	-
Accrued Expense	1	-	-
Revenue Bonds Payable	27,177	-	-
Bond Interest	52	-	-
Compensated Absences Payable	2,023	-	-
Securities Lending Liabilities	4,859,020	49,404	-
Funds Held in Trust	-	-	36,837
Total Liabilities	$ 4,918,003	$ 49,476	$ 72,914
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 43,719,316	$ 468,319	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST SUPPLEMENTAL RETIREMENT
Additions:		
Contributions:		
Employer	$ 597,916	$ -
Member	793,989	-
Contributions From Other Sources	9,745	-
Participating Plans	-	41,350
Total Contributions	$ 1,401,650	$ 41,350
Net Investment Income:		
Investment Income	$ 4,221,383	$ 35,622
Less: Investment Expense	(54,340)	(296)
Net Investment Income	$ 4,167,043	$ 35,326
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 113,652	$ 1,174
Borrower Rebates	(95,946)	(1,030)
Management Fees	(4,053)	-
Net Securities Lending Revenue	$ 13,653	$ 144
Total Investment Income	$ 4,180,696	$ 35,470
Transfers From Other Funds	$ 12,526	$ -
Other Additions	18,304	-
Total Additions	$ 5,613,176	$ 76,820
Deductions:		
Benefits	$ 2,485,176	$ -
Refunds/Withdrawals	192,639	45,498
Administrative Expenses	54,952	-
Transfers to Other Funds	12,526	-
Total Deductions	$ 2,745,293	$ 45,498
Net Increase (Decrease)	$ 2,867,883	$ 31,322
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 38,458,821	$ 436,997
Change in Fund Structure	2,392,612	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 40,851,433	$ 436,997
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 43,719,316	$ 468,319

The notes are an integral part of the financial statements.

State of 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 Hubert H. Humphrey Metrodome sports facility.

University of Minnesota

The multi-campus university provides under-graduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources to the benefit of the university.

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2004 and JUNE 30, 2005
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 898,763	$ 60,015	$ 156,219	$ 260,387	$ 1,375,384
Investments	201,507	175,674	128,088	450,840	956,109
Accounts Receivable	2,002	15,620	196,493	69,504	283,619
Due from Other Governmental Units	-	3,461	-	-	3,461
Due from Primary Government	-	43,286	110,916	409	154,611
Accrued Investment/Interest Income	11,151	392	4,802	21,386	37,731
Federal Aid Receivable	-	-	-	135	135
Inventories	-	15,293	18,582	70	33,945
Deferred Costs	-	-	5,020	9,859	14,879
Loans and Notes Receivable	-	105	12,318	145,888	158,311
Securities Lending Collateral	-	-	207,069	37,769	244,838
Other Assets	1,827	1,137	17,773	79	20,816
Total Current Assets	$ 1,115,250	$ 314,983	$ 857,280	$ 996,326	$ 3,283,839
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 168,862	$ 102,476	$ 1,492	$ 31,264	$ 304,094
Investments-Restricted	120,638	19,495	114,438	18,836	273,407
Accounts Receivable-Restricted	-	23,338	-	3,032	26,370
Due from Primary Government-Restricted	-	5,690	-	-	5,690
Other Assets-Restricted	-	42,254	-	-	42,254
Investments	-	-	2,467,350	181,184	2,648,534
Accounts Receivable	-	-	116,459	341,924	458,383
Loans and Notes Receivable	1,542,662	29,767	57,611	1,789,654	3,419,694
Depreciable Capital Assets (Net)	2,764	1,920,824	1,828,500	619	3,752,707
Nondepreciable Capital Assets	-	294,764	137,236	2,797	434,797
Other Assets	-	-	8,473	5,361	13,834
Total Noncurrent Assets	$ 1,834,926	$ 2,438,608	$ 4,731,559	$ 2,374,671	$ 11,379,764
Total Assets	$ 2,950,176	$ 2,753,591	$ 5,588,839	$ 3,370,997	$ 14,663,603
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 15,697	$ 54,811	$ 213,613	$ 15,577	$ 299,698
Payable to Other Governmental Units	-	1,484	-	-	1,484
Due to Primary Government	-	-	5,549	24,385	29,934
Unearned Revenue	-	5,511	95,296	50,820	151,627
Accrued Bond Interest Payable	35,959	4,453	2,499	15,151	58,062
General Obligation Bonds Payable	-	107,437	392,265	-	499,702
Loans and Notes Payable	-	-	8,861	212	9,073
Revenue Bonds Payable	559,385	810	905	46,240	607,340
Grants Payable	-	-	-	4,005	4,005
Claims Payable	-	8,305	20,840	78,167	107,312
Compensated Absences Payable	805	2,453	59,314	301	62,873
Securities Lending Liabilities	-	-	207,069	37,769	244,838
Other Liabilities	-	39	1,474	1,482	2,995
Total Current Liabilities	$ 611,846	$ 185,303	$ 1,007,685	$ 274,109	$ 2,078,943
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 34,979	$ 32,090	$ -	$ 67,069
Unearned Revenue-Restricted	-	85,849	-	-	85,849
Accrued Bond Interest Payable-Restricted	-	8,490	-	-	8,490
Due to Primary Government	-	-	62,167	45,494	107,661
Unearned Revenue	-	-	68,683	-	68,683
General Obligation Bonds Payable	-	881,078	194,486	-	1,075,564
Loans and Notes Payable	-	1,406	2,779	2,587	6,772
Revenue Bonds Payable	1,456,701	10,633	54,916	1,270,056	2,792,306
Claims Payable	-	10,204	11,747	517,833	539,784
Compensated Absences Payable	817	5,542	11,712	541	18,612
Funds Held in Trust	80,457	-	1,877	-	82,334
Other Liabilities	-	20,500	13,156	4,949	38,605
Total Noncurrent Liabilities	$ 1,537,975	$ 1,058,681	$ 453,613	$ 1,841,460	$ 4,891,729
Total Liabilities	$ 2,149,821	$ 1,243,984	$ 1,461,298	$ 2,115,569	$ 6,970,672
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 2,764	$ 1,406,846	$ 1,268,479	$ 949	$ 2,679,038
Restricted-Expendable	797,591	157,276	1,619,107	1,044,444	3,618,418
Restricted-Nonexpendable	-	-	778,895	-	778,895
Unrestricted	-	(54,515)	461,060	210,035	616,580
Total Net Assets	$ 800,355	$ 1,509,607	$ 4,127,541	$ 1,255,428	$ 7,692,931

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2004 AND JUNE 30, 2005
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 316,931	$ 652,629	$ 2,581,505	$ 388,798	$ 3,939,863
Program Revenues:					
Charges for Services	$ 139,812	$ 264,298	$ 1,052,029	$ 173,758	$ 1,629,897
Operating Grants and Contributions	161,354	167,029	704,350	48,950	1,081,683
Capital Grants and Contributions	-	140,370	134,774	-	275,144
Net (Expense) Revenue	$ (15,765)	$ (80,932)	$ (690,352)	$ (166,090)	$ (953,139)
General Revenues:					
Taxes	$ -	$ 188,194	$ -	$ -	$ 188,194
Investment Income	-	8,836	275,059	29,696	313,591
Other Revenues	775	-	184,727	5,092	190,594
Total General Revenues before Grants	$ 775	$ 197,030	$ 459,786	$ 34,788	$ 692,379
State Grants Not Restricted	34,257	-	573,392	155,875	763,524
Total General Revenues	$ 35,032	$ 197,030	$ 1,033,178	$ 190,663	$ 1,455,903
Change in Net Assets	$ 19,267	$ 116,098	$ 342,826	$ 24,573	$ 502,764
Net Assets, Beginning, as Reported	$ 781,088	$ 1,393,509	$ 3,784,715	$ 1,226,437	$ 7,185,749
Prior Period Adjustment	-	-	-	8,339	8,339
Change in Fund Structure	-	-	-	(3,921)	(3,921)
Net Assets, Beginning, as Restated	$ 781,088	$ 1,393,509	$ 3,784,715	$ 1,230,855	$ 7,190,167
Net Assets, Ending	$ 800,355	$ 1,509,607	$ 4,127,541	$ 1,255,428	$ 7,692,931

The notes are an integral part of the financial statements.

State of Minnesota

Index of Notes to the Financial Statements

State
of
Minnesota

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. 40, "Deposit and Investment Risk Disclosures" was issued in March 2003. The statement provides additional guidance on informing financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. Generally, the statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Included in interest rate risk are certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The state implemented this statement during the fiscal year ended June 30, 2005.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota legislature or its constitutional officers. The state, a primary government, has also considered including 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 established criteria for 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 entities are legally separate from the state, but the state is financially accountable for them, 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 separately and identified separately in the note disclosures because of their separate legal status. The state does not have any blended component units.

Component units are classified as 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 University of Minnesota are classified as 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 in this report 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 constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. 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 and the Metropolitan Radio Board as component units. The fiscal year for MC 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 U of M includes several foundations as component units as required by GASB Statement No 39. 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 has 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 and the director of HESO. As of July 1, 2005, the name of this component unit is Minnesota Office of Higher Education.

- Minnesota Partnership for Action Against Tobacco (MPAAT) – MPAAT issues grants to health, community, and academic organizations throughout Minnesota to support 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.

- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF 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 appoints foundation board members, 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 RFA programs.

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

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 for each of these component units.

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

Housing Finance Agency 400 Sibley Street Suite 300 St. Paul, Minnesota 55101	Minnesota Partnership for Action Against Tobacco Two Appletree Square, Suite 400 8011 34^{th} Avenue South Minneapolis, Minnesota 55425
Metropolitan Council Mears Park Centre 230 East 5^{th} Street St. Paul, Minnesota 55101	National Sports Center Foundation National Sports Center 1700 105^{th} Avenue Northeast Blaine, Minnesota 55449
University of Minnesota 657A West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Public Facilities Authority Department of Employment & Economic Development 1^{st} National Bank Bldg., 332 Minnesota St., Suite E200 St. Paul, Minnesota 55101-1351
Higher Education Services Office 1450 Energy Park Drive Suite 350 St. Paul, Minnesota 55108	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 state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

- Medical Malpractice Joint Underwriting Association – The state commissioner of the Department of Commerce and the governor appoint a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

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

- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

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 government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize 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 in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the General Government function.

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

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 how much of 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. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. 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, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

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 excluded from the government-wide financial statements. The emphasis in fund statements is on the major funds in the governmental or business-type categories. Nonmajor funds are summarized into single columns.

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, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental 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 two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund receives and disburses federal government grants and reimbursements.

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 followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to 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, plant management, central services such as mailing, and intertechnologies, which directs and supports the automated systems of the state.

The state has two major enterprise funds. The State Colleges and Universities Fund accounts for the activities of Minnesota State Colleges 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, or other governmental units. Pension, investment trust, and agency fund types are included in this fund category.

- 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 measurement focus of each fund determines the financial reporting treatment applied to a 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 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 late August 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 with one exception. Trunk Highway Fund expenditures incurred by June 30, 2005, but not converted to Federal funding by the close of the federal fiscal year are not recognized as federal revenues. Expenditures and other uses of financial resources are recognized when the related liabilities are incurred.

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.

Agency funds use the accrual basis of accounting, but do not have a measurement focus because agency funds do not recognize revenues and expenditures.

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 reported as nonoperating items.

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

Revenues – Taxes on property, individual income, and sales, 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 is estimated and recorded as reductions in revenue in the period when the related tax is received. Revenues collected in advance, 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 equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

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 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 fund), inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Assets or the Balance Sheet, as appropriate for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Assets; or the Statement of Changes in Net Assets, as appropriate for the particular fund type.

Restricted Assets

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted assets. In the enterprise funds, the excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable.

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, 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 providing 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 land, buildings, 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 of at least three years.

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; therefore, 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 GASB Statement No. 34, depreciation is reported on assets other than transportation infrastructure using the modified approach, land, construction in progress, works of art and historical treasures. The state capitol is considered a historical 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, a portion of depreciation expense is included in the cost of goods sold amount; therefore, depreciation expense reported on the Statement of Cash Flows exceeds depreciation expense reported on the Statement of Revenues, Expenses and Changes in Net Assets.

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. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in notes to the Required Supplementary Information. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

For proprietary funds, assets are classified as current or noncurrent at fund level, but assets 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, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. 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

Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, postretirement 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 Liabilities 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 the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

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 Balances

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" 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 may be carried forward to the following 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 by 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

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for residual amounts between governmental and business-type activities.

See Note 5 – Interfund Transactions for additional information.

Change in Fund Structure

Within the internal service fund type, the State Printer Fund, which accounted for the operations of print and central mail services, was transferred to the Central Services Fund. While central mail services continue to operate, the operation of state print shops has been discontinued. The change in fund structure was $215,000.

During the year ended June 30, 2005, the Trunk Highway Bond Proceeds Fund, previously reported as part of the Trunk Highway Fund (special revenue fund), was reclassified to the Transportation Fund (capital project fund). This fund accounts for bond activity related to the state trunk highway system. The change in fund structure was $28,952,000.

Change in Reporting Entity

Primary Government

Prior to the year ended June 30, 2005, only the portion of the investments of the State Deferred Compensation Fund (fiduciary fund) managed by the State Board of Investment (SBI) was included in the state's reporting entity. On July 1, 2004, the Minnesota State Retirement System (MSRS) increased its administrative responsibilities for the fund. Because of these increased administrative responsibilities and SBI's oversight of the mutual fund money managers, the state is considered to be holding these assets in connection with its fiduciary responsibilities. The change in reporting entity for the State Deferred Compensation Fund represents the value of all assets of the plan held in mutual funds, which are now included in the financial statements. The change is reported as an increase of $2,392,612,000 in net assets held in trust.

Component Unit

As of July 1, 2004, the state no longer provides funding to Minnesota Technology, Inc.; therefore, the entity is not reported as a discretely presented component unit of the state. This change is reported as a decrease of $3,921,000 in net assets.

Note 2 – Cash and Investments

Primary Government

Cash and Cash Equivalents

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

Deposits

Minnesota Statutes, 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. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

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

Generally, when applicable, the statutes limit investments to those rated within the top four quality ratings categories by a nationally recognized rating agency. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds may not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analyses of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Lehman Aggregate Bond Index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within investment type.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit investments in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers contain any guidelines or limitations regarding credit risk.

The primary government's investments, excluding pension trust and investment trust funds, as of June 30, 2005, are presented below using the Standard and Poor's rating scale.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2005 (In Thousands)

			Lowest of S & P and Moody S & P Equivalent Rating			
	Fair Value	Weighted Average Maturity (Years)	AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities						
U.S. Treasury	$ 17,479	9.07	100%	-	-	-
U.S. Agencies	457,045	14.12	100%	-	-	-
Mortgage-Backed Securities	40,600	15.79	57%	43%	-	-
State or Local Government Bonds	104,593	3.13	97%	3%	-	-
Corporate Bonds	246,779	25.09	26%	60%	12%	2%
Commercial Paper	3,394,397	0.11	100%	-	-	-
Repurchase Agreements	783,538	-	-	-	-	100%
Short-Term Securities	243,606	0.63	51%	16%	-	33%
Total Debt Securities	$ 5,288,037					
Equity Investments						
Corporate Stock	$ 554,167					
Alternative Equities	3,966					
Total Equity Investments	$ 558,133					
Other Investments						
Escheat Property	$ 45,685					
Money Market Accounts	9,644					
Total Equity Investments	$ 55,329					
Total Investments	$ 5,901,499 [1]					

[1] Total investments exceed the amount shown on the face of the financial statements because amounts invested represent total cash on hand while amounts on the financial statements are reduced by outstanding warrants.

Investments of the pension trust and investment trust funds are presented below:

Primary Government
Pension Trust and Investment Trust Funds Investments
As of June 30, 2005
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lowest of S & P and Moody S & P Equivalent Rating AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities						
U.S. Treasury	$ 2,281,657	7.52	100%	-	-	-
U.S. Agencies	3,688,616	6.71	95%	-	-	5%
Mortgage-Backed Securities	1,640,852	27.32	86%	4%	-	10%
State or Local Government Bonds	287,438	5.79	65%	27%	2%	6%
Corporate Bonds	2,487,646	5.25	18%	62%	18%	2%
Commercial Paper	280,354	4.11	93%	7%	-	-
Repurchase Agreements	53,416	-	-	-	-	100%
Short-Term Securities	1,352,139	0.15	27%	11%	-	62%
Total Debt Securities	$ 12,072,118					
Equity Investments						
Corporate Stock	$ 26,070,945					
Stock Options	95,180					
Alternative Equities	3,728,512					
Mutual Funds	3,089,065					
Total Equity Investments	$ 32,983,702					
Total Investments	$ 45,055,820					

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes, Section 11A.24, established the following parameters:

Unrated Corporate Obligations:

- Aggregate value may not exceed five percent of the market or book value, whichever is less, of the fund being invested.
- SBI's participation is limited to 50 percent of a single offering.
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock:

- Aggregate value of corporate stock may not exceed 85 percent of the market or book value, whichever is less, of a fund.
- Generally, investment in corporate stock may not exceed five percent of the total outstanding shares of any one corporation.

The primary government, excluding pension trust and investment trust funds, did not have concentration of credit risk as of June 30, 2005. Pension trust and investment trust funds had 23.0 percent of the funds' debt securities investments or 6.2 percent of the funds' total investments in the Federal National Mortgage Association.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country's legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2005.

The following table presents foreign currency risk for pension trust and investment trust funds:

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2005
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 7,513	$ 6,620	$ 227,044
Canadian Dollar	6,857	3,647	280,507
Euro	21,407	80,717	1,612,182
Hong Kong Dollar	1,097	-	168,870
Japanese Yen	16,403	-	1,027,595
New Taiwan Dollar	1,862	-	94,742
Pound Sterling	5,943	5,501	1,203,635
South African Rand	541	-	66,865
South Korean Won	-	-	101,782
Swedish Krona	1,448	-	102,261
Swiss Franc	565	-	371,785
Other	3,222	-	332,563
Total	$ 66,858	$ 96,485	$ 5,589,831

Custodial Risk - Investments

Custodial risk for investments is the risk that, in the event of a failure of the counter party, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota statutes do not prohibit the state from participating in securities lending transactions. The state has, by 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 100 percent 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, 2005
(In Thousands)

	Wells Fargo	State Street
Fair Value of Securities on Loan	$ 283,684	$ 5,110,997
Collateral Held	$ 288,080	$ 5,426,995
Average Duration	29 days	37 days
Average Weighted Maturity	29 days	403 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, 2005, 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' funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Component Units

The University of Minnesota and the Metropolitan Council (major 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.

University of Minnesota

The University of Minnesota (U of M) does not have a policy for custodial risk of deposits. As of June 30, 2005, $20,521,000 of the U of M's bank balance of $20,621,000 was uninsured and uncollateralized.

The U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes the U of M investment policies and objectives. U of M uses internal investment pools designed to maximize investment return within consistent risk parameters for each pool.

The U of M has established policies to address the various types of investment risks. As of June 30, 2005, the U of M, including its discretely presented component units, had $157,711,000 of cash and cash equivalents and $2,709,876,000 of investments. The U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $131,694,000 and investments of $1,329,814,000.

The U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2005, $622,466,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $525,005,000 was rated AAA
- $34,306,000 was rated A or AA
- $62,089,000 was rated BB or BBB
- $1,066,000 was not rated

The securities subject to interest rate risk were comprised of:

- $306,639,000 in government agencies with a duration of 2.70 years
- $79,959,000 in corporate bonds with a duration of 1.06 years
- $75,967,000 in mortgage backed securities with a duration of 3.56 years
- $120,366,000 in cash and cash equivalents with a duration of .003 year
- $39,535,000 in other types of securities (primarily mutual funds) with a duration of 4.02 years

As of June 30, 2005, U of M had $120,133,000 of equity investments subject to foreign currency risk. The three largest components of this amount are as follows:

Euro	$ 42,695,000
Japanese Yen	$ 29,819,000
Pound Sterling	$ 27,263,000

Metropolitan Council

Metropolitan Council (MC) has investment policies to address the various types of investment risks. As of December 31, 2004, MC had a cash and investment portfolio of $357,660,000. Of this amount, $314,620,000 was subject to rating. $194,009,000 of these investments were rated Aaa using the Moody's rating scale. $114,368,000 was commercial paper rated at A-1 or P-1, while $6,243,000 was not rated.

MC has adopted the simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2004. The investment portfolio has an average yield of 3.33 percent, modified duration of 3.74 years, effective duration of 1.84 years, and convexity of -.49.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

	Estimated Fair Value
December 31, 2004	$ 166,538,000
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	$ 163,032,000
100 Points	$ 158,975,000
150 Points	$ 155,046,000
200 Points	$ 151,280,000

Housing Finance Agency

Housing Finance Agency (HFA) investments had an estimated fair market value of $322,145,000 as of June 30, 2005. All investment agreement providers have a Standard & Poor's long-term credit rating of 'AA-' or higher and a Moody's Investors Service long-term credit rating of 'Aa3' or higher. The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and collateral is not provided.

As of June 30, 2005, HFA had $1,389,770,000 of cash, cash equivalents, and investments. Of this amount, 82 percent had maturities of less than 0.5 year, with 12.8 percent having maturities of 0.5 – 2 years.

HFA investments in any single issuer that exceeded five percent of total investments amounted to $751,069,000. These investments involved IXIS Funding Corporation, Bayerische Landesbank, and FSA Capital Management Services.

As of June 30, 2005, $122,086,000 of deposits and $146,924,000 of investment securities were subject to custodial risk.

Nonmajor Component Units

The following table presents the cash, cash equivalents, and investments by nonmajor component unit.

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 9,814,000	$ 18,836,000
Higher Education Services Office	89,841,000	20,012,000
Minnesota Partnership for Action Against Tobacco	39,000	153,282,000
National Sports Center Foundation	394,000	-
Public Facilities Authority	146,521,000	188,412,000
Rural Finance Authority	16,813,000	-
Workers' Compensation Assigned Risk Plan	28,229,000	270,318,000
Total	$ 291,651,000	$ 650,860,000

Note 3 – Disaggregation of Receivables

The following are the components of net accounts receivable as reported in the government-wide Statement of Net Assets as of June 30, 2005:

Components of Net Receivables
As of June 30, 2005
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 441,569	$ -	$ -	$ 441,569
Sales and Use	326,499	-	-	326,499
Property	280,554	-	-	280,554
Health Care Provider	157,106	-	66,573	223,679
Highway Users	-	-	62,010	62,010
Other	142,208	-	-	142,208
Child Support	91,441	93,799	-	185,240
Workers' Compensation	-	-	109,185	109,185
Other	211,132	58,053	93,811	362,996
Net Receivables	$ 1,650,509	$ 151,852	$ 331,579	$ 2,133,940

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	$ -	$ 328,980	$ -	$ 328,980
Tuition and Fees	36,377	-	-	36,377
Other	-	-	23,510	23,510
Net Receivables	$ 36,377	$ 328,980	$ 23,510	$ 388,867
Total Government-wide Net Receivables				$ 2,522,807

[1]Includes $7,137 Internal Service Funds.

