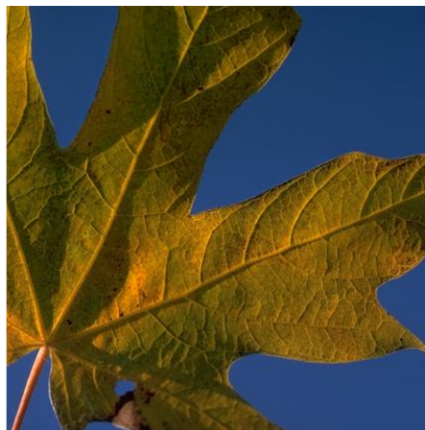


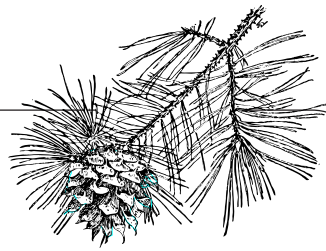


STATE OF MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2009



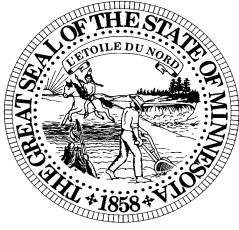
On the cover

MINNESOTA SEASONS

From snow laden branches to lush vegetation, with bursts of color in between, the trees of Minnesota reflect the spectacular extremes of the state's seasons.

Cover, top to bottom: Lilac bush in winter, autumn maple leaf, wooded banks of Lake Pepin near Lake City, spring apple tree blossoms

Divider page image: Minnesota's state tree, the Norway or Red Pine, stays evergreen in all seasons.



State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009

Prepared by Minnesota
Management and Budget
Tom J. Hanson,
Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155



State of Minnesota

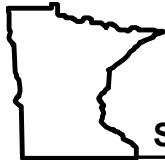
2009
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Annual
Financial Report

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 Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

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

The State of Minnesota Comprehensive Annual Financial Report is available at the following website:
<http://www.mmb.state.mn.us/>



2009 Comprehensive Annual Financial Report
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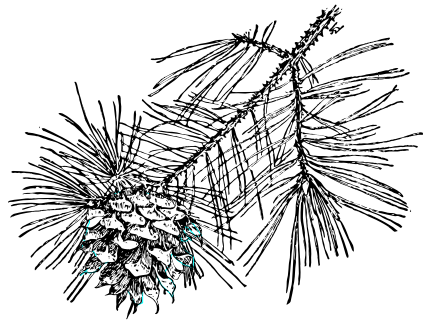
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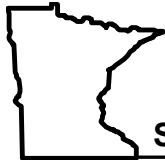


State of Minnesota

Introduction

2009
Comprehensive
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Financial Report





State of Minnesota

2009 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 11, 2009



400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

The Honorable Tim Pawlenty, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2009. 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:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.
- 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 schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.
- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal 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, 2009. 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, 2009. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2010.

AN EQUAL OPPORTUNITY EMPLOYER

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, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, and Workers' Compensation Assigned Risk Plan are component units reported discretely. With the exception of ClearWay Minnesota, the state has either the ability to impose its will over these agencies or provides substantial funding. The state feels that excluding ClearWay Minnesota from the reporting entity would fail to provide a complete overview of tobacco settlement funds.

Minnesota Management and Budget 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.

Minnesota Management and Budget is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

Budget Process - The state's fiscal period is a biennium. The Governor's biennial budget is presented to the legislature in January of odd numbered years for the upcoming biennium. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Petroleum Tank Cleanup, Natural Resources, Game and Fish, Environmental, Remediation, Special Compensation, Health Care Access, and Workforce Development 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

The longest and deepest recession since World War II did not skip over Minnesota. Payroll employment in the state fell by 117,000 jobs (4.3 percent) in fiscal year 2009, and at the end of the fiscal year, the state's unemployment rate was at 8.4 percent, up 3.1 percentage points from the 5.3 percent rate observed at the close of fiscal year 2008. Job losses in the state were slightly more severe than the national average, but the state's unemployment rate ended the fiscal year 1.1 percentage points below the U.S. rate. Per capita personal income in Minnesota fell by 2.4 percent, slightly less than the national average decline of 2.6 percent, but incomes in Minnesota's volatile farm sector fell by 27 percent. Nonfarm income in the state fell by 2.0 percent, 0.5 percentage points less than the U.S. average.

The combination of fewer jobs and a shorter work week for those who retained their jobs has produced a decline in total nominal wages in Minnesota of 0.9 percent in fiscal year 2009. Nationally, wages declined fiscal year over fiscal year by 1.4 percent. This was the first time since World War II that a decline in nominal wages over a fiscal year has been observed. Non-farm proprietors' income was also less in fiscal year 2009 than in fiscal year 2008.