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

- Corporate and Individual Taxes $198,268,000
- Sales and Use Taxes $49,511,000
- Child Support $367,187,000
- Other Receivables $111,886,000

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

- Corporate and Individual Taxes $72,844,000
- Sales and Use Taxes $13,688,000
- Child Support $120,848,000
- Health Care Provider $60,810,000
- Other Receivables $22,917,000

Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2005, consisted of the following:

Primary Government
Loans and Notes Receivable
As of June 30, 2005
(In Thousands)

	General Fund	Federal Fund	Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ -	$ 36,412
Economic Development	49,113	-	47,339	37,826	-
School Districts	-	-	112,963	-	-
Energy	-	-	-	1,814	-
Agricultural	144	-	47,915	-	-
Transportation	-	-	22,857	-	-
Resources	532	-	14,383	-	-
Other	-	70	1,367	21	-
Total	$ 49,789	$ 70	$ 246,824	$ 39,661	$ 36,412

Component Units
Loans and Notes Receivable
As of June 30, 2005
(In Thousands)

Housing Finance Authority	$ 1,542,662
Metropolitan Council	29,872
University of Minnesota	69,929
Agricultural and Economic Development Board	20,748
Higher Education Services Office	560,679
Public Facilities Authority	1,310,809
Rural Finance Authority	43,306
Total	$ 3,578,005

Note 5 – Interfund Transactions

Primary Government

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

In the fund 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, 2005
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	35,624
Nonmajor Governmental Funds		18,686
Nonmajor Enterprise Funds		10,005
Total Due to General Fund From Other Funds	$	64,315
Due to the Federal Fund From:		
Nonmajor Governmental Funds	$	5,651
Total Due to Federal Fund From Other Funds	$	5,651
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	14,992
Total Due to State Colleges and Universities From Other Funds	$	14,992
Due to the Fiduciary Funds From:		
Fiduciary Funds	$	16,514
Total Due to Fiduciary Funds From Other Fiduciary Funds	$	16,514
Due to the Nonmajor Governmental Funds From:		
General Fund	$	15,315
Federal Fund		684
Unemployment Insurance Fund		15,908
Nonmajor Governmental Funds		61,530
Nonmajor Enterprise Funds		1,472
Total Due to Nonmajor Governmental Funds From Other Funds	$	94,909

The Central Motor Pool Fund had an outstanding advance of $4,104,000 from the General Fund as of June 30, 2005. This advance is not expected to be repaid within one year.

Interfund Transfers
Year Ended June 30, 2005
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	19,052
Nonmajor Governmental Funds		281,521
Nonmajor Enterprise Funds		58,636
Internal Service Funds		30,317
Total Transfers to General Fund From Other Funds	$	389,526
Transfers to the Federal Fund From:		
General Fund	$	707
Unemployment Insurance Fund		76
Nonmajor Governmental Funds		18
Total Transfers to Federal Fund From Other Funds	$	801
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	546,444
Nonmajor Governmental Funds – Capital Contributions		36,952
Total Transfers to State Colleges and Universities From Other Funds	$	583,396
Transfers to the Fiduciary Funds From:		
Fiduciary Funds	$	12,526
Total Transfers to Fiduciary Funds From Other Funds	$	12,526
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	536,114
Federal Fund		27,110
Unemployment Insurance Fund		52,236
Nonmajor Governmental Funds		1,390,429
Nonmajor Enterprise Funds		47,535
Internal Service Funds		7,834
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	2,061,258
Transfers to the Nonmajor Enterprise Funds From:		
Nonmajor Governmental Funds	$	267
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	267

Component Units

Receivables and payables as of June 30, 2005, between the primary government and component units, are summarized as follows:

Primary Government and Component Units
Receivables and Payables
As of June 30, 2005
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units		
Metropolitan Council	$ 48,976	$ -
University of Minnesota	110,916	67,716
Total Major Component Units	$ 159,892	$ 67,716
Nonmajor Component Units	$ 409	$ 69,879
Total Component Units	$ 160,301	$ 137,595

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ -	$ 89,585
Federal Fund	-	1,838
Total Major Governmental Funds	$ -	$ 91,423
Nonmajor Governmental Funds	$ 127,210	$ 19,916
Total Primary Government	$ 127,210	$ 111,339

Due to primary government exceeds due from component units by $10,385,000 for amounts owed to the primary government by Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation because the fiscal year end used by the component units differs from the primary government. The rationale is the same for due from primary government exceeding due to component units by $48,962,000.

Note 6 – Capital Assets

Primary Government

Capital Asset Activity
Year Ended June 30, 2005 (In Thousands)

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 1,463,091	$ 119,889	$ (23,334)	$ 1,559,646
Buildings, Structures, Improvements	20,039	6,585	-	26,624
Construction in Progress	125,646	103,425	(35,934)	193,137
Infrastructure	5,113,949	448,331	(43,151)	5,519,129
Art and Historical Treasures	100	400	-	500
Total Capital Assets not Depreciated	$ 6,722,825	$ 678,630	$ (102,419)	$ 7,299,036
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 1,544,866	$ 29,013	$ (650)	$ 1,573,229
Infrastructure	44,285	4,916	-	49,201
Equipment, Furniture, Fixtures	362,009	47,511	(34,535)	374,985
Total Capital Assets Depreciated	$ 1,951,160	$ 81,440	$ (35,185)	$ 1,997,415
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (613,761)	$ (29,071)	$ -	$ (642,832)
Infrastructure	(3,463)	(1,126)	-	(4,589)
Equipment, Furniture, Fixtures	(229,935)	(31,602)	26,374	(235,163)
Total Accumulated Depreciation	$ (847,159)	$ (61,799)	$ 26,374	$ (882,584)
Total Capital Assets Depreciated, Net	$ 1,104,001	$ 19,641	$ (8,811)	$ 1,114,831
Governmental Act. Capital Assets, Net	$ 7,826,826	$ 698,271	$ (111,230)	$ 8,413,867
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 72,062	$ 2,766	$ -	$ 74,828
Construction in Progress	91,245	72,841	(109,916)	54,170
Total Capital Assets not Depreciated	$ 163,307	$ 75,607	$ (109,916)	$ 128,998
Capital Assets Depreciated:				
Buildings	$ 1,562,887	$ 124,318	$ -	$ 1,687,205
Library Collections	45,180	7,013	(4,134)	48,059
Improvements, Other than Buildings	16,515	760	-	17,275
Equipment, Furniture, Fixtures	282,553	16,405	(18,710)	280,248
Total Capital Assets Depreciated	$ 1,907,135	$ 148,496	$ (22,844)	$ 2,032,787
Accumulated Depreciation for:				
Buildings	$ (780,369)	$ (44,436)	$ -	$ (824,805)
Library Collections	(24,682)	(6,828)	4,133	(27,377)
Improvements, Other than Buildings	(2,137)	(465)	-	(2,602)
Equipment, Furniture, Fixtures	(190,528)	(22,214)	16,028	(196,714)
Total Accumulated Depreciation	$ (997,716)	$ (73,943)	$ 20,161	$ (1,051,498)
Total Capital Assets Depreciated, Net	$ 909,419	$ 74,553	$ (2,683)	$ 981,289
Business-type Act. Capital Assets, Net	$ 1,072,726	$ 150,160	$ (112,599)	$ 1,110,287
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,547	$ -	$ -	$ 29,547
Equipment, Furniture, Fixtures	6,743	190	(202)	6,731
Total Capital Assets Depreciated	$ 36,290	$ 190	$ (202)	$ 36,278
Accumulated Depreciation for:				
Buildings	$ (2,213)	$ (736)	$ -	$ (2,949)
Equipment, Furniture, Fixtures	(4,195)	(548)	193	(4,550)
Total Accumulated Depreciation	$ (6,408)	$ (1,284)	$ 193	$ (7,499)
Total Capital Assets Depreciated, Net	$ 29,882	$ (1,094)	$ (9)	$ 28,779
Fiduciary Funds, Capital Assets, Net	$ 30,311	$ (1,094)	$ (9)	$ 29,208

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, 2005
(In Thousands)

Governmental Activities:	
Public Safety and Corrections	$ 10,370
Transportation	15,631
Agricultural and Environmental Resources	5,490
Economic and Workforce Development	1,386
General Education	2,555
Health and Human Services	9,106
General Government	8,835
Internal Service Funds	8,426
Total Governmental Activities	$ 61,799
Business-type Activities:	
State Colleges and Universities	$ 70,109
Lottery	389
Other	3,445
Total Business-type Activities	$ 73,943

Capital outlay expenditures in the governmental funds totaled $703,777,000 for fiscal year 2005. Donations of general capital assets received during fiscal year 2005 were valued at $4,371,000. Transfers from construction in progress to completed construction were $37,867,000. Increases in internal service funds were $14,048,000 and the Permanent School Fund increased by $7,000.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2005, consisted of equipment with a cost of $10,299,000.

Authorizations and commitments as of June 30, 2005, for the largest construction in progress projects consisted of the following (in thousands):

	Administration Projects	Military Affairs	Correctional Facilities	Human Services
Authorization	$ 76,485	$ 2,383	$ 10,450	$ 3,619
Expended through June 30, 2005	67,606	707	6,516	176
Unexpended Commitment	5,847	-	555	3,154
Available Authorization	$ 3,032	1,676	$ 3,379	$ 289

Land in the Permanent School Fund totaling 2,516,359 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, 2004, or June 30, 2005, as applicable:

Capital Assets
As of December 31, 2004 or June 30, 2005
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land	$ -	$ 294,764	$ 137,236	$ 2,797	$ 434,797
Buildings and Improvements	-	2,350,762	2,347,596	599	4,698,957
Equipment	4,032	536,696	665,356	1,783	1,207,867
Infrastructure	-	-	305,496	-	305,496
Total	$ 4,032	$ 3,182,222	$ 3,455,684	$ 5,179	$ 6,647,117
Less: Accumulated Depreciation	1,268	966,634	1,544,361	1,763	2,514,026
Net Total	$ 2,764	$ 2,215,588	$ 1,911,323 (1)	$ 3,416	$ 4,133,091

(1) In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of $54,413 as of June 30, 2005.

Note 7 – Disaggregation of Payables

The following are the components of accounts payable as reported in the government-wide Statement of Net Assets as of June 30, 2005:

Components of Accounts Payable
As of June 30, 2005
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 971,456	$ 131,568	$ 11	$ 1,103,035
Tax Refunds	708,124	-	-	708,124
Medical Assistance	319,689	364,388	22,149	706,226
Grants	195,086	116,354	178,785	490,225
Salaries and Benefits	53,884	7,846	41,113	102,843
Vendors/Service Providers	46,160	41,279	175,064	262,503
Other	12,999	4,415	42,550	59,964
Net Payables	$ 2,307,398	$ 665,850	$ 459,672	$ 3,432,920

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 90,302	$ -	$ 3,716	$ 94,018
Vendors/Service Providers	33,294	-	3,822	37,116
Other	6,245	15,273	14,856	36,374
Net Payables	$ 129,841	$ 15,273	$ 22,394	$ 167,508
Total Government-wide Net Payables				$ 3,600,428

[1]Includes $59,271 Internal Service Funds and $23,610 long-term loan payable for the Trunk Highway Fund.

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 Retirement Fund
	Correctional Employees Retirement Fund
	Elective State Officers Fund
	Judicial Retirement Fund
	Legislative Retirement Fund
	State Patrol Retirement Fund
	Unclassified Employees Retirement Fund
	Postretirement Health Care Benefits Fund
	State Deferred Compensation 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
	Defined Contribution Retirement Fund

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 in the period in which they are earned and become measurable. Expenses are recognized 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 market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by SBI. The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds because the amounts are an essential element of the determination of the fair value of each pension trust fund's pooled investment balance. As of June 30, 2005, this presentation resulted in a negative asset within the funds' investments.

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 sixty five (565) 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.

  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 some members of the state's house of representatives and senate. Legislators newly elected since January 1997 are covered by the Unclassified Employee Retirement Fund. 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	2005	$ 83,101	$ 160,982
	2004	$ 82,103	$ 159,140
	2003	$ 83,850	$ 155,577
Employer[1]	2005	$ 80,312	$ 157,693
	2004	$ 78,622	$ 151,029
	2003	$ 80,399	$ 149,481

[1]Contributions were at least 100 percent of required contributions.

Single Employer Plan Disclosures for Current Year (In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 24,128	$ 10,368	$ 3,155	$ 9,608
Interest on Net Pension Obligation (NPO)[1]	(454)	(731)	(749)	(2,539)
Amort Adj to ARC[1]	441	710	695	1,608
Annual Pension Cost	$ 24,115	$ 10,347	$ 3,101	$ 8,677
Contributions	(18,959)	(9,887)	(2,205)	(11,187)
Increase (Decrease) in NPO	$ 5,156	$ 460	$ 896	$ (2,510)
NPO, Beginning Balance, as Reported	$ (6,249)	$ (9,247)	$ (9,155)	$ (30,124)
Adjustment From Estimated to Actual Covered Payroll	911	652	339	253
NPO, Beginning Balance, as Adjusted	$ (5,338)	$ (8,595)	$ (8,816)	$ (29,871)
NPO, Ending (Asset)	$ (182)	$ (8,135)	$ (7,920)	$ (32,381)

[1]Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2005	$ 24,115	$ 10,347	$ 3,101	$ 8,677
	2004	$ 20,846	$ 9,222	$ 2,281	$ 8,344
	2003	$ 19,071	$ 8,986	$ 2,197	$ 7,055
Percentage of APC Contributed	2005	79%	96%	71%	129%
	2004	88%	106%	34%	132%
	2003	95%	106%	265%	161%
NPO (End of Year)	2005	$ (182)	$ (8,135)	$ (7,920)	$ (32,381)
	2004	$ (5,338)	$ (8,595)	$ (8,816)	$ (29,871)
	2003	$ (7,809)	$ (8,064)	$ (10,329)	$ (27,218)

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, 2004.
- 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 as of June 30, 2004, less: 80 percent UAR for fiscal year 2004; 60 percent UAR for fiscal year 2003; 40 percent UAR for fiscal year 2002; and 20 percent UAR for fiscal year 2001.
- Minnesota Statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Expected investment returns for pre-retirement and postretirement 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 postretirement assumptions for all plans. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent postretirement 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 or solely with employee contributions, depending on the fund. 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 Defined Contribution Fund (DCF) 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. DCF covers approximately 1,000 units of government. As of June 30, 2005, there were approximately 6,600 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.

The State Colleges and Universities 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. For the managerial employees, the employer rate is 6.0 percent and the employee rate is 4.5 percent, respectively. Effective on July 1, 2004, the managerial rate increased from 4 percent to 4.5 percent. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between $6,000 and $15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 15,600.

Wells Fargo Bank, N.A. is the administrative agent for the State Colleges and Universities Retirement Fund. Separately issued financial statements can be obtained from Wells Fargo, Institutional Investments Group, Retirement Plan Services, Suite 300, 2700 Snelling Avenue North, Roseville, Minnesota, 55113.

Defined Contribution Plans Contributions Made for Fiscal Year 2005 (In Thousands)	UERF	DCF	PHCBF	CURF
Employee Contributions	$ 4,294	$ 1,201	$ 42,519	$ 24,223
Employer Contributions	$ 5,817	$ 1,318	N/A	$ 28,287

The Minnesota State Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457 of the Internal Revenue Code and Minnesota Statutes, Section 352.96. The plan is composed of employee pre-tax contributions. Employers do not contribute to this plan. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The plan has approximately 80,000 participants.

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 and Reporting 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
- Public Facilities Authority
- Rural Finance Authority
- University of Minnesota

Note 9 – Postretirement Benefits

Primary Government

For certain employees, postretirement benefits are available upon retirement at age 55 under terms of their employment contract. Through fiscal year 2005, 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.

The cost of these benefits, which is recognized when paid, was $9,458,000 during fiscal year 2005. Approximately 1,500 former employees currently receive this benefit.

See Note 12 – Long-Term Liabilities – Primary Government for the liability amount accrued at the government-wide level.

Component Unit

Metropolitan Council (MC) paid $6,189,000 for the year ended December 31, 2004, for health care and life insurance benefits for 1,200 former employees who met specific eligibility requirements. MC also earmarked approximately $33,952,000 to pay future retiree health care benefits.

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, 2005, were as follows:

Primary Government
Long-Term Commitments
As of June 30, 2005
(In Thousands)

Special Revenue Fund:	
Trunk Highway Fund	$ 776,883
Capital Projects Funds:	
General Projects Fund	11,297
Transportation Fund	145,865
Building Fund	277,968
Enterprise Funds:	
State Colleges and Universities	108,078
Total Primary Government	$ 1,320,091

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 October 2005, the Petrofund has reimbursed eligible applicants approximately $363 million since program inception in 1987. The estimated total payments from the program, which terminates on June 30, 2012, are between $400 and $450 million for investigative and cleanup costs.

Remediation Fund

The Landfill Investments and investment earnings (part of the Remediation Fund) (special revenue fund) are committed for landfill abatement projects and are not available until after fiscal year 2020.

Component Units

The University of Minnesota (U of M) has construction projects in progress with an estimated cost of $106,321,000 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 five years and commenced on May 17, 2004. 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 amounts of the steam plant required payments as of June 30, 2005, were as follows:

University of Minnesota
Required Steam Plant Payments
(In Thousands)

Fiscal Year Ending June 30	Total
2006	$ 803
2007	791
2008	703
2009	616
Total Commitments	$ 2,913

The Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2004, unpaid commitments for transit services were approximately $29.2 million. Future commitments for Metropolitan Transit Light Rail were approximately $13.1 million. Future commitments for regional transit services were approximately $60.6 million. Finally, future commitments for Environmental Services were approximately $53.0 million.

As of June 30, 2005, the Public Facilities Authority had committed approximately $75 million for the origination or disbursement of future loans under the Clean Water Bond Fund, Drinking Water Bond Fund, and Transportation Revolving Loan Fund program, and approximately $7.75 million for disbursement of non point-source pollution control awards under the Other Fund.

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, 2005, totaled approximately $72,918,000 and $17,816,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2004, totaled approximately $3,068,000 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
2006	$ 64,258	2006	$ 9,887	2005	$ 2,114
2007	58,839	2007	9,780	2006	1,361
2008	50,924	2008	7,316	2007	669
2009	36,516	2009	5,952	2008	654
2010	27,341	2010	3,749	2009	443
2011-2015	87,927	2011-2015	15,282	2010-2014	466
2016-2020	8,783	Total	$ 51,966	2015-2019	158
2021-2025	946			2020-2024	139
Total	$ 335,534			Total	$ 6,004

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2005, and the changes during fiscal year 2005:

Long-Term Liabilities
Year Ended June 30, 2005
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 3,055,496	$ 679,220	$ 419,434	$ 3,315,282	$ 276,359
Bond Premium	117,619	61,662	10,707	168,574	11,447
Loans	19,653	7,737	10,260	17,130	7,056
Claims	1,390,404	46,924	118,894	1,318,434	120,055
Compensated Absences	238,686	185,658	179,865	244,479	30,220
Workers' Compensation	111,546	14,078	14,607	111,017	13,016
Capital Leases	9,085	8,387	6,435	11,037	4,203
Total	$ 4,942,489	$ 1,003,666	$ 760,202	$ 5,185,953	$ 462,356
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 141,859	$ 12,660	$ 9,491	$ 145,028	$ 10,176
Bond Premium	3,242	1,547	369	4,420	-
Loans	275,703	83,769	272,096	87,376	82,466
Revenue Bonds	51,410	2,640	1,575	52,475	2,015
Compensated Absences	113,425	45,828	41,514	117,739	13,954
Workers' Compensation	5,193	1,970	2,015	5,148	1,554
Capital Leases	14,868	14,295	2,666	26,497	2,312
Total	$ 605,700	$ 162,709	$ 329,726	$ 438,683	$ 112,477

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

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

	Governmental Activities			
	General Fund	Special Revenue Funds	Business-type Activities	Total
Liabilities For:				
General Obligation Bonds	$ 2,781,120	$ 534,162	$ 145,028	$ 3,460,310
Bond Premium	168,574	-	4,420	172,994
Loans	-	17,130	87,376	104,506
Revenue Bonds	-	-	52,475	52,475
Claims	89,189	1,229,245	-	1,318,434
Compensated Absences	113,315	131,164	117,739	362,218
Workers' Compensation	84,827	26,190	5,148	116,165
Capital Leases	1,674	9,363	26,497	37,534
Total	$ 3,238,699	$ 1,947,254	$ 438,683	$ 5,624,636

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
2006	$ 276,359	$ 160,557	$ 10,176	$ 7,073	$ 286,535	$ 167,630
2007	285,493	147,683	10,387	6,603	295,880	154,286
2008	260,940	134,172	10,090	6,093	271,030	140,265
2009	256,431	120,740	10,119	5,586	266,550	126,326
2010	247,122	108,027	10,143	5,073	257,265	113,100
2011-2015	1,019,600	376,250	45,340	18,168	1,064,940	394,418
2016-2020	667,210	156,166	33,710	7,894	700,920	164,060
2021-2025	302,127	29,130	15,063	1,323	317,190	30,453
Total	$ 3,315,282	$ 1,232,725	$ 145,028	$ 57,813	$ 3,460,310	$ 1,290,538

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

Fiscal Year(s)	Business-type Activities Principal	Business-type Activities Interest
2006	$ 2,015	$ 3,029
2007	2,265	2,915
2008	2,135	2,782
2009	2,270	2,662
2010	2,390	2,534
2011-2015	11,940	10,671
2016-2020	14,285	6,925
2021-2025	13,575	2,336
2026-2030	1,600	57
Total	$ 52,475	$ 33,911

Primary Government
Loans
Principal and Interest Payments
(In Thousands)

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 7,056	$ 438	$ 82,466	$ 2,099	$ 89,522	$ 2,537
2007	5,443	221	875	256	6,318	477
2008	3,029	71	673	212	3,702	283
2009	1,602	6	518	174	2,120	180
2010	-	-	546	144	546	144
2011-2015	-	-	1,884	305	1,884	305
2016-2020	-	-	414	43	414	43
Total	$ 17,130	$ 736	$ 87,376	$ 3,233	$ 104,506	$ 3,969

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
2006	$ 4,203	$ 309	$ 2,312	$ 1,333	$ 6,515	$ 1,642
2007	3,398	179	2,103	1,214	5,501	1,393
2008	1,769	87	2,082	1,126	3,851	1,213
2009	1,667	37	1,489	1,039	3,156	1,076
2010	-	-	1,312	956	1,312	956
2011-2015	-	-	6,182	3,900	6,182	3,900
2016-2020	-	-	6,674	2,354	6,674	2,354
2021-2025	-	-	2,901	778	2,901	778
2026-2030	-	-	1,079	246	1,079	246
2031-2035	-	-	363	15	363	15
Total	$ 11,037	$ 612	$ 26,497	$ 12,961	$ 37,534	$ 13,573

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 2005, 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, 2005 (In Thousands)

General Fund	$ 323,512
Special Revenue Funds:	
Federal Fund	59
Trunk Highway Fund	27,208
Natural Resources Funds	25
Maximum Effort School Loan Fund	2,093
Miscellaneous Special Revenue Fund	4,761
Total Special Revenue Funds	$ 34,146
Capital Projects Funds:	
Building Fund	$ 13,566
Total Capital Projects Funds	$ 13,566
Total Operating Transfers to Debt Service Fund	$ 371,224

General Obligation Bond Issues

On August 1, 2004, $219,900,000 in general obligation state various purpose bonds and $80,100,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.03 percent. On November 1, 2004, $180,000,000 in general obligation state various purpose bonds, $40,000,000 in general obligation state trunk highway bonds, and $171,880,000 in general obligation state refunding bonds were issued at a true interest rate of 3.55 percent. During fiscal year 2005, $428,925,000 in general obligation bond principal was repaid.

The state issued $171,880,000 general obligation advance refunding bonds to refund obligations for $170,000,000 general obligation state bonds, callable on August 1, 2005. The proceeds of the bond issuance were placed in special escrow account and invested in government securities. These investments have been certified to be sufficient to pay all principal and interest on the bonds when due.

As a result of the advance refunding, the state reduced its total debt service requirements by $16,492,000, which resulted in an economic gain of $17,815,000. The balance outstanding for all extinguished debt as of June 30, 2005, was $170,000,000, which is shown below. The state remains contingently liable to pay the advance refunded general obligation bonds.

General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call Date
August 1, 2004	$ 171,880	$ 170,000	$ 170,000	August 1, 2005

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 as of June 30, 2005. 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
As of June 30, 2005
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 3,953	$ 969,250	3.00 – 6.00
State Operated Community Services	-	3,620	3.75 – 7.56
State Transportation	641	106,758	3.00 – 6.38
Waste Management	-	4,530	4.00 – 6.00
Water Pollution Control	-	69,240	3.00 – 6.00
Maximum Effort School Loan	-	86,820	4.00 – 6.00
Reinvest in Minnesota	-	1,890	4.00 – 6.00
Rural Finance Administration	-	76,100	3.50 – 7.05
Refunding Bonds	-	578,461	1.50 – 5.40
Municipal Energy Building	-	2,440	3.00 – 6.00
Game and Fish Building	-	29	1.50 – 5.00
Trunk Highway	260,125	340,555	1.50 – 5.50
Airport Facilities	-	37,825	5.30 – 7.95
Landfill	-	19,330	4.25 – 6.00
Various Purpose	1,162,372	1,163,462	3.00 – 5.62
Total	$ 1,427,091	$ 3,460,310	

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 state universities and colleges.

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 fund) 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. As of fiscal year 2002, Giants Ridge financial activity, including revenue bonds, has been 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	$ 3,060	October 1, 2012

Claims

Municipal solid waste landfills liability of $206,993,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Remediation Fund (special revenue fund) and the General Fund.

Claims of $55,371,000 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 $68,770,000 are for certain employees who qualify for postretirement benefits upon retirement at age 55 under terms of their employment contract. See Note 9 – Postretirement Benefits for the amount paid in fiscal year 2005.

The remaining claim amount of $987,300,000 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 $244,479,000 is primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The governmental funds liability for workers' compensation of $111,017,000 is based on claims filed for injuries to state employees occurring prior to June 30, 2005, 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 2005, 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
2006	$ 525	$ 1,567
2007	550	1,539
2008	575	1,509
2009	600	1,479
2010	625	1,446
2011-2015	3,725	6,677
2016-2020	4,925	5,509
2021-2025	6,650	3,891
2026-2030	9,002	1,677
Total	$ 27,177	$ 25,294

Note 13 – Long-Term Liabilities – 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 to provide funds for rehabilitation, construction and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $3,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of bonds outstanding on June 30, 2005, was $2,016,086,000.

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 $988,515,000 in general obligation bonds outstanding, net of unamortized premium, and $11,443,000 of revenue bonds outstanding on December 31, 2004.

The University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2005, the principal amount of revenue bonds outstanding was $8,405,000 and the principal amount of general obligation bonds outstanding was $586,751,000. The University Gateway Corporation and the University of Minnesota Physicians Foundation, both component units of the U of M, issue revenue bonds. As of June 30, 2005, the outstanding principal amount was $44,495,000 and $2,921,000 respectively. These amounts are not included in the debt repayment schedule.

The Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2005, the principal amount of revenue bonds outstanding was $26,810,000.

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, shall not exceed $850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2005, the outstanding principal of revenue bonds was $387,000,000.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $1,250,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2005, was $902,486,000.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	U of M		MC[1]	
Fiscal Year(s)	Principal	Interest	Principal	Interest
2006	$ 392,265	$ 18,952	$ 107,437	$ 36,982
2007	47,378	11,141	81,365	32,048
2008	47,289	6,976	71,655	28,203
2009	26,627	3,048	62,914	25,905
2010	5,326	1,913	61,185	23,807
2011-2015	12,987	7,886	263,775	84,945
2016-2020	11,437	6,448	219,455	40,160
2021-2025	14,507	4,636	105,910	7,280
2026-2030	18,369	2,331	3,000	38
2031-2035	8,665	153	-	-
	$ 584,850	$ 63,484	$ 976,696	$ 279,368
Unamortized Discounts/Premiums and Issuance Costs	1,901	-	11,819	-
Total	$ 586,751	$ 63,484	$ 988,515	$ 279,368

[1]MC fiscal year ends December 31.

University of Minnesota

As of June 30, 2005, the U of M had standby purchase agreements related to the 1999A and 2001C bonds. The 1999A bonds are classified as short-term since the related standby purchase agreement expires in June 2006. Included in current liabilities as of June 30, 2005, were all of the outstanding obligations under the Series 1999A, 2001A, and 2001B bonds, and a portion of the Series 2001C bond that would be due within the next year if the standby purchase agreement was exercised for the year then ended. The U of M's Series 1996A bond issuance was moved to current liabilities as of June 30, 2005 due to the exercise of a related put option which required the U of M to refund the Series 1996A General Obligation Bond.

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

	U of M		HFA		MC[3]	
Fiscal Year(s)	Principal[1]	Interest	Principal[2]	Interest	Principal	Interest
2006	$ 905	$ 502	$ 559,385	$ 74,432	$ 810	$ 573
2007	955	448	208,140	63,734	845	535
2008	1,015	389	37,575	58,570	890	494
2009	1,080	327	34,090	57,173	935	449
2010	1,140	261	41,315	55,601	985	402
2011-2015	3,310	451	220,620	248,808	5,755	1,175
2016-2020	-	-	221,265	194,201	1,350	37
2021-2025	-	-	235,880	138,061	-	-
2026-2030	-	-	261,765	78,547	-	-
2031-2035	-	-	188,580	24,996	-	-
2036-2040	-	-	18,850	1,658	-	-
2041-2045	-	-	3,035	428	-	-
	$ 8,405	$ 2,378	$ 2,030,500	$ 996,209	$ 11,570	$ 3,665
Unamortized Discounts/Premiums and Issuance Costs	-	-	(14,414)	-	(127)	-
Total	$ 8,405	$ 2,378	$ 2,016,086	$ 996,209	$ 11,443	$ 3,665

[1]Does not include foundation issued bonds.

[2]See Note 23 – Subsequent Events for bond redemption information.

[3]MC fiscal year ends December 31.

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

Fiscal Year(s)	HESO Principal	HESO Interest	PFA Principal	PFA Interest	AEDB Principal	AEDB Interest
2006	$ -	$ 7,280	$ 44,120	$ 43,390	$ 2,120	$ 1,573
2007	-	7,280	43,490	41,272	2,285	1,452
2008	-	7,281	47,240	39,209	2,220	1,327
2009	-	7,281	46,515	36,975	2,255	1,201
2010	-	7,280	46,740	34,732	2,190	1,071
2011-2015	-	36,402	288,440	136,203	8,645	3,687
2016-2020	17,621	36,094	255,105	64,208	6,165	1,256
2021-2025	95,418	32,982	117,570	12,128	930	34
2026-2030	120,967	23,033	-	-	-	-
2031-2035	98,546	11,207	-	-	-	-
2036-2040	54,448	2,186	-	-	-	-
	$ 387,000	178,306	$ 889,220	$ 408,117	$ 26,810	$ 11,601
Unamortized Discounts/Premiums and Issuance Costs	-	-	13,266	-	-	-
Total	$ 387,000	$ 178,306	$ 902,486	$ 408,117	$ 26,810	$ 11,601

The following table presents MC obligations for capital leases as of December 31, 2004:

Fiscal Year(s)	MC[1] All Funds
2006	$ 588
2007	593
2008	1,095
2009	1,096
2010	1,093
2011-2015	5,240
2016-2020	5,134
2021-2025	5,116
2026-2030	1,017
Total Minimum Lease Payments	$ 20,972
Less Amount Representing Interest	(7,128)
Total	$ 13,844

[1]MC's fiscal year ends December 31.

Variable Rate Debt

Higher Education Services Office

The interest rate on the taxable Series 1999A bonds, taxable Series 2002A bonds, and tax-exempt Series 2002B bonds, taxable Series 2003A bonds, and tax-exempt Series 2003B, taxable Series 2004A bonds, and tax-exempt Series 2004B reset every 28 – 35 days, based on a determination by the auction agent through auction proceedings. The rate cannot exceed the lesser of the applicable London InterBank Offered Rate (LIBOR) rate plus 1.00 percent or 17.00 percent. The interest rate as of June 30, 2005, for the Series 1999A bonds was 3.30 percent. The interest rates as of June 30, 2005, for the Series 2002A and 2002B bonds were 3.17 percent and 2.75 percent, respectively. The interest rates as of June 30, 2005, for the Series 2003A and 2003B bonds were 3.20 percent, and 2.75 percent, respectively. The interest rates as of June 30, 2005, for the Series 2004A and 2004B bonds were 3.19 percent and 2.85 percent, respectively.

University of Minnesota

To protect against future interest rate fluctuations on the U of M general obligation bonds and for budgeting purposes, the U of M has entered into nine separate interest rate swaps. All but one of these are pay-fixed and receive variable interest rate swaps, which effectively changes the U of M variable interest rate bonds to synthetic fixed-rate bonds.

Bond Defeasances

Public Facilities Authority had $202,645,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2005.

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 amount defeased for general obligation bonds was $112,635,000 with $29,600,000 outstanding as of June 30, 2005. 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, 2004, Metropolitan Council issued $5,690,000 in general obligation bonds which refunded the remaining maturities of the Series 1996A and 1997C general obligation bonds. The transactions resulted in an economic gain of $419,906 and a reduction of $687,594 in future debt service payments.

In fiscal year 2005, HESO issued variable rate taxable 2004A bonds for $67,000,000 and the taxable 2004B bonds for $88,500,000. The funds used from the issuance were used to pay off the 1992A, 1993, and 1994B bonds, which totaled $68,500,000 and resulted in a loss of $268,000.

On November 17, 2004, the Housing Finance Agency issued $80,000,000 of Rental Housing Bonds, 2004C that, together with an agency contribution of $4,241,000, partly defeased previously issued 1995D bonds. The refunding of these bonds decreased total future debt service by $12,774,000 and resulted in a present value savings of $8,114,000.

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 109 closed sites in the program. Up to three 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 Remediation 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 revenue 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, 2005, cumulative expenditures of about $221 million have been disbursed by the Remediation Fund and the bond fund. Estimates show that the total of all payments for the program may reach $561 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, reimbursements, and administrative costs. 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, 2005
(In Thousands)

		MnSCU			
			Vermilion		Itasca
	Giants Ridge	Revenue Fund	Residence Halls	Modular Housing	Residence Halls
Condensed Statement of Net Assets					
Assets:					
Current Assets	$ 4,960	$ 41,601	$ 28	$ 25	$ -
Restricted Assets	2,050	12,484	406	141	2,043
Capital Assets	22,334	123,420	1,376	807	2,364
Total Assets	$ 29,344	$ 177,505	$ 1,810	$ 973	$ 4,407
Liabilities:					
Current Liabilities	$ 1,144	$ 10,314	$ 132	$ 82	$ 662
Noncurrent Liabilities	14,398	42,441	240	470	2,570
Total Liabilities	$ 15,542	$ 52,755	$ 372	$ 552	$ 3,232
Net Assets:					
Invested in Capital Assets, Net of Related Debt	$ 9,514	$ 86,282	$ 1,136	$ 336	$ -
Restricted	-	6,101	285	71	1,175
Unrestricted	4,288	32,367	17	14	-
Total Net Assets	$ 13,802	$ 124,750	$ 1,438	$ 421	$ 1,175
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets					
Operating Revenues - Customer Charges	$ 5,020	$ 68,682	$ 405	$ 183	$ -
Depreciation Expense	(1,178)	(7,107)	(64)	(27)	-
Other Operating Expenses	(4,336)	(53,884)	(299)	(103)	-
Operating Income (Loss)	$ (494)	$ 7,691	$ 42	$ 53	$ -
Nonoperating Revenues (Expenses):					
Private Grants	$ -	$ -	$ -	$ -	$ 1,000
Interest Income	118	1,409	5	2	37
Interest Expense	(1,071)	(1,401)	(36)	(33)	(67)
Other	(269)	(572)	(7)	-	-
Capital Contributions	-	5,850	-	-	-
Transfers-In (Out)	267	-	(36)	15	205
Change in Net Assets	$ (1,449)	$ 12,977	$ (32)	$ 37	$ 1,175
Beginning Net Assets	15,251	111,773	1,470	384	-
Ending Net Assets	$ 13,802	$ 124,750	$ 1,438	$ 421	$ 1,175
Condensed Statement of Cash Flows					
Net Cash Provided (Used) By:					
Operating Activities	$ 712	$ 14,417	$ 97	$ 86	$ (1,963)
Noncapital Financing Activities	(2,000)	-	-	-	-
Capital and Related Financing Activities	(1,915)	(29,110)	(135)	(85)	3,774
Investing Activities	118	7,385	(1)	2	37
Net Increase (Decrease)	$ (3,085)	$ (7,308)	$ (39)	$ 3	$ 1,848
Beginning Cash and Cash Equivalents	$ 8,008	$ 52,947	$ 458	$ 138	-
Ending Cash and Cash Equivalents	$ 4,923	$ 45,639	$ 419	$ 141	$ 1,848

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 Vermilion segment accounts for the construction and operation of student housing at Vermilion Community College.

- The MnSCU Itasca Residence Hall Fund accounts for the construction of student housing at Itasca 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

The Minnesota Supreme Court issued a final ruling in the *Hutchinson Technology* case that allows some corporations increased use of both the Minnesota foreign operating corporation designation and the Minnesota foreign royalty and fee subtractions. This will result in additional tax deductions and subtractions in the calculation of Minnesota corporate franchise tax for those corporations resulting in lower Minnesota corporate franchise tax collection (or higher refunds). The ruling affects both past and future tax years. Financial impacts on future tax years will be recognized in the state's forecast and budget process. At this point, there is uncertainty about exactly which corporations and past tax years are impacted and to what extent. As a result of this uncertainty, the state developed an estimated range of financial liabilities for past tax years through June 30, 2005. Retroactive impacts are estimated between $265 and $335 million. The state has recognized the lower end of that range, $265 million, as a reduction in corporate taxes in the General Fund.

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 state is not liable for any additional portion of the unfunded liability without legislative action. 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):

Fund	Liability As Of	Unfunded Liability
Minneapolis Employee Retirement Fund	June 30, 2005	$ 134,642
Minneapolis Teachers Retirement Fund	June 30, 2004	$ 851,787
St. Paul Teachers Retirement Fund	June 30, 2004	$ 352,600
Local Police and Fire Fund (1)	December 31, 2004	$ 162,488

(1)The Local Police and Fire Fund consists of four local plans.

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 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, 2004, was approximately $4.2 million.

The National Sports Center Foundation, in connection with the Minnesota Amateur Sports Commission, six municipalities, and other local governmental entities, constructed a four-sheet ice arena and auxiliary facilities (the Super Rink) at the National Sports Center. The Super Rink was financed by state general obligation bonds, state grants, and local government contributions. Bond debt service is provided by operating proceeds of the Super Rink, as well as arena sponsorship and concession revenues. As part of the financing agreement for the Arena, revenues in excess of expenses from the operation of the National Sports Center may be required for debt service on the Super Rink, should operating proceeds from the Super Rink be insufficient to pay such debt service. However, a master agreement and a requirement of the bond documents between the Minnesota Amateur Sports Commission, municipalities, and other local government entities, provide for guaranteed annual rental income that exceeds anticipated debt service costs.

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, 2005, $37,825,000 of the revenue bonds remained outstanding. Of this amount, $21,800,000 is payable primarily from lease payments of NWA, and $16,025,000 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. As of June 30, 2005, $2,040,000 of these defeased bonds remain outstanding. The invested funds, which are held in escrow, will be sufficient to pay the principal on the bonds to their earliest call date.

NWA filed for Chapter 11 bankruptcy in the Southern District of New York on September 14, 2005. NWA has not filed a schedule with the bankruptcy court regarding the lease for the Duluth Aircraft Maintenance Facility.

NWA is required under the terms of the agreements for the maintenance facility to pledge to the state collateral with a value of at least 125 percent of the principal amount of bonds outstanding. The collateral pledged to the state as of June 30, 2005, consisted of: 1) the maintenance facility that was valued at $14,546,000 on May 3, 2004, and 2) a $39,000,000 Promissory Note issued to NWA by Champion Air in June 2003, which had a current value of $38,000,000 on March 8, 2005.

Note 18 – Equity

Fund Balances – Primary Government

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

Primary Government Fund Balances
As of June 30, 2005
(In Thousands)

	General	Federal	Nonmajor Governmental
Fund Balances:			
Reserved for Encumbrances	$ 107,364	$ -	$ 223,023
Reserved for Inventory	-	-	16,510
Reserved for Long-Term Receivables	53,893	70	253,994
Reserved for Long-Term Commitments	-	-	275,160
Reserved for Local Governments	-	-	453,044
Reserved for Trust Principal	-	-	985,996
Reserved for Debt Requirements	-	-	583,586
Reserved for Other	-	6,210	-
Total Reserved Fund Balances	$ 161,257	$ 6,280	$ 2,791,313
Unreserved Fund Balances:			
Designated for Appropriation Carryover	$ -	$ -	$ 150,945
Designated for Fund Purposes	-	-	333,067
Total Designated Fund Balance	$ -	$ -	$ 484,012
Undesignated	(68,292)	-	181,686
Total Unreserved Fund Balance	$ (68,292)	$ -	$ 665,698
Total Fund Balance	$ 92,965	$ 6,280	$ 3,457,011

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 $6,280,000 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.

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, 2005
(In Thousands)

	Special Revenue Funds
Public Safety and Corrections	$ 16,119
Transportation	37,397
Environmental Resources	25,168
Economic and Workforce Development	77,596
General Education	4,421
Higher Education	942
Health and Human Services	83,747
General Government	85,218
Intergovernmental Aids	2,459
Total	$ 333,067

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 $2,000,000. The reinsurance program provides coverage up to $750,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $5,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the 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 $1,520,000. 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 2005, no significant change in claim liability occurred.

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, 2005, was 2,300 members and their dependents. The members of the pool include 16 school districts, 64 cities/townships, 2 counties, and 25 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 $65,000.

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, 2005, and 2004:

Self-Insured Claim Liabilities
As of June 30, 2005 (In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/04	$ 11,714	$ (713)	$ 2,860	$ 8,141
Fiscal Year Ended 6/30/05	$ 8,141	$ 2,099	$ 5,027	$ 5,213
Tort Claims [(1)]				
Fiscal Year Ended 6/30/04	$ -	$ 818	$ 818	$ -
Fiscal Year Ended 6/30/05	$ -	$ 1,164	$ 1,164	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/04	$ 116,849	$ 14,653	$ 14,764	$ 116,738
Fiscal Year Ended 6/30/05	$ 116,738	$ 15,723	$ 16,304	$ 116,157
State Employee Insurance Plans				
Fiscal Year Ended 6/30/04	$ 38,446	$ 389,309	$ 391,072	$ 36,683
Fiscal Year Ended 6/30/05	$ 36,683	$ 399,753	$ 398,133	$ 38,303

[(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	
	2005	2004
Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year	$ 1,810	$ 2,320
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	16,499	19,466
Increases (Decreases) in Provision for Insured Events of Prior Years	283	(630)
Total Incurred Claims and Claim Adjustment Expenses	$ 16,782	$ 18,836
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 14,822	$ 17,679
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	2,075	1,667
Total Payments	$ 16.897	$ 19,346
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	$ 1,695	$ 1,810

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 $300,000 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 6 percent. The self-insurance retention limit for workers' compensation is $1,520,000 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, 2003, and 2004 or June 30, 2004, and 2005, 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 12/31/03	$ 18,648	$ 10,374	$ 7,227	$ 21,795
Fiscal Year Ended 12/31/04	$ 21,795	$ 3,606	$ 6,892	$ 18,509
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/04	$ 7,657	$ 1,452	$ 1,650	$ 7,459
Fiscal Year Ended 6/30/05	$ 7,459	$ 1,906	$ 3,059	$ 6,306
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/04	$ 12,000	$ 2,601	$ 3,601	$ 11,000
Fiscal Year Ended 6/30/05	$ 11,000	$ 1,229	$ 3,229	$ 9,000
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/04	$ 17,467	$ 121,758	$ 120,806	$ 18,419
Fiscal Year Ended 6/30/05	$ 18,419	$ 144,138	$ 145,315	$ 17,242

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, 2005
(In Thousands)

	General Fund
GAAP Basis Fund Balance:	$ 92,965
Less: Reserved Fund Balance	161,257
Undesignated Fund Balance	$ (68,292)
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (530,465)
Tax Refunds Payable	674,803
Human Services Receivable	(48,066)
Deferred Revenue	(10,877)
Other Receivables	(16,003)
Permanent School Fund Reimbursement	(1,796)
Investments at Market	(784)
Expenditure Accruals/Adjustments:	
Medical Assistance	318,931
Human Services Grants Payable	51,236
Education Aids	956,245
Police and Fire Aid	72,226
Other Payables	5,342
Fund Structure Differences:	
Terminally Funded Pension Plans	8,459
Designated for Appropriation Carryover and Budgetary Reserve	(1,056,463)
Perspective Differences:	
Reserve for Long-Term Receivable	53,893
Budgetary Basis:	
Undesignated Fund Balance	$ 408,389

Note 21 – Prior Period Adjustments

Prior Period Adjustments

Primary Government

The government-wide infrastructure balance includes a prior period adjustment of $37,849,000, which represents reimbursements received by the state from local governmental entities for their share of costs incurred for joint construction projects prior to the beginning of the year.

Component Unit

Workers' Compensation Assigned Risk Plan corrected a calculation error that resulted in understating deferred service carrier fees and deferred policy acquisition costs for the years ended December 31, 2001, 2002, and 2003. The correction, made during the year ended December 31, 2004, resulted in an increase in these deferred fees and costs (assets) of $8,339,000.