Minnesota manufacturing employment fell by 40,000 between June 2008, and June 2009, and professional and business services by fell by 37,000, the two largest sectoral declines observed in the state's economy. Retail trade and construction employment also showed substantial declines of 19,000 and 18,000, respectively. The only sectors with notable growth during the fiscal year were education and health care, where employment increased by more than 14 percent. That "super-sector" showed an employment increase of more than 14,000 jobs. Employment in the health care portion of that sector grew by 13,100, while the education sector added 1,300 jobs. Local government employment increased by 700 jobs over the fiscal year.

While a return to recession is not forecast for either the U.S. economy or the Minnesota economy for the 2010 fiscal year, Global Insight, Minnesota's macroeconomic consultant, believes that the recovery will be much slower than usual. December's baseline forecast for fiscal year 2010 calls for real gross domestic product (GDP) to grow at just a 0.3 percent annual rate during the first year of the 2010-11 biennium. Even though the Global Insight forecast shows real GDP increases in each quarter of the fiscal year, the consultant believes it will take until the first quarter of calendar 2011 for real GDP to once again reach its pre-recession high.

The outlook for Minnesota in fiscal year 2010 is very similar to the national outlook. Payroll employment is expected to decline by 28,000 jobs between the second quarter of calendar 2009 and the second quarter of calendar 2010, a much smaller job loss than the 110,000 observed over the 2009 fiscal year. All of the loss in jobs in fiscal 2010 is expected in the first half of the year. Manufacturing and construction employment jobs are expected to fall another 13,000 and 5,000, respectively. Wage income in Minnesota is expected to grow by 1.8 percent during the 2010 fiscal year and non-farm proprietors' income by 3.9 percent. Over fiscal year 2009, personal income in Minnesota is expected to grow by less than 1.9 percent, slightly below the 2.2 percent growth rate projected for the nation as a whole.

General Fund Condition

Several significant events occurred during fiscal year 2009. To meet the constitutional requirements of a balanced budget for the General Fund, Minnesota legislators spent the majority of the 2008 and 2009 legislative sessions addressing shortfalls projected for fiscal year 2009, as well as for the 2010-2011 biennial budget.

The Governor acted to eliminate the fiscal year 2009 projected deficit by drawing down the state's budget reserve of \$153 million and unallotting \$271 million. The unallotment decreased spending by \$193 million and yielded \$78 million in transfers to the General Fund. In addition, \$1.359 billion in federal revenue from the American Recovery and Reinvestment Act (ARRA) became available to partially offset General Fund revenue shortfalls occurring in fiscal years 2009, 2010, and 2011. ARRA was designed to provide federal spending to accelerate the nation's economic recovery and preserve and create jobs. The

increase in the Federal Medical Assistance Percentage as a result of ARRA provided \$471 million in revenue in fiscal year 2009, leaving a closing budgetary General Fund balance of \$61 million.

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

The reduction in the General Fund's fund balance was the result of the budget shortfalls and the use of the state reserves. On a budgetary basis, the state's General Fund ended fiscal year 2009 with an undesignated fund balance of \$61 million. On a GAAP basis, however, the accruals of revenue and expenditures required by the modified accrual basis of accounting resulted in a decrease of \$814 million from the budgetary General Fund balance, which resulted in a reported unreserved year-end fund balance deficit of \$752 million. For details of the budget to GAAP differences, see Note 19 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

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, 2008. This was the twenty-fourth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,



Tom J. Hanson
Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

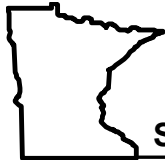
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.