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 appropriations for the fiscal year ended June 30, 2005, were $761,000 and for the fiscal year ending June 30, 2006 are also $761,000. The maximum limits of liability for tort claims arising in Minnesota 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. *Council of Independent Tobacco Manufacturers of America, et al., v. The State of Minnesota, et al. (*Minnesota Supreme Court). Minn. Stat. § 297F.24 (2003) imposes a 35 cent per pack fee on "non settlement cigarettes." A non-settlement cigarette "means a cigarette manufactured by a person other than a manufacturer [1] that ... is making annual Division Managers payments to the State of Minnesota under a settlement of the lawsuit styled as *State v. Philip Morris Inc.*" or [2] that has entered into a similar agreement also requiring annual payments. Plaintiffs challenged enforcement of the statute alleging that it abridges free speech, violates equal protection and due process guarantees, and is a bill of attainder. On November 19, 2003, the District Court upheld § 297F.24 against all of plaintiffs' challenges. On August 24, 2004, the Minnesota Court of Appeals affirmed. The Minnesota Supreme Court accepted review. An opinion is expected in the fall of 2005. The fee is expected to generate an estimated $11.4 million over the 06/07 biennium.

c. *Dahl, et al. v. Goodno* (Ramsey County District Court). Medicaid recipients filed a class action challenging a provision of 2003 Minnesota legislation authorizing Medicaid co-payments. The challenged provision allows providers to deny services for nonpayment of past due Medicaid co-pay debt. Plaintiffs also assert that the State failed to provide adequate notice when the statute was implemented and following each provider denial. Plaintiffs seek declaratory and injunctive relief, reimbursement of all co-pays paid by class members since October 1, 2003, (which may exceed $10 million), costs and attorneys' fees. The court issued an order on September 15, 2005, on a class certification motion and cross-motions for summary judgment argued in June and July, 2005. The court issued a declaratory judgment determining the provision to be preempted by federal Medicaid law and therefore unenforceable. But, the court also denied injunctive relief, denied plaintiffs' claims for restitution, denied class certification, and determined that the agency's notices were adequate. The parties must file any appeal by November 15, 2005. The parties will also need to resolve plaintiffs' expected petition for attorneys' fees.

d. *Gerber v. Gerber* (Minnesota Supreme Court). The Court of Appeals held that income withholding for child support collections is "a judicial remedy," rather than an "administrative remedy" determining the income withholding order was unenforceable by Anoka County because the underlying judgment had expired under the ten year statute of limitation provided by Minn. Stat. § 541.04. The Supreme Court granted the Commissioner of Human Services' request to participate in an amicus to discuss the statewide policy impact and financial ramifications of the Court of Appeals' decision. If allowed to stand, the Commissioner of Human Services believes that the Court of Appeals' ruling will bar county child support agencies from collecting approximately $52.8 million in child support arrearages in upwards of 8,200 child support cases statewide. The counties' inability to collect support arrearages for families with children raises the possibility that some of these families may seek public assistance, thereby increasing demand on the State's public assistance programs. It is difficult to determine the dollar impact of this decision to the State's public assistance programs, however, and therefore an estimate has not been generated. Appellant Anoka County's brief was filed in late August and the Commissioner of Human Services' amicus brief was filed on September 2, 2005.

e. *Medical Assistance Supplemental Payments to Government Owned Facilities*. The federal Centers for Medicaid and Medicare Services ("CMS") has disapproved a Minnesota Medicaid state plan amendment that provides for increased payments to local government owned nursing homes. Department of Human Services is challenging the disapproval through an administrative appeal and anticipates appeals in the federal courts. In addition, CMS has disallowed and seeks to recover the federal share of the increased supplemental payments through a separate administrative proceeding, which will also likely lead to appeals in the federal courts. If CMS is successful in the present disapproval litigation and its threatened disapproval of other similar state plan amendments, the State would lose federal financial participation of approximately $11 million per year. In the disapproval litigation, the parties have conducted discovery and submitted the matter on the briefs for dispositive determination by the federal hearing officer. In the disallowance litigation, the federal Department of Appeals Board issued an order on May 12, 2005, granting the State's motion to stay the State's disallowance appeal, pending determination of the disapproval litigation.

f. *MBNA American Bank v. State.* Three related cases challenging the State's jurisdiction to tax corporate income for tax years 1991-95 and 1997. For some years the matter is in tax court, for other years the matter is in district court. At issue is whether, under the Commerce Clause of the United States Constitution, MBNA had sufficient contacts with the State to create "nexus" and therefore to allow the State to impose its corporate franchise tax upon MBNA. The first of these cases is currently scheduled for trial on January 19, 2006. Although the amount in controversy in these cases does not exceed $10 million, a decision in MBNA's favor could result in a potential revenue impact in excess of $10 million when taking into account potential claims by similarly situated taxpayers.

g. *Polaris Industries, Inc. v. Commissioner of Revenue* (Tax Ct. No. 7694-R). The primary issue in this corporate franchise tax case is whether a payment of $58,050,860, made by the appellant to settle a patent and trade secrets infringement lawsuit, is a non-business expense allocable to Minnesota, appellant's domicile, or a business expense subject to apportionment. The statute in question is Minn. Stat. § 290.17, subd. 1(b). A decision in the appellant's favor would result in a potential revenue loss for the current biennium in excess of $10 million, since there are other cases pending before the Department of Revenue involving the same legal issue. Settlement of this matter is anticipated.

h. *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* (Federal District Court, No. CV 04-924 JRT/JSM). Plaintiffs, two railroad common carriers, challenge the imposition of Minnesota's sales and use tax on their purchase and use in Minnesota of diesel fuel for locomotives and off-road vehicles. Plaintiffs allege that the tax is discriminatory under the Railroad Revitalization and Regulatory Reform Act of 1976 ("4 R Act") because their principal competitors, motor carriers, airlines, and barges, are not taxed under the same regime or pay little or no tax. The plaintiffs are seeking declaratory and injunctive relief prohibiting enforcement and collection of the tax. A determination in plaintiffs' favor could result in revenue collection losses in excess of $10 million when applied to plaintiffs and other railroad common carriers operating in Minnesota. A decision is expected from the district court in early 2006.

i. *State of Minnesota and Blue Cross and Blue Shield of Minnesota v. Philip Morris, et al.* and related case *Liggett Group v. State* (both in Ramsey County District Court). Cigarette manufacturers and the State executed settlement agreements under which the manufacturers agreed to make annual payments in perpetuity to the State, and the State released the manufacturers from all future claims for reimbursement for healthcare costs. Effective August 1, 2005, the Legislature imposed a tobacco use health impact fee to recover State health costs related to tobacco use and to deter youth smoking. All revenue from the fee must be credited to the Health Impact Fund. The manufacturers have moved to enforce their settlement agreements alleging that imposition of the fee violates the agreements' release of claims provisions. The Department of Revenue estimates that decisions favorable to the manufacturers would have an estimated $340 million impact on the Health Impact Fund for the current biennium. The manufacturers' motion in the Philip Morris case was argued on September 29, 2005. The Court is expected to rule quickly. The Liggett case is not currently scheduled for a hearing.

j. *Minnesota State University, Mankato Accident Notices of Tort Claims.* The State has received five notices of claims under the Tort Claims Act arising out of a vehicle accident involving students and staff from Minnesota State University, Mankato who were on a University-sponsored trip in Michigan. Three notices of claims are for wrongful death; two notices of claims are for personal injuries. One of the personal injury notices of claims estimates damages in excess of $10 million.

Note 23 – Subsequent Events

Primary Government

On September 21, 2005, $285,400,000 of general obligation state various purpose bonds, $111,600,000 of general obligation state trunk highway bonds, and $160,960,000 of general obligation state refunding bonds were sold at a true interest cost of 3.82 percent. The bonds were issued to finance the cost of capital improvements and refunding $80,850,000 in principal amount of outstanding governmental bonds of the state dated May 1, 1996, and $82,750,000 in principal amount of outstanding governmental bonds of the state dated November 1, 1996. These bonds are backed by the full faith and credit and taxing powers of the state.

On September 21, 2005, the MnSCU Board of Trustees authorized the sale of revenue bonds. Tax exempt bonds in the amount of $41,930,000 and taxable bonds in the amount of $3,390,000 were issued on October 20, 2005.

Component Units

On June 9, 2005, the Minnesota Housing Finance Agency (HFA) approved series resolutions authorizing the issuance of $162,005,000 bonds for the purpose of providing funds for certain HFA homeownership programs. The Residential Housing Bonds, 2005 Series J, 2005 Series K, 2005 Series L and 2005 Series M were delivered on August 4, 2005.

The HFA called for early redemption subsequent to June 30, 2005, for the following bonds:

Program Funds	Retirement Date	Original Par Value
Residential Housing Finance	July 1, 2005	$ 11,385,000
Single Family	July 1, 2005	31,740,000
Rental Housing	August 24, 2005	560,000
Total		$ 43,685,000

During the year ended December 31, 2004, the Metropolitan Council (MC) entered into an agreement to sell $18,845,000 General Obligation Wastewater Revenue Refunding Bonds, Series 2005A, dated June 1, 2005.

On March 30, 2005, the MC sold $45,685,000 General Obligation Transit and Refunding Bonds, Series 2005C; $97,930,000 General Obligation Wastewater Revenue and Refunding Bonds, Series 2005B; and $6,000,000 General Obligation Park Bonds, Series 2005D.

On August 30, 2005, the Public Facilities Authority (PFA) authorized the issuance of Clean Water Bond Fund (CWBF) revenue bonds, such principal amount not to exceed $350,000,000, and the amount of this total to be used for refunding outstanding CWBF revenue bonds not to exceed $250,000,000. The PFA also authorized the issuance of Drinking Water Bond Fund (DWBF) revenue bonds, such principal amount not to exceed $120,000,000, and the amount of this total to be used for refunding outstanding DWBF revenue bonds not to exceed $40,000,000.

During July 2005, the Higher Education Services Office (HESO) issued $30,000,000 of 2005 Series A (Taxable) Supplemental Student Loan Program Revenue Bonds and $70,000,000 of 2005 Series B (Tax Exempt) Supplemental Student Loan Program Revenue Bonds.

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,200 bridges and tunnels maintained by the state.

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

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

Lane Miles of Pavement

Measurement Scale

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

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

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

The PQI 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
2004	3.30	3.14
2003	3.40	3.24
2002	3.39	3.30

Bridges and Tunnels

Measurement Scale

Mn/DOT 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 3,232 bridges under Mn/DOT's jurisdiction.

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

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

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

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

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	2004	2003	2002
Fair to Good	96.1%	96.0%	95.6%

All Other Systems	2004	2003	2002
Fair to Good	94.8%	96.6%	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, 2005, 2004, 2003, and 2002 (in thousands):

		Costs to be Capitalized	Maintenance of System	Total Construction Program
Budget	2005[1]	$ 393,467	$ 200,765	$ 594,232
	2004	260,900	426,000	686,900
	2003	719,300	316,400	1,035,700
	2002	296,500	417,400	713,900
Actual	2005	$ 465,960	$ 223,809	$ 689,769
	2004	504,288	227,996	732,284
	2003	333,605	304,029	637,634
	2002	258,803	357,823	616,626

[1]Reflects change in budgeting project costs.

Mn/DOT projects may span several years. Project costs through fiscal year 2004 were budgeted in the first year, but spent throughout the life of the project. This process did 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.

During fiscal year 2005, the state implemented a new system, Cash Forecasting Information Tool (CFIT), to capture the estimated budget for projects during a specific year. This system allows for a comparison of the annual budget with the actual amounts spent. Comparisons can be made between budget and actual expenditures to maintain and improve the system. For multiyear projects, only the portion to be spent in the fiscal year is shown in the budgeted amount for the year. Future expenditures on the project will be budgeted in the year they are to be spent. This reporting change will be used in future reports.

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 and Reporting 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)

		CERF	JRF	LRF[2]	SPRF
Actuarial Valuation Date	2004[1]	7/1/2004	7/1/2004	7/1/2004	7/1/2004
	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
Actuarial Value of Plan Assets	2004	$ 486,617	$ 138,948	$ 46,155	$ 594,785
	2003	$ 470,716	$ 134,142	-	$ 591,521
	2002	$ 457,416	$ 131,379	$ 45,501	$ 591,383
	2001	$ 431,134	$ 123,589	$ 42,608	$ 572,815
Actuarial Accrued Liability	2004	$ 524,215	$ 190,338	$ 83,197	$ 545,244
	2003	$ 484,974	$ 176,291	-	$ 538,980
	2002	$ 446,426	$ 171,921	$ 78,070	$ 510,344
	2001	$ 398,633	$ 165,244	$ 75,072	$ 489,483
Total Unfunded Actuarial Liability (Asset)	2004	$ 37,598	$ 51,390	$ 37,042	$ (49,541)
	2003	$ 14,258	$ 42,149	-	$ (52,541)
	2002	$ (10,990)	$ 40,542	$ 32,569	$ (81,039)
	2001	$ (32,501)	$ 41,655	$ 32,464	$ (83,332)
Funded Ratio[3]	2004	93%	73%	55%	109%
	2003	97%	76%	-	110%
	2002	102%	76%	58%	116%
	2001	108%	75%	57%	117%
Annual Covered Payroll	2004	$ 133,172	$ 34,683	$ 3,815	$ 51,619
	2003	$ 131,328	$ 33,771	-	$ 54,175
	2002	$ 124,373	$ 31,078	$ 5,089	$ 49,278
	2001	$ 120,947	$ 28,246	$ 5,858	$ 48,935
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2004	28%	148%	971%	(96%)
	2003	11%	125%	-	(97%)
	2002	(9%)	130%	640%	(164%)
	2001	(27%)	147%	554%	(170%)

[1]The July 1, 2004, Annual Valuation Report is the most recently issued report available.

[2]Effective with the July 1, 2002, Annual Valuation Report, the LRF is included biennially in even-numbered years only.

[3]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 seven years.

	Fiscal and Policy Year Ended (In Thousands)							
	1998	1999	2000	2001	2002	2003	2004	2005
1. Required Contribution and Investment Revenue:								
Earned	$ 2,564	$ 7,713	$ 10,995	$ 18,005	$ 22,149	$ 23,458	$ 22,764	$ 19,177
Ceded	195	624	1,031	1,972	2,243	2,321	2,231	1,736
Net Earned	$ 2,369	$ 7,089	$ 9,964	$ 16,033	$ 19,906	$ 21,137	$ 20,533	$ 17,441
2. Unallocated Expenses	$ 538	$ 1,458	$ 1,983	$ 2,535	$ 2,715	$ 2,528	$ 2,296	$ 1,904
3. Estimated Claims and Expenses End of Policy Year:								
Incurred	$ 2,002	$ 5,800	$ 9,972	$ 16,550	$ 21,055	$ 19,715	$ 19,466	$ 16,499
Ceded	91	171	772	760	2,513	1,570	1,980	1,913
Net Incurred	$ 1,911	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586
4. Net Paid (Cumulative) as of:								
End of Policy Year	$ 1,376	$ 4,678	$ 7,944	$ 13,228	$ 15,824	$ 15,848	$ 15,699	$ 12,909
One Year Later	1,849	5,817	9,240	15,908	18,091	17,572	17,367	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579		
Three Years Later	1,850	5,818	9,243	15,963	18,034			
Four Years Later	1,850	5,818	9,243	15,963				
Five Years Later	1,850	5,818	9,243					
Six Years Later	1,850	5,818						
Seven Years Later	1,850							
5. Re-estimated Ceded Claims and Expenses	$ 91	$ 171	$ 772	$ 760	$ 2,513	$ 1,570	$ 1,980	$ 1,913
6. Re-estimated Net Incurred Claims and Expenses:								
End of Policy Year	$ 1,911	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586
One Year Later	1,854	5,828	9,253	15,935	18,114	17,595	17,385	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579		
Three Years Later	1,850	5,818	9,243	15,963	18,034			
Four Years Later	1,850	5,818	9,243	15,963				
Five Years Later	1,850	5,818	9,243					
Six Years Later	1,850	5,818						
Seven Years Later	1,850							
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ (61)	$ 189	$ 43	$ 173	$ (508)	$ (566)	$ (101)	$ -

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.

State of Minnesota

2005
Comprehensive Annual
Financial Report

State of Minnesota

Combining and Individual Fund Statements – Nonmajor Funds

State
of
Minnesota

Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

Debt Service

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.

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, 2005
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 1,651,506	$ 408,485	$ 151,317	$ 110,018	$ 2,321,326
Investments	378,554	65,116	466,503	-	910,173
Accounts Receivable	321,863	-	2,579	-	324,442
Interfund Receivables	94,509	400	-	-	94,909
Due from Component Units	-	127,210	-	-	127,210
Accrued Investment/Interest Income	4,682	690	2,819	-	8,191
Federal Aid Receivable	69,447	-	-	-	69,447
Inventories	16,510	-	-	-	16,510
Loans and Notes Receivable	246,824	-	-	39,661	286,485
Securities Lending Collateral	114,123	38,372	22,608	-	175,103
Investment in Land	-	-	15,448	-	15,448
Total Assets	$ 2,898,018	$ 640,273	$ 661,274	$ 149,679	$ 4,349,244
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 337,029	$ -	$ -	$ 39,762	$ 376,791
Interfund Payables	73,974	14,992	1,796	10,097	100,859
Due to Component Units	16,383	-	-	3,533	19,916
Deferred Revenue	216,241	3,323	-	-	219,564
Securities Lending Liabilities	114,123	38,372	22,608	-	175,103
Total Liabilities	$ 757,750	$ 56,687	$ 24,404	$ 53,392	$ 892,233
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances	$ 206,734	$ -	$ -	$ 16,289	$ 223,023
Reserved for Local Governments	426,458	-	26,586	-	453,044
Reserved for Trust Principal	375,712	-	610,284	-	985,996
Other Reserved Fund Balances	457,479	583,586	-	88,185	1,129,250
Total Reserved Fund Balances	$ 1,466,383	$ 583,586	$ 636,870	$ 104,474	$ 2,791,313
Unreserved Fund Balances:					
Designated for Appropriation Carryover	$ 150,945	$ -	$ -	$ -	$ 150,945
Designated for Special Revenue Funds	333,067	-	-	-	333,067
Undesignated, reported in:					
Capital Project Funds	-	-	-	(8,187)	(8,187)
Special Revenue Funds	189,873	-	-	-	189,873
Total Unreserved Fund Balances	$ 673,885	$ -	$ -	$ (8,187)	$ 665,698
Total Fund Balances	$ 2,140,268	$ 583,586	$ 636,870	$ 96,287	$ 3,457,011
Total Liabilities and Fund Balances	$ 2,898,018	$ 640,273	$ 661,274	$ 149,679	$ 4,349,244

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ -	$ 1,222	$ -	$ -	$ 1,222
Motor Vehicle Taxes	683,130	-	-	-	683,130
Fuel Taxes	655,162	-	-	-	655,162
Other Taxes	614,218	-	-	-	614,218
Federal Revenues	368,055	-	-	-	368,055
Licenses and Fees	245,659	-	-	-	245,659
Departmental Services	170,929	-	22,179	-	193,108
Investment/Interest Income	63,892	17,778	37,668	155	119,493
Penalties and Fines	15,115	-	6	-	15,121
Securities Lending Income	3,641	1,755	534	-	5,930
Other Revenues	130,124	7,692	461	-	138,277
Net Revenues	$ 2,949,925	$ 28,447	$ 60,848	$ 155	$ 3,039,375
Expenditures:					
Current:					
Public Safety and Corrections	$ 179,290	$ -	$ -	$ 46	$ 179,336
Transportation	1,206,469	-	-	38,168	1,244,637
Agricultural and Environmental Resources	306,438	-	1,165	49,222	356,825
Economic and Workforce Development	178,657	-	-	11,031	189,688
General Education	19,765	-	18,377	3,147	41,289
Higher Education	21,372	-	-	60,858	82,230
Health and Human Services	584,736	-	-	748	585,484
General Government	38,215	69	-	13,309	51,593
Intergovernment Aid	186	-	-	-	186
Securities Lending Rebates and Fees	3,639	1,716	481	-	5,836
Total Current Expenditures	$ 2,538,767	$ 1,785	$ 20,023	$ 176,529	$ 2,737,104
Capital Outlay	477,884	-	-	204,966	682,850
Debt Service	12,697	414,841	-	-	427,538
Total Expenditures	$ 3,029,348	$ 416,626	$ 20,023	$ 381,495	$ 3,847,492
Excess of Revenues Over (Under) Expenditures	$ (79,423)	$ (388,179)	$ 40,825	$ (381,340)	$ (808,117)
Other Financing Sources (Uses):					
General Obligation Bond Issuance	$ 2,505	$ 8,000	$ -	$ 496,789	$ 507,294
Loan Proceeds	17,885	-	-	-	17,885
Refunding Bonds Sale	-	171,880	-	-	171,880
Payment to Refunded Bonds Escrow Agent	-	(171,880)	-	-	(171,880)
Bond Issue Premium	-	61,662	-	-	61,662
Transfers-In	1,680,228	371,224	-	9,806	2,061,258
Transfers-Out	(1,658,668)	-	-	(50,519)	(1,709,187)
Capital Leases	8,387	-	-	-	8,387
Net Other Financing Sources (Uses)	$ 50,337	$ 440,886	$ -	$ 456,076	$ 947,299
Net Change in Fund Balances	$ (29,086)	$ 52,707	$ 40,825	$ 74,736	$ 139,182
Fund Balances, Beginning, as Reported	$ 2,196,998	$ 530,879	$ 596,045	$ (7,401)	$ 3,316,521
Change in Fund Structure	(28,952)	-	-	28,952	-
Fund Balances, Beginning, as Restated	$ 2,168,046	$ 530,879	$ 596,045	$ 21,551	$ 3,316,521
Change in Inventory	1,308	-	-	-	1,308
Fund Balances, Ending	$ 2,140,268	$ 583,586	$ 636,870	$ 96,287	$ 3,457,011

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.

Minnesota Resources Fund

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

Nonmajor Special Revenue Funds – Cont'd.

Natural Resources Fund

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

Game and Fish Fund

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

Environment and Natural Resources 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.

Remediation Fund

The fund accounts for activities that respond to and correct releases of hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

Iron Range Resources and Rehabilitation Fund

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

Douglas J. Johnson Economic Protection Trust Fund

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

Endowment Fund

The fund receives gifts, donations, and endowments that 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.

Health Care Access Fund

The fund receives taxes on health service providers and premiums for programs to help contain the costs of health care, make reforms in health insurance, and provide competitively priced insurance for people unable to obtain affordable coverage.

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.

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, 2005
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents	$ 246,371	$ 10,085	$ 20,987	$ 122,159
Investments	-	-	-	-
Accounts Receivable	14,200	62,010	1,022	415
Interfund Receivables	31,243	-	-	4,469
Accrued Investment/Interest Income	-	-	-	-
Federal Aid Receivable	69,177	-	-	146
Inventories	16,510	-	-	-
Loans and Notes Receivable	-	-	2,920	-
Securities Lending Collateral	16,587	2,093	-	8,183
Total Assets	$ 394,088	$ 74,188	$ 24,929	$ 135,372
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 86,448	$ 1,442	$ 3,306	$ 19,226
Interfund Payables	-	59,619	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	10,671	3,466	-	-
Securities Lending Liabilities	16,587	2,093	-	8,183
Total Liabilities	$ 113,706	$ 66,620	$ 3,306	$ 27,409
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 73,014	$ 692	$ 9,817	$ 569
Reserved for Inventory	16,510	-	-	-
Reserved for Long-Term Receivables	-	-	2,920	-
Reserved for Long-Term Commitments	185,702	-	-	-
Reserved for Local Governments	-	-	-	107,394
Reserved for Trust Principal	-	-	-	-
Total Reserved Fund Balances	$ 275,226	$ 692	$ 12,737	$ 107,963
Unreserved Fund Balances:				
Designated for Appropriation Carryover	$ 5,156	$ -	$ 268	$ -
Designated for Fund Purposes	-	6,876	8,618	-
Undesignated	-	-	-	-
Total Unreserved Fund Balances	$ 5,156	$ 6,876	$ 8,886	$ -
Total Fund Balances	$ 280,382	$ 7,568	$ 21,623	$ 107,963
Total Liabilities and Fund Balances	$ 394,088	$ 74,188	$ 24,929	$ 135,372

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL
$ 367,866	$ 27,382	$ 3,049	$ 30,217	$ 34,437	$ 94,638	$ 31,908
-	-	-	-	2,702	302,365	-
1,824	160	-	1,459	925	-	9,979
17,018	-	-	8,783	740	1,472	2,749
-	-	-	-	11	1,157	-
-	-	-	-	124	-	-
-	-	-	-	-	-	-
-	32	-	-	-	-	304
25,180	-	-	481	2,387	13,364	2,382
$ 411,888	$ 27,574	$ 3,049	$ 40,940	$ 41,326	$ 412,996	$ 47,322
$ 65,638	$ 15,792	$ 66	$ 3,920	$ 6,224	$ 2,331	$ 4,571
-	247	-	-	-	-	-
-	-	-	170	-	-	-
-	147	-	-	2	-	4,279
25,180	-	-	481	2,387	13,364	2,382
$ 90,818	$ 16,186	$ 66	$ 4,571	$ 8,613	$ 15,695	$ 11,232
$ 2,006	$ 11,336	$ 830	$ 5,749	$ 7,239	$ 8,392	$ 1,221
-	-	-	-	-	-	-
-	32	-	-	-	-	304
-	-	-	-	-	-	-
319,064	-	-	-	-	-	-
-	-	-	-	-	375,712	-
$ 321,070	$ 11,368	$ 830	$ 5,749	$ 7,239	$ 384,104	$ 1,525
$ -	$ -	$ 1,099	$ 5,348	$ 1,348	$ 4,117	$ 938
-	20	-	-	-	9,080	-
-	-	1,054	25,272	24,126	-	33,627
$ -	$ 20	$ 2,153	$ 30,620	$ 25,474	$ 13,197	$ 34,565
$ 321,070	$ 11,388	$ 2,983	$ 36,369	$ 32,713	$ 397,301	$ 36,090
$ 411,888	$ 27,574	$ 3,049	$ 40,940	$ 41,326	$ 412,996	$ 47,322

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2005
(IN THOUSANDS)

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST FUND	ENDOWMENT
ASSETS				
Cash and Cash Equivalents	$ 47,279	$ 41,067	$ 77,767	$ 13,572
Investments	33,443	-	39,655	389
Accounts Receivable	689	10,799	590	165
Interfund Receivables	247	4,080	-	-
Accrued Investment/Interest Income	17	-	257	2
Federal Aid Receivable	-	-	-	-
Inventories	-	-	-	-
Loans and Notes Receivable	-	5,456	25,461	-
Securities Lending Collateral	4,390	2,651	6,532	17
Total Assets	$ 86,065	$ 64,053	$ 150,262	$ 14,145
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 6,127	$ 708	$ 404	$ 646
Interfund Payables	-	-	-	54
Due to Component Units	-	-	-	-
Deferred Revenue	-	-	7	-
Securities Lending Liabilities	4,390	2,651	6,532	17
Total Liabilities	$ 10,517	$ 3,359	$ 6,943	$ 717
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 5,622	$ 17,705	$ 19,351	$ 2,102
Reserved for Inventory	-	-	-	-
Reserved for Long-Term Receivables	-	5,456	25,461	-
Reserved for Long-Term Commitments	40,934	-	-	-
Reserved for Local Governments	-	-	-	-
Reserved for Trust Principal	-	-	-	-
Total Reserved Fund Balances	$ 46,556	$ 23,161	$ 44,812	$ 2,102
Unreserved Fund Balances:				
Designated for Appropriation Carryover	$ 9,698	$ 31,992	$ 88,691	$ -
Designated for Fund Purposes	-	-	9,816	11,326
Undesignated	19,294	5,541	-	-
Total Unreserved Fund Balances	$ 28,992	$ 37,533	$ 98,507	$ 11,326
Total Fund Balances	$ 75,548	$ 60,694	$ 143,319	$ 13,428
Total Liabilities and Fund Balances	$ 86,065	$ 64,053	$ 150,262	$ 14,145

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 2,933	$ 29,252	$ 59,494	$ 19,229	$ 371,814	$ 1,651,506
-	-	-	-	-	378,554
-	109,185	67,493	-	40,948	321,863
-	-	2,109	5,077	16,522	94,509
3,238	-	-	-	-	4,682
-	-	-	-	-	69,447
-	-	-	-	-	16,510
112,963	-	-	-	99,688	246,824
-	2,440	12,872	-	14,564	114,123
$ 119,134	$ 140,877	$ 141,968	$ 24,306	$ 543,536	$ 2,898,018
$ -	$ 7,009	$ 39,614	$ 11,289	$ 62,268	$ 337,029
-	-	5,651	56	8,347	73,974
-	-	-	9,207	7,006	16,383
38,662	108,723	1,848	-	48,436	216,241
-	2,440	12,872	-	14,564	114,123
$ 38,662	$ 118,172	$ 59,985	$ 20,552	$ 140,621	$ 757,750
$ -	$ 529	$ 2,452	$ 906	$ 37,202	$ 206,734
-	-	-	-	-	16,510
80,472	-	-	-	99,688	214,333
-	-	-	-	-	226,636
-	-	-	-	-	426,458
-	-	-	-	-	375,712
$ 80,472	$ 529	$ 2,452	$ 906	$ 136,890	$ 1,466,383
$ -	$ 1,747	$ 543	$ -	$ -	$ 150,945
-	-	-	-	287,331	333,067
-	20,429	78,988	2,848	(21,306)	189,873
$ -	$ 22,176	$ 79,531	$ 2,848	$ 266,025	$ 673,885
$ 80,472	$ 22,705	$ 81,983	$ 3,754	$ 402,915	$ 2,140,268
$ 119,134	$ 140,877	$ 141,968	$ 24,306	$ 543,536	$ 2,898,018

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Motor Vehicle Taxes	$ -	$ 663,343	$ 15,229	$ 946
Fuel Taxes	-	651,280	3,882	-
Other Taxes	225	-	-	-
Federal Revenues	325,314	-	-	245
Licenses and Fees	29,173	11,552	1,064	-
Departmental Services	776	126	-	-
Investment/Interest Income	4,831	788	424	2,441
Penalties and Fines	1,039	639	-	-
Securities Lending Income	607	92	-	306
Other Revenues	13,826	157	-	-
Net Revenues	$ 375,791	$ 1,327,977	$ 20,599	$ 3,938
Expenditures:				
Current:				
Public Safety and Corrections	$ 92,727	$ 18,146	$ -	$ -
Transportation	625,464	621	17,127	122,609
Agricultural and Environmental Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
Higher Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	19	2,069	-	-
Intergovernment Aid	-	-	-	-
Securities Lending Rebates and Fees	593	90	-	300
Total Current Expenditures	$ 718,803	$ 20,926	$ 17,127	$ 122,909
Capital Outlay	466,778	-	-	-
Debt Service	7,836	-	-	-
Total Expenditures	$ 1,193,417	$ 20,926	$ 17,127	$ 122,909
Excess of Revenues Over (Under) Expenditures	$ (817,626)	$ 1,307,051	$ 3,472	$ (118,971)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ -	$ -
Loan Proceeds	17,885	-	-	-
Transfers-In	766,702	-	-	118,573
Transfers-Out	(27,207)	(1,307,014)	-	-
Capital Leases	8,387	-	-	-
Net Other Financing Sources (Uses)	$ 765,767	$ (1,307,014)	$ -	$ 118,573
Net Change in Fund Balances	$ (51,859)	$ 37	$ 3,472	$ (398)
Fund Balances, Beginning, as Reported	$ 359,885	$ 7,531	$ 18,151	$ 108,361
Change in Fund Structure	(28,952)	-	-	-
Fund Balances, Beginning, as Restated	$ 330,933	$ 7,531	$ 18,151	$ 108,361
Change in Inventory	1,308	-	-	-
Fund Balances, Ending	$ 280,382	$ 7,568	$ 21,623	$ 107,963

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL
$ 3,612	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	32,185
338	-	-	1,093	18,157	-	-
-	26,113	-	14,065	57,163	-	19,456
-	-	-	15,407	576	-	-
7,695	507	77	276	903	23,126	830
-	112	-	60	339	-	646
966	-	-	-	3	301	111
-	18	1	1,410	342	-	10
$ 12,611	$ 26,750	$ 78	$ 32,311	$ 77,483	$ 23,427	$ 53,238
$ -	$ -	$ -	$ -	$ -	$ -	$ 49
431,481	-	-	-	-	-	-
-	18,885	748	56,595	85,683	9,600	44,557
-	-	-	-	-	-	-
-	-	-	128	-	75	-
-	-	-	-	-	260	-
-	-	-	-	-	181	-
-	-	-	-	-	377	364
-	-	-	-	-	-	-
945	-	-	-	3	270	109
$ 432,426	$ 18,885	$ 748	$ 56,723	$ 85,686	$ 10,763	$ 45,079
-	-	265	72	889	913	-
-	-	-	-	-	-	-
$ 432,426	$ 18,885	$ 1,013	$ 56,795	$ 86,575	$ 11,676	$ 45,079
$ (419,815)	$ 7,865	$ (935)	$ (24,484)	$ (9,092)	$ 11,751	$ 8,159
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
419,811	1,237	-	27,707	10,911	27,987	437
(8,300)	(8,205)	-	(11)	(14)	-	(15,753)
-	-	-	-	-	-	-
$ 411,511	$ (6,968)	$ -	$ 27,696	$ 10,897	$ 27,987	$ (15,316)
$ (8,304)	$ 897	$ (935)	$ 3,212	$ 1,805	$ 39,738	$ (7,157)
$ 329,374	$ 10,491	$ 3,918	$ 33,157	$ 30,908	$ 357,563	$ 43,247
-	-	-	-	-	-	-
$ 329,374	$ 10,491	$ 3,918	$ 33,157	$ 30,908	$ 357,563	$ 43,247
-	-	-	-	-	-	-
$ 321,070	$ 11,388	$ 2,983	$ 36,369	$ 32,713	$ 397,301	$ 36,090

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST FUND	ENDOWMENT
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-
Other Taxes	702	23,180	5,691	-
Federal Revenues	-	-	-	-
Licenses and Fees	95	-	-	-
Departmental Services	122	785	122	-
Investment/Interest Income	3,299	919	4,907	241
Penalties and Fines	519	-	-	-
Securities Lending Income	135	-	221	-
Other Revenues	27,925	51	-	8,801
Net Revenues	$ 32,797	$ 24,935	$ 10,941	$ 9,042
Expenditures:				
Current:				
Public Safety and Corrections	$ -	$ -	$ -	$ 145
Transportation	-	-	-	-
Agricultural and Environmental Resources	38,030	-	-	4,864
Economic and Workforce Development	229	15,789	2,150	176
General Education	-	-	-	1,183
Higher Education	-	-	-	-
Health and Human Services	216	-	-	618
General Government	123	-	-	344
Intergovernment Aid	-	-	-	-
Securities Lending Rebates and Fees	129	100	221	-
Total Current Expenditures	$ 38,727	$ 15,889	$ 2,371	$ 7,330
Capital Outlay	333	1,027	-	603
Debt Service	-	-	-	-
Total Expenditures	$ 39,060	$ 16,916	$ 2,371	$ 7,933
Excess of Revenues Over (Under) Expenditures	$ (6,263)	$ 8,019	$ 8,570	$ 1,109
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ -	$ -
Loan Proceeds	-	-	-	-
Transfers-In	17,475	8,716	-	-
Transfers-Out	(1,237)	(267)	-	(486)
Capital Leases	-	-	-	-
Net Other Financing Sources (Uses)	$ 16,238	$ 8,449	$ -	$ (486)
Net Change in Fund Balances	$ 9,975	$ 16,468	$ 8,570	$ 623
Fund Balances, Beginning, as Reported	$ 65,573	$ 44,226	$ 134,749	$ 12,805
Change in Fund Structure	-	-	-	-
Fund Balances, Beginning, as Restated	$ 65,573	$ 44,226	$ 134,749	$ 12,805
Change in Inventory	-	-	-	-
Fund Balances, Ending	$ 75,548	$ 60,694	$ 143,319	$ 13,428

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ -	$ 683,130
-	-	-	-	-	655,162
-	104,508	417,745	-	29,982	614,218
-	-	-	-	22,908	368,055
-	1,063	-	-	85,915	245,659
-	854	26,559	-	125,602	170,929
1,718	1,159	2,744	-	7,007	63,892
-	4,238	-	-	7,523	15,115
-	143	345	-	411	3,641
432	-	3,785	3	73,363	130,124
$ 2,150	$ 111,965	$ 451,178	$ 3	$ 352,711	$ 2,949,925
$ -	$ -	$ -	$ -	$ 68,223	$ 179,290
-	-	-	-	9,167	1,206,469
-	-	-	-	47,476	306,438
-	101,459	-	-	58,854	178,657
1,049	-	-	-	17,330	19,765
-	-	-	-	21,112	21,372
-	-	281,430	55,477	246,814	584,736
-	7,167	1,868	-	25,884	38,215
-	-	-	-	186	186
-	140	337	-	402	3,639
$ 1,049	$ 108,766	$ 283,635	$ 55,477	$ 495,448	$ 2,538,767
-	107	388	-	6,509	477,884
-	-	191	-	4,670	12,697
$ 1,049	$ 108,873	$ 284,214	$ 55,477	$ 506,627	$ 3,029,348
$ 1,101	$ 3,092	$ 166,964	$ (55,474)	$ (153,916)	$ (79,423)
$ 2,505	$ -	$ -	$ -	$ -	$ 2,505
-	-	-	-	-	17,885
-	-	-	56,679	223,993	1,680,228
(2,093)	-	(244,500)	(56)	(43,525)	(1,658,668)
-	-	-	-	-	8,387
$ 412	$ -	$ (244,500)	$ 56,623	$ 180,468	$ 50,337
$ 1,513	$ 3,092	$ (77,536)	$ 1,149	$ 26,552	$ (29,086)
$ 78,959	$ 19,613	$ 159,519	$ 2,605	$ 376,363	$ 2,196,998
-	-	-	-	-	(28,952)
$ 78,959	$ 19,613	$ 159,519	$ 2,605	$ 376,363	$ 2,168,046
-	-	-	-	-	1,308
$ 80,472	$ 22,705	$ 81,983	$ 3,754	$ 402,915	$ 2,140,268

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

YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ 646,222	$ 663,023
Fuel Taxes	-	-	658,689	650,634
Other Taxes	176	225	-	-
Federal Revenues	355,940	354,299	-	-
Licenses and Fees	-	-	-	-
Departmental Services	36,843	33,602	11,560	757
Investment/Interest Income	2,500	4,846	1,020	733
Other Revenues	57,437	57,437	8,111	11,775
Net Revenues	$ 452,896	$ 450,409	$ 1,325,602	$ 1,326,922
Expenditures:				
Public Safety and Corrections	$ 95,997	$ 95,942	$ 18,659	$ 18,659
Transportation	1,137,285	1,137,285	621	621
Agricultural and Environmental Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
Higher Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	79	79	2,196	2,196
Intergovernment Aid	-	-	-	-
Total Expenditures	$ 1,233,361	$ 1,233,306	$ 21,476	$ 21,476
Excess of Revenues Over (Under) Expenditures	$ (780,465)	$ (782,897)	$ 1,304,126	$ 1,305,446
Other Financing Sources (Uses):				
Transfers-In	$ 760,886	$ 765,616	$ -	$ -
Transfers-Out	(27,207)	(27,207)	(1,305,164)	(1,305,164)
Net Other Financing Sources (Uses)	$ 733,679	$ 738,409	$ (1,305,164)	$ (1,305,164)
Net Change in Fund Balances	$ (46,786)	$ (44,488)	$ (1,038)	$ 282
Fund Balances, Beginning, as Reported	$ 51,510	$ 51,510	$ 1,394	$ 1,394
Prior Period Adjustments	-	52,964	-	4
Fund Balances, Beginning, as Restated	$ 51,510	$ 104,474	$ 1,394	$ 1,398
Fund Balances, Ending	$ 4,724	$ 59,986	$ 356	$ 1,680
Less Appropriation Carryover	-	5,156	-	-
Undesignated Fund Balances, Ending	$ 4,724	$ 54,830	$ 356	$ 1,680

STATE AIRPORTS		MINNESOTA RESOURCES		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 13,403	$ 15,228	$ -	$ -	$ -	$ -
4,000	3,883	-	-	-	-
-	-	-	-	9,604	9,606
-	-	-	-	-	-
-	-	-	-	-	-
500	505	-	-	26,167	24,420
254	424	40	78	208	296
103	549	-	-	4,598	6,767
$ 18,260	$ 20,589	$ 40	$ 78	$ 40,577	$ 41,089
$ -	$ -	$ -	$ -	$ -	$ -
22,907	22,520	-	-	-	-
-	-	400	400	61,280	60,250
-	-	-	-	-	-
-	-	-	-	124	124
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 22,907	$ 22,520	$ 400	$ 400	$ 61,404	$ 60,374
$ (4,647)	$ (1,931)	$ (360)	$ (322)	$ (20,827)	$ (19,285)
$	$ -	$ -	$ -	$ 18,909	$ 18,093
-	-	-	-	(11)	(11)
$ -	$ -	$ -	$ -	$ 18,898	$ 18,082
$ (4,647)	$ (1,931)	$ (360)	$ (322)	$ (1,929)	$ (1,203)
$ 11,580	$ 11,580	$ 2,381	$ 2,381	$ 22,037	$ 22,037
-	1,624	-	87	-	860
$ 11,580	$ 13,204	$ 2,381	$ 2,468	$ 22,037	$ 22,897
$ 6,933	$ 11,273	$ 2,021	$ 2,146	$ 20,108	$ 21,694
-	268	-	1,099	-	5,348
$ 6,933	$ 11,005	$ 2,021	$ 1,047	$ 20,108	$ 16,346

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, 2005
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-
Other Taxes	9,604	9,603	32,115	32,084
Federal Revenues	17,300	18,400	-	-
Licenses and Fees	52,553	52,244	20,561	19,546
Departmental Services	6,124	4,045	-	-
Investment/Interest Income	559	711	666	817
Other Revenues	283	2,487	660	678
Net Revenues	$ 86,423	$ 87,490	$ 54,002	$ 53,125
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ 49	$ 49
Transportation	-	-	-	-
Agricultural and Environmental Resources	90,475	90,426	45,551	45,417
Economic and Workforce Development	-	-	-	-
Higher Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	-	-	373	373
Intergovernment Aid		-		-
Total Expenditures	$ 90,475	$ 90,426	$ 45,973	$ 45,839
Excess of Revenues Over (Under) Expenditures	$ (4,052)	$ (2,936)	$ 8,029	$ 7,286
Other Financing Sources (Uses):				
Transfers-In	$ 1,037	$ 1,307	$ -	$ 100
Transfers-Out	(6)	(6)	(15,416)	(15,416)
Net Other Financing Sources (Uses)	$ 1,031	$ 1,301	$ (15,416)	$ (15,316)
Net Change in Fund Balances	$ (3,021)	$ (1,635)	$ (7,387)	$ (8,030)
Fund Balances, Beginning, as Reported	$ 25,517	$ 25,517	$ 39,110	$ 39,110
Prior Period Adjustments	-	743	-	176
Fund Balances, Beginning, as Restated	$ 25,517	$ 26,260	$ 39,110	$ 39,286
Fund Balances, Ending	$ 22,496	$ 24,625	$ 31,723	$ 31,256
Less Appropriation Carryover	-	1,348	-	938
Undesignated Fund Balances, Ending	$ 22,496	$ 23,277	$ 31,723	$ 30,318

	REMEDIATION		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	775	702	-	-	406,774	410,014
	-	-	-	-	-	-
	-	-	-	-	-	-
	180	217	-	-	-	-
	685	859	583	1,138	1,675	6,509
	22,086	28,383	110,210	112,668	32,061	22,895
	$ 23,726	$ 30,161	$ 110,793	$ 113,806	$ 440,510	$ 439,418
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	43,906	43,706	-	-	-	-
	700	700	101,335	101,335	-	-
	-	-	-	-	-	-
	221	221	-	-	274,131	273,588
	123	123	7,326	7,326	1,965	1,965
	-	-	-	-	191	191
	$ 44,950	$ 44,750	$ 108,661	$ 108,661	$ 276,287	$ 275,744
	$ (21,224)	$ (14,589)	$ 2,132	$ 5,145	$ 164,223	$ 163,674
	$ 28,021	$ 23,844	$ -	$ 13	$ -	$ -
	(16,091)	(16,091)	-	-	(246,657)	(246,657)
	$ 11,930	$ 7,753	$ -	$ 13	$ (246,657)	$ (246,657)
	$ (9,294)	$ (6,836)	$ 2,132	$ 5,158	$ (82,434)	$ (82,983)
	$ 30,766	$ 30,766	$ 18,877	$ 18,877	$ 136,968	$ 136,968
	-	5,062	-	74	-	147
	$ 30,766	$ 35,828	$ 18,877	$ 18,951	$ 136,968	$ 137,115
	$ 21,472	$ 28,992	$ 21,009	$ 24,109	$ 54,534	$ 54,132
	-	9,698	-	1,747	-	543
	$ 21,472	$ 19,294	$ 21,009	$ 22,362	$ 54,534	$ 53,589

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, 2005
(IN THOUSANDS)

	COMBINED TOTALS	
	FINAL BUDGET	ACTUAL
Net Revenues:		
Motor Vehicle Taxes	$ 659,625	$ 678,251
Fuel Taxes	662,689	654,517
Other Taxes	459,048	462,234
Federal Revenues	373,240	372,699
Licenses and Fees	73,114	71,790
Departmental Services	81,374	63,546
Investment/Interest Income	8,190	16,411
Other Revenues	235,549	243,639
Net Revenues	$ 2,552,829	$ 2,563,087
Expenditures:		
Public Safety and Corrections	$ 114,705	$ 114,650
Transportation	1,160,813	1,160,426
Agricultural and Environmental Resources	241,612	240,199
Economic and Workforce Development	102,035	102,035
Higher Education	124	124
Health and Human Services	274,352	273,809
General Government	12,062	12,062
Intergovernment Aid	191	191
Total Expenditures	$ 1,905,894	$ 1,903,496
Excess of Revenues Over (Under) Expenditures	$ 646,935	$ 659,591
Other Financing Sources (Uses):		
Transfers-In	$ 808,853	$ 808,973
Transfers-Out	(1,610,552)	(1,610,552)
Net Other Financing Sources (Uses)	$ (801,699)	$ (801,579)
Net Change in Fund Balances	$ (154,764)	$ (141,988)
Fund Balances, Beginning, as Reported	$ 340,140	$ 340,140
Prior Period Adjustments	-	61,741
Fund Balances, Beginning, as Restated	$ 340,140	$ 401,881
Fund Balances, Ending	$ 185,376	$ 259,893
Less Appropriation Carryover	-	26,145
Undesignated Fund Balances, Ending	$ 185,376	$ 233,748

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, 2005
(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	Minnesota Resources	Natural Resources	Game and Fish	Environmental	Remediation	Special Compensation	Health Care Access
GAAP Basis Fund Balances:	$ 280,382	$ 7,568	$ 21,623	$ 2,983	$ 36,369	$ 32,713	$ 36,090	$ 75,548	$ 22,705	$ 81,983
Less: Reserved Fund Balances	275,226	692	12,737	830	5,749	7,239	1,525	46,556	529	2,452
Less: Designated Fund Balances	5,156	6,876	8,886	1,099	5,348	1,348	938	9,698	1,747	543
Undesignated Fund Balances	$ -	$ -	$ -	$ 1,054	$ 25,272	$ 24,126	$ 33,627	$ 19,294	$ 20,429	$ 78,988
Basis of Accounting Differences										
Revenue Accruals/Adjustments:										
Taxes Receivable	$ -	$ (54,614)	$ -	$ (7)	$ -	$ -	$ -	$ -	$ -	$ (66,411)
Human Services Receivable	-	-	-	-	-	-	-	-	-	(1)
Deferred Revenue	-	-	-	-	-	-	-	-	-	1,691
Other Receivables	(5,694)	-	(533)	-	(846)	(109)	(3,309)	-	1,721	-
Expenditure Accruals/Adjustments:										
Transportation	-	-	-	-	-	-	-	-	-	-
Family Support, Medical Assistance	-	-	-	-	-	-	-	-	-	37,760
Other Payables	-	-	-	-	-	-	-	-	212	1,562
Other Financial Sources (Uses):										
Transfers-In	(24,784)	-	-	-	(8,080)	(740)	-	-	-	-
Transfers-Out	-	49,418	-	-	-	-	-	-	-	-
Fund Structure Differences:										
Other	-	-	-	-	-	-	-	-	-	-
Perspective Differences:										
Reserve for Long-Term Commitments	85,308	6,876	11,538	-	-	-	-	-	-	-
Budgetary Basis Undesignated Fund Balances	$ 54,830	$ 1,680	$ 11,005	$ 1,047	$ 16,346	$ 23,277	$ 30,318	$ 19,294	$ 22,362	$ 53,589

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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, 2005
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 60,880	$ 11,664	$ 37,474	$ 110,018
Loans and Notes Receivable	39,640	21	-	39,661
Total Assets	$ 100,520	$ 11,685	$ 37,474	$ 149,679
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 29,943	$ 367	$ 9,452	$ 39,762
Interfund Payables	1,607	-	8,490	10,097
Due to Component Units	3,533	-	-	3,533
Total Liabilities	$ 35,083	$ 367	$ 17,942	$ 53,392
Fund Balances:				
Reserved Fund Balance:				
Reserverd for Encumbrances	$ -	$ -	$ 16,289	$ 16,289
Reserved for Long-Term Receivables	39,640	21	-	39,661
Reserved for Long-Term Commitments	25,797	11,297	11,430	48,524
Total Reserved Fund Balances	$ 65,437	$ 11,318	$ 27,719	$ 104,474
Unreserved Fund Balance:				
Undesignated	$ -	$ -	$ (8,187)	$ (8,187)
Total Fund Balances	$ 65,437	$ 11,318	$ 19,532	$ 96,287
Total Liabilities and Fund Balances	$ 100,520	$ 11,685	$ 37,474	$ 149,679

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 153	$ 2	$ -	$ 155
Net Revenues	$ 153	$ 2	$ -	$ 155
Expenditures:				
Current:				
Public Safety and Corrections	$ -	$ 46	$ -	$ 46
Transportation	9,006	2,877	26,285	38,168
Agricultural and Environmental Resources	48,582	640	-	49,222
Economic and Workforce Development	10,392	639	-	11,031
General Education	3,061	86	-	3,147
Higher Education	60,858	-	-	60,858
Health and Human Services	678	70	-	748
General Government	12,760	432	117	13,309
Total Current Expenditures	$ 145,337	$ 4,790	$ 26,402	$ 176,529
Capital Outlay	91,636	(65)	113,395	204,966
Total Expenditures	$ 236,973	$ 4,725	$ 139,797	$ 381,495
Excess of Revenues Over (Under) Expenditures	$ (236,820)	$ (4,723)	$ (139,797)	$ (381,340)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ 373,620	$ -	$ 123,169	$ 496,789
Transfers-In	-	9,806	-	9,806
Transfers-Out	(50,518)	-	(1)	(50,519)
Net Other Financing Sources (Uses)	$ 323,102	$ 9,806	$ 123,168	$ 456,076
Net Change in Fund Balances	$ 86,282	$ 5,083	$ (16,629)	$ 74,736
Fund Balances, Beginning, as Reported	$ (20,845)	$ 6,235	$ 7,209	$ (7,401)
Change in Fund Structure	-	-	28,952	28,952
Fund Balances, Beginning, as Restated	$ (20,845)	$ 6,235	$ 36,161	$ 21,551
Fund Balances, Ending	$ 65,437	$ 11,318	$ 19,532	$ 96,287

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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, 2005
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 9,481	$ 4,507	$ 2,873	$ 7,799
Accounts Receivable	9,639	915	44	3,146
Accrued Investment/Interest Income	-	-	18	-
Inventories	-	756	244	8,878
Deferred Costs	-	1	-	-
Other Assets	-	-	1,781	218
Total Current Assets	$ 19,120	$ 6,179	$ 4,960	$ 20,041
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 2,050	$ -
Depreciable Capital Assets (Net)	1,323	349	21,424	3,956
Nondepreciable Capital Assets	-	-	910	-
Total Noncurrent Assets	$ 1,323	$ 349	$ 24,384	$ 3,956
Total Assets	$ 20,443	$ 6,528	$ 29,344	$ 23,997
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,279	$ 3,239	$ 312	$ 1,740
Interfund Payables	-	-	-	-
Unearned Revenue	-	182	-	-
Accrued Bond Interest Payable	-	-	177	-
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	615	-
Capital Leases	-	-	21	-
Compensated Absences Payable	325	43	19	460
Other Liabilities	1,323	-	-	42
Total Current Liabilities	$ 2,927	$ 3,464	$ 1,144	$ 2,242
Noncurrent Liabilities:				
General Obligation Bonds Payable	$ -	$ -	$ -	$ -
Revenue Bonds Payable	-	-	14,255	-
Capital Leases	-	-	-	-
Compensated Absences Payable	1,976	300	143	515
Total Noncurrent Liabilities	$ 1,976	$ 300	$ 14,398	$ 515
Total Liabilities	$ 4,903	$ 3,764	$ 15,542	$ 2,757
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 1,323	$ 349	$ 9,514	$ 3,956
Unrestricted	14,217	2,415	4,288	17,284
Total Net Assets	$ 15,540	$ 2,764	$ 13,802	$ 21,240

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 4,121	$ 19,082	$ 18,685	$ 66,548
730	2,004	7,032	23,510
-	-	-	18
-	381	-	10,259
-	788	-	789
-	-	139	2,138
$ 4,851	$ 22,255	$ 25,856	$ 103,262
$ -	$ -	$ -	$ 2,050
-	1,096	6,313	34,461
-	-	786	1,696
$ -	$ 1,096	$ 7,099	$ 38,207
$ 4,851	$ 23,351	$ 32,955	$ 141,469
$ 2,074	$ 10,336	$ 3,414	$ 22,394
-	11,477	-	11,477
675	390	-	1,247
-	-	51	228
-	-	235	235
-	-	-	615
-	-	169	190
3	534	813	2,197
-	-	-	1,365
$ 2,752	$ 22,737	$ 4,682	$ 39,948
$ -	$ -	$ 3,387	$ 3,387
-	-	-	14,255
-	-	865	865
23	614	5,086	8,657
$ 23	$ 614	$ 9,338	$ 27,164
$ 2,775	$ 23,351	$ 14,020	$ 67,112
$ -	$ 1,096	$ 2,443	$ 18,681
2,076	(1,096)	16,492	55,676
$ 2,076	$ -	$ 18,935	$ 74,357

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ -	$ 2,232	$ 3,972	$ 32,327
Rental and Service Fees	36,310	5,466	112	633
Insurance Premiums	-	-	-	-
Other Income	52	-	936	998
Total Operating Revenues	$ 36,362	$ 7,698	$ 5,020	$ 33,958
Less: Cost of Goods Sold	-	762	-	17,523
Gross Margin	$ 36,362	$ 6,936	$ 5,020	$ 16,435
Operating Expenses:				
Purchased Services	$ 3,053	$ 1,188	$ 1,941	$ 271
Salaries and Fringe Benefits	25,511	2,676	2,085	8,268
Claims	-	-	-	-
Depreciation	188	39	1,178	594
Amortization	-	-	71	-
Supplies and Materials	1,771	110	193	1,157
Indirect Costs	4,780	99	-	792
Other Expenses	520	150	46	4,246
Total Operating Expenses	$ 35,823	$ 4,262	$ 5,514	$ 15,328
Operating Income (Loss)	$ 539	$ 2,674	$ (494)	$ 1,107
Nonoperating Revenues (Expenses):				
Investment Income	$ 303	$ -	$ 118	$ 184
Interest and Financing Costs	-	-	(1,071)	-
Other Nonoperating Expenses	-	(4,135)	(269)	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	34
Total Nonoperating Revenues (Expenses)	$ 303	$ (4,135)	$ (1,222)	$ 218
Income (Loss) Before Transfers & Contributions	$ 842	$ (1,461)	$ (1,716)	$ 1,325
Transfers-In	-	-	267	-
Transfers-Out	-	-	-	-
Change in Net Assets	$ 842	$ (1,461)	$ (1,449)	$ 1,325
Net Assets, Beginning, as Reported	$ 14,698	$ 4,225	$ 15,251	$ 19,915
Net Assets, Ending	$ 15,540	$ 2,764	$ 13,802	$ 21,240

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ 408,011	$ -	$ 446,542
-	-	66,031	108,552
18,935	-	-	18,935
329	-	849	3,164
$ 19,264	$ 408,011	$ 66,880	$ 577,193
-	279,997	-	298,282
$ 19,264	$ 128,014	$ 66,880	$ 278,911
$ 3,397	$ 10,802	$ 4,618	$ 25,270
191	10,080	55,065	103,876
15,053	-	-	15,053
-	389	1,446	3,834
-	-	-	71
-	1,087	2,379	6,697
12	-	3,565	9,248
40	220	1,705	6,927
$ 18,693	$ 22,578	$ 68,778	$ 170,976
$ 571	$ 105,436	$ (1,898)	$ 107,935
$ 96	$ 735	$ 512	$ 1,948
-	-	(446)	(1,517)
-	-	(282)	(4,686)
-	-	(50)	(16)
$ 96	$ 735	$ (266)	$ (4,271)
$ 667	$ 106,171	$ (2,164)	$ 103,664
-	-	-	267
-	(106,171)	-	(106,171)
$ 667	$ -	$ (2,164)	$ (2,240)
$ 1,409	$ -	$ 21,099	$ 76,597
$ 2,076	$ -	$ 18,935	$ 74,357

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 35,152	$ 7,913	$ 5,028	$ 33,849
Receipts from Other Revenues	52	-	-	939
Payments to Claimants	-	-	-	-
Payments to Suppliers	(12,288)	(2,043)	(2,216)	(24,268)
Payments to Employees	(25,338)	(2,746)	(2,100)	(10,147)
Payments to Others	-	-	-	
Net Cash Flows from Operating Activities	$ (2,422)	$ 3,124	$ 712	$ 373
Cash Flows from Noncapital Financing Activities:				
Transfers-Out	$ -	$ -	$ (2,000)	$ -
Other Nonoperating Expenses	-	(3,392)	-	(404)
Net Cash Flows from Noncapital Financing Activities	$ -	$ (3,392)	$ (2,000)	$ (404)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (178)	$ (234)	$ (534)	$ (847)
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Lease Payments	-	-	-	-
Repayment of Bond Principal	-	-	(310)	-
Interest Paid	-	-	(1,071)	-
Net Cash Flows from Capital and Related Financing Activities	$ (178)	$ (234)	$ (1,915)	$ (847)
Cash Flows from Investing Activities:				
Investment Earnings	$ 303	$ -	$ 118	$ 183
Net Cash Flows from Investing Activities	$ 303	$ -	$ 118	$ 183
Net Increase (Decrease) in Cash and Cash Equivalents	$ (2,297)	$ (502)	$ (3,085)	$ (695)
Cash and Cash Equivalents, Beginning, as Reported	$ 11,778	$ 5,009	$ 8,008	$ 8,494
Cash and Cash Equivalents, Ending	$ 9,481	$ 4,507	$ 4,923	$ 7,799
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 539	$ 2,674	$ (494)	$ 1,107
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 188	$ 39	$ 1,178	$ 594
Change in Valuation of Assets	-	-	-	-
Amortization	-	-	71	-
Change in Assets and Liabilities:				
Accounts Receivable	(1,158)	209	9	(363)
Inventories	-	106	12	(1,117)
Other Assets	-	-	-	238
Accounts Payable	(2,224)	48	(78)	(117)
Compensated Absences Payable	29	42	14	65
Unearned Revenues	-	6	-	-
Other Liabilities	204	-	-	(34)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (2,961)	$ 450	$ 1,206	$ (734)
Net Cash Flows from Operating Activities	$ (2,422)	$ 3,124	$ 712	$ 373

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 19,331	$ 412,416	$ 64,893	$ 578,582
-	100	849	1,940
(15,127)	(245,176)	-	(260,303)
(3,726)	(25,300)	(12,353)	(82,194)
(195)	(9,840)	(54,263)	(104,629)
(77)	(25,067)	-	(25,144)
$ 206	$ 107,133	$ (874)	$ 108,252
$ -	$ (105,361)	$ -	$ (107,361)
-	-	-	(3,796)
$ -	$ (105,361)	$ -	$ (111,157)
$ -	$ (560)	$ (1,540)	$ (3,893)
-	-	21	21
-	-	(279)	(279)
-	-	(222)	(532)
-	-	(448)	(1,519)
$ -	$ (560)	$ (2,468)	$ (6,202)
$ 96	$ 735	$ 512	$ 1,947
$ 96	$ 735	$ 512	$ 1,947
$ 302	$ 1,947	$ (2,830)	$ (7,160)
$ 3,819	$ 17,135	$ 21,515	$ 75,758
$ 4,121	$ 19,082	$ 18,685	$ 68,598
$ 571	$ 105,436	$ (1,898)	$ 107,935
$ -	$ 389	$ 1,446	$ 3,834
-	9	-	9
-	-	-	71
(323)	4,218	(1,147)	1,445
-	313	-	(686)
-	(267)	-	(29)
(149)	(2,965)	425	(5,060)
(2)	-	300	448
109	-	-	115
-	-	-	170
$ (365)	$ 1,697	$ 1,024	$ 317
$ 206	$ 107,133	$ (874)	$ 108,252

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Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

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, 2005

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 480	$ 524	$ 680	$ 121,105
Investments	-	-	-	20,499
Accounts Receivable	2,061	1,404	562	3,119
Accrued Investment/Interest Income	-	-	-	310
Inventories	18	10	491	-
Deferred Costs	-	847	-	-
Securities Lending Collateral	-	-	-	11,063
Total Current Assets	$ 2,559	$ 2,785	$ 1,733	$ 156,096
Noncurrent Assets:				
Deferred Costs	$ -	$ -	$ -	$ -
Depreciable Capital Assets (Net)	16,120	12	-	11
Total Noncurrent Assets	$ 16,120	$ 12	$ -	$ 11
Total Assets	$ 18,679	$ 2,797	$ 1,733	$ 156,107
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 907	$ 897	$ 280	$ 52,117
Unearned Revenue	-	2	-	4,665
Loans Payable	4,225	-	-	-
Compensated Absences Payable	9	35	14	43
Securities Lending Liabilities	-	-	-	11,063
Total Current Liabilities	$ 5,141	$ 934	$ 294	$ 67,888
Noncurrent Liabilities:				
Loans Payable	$ 5,249	$ -	$ -	$ -
Compensated Absences Payable	72	282	115	298
Advances from Other Funds	4,104	-	-	-
Total Noncurrent Liabilities	$ 9,425	$ 282	$ 115	$ 298
Total Liabilities	$ 14,566	$ 1,216	$ 409	$ 68,186
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 6,443	$ 12	$ -	$ 11
Unrestricted	(2,330)	1,569	1,324	87,910
Total Net Assets	$ 4,113	$ 1,581	$ 1,324	$ 87,921

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ 7,681	$ 15,250	$ 15,825	$ -	$ 161,545
-	-	-	-	20,499
9,376	285	218	-	17,025
-	-	-	-	310
-	206	-	-	725
1,261	-	238	-	2,346
-	-	-	-	11,063
$ 18,318	$ 15,741	$ 16,281	$ -	$ 213,513
$ 397	$ -	$ -	$ -	$ 397
10,907	547	6	-	27,603
$ 11,304	$ 547	$ 6	$ -	$ 28,000
$ 29,622	$ 16,288	$ 16,287	$ -	$ 241,513
$ 2,882	$ 1,828	$ 10,247	$ -	$ 69,158
-	-	315	-	4,982
2,815	16	-	-	7,056
315	128	8	-	552
-	-	-	-	11,063
$ 6,012	$ 1,972	$ 10,570	$ -	$ 92,811
$ 4,825	$ -	$ -	$ -	$ 10,074
2,188	965	52	-	3,972
-	-	-	-	4,104
$ 7,013	$ 965	$ 52	$ -	$ 18,150
$ 13,025	$ 2,937	$ 10,622	$ -	$ 110,961
$ 3,505	$ 531	$ 6	$ -	$ 10,508
13,092	12,820	5,659	-	120,044
$ 16,597	$ 13,351	$ 5,665	$ -	$ 130,552

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales	$ -	$ 9,455	$ 6,776	$ -
Rental and Service Fees	12,354	1,265	-	-
Insurance Premiums	-	-	-	499,576
Other Income	402	-	-	5,752
Total Operating Revenues	$ 12,756	$ 10,720	$ 6,776	$ 505,328
Less: Cost of Goods Sold	-	27	5,432	-
Gross Margin	$ 12,756	$ 10,693	$ 1,344	$ 505,328
Operating Expenses:				
Purchased Services	$ 447	$ 8,007	$ 412	$ 71,459
Salaries and Fringe Benefits	712	2,634	677	2,911
Claims	-	-	-	399,753
Depreciation	3,714	28	2	9
Amortization	-	-	-	-
Supplies and Materials	3,593	81	14	9
Indirect Costs	373	39	231	210
Other Expenses	1,486	98	140	4,206
Total Operating Expenses	$ 10,325	$ 10,887	$ 1,476	$ 478,557
Operating Income (Loss)	$ 2,431	$ (194)	$ (132)	$ 26,771
Nonoperating Revenues (Expenses):				
Investment Income	$ 199	$ -	$ -	$ 3,920
Securities Lending Income	-	-	-	414
Other Nonoperating Revenues	-	743	-	-
Interest and Financing Costs	(335)	-	-	-
Securities Lending Rebates and Fees	-	-	-	(405)
Other Nonoperating Expenses	-	-	(9)	-
Gain (Loss) on Disposal of Capital Assets	(53)	-	-	-
Total Nonoperating Revenues (Expenses)	$ (189)	$ 743	$ (9)	$ 3,929
Income (Loss) Before Transfers	$ 2,242	$ 549	$ (141)	$ 30,700
Transfers-Out	-	-	-	(23,000)
Change in Net Assets	$ 2,242	$ 549	$ (141)	$ 7,700
Net Assets, Beginning, as Reported	$ 1,871	$ 817	$ 1,465	$ 80,221
Change in Fund Structure	-	215	-	-
Net Assets, Beginning, as Restated	$ 1,871	$ 1,032	$ 1,465	$ 80,221
Net Assets, Ending	$ 4,113	$ 1,581	$ 1,324	$ 87,921

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ -	$ -	$ -	$ -	$ 16,231
74,206	40,084	-	-	127,909
-	-	10,681	-	510,257
20	-	32	-	6,206
$ 74,226	$ 40,084	$ 10,713	$ -	$ 660,603
-	-	-	-	5,459
$ 74,226	$ 40,084	$ 10,713	$ -	$ 655,144
$ 42,240	$ 9,609	$ 4,096	$ 55	$ 136,325
23,104	11,413	728	1	42,180
-	-	5,026	-	404,779
4,419	145	5	-	8,322
104	-	-	-	104
978	1,424	25	-	6,124
917	500	46	-	2,316
1,346	179	5	-	7,460
$ 73,108	$ 23,270	$ 9,931	$ 56	$ 607,610
$ 1,118	$ 16,814	$ 782	$ (56)	$ 47,534
$ 219	$ -	$ 353	$ -	$ 4,691
-	-	-	-	414
203	-	-	467	1,413
(194)	-	-	-	(529)
-	-	-	-	(405)
-	-	(1,729)	-	(1,738)
1,928	5	-	-	1,880
$ 2,156	$ 5	$ (1,376)	$ 467	$ 5,726
$ 3,274	$ 16,819	$ (594)	$ 411	$ 53,260
-	(15,151)	-	-	(38,151)
$ 3,274	$ 1,668	$ (594)	$ 411	$ 15,109
$ 13,323	$ 11,683	$ 6,259	$ (196)	$ 115,443
-	-	-	(215)	-
$ 13,323	$ 11,683	$ 6,259	$ (411)	$ 115,443
$ 16,597	$ 13,351	$ 5,665	$ -	$ 130,552

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers	$ 11,703	$ 11,001	$ 6,621	$ 499,607
Receipts from Other Revenues	402	-	-	6,036
Payments to Claimants	-	-	-	(401,943)
Payments to Suppliers	(5,869)	(7,705)	(6,040)	(68,049)
Payments to Employees	(709)	(2,683)	(658)	(3,457)
Payments to Others	-	(28)	-	(1,831)
Net Cash Flows from Operating Activities	$ 5,527	$ 585	$ (77)	$ 30,363
Cash Flows from Noncapital Financing Activities:				
Transfers-Out	$ -	$ -	$ -	$ (23,000)
Advances from Other Funds	4,630	-	-	-
Repayments of Advances from Other Funds	(5,226)	-	-	-
Other Nonoperating Expenses	-	(957)	-	-
Net Cash Flows from Noncapital Financing Activities	$ (596)	$ (957)	$ -	$ (23,000)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (5,755)	$ -	$ -	$ -
Proceeds from Disposal of Capital Assets	1,804	-	-	-
Proceeds from Loans	5,090	-	-	-
Repayment of Loan Principal	(5,845)	-	-	-
Interest Paid	(335)	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (5,041)	$ -	$ -	$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -	$ 2,510
Purchase of Investments	-	-	-	(2,493)
Investment Earnings	199	-	-	4,246
Net Cash Flows from Investing Activities	$ 199	$ -	$ -	$ 4,263
Net Increase (Decrease) in Cash and Cash Equivalents	$ 89	$ (372)	$ (77)	$ 11,626
Cash and Cash Equivalents, Beginning, as Reported	$ 391	$ 740	$ 757	$ 109,479
Change in Fund Structure	-	156	-	-
Cash and Cash Equivalents, Beginning, as Restated	$ 391	$ 896	$ 757	$ 109,479
Cash and Cash Equivalents, Ending	$ 480	$ 524	$ 680	$ 121,105

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 2,431	$ (194)	$ (132)	$ 26,771
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 3,714	$ 28	$ 2	$ 9
Amortization	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable	(651)	243	(155)	268
Inventories	(2)	(2)	189	-
Other Assets	-	530	-	-
Accounts Payable	34	(32)	1	3,127
Compensated Absences Payable	1	38	18	127
Unearned Revenues	-	(17)	-	61
Other Liabilities	-	(9)	-	-
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 3,096	$ 779	$ 55	$ 3,592
Net Cash Flows from Operating Activities	$ 5,527	$ 585	$ (77)	$ 30,363
Noncash Investing, Capital and Financing Activities:				
Disposal of Capital Assets	$ -	$ -	$ -	$ -
Trade-In Allowance for Investment in Capital Assets	-	-	-	-
Change in Capital Asset Threshold	-	-	-	-

INTER-TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	STATE PRINTER	TOTAL
$ 77,504	$ 41,517	$ 10,768	$ -	$ 658,721
20	356	-	-	6,814
-	-	(3,163)	-	(405,106)
(45,610)	(11,834)	(4,160)	(40)	(149,307)
(22,785)	(11,300)	(704)	(1)	(42,297)
-		-	-	(1,859)
$ 9,129	$ 18,739	$ 2,741	$ (41)	$ 66,966
$ -	$ (14,973)	$ -	$ -	$ (37,973)
-	-	-	-	4,630
-	-	-	-	(5,226)
(2,000)	-	(1,729)	-	(4,686)
$ (2,000)	$ (14,973)	$ (1,729)	$ -	$ (43,255)
$ (3,550)	$ (58)	$ -	$ -	$ (9,363)
-	5	-	-	1,809
2,647	-	-	-	7,737
(5,565)	(46)	-	-	(11,456)
(255)	-	-	-	(590)
$ (6,723)	$ (99)	$ -	$ -	$ (11,863)
$ -	$ -	$ -	$ -	$ 2,510
-	-	-	-	(2,493)
219	-	353	-	5,017
$ 219	$ -	$ 353	$ -	$ 5,034
$ 625	$ 3,667	$ 1,365	$ (41)	$ 16,882
$ 7,056	$ 11,583	$ 14,460	$ 197	$ 144,663
-	-	-	(156)	-
$ 7,056	$ 11,583	$ 14,460	$ 41	$ 144,663
$ 7,681	$ 15,250	$ 15,825	$ -	$ 161,545
$ 1,118	$ 16,814	$ 782	$ (56)	$ 47,534
$ 4,419	$ 145	$ 5	$ -	$ 8,322
104	-	-	-	104
3,262	1,788	(48)	-	4,707
-	1	-	-	186
(34)	-	(4)	-	492
307	(67)	1,971	27	5,368
221	57	15	(12)	465
-	-	20	-	64
(268)	1	-	-	(276)
$ 8,011	$ 1,925	$ 1,959	$ 15	$ 19,432
$ 9,129	$ 18,739	$ 2,741	$ (41)	$ 66,966
$ -	$ -	$ -	$ 19,667	$ 19,667
1,948	-	-	-	1,948
3,148	-	-	-	3,148

2005
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State of Minnesota

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 contributions by participants toward a voluntary retirement savings plan.

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 correctional 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, 2005
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS
ASSETS					
Cash and Cash Equivalents	$ 37	$ -	$ 110	$ -	$ 609
Investment Pools, at fair value:					
Cash Equivalent Investments	$ 21,093	$ -	$ 6,681	$ 1,599	$ 34,811
Investments:					
Commercial Paper	$ 398	$ -	$ 109	$ 27	$ 24
Debt Securities	112,888	-	31,079	7,794	31,591
Equity Securities	338,574	-	91,741	22,345	17,543
Mutual Funds	-	-	-	-	-
Total Investments	$ 451,860	$ -	$ 122,929	$ 30,166	$ 49,158
Accrued Interest and Dividends	$ 1,525	$ -	$ 420	$ 105	$ 243
Securities Trades Receivables (Payables)	(12,168)	-	(3,357)	(845)	(746)
Total Investment Pool Participation	$ 462,310	$ -	$ 126,673	$ 31,025	$ 83,466
Receivables:					
Employer Contributions	$ 527	$ -	$ 112	$ -	$ -
Member Contributions	375	-	41	-	4,230
Interfund Receivables	-	-	2	-	-
Other Receivables	1	207	2	8,252	-
Accrued Interest and Dividends	8	-	1	-	-
Total Receivables	$ 911	$ 207	$ 158	$ 8,252	$ 4,230
Securities Lending Collateral	$ 55,947	$ -	$ 15,336	$ 3,818	$ 3,287
Depreciable Capital Assets (Net)	-	-	-	-	-
Nondepreciable Capital Assets	-	-	-	-	-
Total Assets	$ 519,205	$ 207	$ 142,277	$ 43,095	$ 91,592
LIABILITIES					
Accounts Payable	$ 79	$ -	$ 13	$ -	$ 60
Interfund Payables	294	3	39	27	2,156
Accrued Expense	-	-	-	-	-
Revenue Bonds Payable	-	-	-	-	-
Bond Interest	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-
Securities Lending Liabilities	55,947	-	15,336	3,818	3,287
Total Liabilities	$ 56,320	$ 3	$ 15,388	$ 3,845	$ 5,503
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 462,885	$ 204	$ 126,889	$ 39,250	$ 86,089

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
$ -	$ 1,245	$ 113	$ 240	$ 1,206	$ 889
$ 161,756	$ 370,563	$ 25,531	$ 31,697	$ 746,687	$ 29,032
$ -	$ 6,388	$ 466	$ 53	$ 13,722	$ 25
-	1,813,082	132,298	67,258	3,894,542	74,700
-	5,469,851	393,649	179,607	11,636,065	560,763
2,644,000	-	-	-	-	-
$ 2,644,000	$ 7,289,321	$ 526,413	$ 246,918	$ 15,544,329	$ 635,488
$ -	$ 24,507	$ 1,786	$ 838	$ 52,629	$ 1,109
-	(195,279)	(14,275)	(1,668)	(420,251)	(794)
$ 2,805,756	$ 7,489,112	$ 539,455	$ 277,785	$ 15,923,394	$ 664,835
$ -	$ 3,983	$ 314	$ 265	$ 10,397	$ -
-	3,982	209	184	-	-
-	14,675	-	154	-	-
-	85	8	11	-	-
-	141	8	-	232	-
$ -	$ 22,866	$ 539	$ 614	$ 10,629	$ -
$ -	$ 900,037	$ 65,426	$ 19,199	$ 1,929,315	$ 20,542
-	5,844	-	-	11,448	-
-	88	-	-	171	-
$ 2,805,756	$ 8,419,192	$ 605,533	$ 297,838	$ 17,876,163	$ 686,266
$ -	$ 1,804	$ 80	$ -	$ 6,655	$ -
2,327	149	91	9,745	-	-
-	-	-	-	1	-
-	5,511	-	-	10,860	-
-	-	-	-	52	-
-	596	-	-	676	-
-	900,037	65,426	19,199	1,929,315	20,542
$ 2,327	$ 908,097	$ 65,597	$ 28,944	$ 1,947,559	$ 20,542
$ 2,803,429	$ 7,511,095	$ 539,936	$ 268,894	$ 15,928,604	$ 665,724

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005
(IN THOUSANDS)

		PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TOTAL
ASSETS					
Cash and Cash Equivalents	$ -	$ -	$ -	$ 428	$ 4,877
Investment Pools, at fair value:					
Cash Equivalent Investments	$ 2,516	$ 204,406	$ 5,480	$ 500,753	$ 2,142,605
Investments:					
Commercial Paper	$ 6	$ 3,773	$ 83	$ 9,266	$ 34,340
Debt Securities	6,083	1,070,702	23,613	2,629,742	9,895,372
Equity Securities	15,629	3,215,515	73,206	7,849,210	29,863,698
Mutual Funds	-	-	-	-	2,644,000
Total Investments	$ 21,718	$ 4,289,990	$ 96,902	$ 10,488,218	$ 42,437,410
Accrued Interest and Dividends	$ 72	$ 14,466	$ 320	$ 35,509	$ 133,529
Securities Trades Receivables (Payables)	(182)	(115,384)	(2,532)	(283,626)	(1,051,107)
Total Investment Pool Participation	$ 24,124	$ 4,393,478	$ 100,170	$ 10,740,854	$ 43,662,437
Receivables:					
Employer Contributions	$ -	$ -	$ -	$ -	$ 15,598
Member Contributions	-	-	-	-	9,021
Interfund Receivables	20	457	182	1,024	16,514
Other Receivables	55	24,354	141	7,138	40,254
Accrued Interest and Dividends	-	-	-	-	390
Total Receivables	$ 75	$ 24,811	$ 323	$ 8,162	$ 81,777
Securities Lending Collateral	$ 1,747	$ 530,845	$ 11,920	$ 1,301,601	$ 4,859,020
Depreciable Capital Assets (Net)	-	-	-	11,487	28,779
Nondepreciable Capital Assets	-	-	-	170	429
Total Assets	$ 25,946	$ 4,949,134	$ 112,413	$ 12,062,702	$ 48,637,319
LIABILITIES					
Accounts Payable	$ -	$ 1,309	$ 30	$ 3,186	$ 13,216
Interfund Payables	145	704	175	659	16,514
Accrued Expense	-	-	-	-	1
Revenue Bonds Payable	-	-	-	10,806	27,177
Bond Interest	-	-	-	-	52
Compensated Absences Payable	-	-	-	751	2,023
Securities Lending Liabilities	1,747	530,845	11,920	1,301,601	4,859,020
Total Liabilities	$ 1,892	$ 532,858	$ 12,125	$ 1,317,003	$ 4,918,003
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 24,054	$ 4,416,276	$ 100,288	$ 10,745,699	$ 43,719,316

State
of
Minnesota

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS
Additions:					
Contributions:					
Employer	$ 11,015	$ -	$ 7,225	$ -	$ -
Member	7,943	-	2,662	384	42,519
Contributions From Other Sources	-	395	-	1,822	-
Total Contributions	$ 18,958	$ 395	$ 9,887	$ 2,206	$ 42,519
Net Investment Income:					
Investment Income	$ 39,576	$ -	$ 12,473	$ 3,555	$ 2,801
Less: Investment Expense	(627)	-	(163)	(43)	-
Net Investment Income	$ 38,949	$ -	$ 12,310	$ 3,512	$ 2,801
Securities Lending Revenues (Expenses):					
Securities Lending Income	$ 1,308	$ -	$ 359	$ 90	$ 77
Borrower Rebates	(1,104)	-	(303)	(76)	(66)
Management Fees	(47)	-	(13)	(3)	(3)
Net Securities Lending Revenue	$ 157	$ -	$ 43	$ 11	$ 8
Total Investment Income	$ 39,106	$ -	$ 12,353	$ 3,523	$ 2,809
Transfers From Other Funds	$ 1	$ -	$ -	$ -	$ -
Other Additions	-	-	10	3	375
Total Additions	$ 58,065	$ 395	$ 22,250	$ 5,732	$ 45,703
Deductions:					
Benefits	$ 23,816	$ 391	$ 13,750	$ 5,942	$ 13,417
Refunds/Withdrawals	649	-	111	-	-
Administrative Expenses	573	3	72	30	721
Transfers to Other Funds	-	-	5	-	-
Total Deductions	$ 25,038	$ 394	$ 13,938	$ 5,972	$ 14,138
Net Increase (Decrease)	$ 33,027	$ 1	$ 8,312	$ (240)	$ 31,565
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 429,858	$ 203	$ 118,577	$ 39,490	$ 54,524
Change in Fund Structure	-	-	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 429,858	$ 203	$ 118,577	$ 39,490	$ 54,524
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 462,885	$ 204	$ 126,889	$ 39,250	$ 86,089

	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
$ -	$ 80,312	$ 6,670	$ 5,817	$ 157,693	$ 28,287
200,397	83,101	4,517	4,294	160,982	24,223
-	-	-	-	2,985	4,543
$ 200,397	$ 163,413	$ 11,187	$ 10,111	$ 321,660	$ 57,053
$ 197,602	$ 739,577	$ 55,557	$ 19,343	$ 1,592,340	$ 49,667
-	(9,970)	(720)	-	(22,236)	-
$ 197,602	$ 729,607	$ 54,837	$ 19,343	$ 1,570,104	$ 49,667
$ -	$ 21,026	$ 1,531	$ 455	$ 45,129	$ 509
-	(17,748)	(1,293)	(379)	(38,109)	(418)
-	(750)	(54)	(18)	(1,606)	(21)
$ -	$ 2,528	$ 184	$ 58	$ 5,414	$ 70
$ 197,602	$ 732,135	$ 55,021	$ 19,401	$ 1,575,518	$ 49,737
$ -	$ 12,023	$ -	$ 502	$ -	$ -
7,524	615	-	33	3,311	-
$ 405,523	$ 908,186	$ 66,208	$ 30,047	$ 1,900,489	$ 106,790
$ -	$ 347,959	$ 36,954	$ -	$ 1,045,455	$ 29,979
135,610	10,707	4	8,555	9,729	-
12,465	4,521	189	269	12,505	10,947
-	498	-	12,023	-	-
$ 148,075	$ 363,685	$ 37,147	$ 20,847	$ 1,067,689	$ 40,926
$ 257,448	$ 544,501	$ 29,061	$ 9,200	$ 832,800	$ 65,864
$ 153,369	$ 6,966,594	$ 510,875	$ 259,694	$ 15,095,804	$ 599,860
2,392,612	-	-	-	-	-
$ 2,545,981	$ 6,966,594	$ 510,875	$ 259,694	$ 15,095,804	$ 599,860
$ 2,803,429	$ 7,511,095	$ 539,936	$ 268,894	$ 15,928,604	$ 665,724

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TOTAL
Additions:					
Contributions:					
Employer	$ 1,318	$ 55,802	$ 10,814	$ 232,963	$ 597,916
Member	1,201	37,873	7,192	216,701	793,989
Contributions From Other Sources	-	-	-	-	9,745
Total Contributions	$ 2,519	$ 93,675	$ 18,006	$ 449,664	$ 1,401,650
Net Investment Income:					
Investment Income	$ 1,653	$ 439,774	$ 8,802	$ 1,058,663	$ 4,221,383
Less: Investment Expense	-	(5,937)	(120)	(14,524)	(54,340)
Net Investment Income	$ 1,653	$ 433,837	$ 8,682	$ 1,044,139	$ 4,167,043
Securities Lending Revenues (Expenses):					
Securities Lending Income	$ 41	$ 12,407	$ 278	$ 30,442	$ 113,652
Borrower Rebates	(34)	(10,475)	(236)	(25,705)	(95,946)
Management Fees	(2)	(442)	(10)	(1,084)	(4,053)
Net Securities Lending Revenue	$ 5	$ 1,490	$ 32	$ 3,653	$ 13,653
Total Investment Income	$ 1,658	$ 435,327	$ 8,714	$ 1,047,792	$ 4,180,696
Transfers From Other Funds	$ -	$ -	$ -	$ -	$ 12,526
Other Additions	1	2,113	9	4,310	18,304
Total Additions	$ 4,178	$ 531,115	$ 26,729	$ 1,501,766	$ 5,613,176
Deductions:					
Benefits	$ -	$ 251,429	$ 1,041	$ 715,043	$ 2,485,176
Refunds/Withdrawals	897	734	691	24,952	192,639
Administrative Expenses	133	1,180	186	11,158	54,952
Transfers to Other Funds	-	-	-	-	12,526
Total Deductions	$ 1,030	$ 253,343	$ 1,918	$ 751,153	$ 2,745,293
Net Increase (Decrease)	$ 3,148	$ 277,772	$ 24,811	$ 750,613	$ 2,867,883
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 20,906	$ 4,138,504	$ 75,477	$ 9,995,086	$ 38,458,821
Change in Fund Structure	-	-	-	-	2,392,612
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 20,906	$ 4,138,504	$ 75,477	$ 9,995,086	$ 40,851,433
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 24,054	$ 4,416,276	$ 100,288	$ 10,745,699	$ 43,719,316

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Agency Fund

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, 2005
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	$ 45,614	$ 1,013,833	$ 996,053	$ 63,394
Accounts Receivable	8,995	9,520	8,995	9,520
Total Assets	$ 54,609	$ 1,023,353	$ 1,005,048	$ 72,914
LIABILITIES				
Accounts Payable	$ 28,797	$ 36,077	$ 28,797	$ 36,077
Funds Held in Trust	25,812	987,276	976,251	36,837
Total Liabilities	$ 54,609	$ 1,023,353	$ 1,005,048	$ 72,914

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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.

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, 2004 AND JUNE 30, 2005
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	HIGHER EDUCATION SERVICES OFFICE	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO	MINNESOTA TECHNOLOGY INCORPORATED
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 9,814	$ 58,577	$ 39	$ -
Investments	-	20,012	153,282	-
Accounts Receivable	-	2,089	9,380	-
Due from Primary Government	-	-	-	-
Accrued Investment/Interest Income	323	3,087	-	-
Federal Aid Receivable	-	-	-	-
Inventories	-	-	-	-
Deferred Costs	-	-	-	-
Loans and Notes Receivable	2,411	72,888	-	-
Securities Lending Collateral	-	4,269	22,826	-
Other Assets	-	-	36	-
Total Current Assets	$ 12,548	$ 160,922	$ 185,563	$ -
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 31,264	$ -	$ -
Investments-Restricted	18,836	-	-	-
Accounts Receivable-Restricted	-	-	-	-
Investments	-	-	-	-
Accounts Receivable	-	-	10,000	-
Loans and Notes Receivable	18,337	487,791	-	-
Depreciable Capital Assets (Net)	-	20	68	-
Nondepreciable Capital Assets	-	-	-	-
Other Assets	-	2,449	-	-
Total Noncurrent Assets	$ 37,173	$ 521,524	$ 10,068	$ -
Total Assets	$ 49,721	$ 682,446	$ 195,631	$ -
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ -	$ 5,037	$ 1,096	$ -
Due to Primary Government	-	-	-	-
Unearned Revenue	-	-	-	-
Accrued Bond Interest Payable	688	-	-	-
Loans and Notes Payable	-	-	-	-
Revenue Bonds Payable	2,120	-	-	-
Grants Payable	-	-	4,005	-
Claims Payable	-	-	-	-
Compensated Absences Payable	-	273	-	-
Securities Lending Liabilities	-	4,269	22,826	-
Other Liabilities	-	-	53	-
Total Current Liabilities	$ 2,808	$ 9,579	$ 27,980	$ -
Noncurrent Liabilities:				
Due to Primary Government	$ -	$ -	$ -	$ -
Loans and Notes Payable	-	-	-	-
Revenue Bonds Payable	24,690	387,000	-	-
Claims Payable	-	-	-	-
Compensated Absences Payable	-	332	-	-
Other Liabilities	-	-	1,444	-
Total Noncurrent Liabilities	$ 24,690	$ 387,332	$ 1,444	$ -
Total Liabilities	$ 27,498	$ 396,911	$ 29,424	$ -
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ -	$ 20	$ 68	$ -
Restricted	18,446	284,604	-	-
Unrestricted	3,777	911	166,139	-
Total Net Assets	$ 22,223	$ 285,535	$ 166,207	$ -

NATIONAL SPORTS CENTER FOUNDATION	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 394	$ 146,521	$ 16,813	$ 28,229	$ 260,387
-	7,228	-	270,318	450,840
427	-	-	57,608	69,504
409	-	-	-	409
-	16,575	-	1,401	21,386
-	135	-	-	135
70	-	-	-	70
23	-	-	9,836	9,859
-	65,281	5,308	-	145,888
-	10,674	-	-	37,769
-	-	-	43	79
$ 1,323	$ 246,414	$ 22,121	$ 367,435	$ 996,326
$ -	$ -	$ -	$ -	$ 31,264
-	-	-	-	18,836
3,032	-	-	-	3,032
-	181,184	-	-	181,184
-	-	-	331,924	341,924
-	1,245,528	37,998	-	1,789,654
531	-	-	-	619
2,797	-	-	-	2,797
-	2,912	-	-	5,361
$ 6,360	$ 1,429,624	$ 37,998	$ 331,924	$ 2,374,671
$ 7,683	$ 1,676,038	$ 60,119	$ 699,359	$ 3,370,997
$ 1,791	$ 241	$ -	$ 7,412	$ 15,577
2,467	-	14,000	7,918	24,385
210	-	-	50,610	50,820
-	14,463	-	-	15,151
212	-	-	-	212
-	44,120	-	-	46,240
-	-	-	-	4,005
-	-	-	78,167	78,167
-	28	-	-	301
-	10,674	-	-	37,769
-	1,429	-	-	1,482
$ 4,680	$ 70,955	$ 14,000	$ 144,107	$ 274,109
$ -	$ -	$ 45,494	$ -	$ 45,494
2,587	-	-	-	2,587
-	858,366	-	-	1,270,056
-	-	-	517,833	517,833
-	209	-	-	541
-	3,505	-	-	4,949
$ 2,587	$ 862,080	$ 45,494	$ 517,833	$ 1,841,460
$ 7,267	$ 933,035	$ 59,494	$ 661,940	$ 2,115,569
$ 861	$ -	$ -	$ -	$ 949
-	741,394	-	-	1,044,444
(445)	1,609	625	37,419	210,035
$ 416	$ 743,003	$ 625	$ 37,419	$ 1,255,428

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2004 AND JUNE 30, 2005
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	HIGHER EDUCATION SERVICES OFFICE	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO
Net Expenses:			
Total Expenses	$ 2,613	$ 180,033	$ 13,992
Program Revenues:			
Charges for Services	$ 163	$ 25,329	$ -
Operating Grants and Contributions	-	4,239	-
Net (Expense) Revenue	$ (2,450)	$ (150,465)	$ (13,992)
General Revenues:			
Investment Income	$ 2,249	$ 2,458	$ 12,598
Other Revenues	-	-	1,200
Total General Revenues before Grants	$ 2,249	$ 2,458	$ 13,798
State Grants Not Restricted	-	155,870	-
Total General Revenues	$ 2,249	$ 158,328	$ 13,798
Change in Net Assets	$ (201)	$ 7,863	$ (194)
Net Assets, Beginning, as Reported	$ 22,424	$ 277,672	$ 166,401
Prior Period Adjustment	-	-	-
Change in Fund Structure	-	-	-
Net Assets, Beginning, as Restated	$ 22,424	$ 277,672	$ 166,401
Net Assets, Ending	$ 22,223	$ 285,535	$ 166,207

MINNESOTA TECHNOLOGY INCORPORATED	NATIONAL SPORTS CENTER FOUNDATION	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ -	$ 9,308	$ 57,573	$ 3,227	$ 122,052	$ 388,798
$ -	$ 7,893	$ 35,250	$ 21	$ 105,102	$ 173,758
-	-	44,711	-	-	48,950
$ -	$ (1,415)	$ 22,388	$ (3,206)	$ (16,950)	$ (166,090)
$ -	$ -	$ -	$ 2,954	$ 9,437	$ 29,696
-	1,303	538	-	2,051	5,092
$ -	$ 1,303	$ 538	$ 2,954	$ 11,488	$ 34,788
-	-	5	-	-	155,875
$ -	$ 1,303	$ 543	$ 2,954	$ 11,488	$ 190,663
$ -	$ (112)	$ 22,931	$ (252)	$ (5,462)	$ 24,573
$ 3,921	$ 528	$ 720,072	$ 877	$ 34,542	$ 1,226,437
-	-	-	-	8,339	8,339
(3,921)	-	-	-	-	(3,921)
$ -	$ 528	$ 720,072	$ 877	$ 42,881	$ 1,230,855
$ -	$ 416	$ 743,003	$ 625	$ 37,419	$ 1,255,428

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 1,750	$ 2,628	$ 4,378
Investment /Interest Income	487	326	813
Rental and Service Fees	12	21	33
Other Income	163	-	163
Total Operating Revenues	$ 2,412	$ 2,975	$ 5,387
Operating Expenses:			
Bond Interest Expense	$ 1,685	$ -	$ 1,685
Economic and Manpower Development	78	3,227	3,305
Total Operating Expenses	$ 1,763	$ 3,227	$ 4,990
Operating Income (Loss)	$ 649	# (252)	$ 397
Nonoperating Revenues (Expenses):			
Gain (Loss) on Disposal of Capital Assets	$ (850)	$ -	$ (850)
Total Nonoperating Revenues (Expenses)	$ (850)	$ -	$ (850)
Change in Net Assets	$ (201)	$ (252)	$ (453)
Net Assets, Beginning, as Reported	$ 22,424	$ 877	$ 23,301
Net Assets, Ending	$ 22,223	$ 625	$ 22,848

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 6,174	$ 11,862	$ 18,036
Receipts from Other Revenues	712	205	917
Payments to Claimants	(6,090)	(7,081)	(13,171)
Payments to Suppliers	(70)	-	(70)
Payments to Others	(675)	(4,160)	(4,835)
Net Cash Flows from Operating Activities	$ 51	$ 826	$ 877
Cash Flows from Capital and Related Financing Activities:			
Loan Issuances	$ (360)	$ -	$ (360)
Net Cash Flows from Capital and Related Financing Activities	$ (360)	$ -	$ (360)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 5,852	$ -	$ 5,852
Purchase of Investments	(6,605)	-	(6,605)
Net Cash Flows from Investing Activities	$ (753)	$ -	$ (753)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,062)	$ 826	$ (236)
Cash and Cash Equivalents, Beginning, as Reported	$ 10,876	$ 15,987	$ 26,863
Cash and Cash Equivalents, Ending	$ 9,814	$ 16,813	$ 26,627

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ 649	$ (252)	$ 397
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loan Principal Receipts	$ 4,422	$ 9,089	$ 13,511
Loan Principal Repayments		(7,082)	(7,082)
Bond Principal Repayments	(4,275)	-	(4,275)
Change in Valuation of Assets	105	-	105
Other Receipts (Payments)	(850)	-	(850)
Change in Assets and Liabilities:			
Due to Primary Government	-	(929)	(929)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (598)	$ 1,078	$ 480
Net Cash Flows from Operating Activities	$ 51	$ 826	$ 877

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General Obligation Debt Schedule

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

June 30, 2005

(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Municipal Energy Building [2]	1983,Ch.323	$ 29,935.0	$ 29,935.0	$ 0.0
Building [2, 9, 10, 11, 12]	1987,Ch.400	369,560.5	369,560.5	0.0
Water Pollution Control [2]	1987,Ch.400	66,740.0	66,740.0	0.0
Building [2, 9, 10, 11, 12]	1989,Ch.300	112,235.0	112,235.0	0.0
Building [9, 10, 11, 12]	1990,Ch.610	270,129.1	270,126.0	3.1
Wetlands/Reinvest in MN [2]	1991,Ch.354	27,360.0	27,360.0	0.0
Building [2, 9, 10, 11]	1992,Ch.558	196,910.0	196,910.0	0.0
Waste Management [2]	1992,Ch.558	1,625.0	1,625.0	0.0
Transportation [2]	1992,Ch.558	17,368.0	17,368.0	0.0
Building [2, 9, 11]	1993,Ch.373	38,355.0	38,355.0	0.0
Transportation [2]	1993,Ch.373	9,480.0	9,480.0	0.0
Building [2, 6, 8, 10]	1994,Ch.643	523,874.5	523,849.0	25.5
Municipal Energy Building [2]	1994,Ch.643	3,975.0	3,975.0	0.0
Transportation [2, 8]	1994,Ch.643	34,820.0	34,820.0	0.0
Water Pollution Control [2]	X1995, Ch.2	710.0	710.0	0.0
Building [1, 2, 6, 9]	1996, Ch. 463	478,815.1	478,505.0	310.0
Municipal Energy Building [2]	1996, Ch. 463	3,850.0	3,850.0	0.0
Building [2]	1997, Ch. 246	82,422.0	82,422.0	0.0
Water Pollution Control [2]	1997, Ch. 246	3,770.0	3,770.0	0.0
Building [1, 2, 6]	X1997, Ch. 2	38,308.1	37,525.0	783.1
Building [1, 2, 3, 6]	1998, Ch. 404	100,829.2	100,656.0	173.2
Building [2, 3, 6, 7]	1999, Ch. 240	439,823.0	437,165.0	2,658.0
Transportation [1, 2, 7]	1999, Ch. 240	28,000.0	27,814.0	186.0
Transportation [5]	2000, Ch. 479	7,000.0	6,545.0	455.0
Trunk Highway	2000, Ch. 479	100,100.0	98,750.0	1,350.0
Various Purpose [1, 2, 5]	2000, Ch. 492	531,760.0	503,380.0	28,380.0
Various Purpose [2, 4]	X2001, Ch. 12	117,205.0	112,750.0	4,455.0
Various Purpose	2002, Ch. 280	7,800.0	0.0	7,800.0
Various Purpose	2002, Ch. 374	75,120.0	67,860.0	7,260.0
Various Purpose [2, 3]	2002, Ch. 393	624,712.0	532,645.0	92,067.0
Trunk Highway	X2002, Ch. 1	10,115.0	10,100.0	15.0
Various Purpose	X2002, Ch. 1	16,315.0	13,600.0	2,715.0
Trunk Highway	X2003, Ch. 18	110,110.0	102,000.0	8,110.0
Trunk Highway	X2003, Ch. 19	400,400.0	149,750.0	250,650.0
Various Purpose	X2003, Ch. 20	236,915.0	162,200.0	74,715.0
Various Purpose	2005, Ch. 20	944,980.0	0.0	944,980.0
Totals		$ 6,061,426.6	$ 4,634,335.5	$ 1,427,091.1

(1) Minnesota Statutes 16A.642, required that on January 1, 2005, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Laws 1996, Chapter 463 by $142,103; Special Session Laws 1997, Chapter 2 by $763,514; Laws 1998, Chapter 404 by $173,188; and Laws 1999, Chapter 240 by $292,887. The cancellation report also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,333,695.

(2) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by $126,700; Laws 1989, Chapter 300 by $630,375; Laws 1992, Chapter 558 by $5,223,991; Laws 1993, Chapter 373 by $1,250,572; Laws 1994, Chapter 643 by $2,631,376; Laws 1996, Chapter 463 by $607,136; Laws 1997, Chapter 246 by $173,000; Special Session Laws 1997, Chapter 2 by $18; Laws 1998, Chapter 404 by $224,000; and Laws 1999, Chapter 240 by $24,887,000. Laws 2005, Chapter 20 also reduced Municipal Energy Building Bonds authorized by Laws 1983, Chapter 323 by $44,850; Laws 1994, Chapter 643 by $25,000; Laws 1996, Chapter 463 by $58,300 and Pollution Control Bonds authorized by Laws 1987, Chapter 400 by $7,000; Special Session Laws 1995, Chapter 2 by $8,552; Laws 1997, Chapter 246 by $235,000 and Reinvest in Minnesota Bonds authorized by Laws 1991, Chapter 354 by $629,005 and Waste Management Bonds authorized by Laws 1992, Chapter 558 by $375,000 and Transportation Bonds authorized by Laws 1992, Chapter 558 by $132,000; Laws 1993, Chapter 373 by $420,000; Laws 1994, Chapter 643 by $128,720; Laws 1999, Chapter 240 by $10,440,000 and Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,300,000; Special Session Laws 2001, Chapter 12 by $1,000,000; and Laws 2002, Chapter 393 by $352,923,000.

(3) The Governor vetoed $352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 5 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.

(4) The Governor vetoed $1,000,000 of appropriations for capital projects to be funded from Special Session Laws 2001, Chapter 12. The bond authorization was reduced to match the appropriations in the Laws 2005, Chapter 20.

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

(6) 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.

(7) The Governor vetoed $23,605,000 of appropriations for capital projects and $10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.

(8) 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.

(9) 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.

(10) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by $50,000; Laws 1989, Chapter 300 by $65,000; Laws 1990, Chapter 610 by $580,000; Laws 1992, Chapter 558 by $5,000; and Laws 1994, Chapter 643 by $1,245,000. Special Session Laws 1995, Chapter 2 also reduced the Transportation Bond authorization in Laws 1987, Chapter 400 by $10,000.

(11) 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.

(12) 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.

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Statistical Section

The statistical tables showing computation of legal debt margin and overlapping debt, which are usually included in a Comprehensive Annual Financial Report, are not applicable to the state's operations and are not presented in this report.

Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

State of Minnesota
General Government Revenues By Source [1]
General, Special Revenue and Debt Service Funds
Fiscal Years 1996-2005
(In Thousands)

	1996	1997	1998	1999
Individual Income Taxes	$ 4,129,026	$ 4,757,086	$ 5,146,586	$ 5,695,664
Corporate Income Taxes	696,393	665,321	746,720	767,364
Sales Tax	2,933,886	3,013,188	3,254,757	2,119,403
Property Tax	N/A	N/A	N/A	N/A
Motor Vehicle Taxes	830,790	888,143	964,680	1,046,703
Gasoline and Special Fuel Taxes	520,702	542,896	557,556	587,954
Other Taxes	1,072,085	1,097,663	1,100,359	1,184,104
Federal Revenues	3,384,598	3,498,849	3,643,217	3,726,654
Other Revenues	1,217,204	1,299,714	1,449,177	1,718,857
Net Revenues	$ 14,784,684	$ 15,762,860	$ 16,863,052	$ 16,846,703

State of Minnesota
General Governmental Expenditures By Function and Net Transfers-Out [1]
General, Special Revenue and Debt Service Funds
Fiscal Years 1996-2005
(In Thousands)

	1996	1997	1998	1999
Current Expenditures:				
Protection of Persons/Property	$ 202,535	$ 230,252	$ 235,346	$ 254,063
Transportation	351,712	403,806	426,775	426,365
Resource Management	273,961	283,296	286,312	310,784
Economic/Manpower Development	191,283	209,404	209,431	237,105
Education	723,923	869,754	900,590	987,823
Health and Social Services	736,466	849,510	888,461	884,747
General Government	273,786	274,908	290,327	321,744
Capital Outlay	419,555	418,796	472,906	504,123
Debt Service	522,296	378,707	371,916	653,028
Grants and Subsidies	9,920,296	10,160,159	10,419,601	11,381,301
Total Expenditures	$ 13,615,813	$ 14,078,592	$ 14,501,665	$ 15,961,083
Net Operating Transfers-Out [2]	302,618	317,092	648,977	545,435
Total Expenditures and Net Transfers-Out	$ 13,918,431	$ 14,395,684	$ 15,150,642	$ 16,506,518

[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):

1996	$13,990	1999	$ 7,100	2002	$ 96,000	2005	$ 2,505
1997	$12,650	2000	$ 2,000	2003	$ 15,400		
1998	$ 3,400	2001	$46,490	2004	$171,000		

2000	2001	2002		2003	2004	2005
$ 5,591,326	$ 5,924,978	$ 5,439,186		$ 5,477,799	$ 5,836,790	$ 6,534,422
834,243	709,702	454,318		572,689	648,837	711,136
3,114,521	3,020,094	3,795,942		3,822,453	3,959,236	4,281,391
N/A	N/A	305,573	(3)	585,416	599,622	610,809
1,135,693	1,016,437	1,111,953		1,109,090	1,096,890	1,067,444
611,112	611,528	611,886		645,886	651,261	655,162
1,219,179	1,399,013	1,357,595		1,502,508	1,639,352	1,899,576
4,205,802	4,495,512	4,650,483		5,265,603	5,550,606	5,606,553
1,619,680	1,631,081	1,782,164		1,666,773	1,679,338	1,631,197
$ 18,331,556	$ 18,808,345	$ 19,509,100		$ 20,648,217	$ 21,661,932	$ 22,997,690

2000	2001	2002[4]	2003[4]	2004[4]	2005[4]
$ 268,499	$ 305,176	N/A	N/A	N/A	N/A
451,697	493,602	N/A	N/A	N/A	N/A
326,437	338,456	N/A	N/A	N/A	N/A
230,606	253,357	N/A	N/A	N/A	N/A
1,028,794	1,112,716	N/A	N/A	N/A	N/A
919,925	872,935	N/A	N/A	N/A	N/A
329,102	398,541	N/A	N/A	N/A	N/A
581,256	551,603	N/A	N/A	N/A	N/A
446,939	461,044	N/A	N/A	N/A	N/A
11,970,060	13,152,055	N/A	N/A	N/A	N/A
$ 16,553,315	$ 17,939,485	N/A	N/A	N/A	N/A
800,360	520,807	N/A	N/A	N/A	N/A
$ 17,353,675	$ 18,460,292	N/A	N/A	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 - 2005 was $592,000,000, $595,000,000, $625,000,000 and $629,000,000, respectively. 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 - 2005
(In Thousands)

	2002	2003	2004	2005
Current Expenditures:				
Public Safety and Corrections	$ 695,171	$ 742,281	$ 711,560	$ 753,214
Transportation	1,555,645	1,663,764	1,598,588	1,606,332
Agricultural and Environmental Resources	549,533	510,772	511,273	527,613
Economic and Workforce Development	742,114	722,234	640,932	606,216
General Education	5,417,774	6,893,718	6,488,523	6,798,768
Higher Education	794,915	769,339	700,290	703,214
Health and Human Services	7,111,373	8,091,315	8,229,553	8,464,799
General Government	603,672	604,355	589,734	608,868
Intergovernment Aid	1,287,768	1,480,533	1,355,683	1,284,576
Securities Lending Rebates and Fees	24,459	6,081	3,683	8,549
Capital Outlay	446,080	524,814	642,714	498,811
Debt Service	384,422	420,658	437,960	445,121
Total Expenditures	$ 19,612,926	$ 22,429,864	$ 21,910,493	$ 22,306,081
Net Operating Transfers-Out	315,989	396,759	167,979	343,811
Total Expenditures and Net Transfers-Out	$ 19,928,915	$ 22,826,623	$ 22,078,472	$ 22,649,892

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 through 2005.

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

State of Minnesota
Assessed Value of Taxable Property
1996-2005

Year of Assessment	Real Property	Personal Property	Tax Assessed Value/ Tax Capacity	Percentage Increase Per Year
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	4,052,664,473	88,305,759	4,140,970,232	10.42
2004	4,563,112,590	92,976,246	4,656,088,836	12.44
2005 (est.)	5,131,903,408	94,814,522	5,226,717,930	12.26

Source: Minnesota Department of Revenue

State of Minnesota
Market Value of Taxable Property
1996-2005

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Increase Per Year
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	359,163,493,421	4,524,446,900	363,687,940,321	11.83
2004	407,146,537,613	4,767,623,100	411,914,160,713	13.26
2005 (est.)	459,506,936,965	4,862,287,500	464,369,224,465	12.73

Source: Minnesota Department of Revenue

State of Minnesota
Schedule of General Obligation Bonded Debt
Per Capita
Fiscal Years 1996-2005

Year	General Obligation Bonded Debt (In Thousands)	Bonded Debt Per Capita
1996	$ 2,162,015	$ 458.73
1997	2,160,719	453.65
1998	2,506,939	520.83
1999	2,384,195	489.17
2000	2,527,281	512.53
2001	2,588,155	520.55
2002	3,032,095	604.00
2003	3,421,495	676.32
2004	3,197,355	626.81
2005 (est.)	3,460,310	678.36

State of Minnesota
Schedule of Ratio of Annual Debt Service
to General Expenditures
Fiscal Years 1996-2005
(In Thousands)

Year	Principal	Interest	Total Debt Service	General Expenditures [1]	Percent of Expenditures
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
2004	253,127	184,833	437,960	21,910,493	2.00
2005	260,930	184,191	445,121	22,306,081	2.00

[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 1996-2005

Year	Gross Revenue[1]	Direct Operating Expenses[2]	Net Available For Debt Service	Principal[3]	Interest	Total	Coverage Ratio
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
2004	66,221	54,221	12,000	1,065	1,695	2,760	4.35
2005	70,091	53,884	16,207	1,115	1,401	2,516	6.44

State of Minnesota
Schedule of Revenue Bond Coverage - In Thousands
Vermilion Community College Dormitory, Segment of
College and University Enterprise Activities
Fiscal Years 1996-2005

Year	Gross Revenue[1]	Direct Operating Expenses[2]	Net Available For Debt Service	Principal	Interest	Total	Coverage Ratio
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
2004	595	332	263	140	86	226	1.16
2005	595	385	210	150	75	225	0.93

State of Minnesota
Schedule of Revenue Bond Coverage - In Thousands
Giants Ridge - Fiscal Years 1996-2005

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)
2004	4,994	4,283	711	310	1,170	1,480	0.48
2005	5,138	4,532	606	615	1,071	1,686	0.36

(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 - 1996-2005 (In Thousands)

Category	1996	1997	1998	1999
Manufacturing Durable	244.8	254.2	262.3	260.3
Manufacturing Non-Durable	183.5	179.9	181.8	179.2
Mining	7.9	7.9	8.1	7.4
Construction	88.7	93.5	101.8	112.1
Transportation/Public Utilities	119.7	123.6	127.6	130.5
Trade	592.9	600.3	613.9	619.3
Finance/Insurance/Real Estate	142.5	146.4	156.2	160.3
Service	685.1	712.3	741.8	765.8
Government	332.4	366.8	366.5	373.2
Agriculture	78.1	71.9	67.2	64.0
Total Employed	2,475.6	2,556.8	2,627.2	2,672.1

Source: Minnesota Department of Employment and Economic Development

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

Rank 2004	Rank 2003	Company	Sales	Assets	Net Income
27	23	Target	$ 49,934,000	$ 32,293,000	$ 3,198,000
40	54	United Health Group	37,218,000	27,879,000	2,587,000
77	78	Best Buy	24,901,000	8,652,000	705,000
85	227	St. Paul Travelers Cos.	22,934,000	111,815,000	955,000
104	99	Supervalu	20,209,700	6,152,900	280,100
105	105	Minnesota Mining & Manufacturing	20,011,000	20,708,000	2,990,000
143	133	U.S. Bancorp	14,705,700	195,104,000	4,166,800
190	207	Northwest Airlines	11,279,000	14,042,000	(862,000)
197	186	General Mills	11,070,000	18,488,000	1,055,000
198	212	Cenex Harvest States	11,050,600	4,031,300	221,300
246	263	Medtronic	9,087,200	14,110,800	1,959,300
256	254	Xcel Energy	8,506,700	20,304,800	356,000
279	308	Land O'Lakes	7,742,200	3,199,800	21,400
319	284	Thrivent Financial for Lutherans	6,445,200	53,541,300	353,600
402	411	Hormel Foods	4,779,900	2,534,000	231,700
442	467	C.H. Robinson Worldwide	4,341,500	1,080,700	137,300
455	451	Ecolab	4,184,900	3,716,200	310,500
476	433	Nash Finch	3,897,100	815,600	14,900

Source: Fortune Magazine, dated April 18, 2005

State of Minnesota
Average Daily Public School Membership

School Year	Kindergarten	Elementary	Secondary	All Grades
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
2003-04	59,330	360,279	412,430	832,039
2004-05	58,658	357,426	411,247	827,331

Source: Minnesota Department of Education

2000	2001	2002	2003	2004	2005
262.1	252.3	240.4	232.7	217.0	219.6
177.1	177.8	172.6	165.2	127.3	123.0
7.4	6.0	5.3	5.3	6.0	5.9
114.3	123.5	121.7	121.4	125.1	126.5
129.8	133.7	127.0	124.3	92.1	92.8
630.6	633.9	632.0	627.8	676.1	792.1
163.2	161.6	161.6	168.1	176.0	175.8
789.6	806.8	814.0	819.4	843.5	743.9
386.9	381.5	382.0	387.4	388.6	397.6
66.2	59.0	58.0	59.6	70.6	61.3
2,727.2	2,736.1	2,714.6	2,711.2	2,722.3	2,738.5

Minnesota Commercial Bank Deposits
1996-2005 (In Millions)

Year	Bank Deposits
1996	$ 51,361
1997	71,706
1998	98,769
1999	106,441
2000	117,864
2001	121,275
2002	69,257
2003	75,797
2004	74,318
2005	46,558 [1]

[1]Commercial bank deposits in Minnesota dropped for 2005 because Wells Fargo Bank Minnesota, NA, Minneapolis merged into Wells Fargo Bank, NA, in Sioux Falls, South Dakota. Deposits reported by Wells Fargo Bank Minnesota, NA, prior to the merger were approximately $29,900,000,000.

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

Minnesota Population, Per Capita Personal Income and Unemployment Rate
1996-2005

Year	Population (In Thousands)	Personal Income	Unemployment Rate Percent
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	5,059	35,400	4.7
2004	5,101	36,172	4.7
2005 (est.)	5,153	37,986	4.1

Sources: Minnesota Department of Employment and Economic Development
U.S. Department of Commerce

State of Minnesota
New Housing Units Authorized in Permit-Issuing Localities
1996-2005 (In Thousands)

Year	Valuation	Year	Valuation
1996	$ 2,902,560	2001	4,576,087
1997	2,757,956	2002	5,369,212
1998	3,485,224	2003	6,269,475
1999	4,052,716	2004	6,550,391
2000	4,203,928	2005	N/A

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

State of Minnesota
Miscellaneous Statistics
June 30, 2005

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	6
2 Year Consolidated Community/Technical Colleges	16
4 Year Private Colleges	27
2 Year Private Colleges	4
Private Professional Schools	12
Private Vocational Schools	85
Trade Routes:	
Miles of Highways	135,294
Miles of Main Line Railroad Track	4,526
Public Airports	143
Waterways -	
Lake Superior	
Mississippi River	
Recreation:	
Lakes	11,842
State Forests	58
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

State
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Minnesota