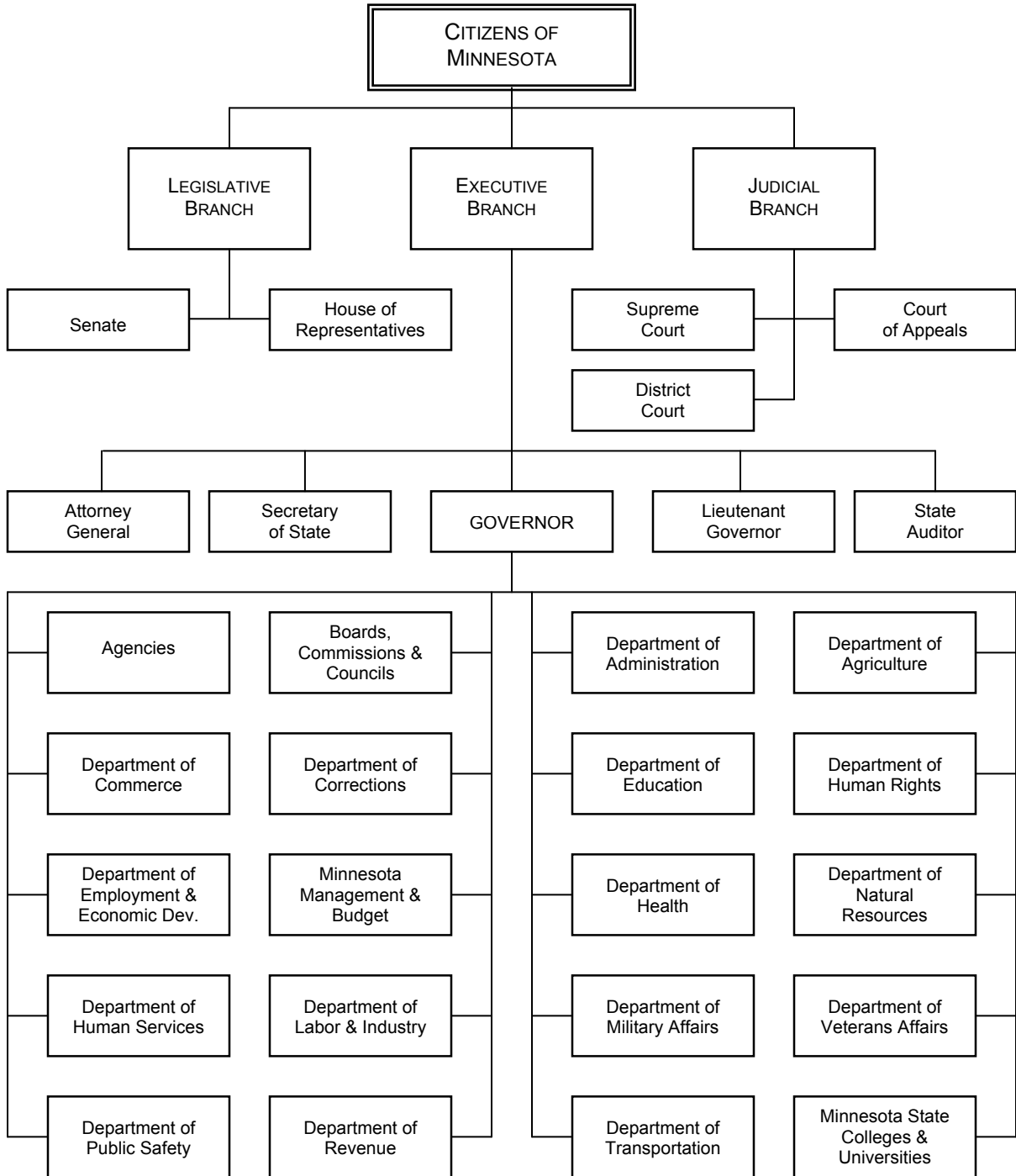


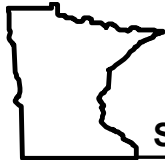
President

Executive Director



2009 Comprehensive Annual Financial Report State Organization Chart





State of Minnesota

2009 Comprehensive Annual Financial Report
State Principal Officials

Executive Branch

Governor
Lieutenant Governor
Attorney General
Secretary of State
State Auditor

Tim Pawlenty
Carol Molnau
Lori Swanson
Mark Ritchie
Rebecca Otto

Legislative Branch

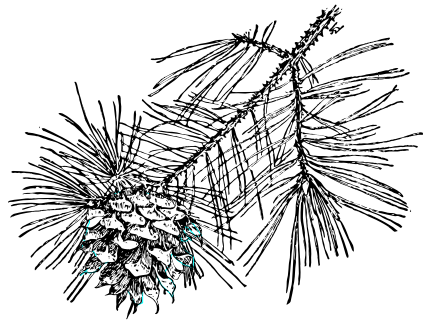
Speaker of the House of Representatives
President of the Senate

Margaret Anderson Kelliher
James P. Metzen

Judicial Branch

Chief Justice of the Supreme Court

Eric J. Magnuson





State of Minnesota

Financial Section

2009
Comprehensive
Annual
Financial Report



Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner, Minnesota Management and Budget

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, 2009, 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 these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 81 percent, 81 percent, and 33 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 Housing Finance Agency, Metropolitan Council, University of Minnesota, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of ClearWay Minnesota, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

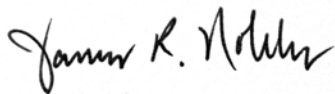
In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* for the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, 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 Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

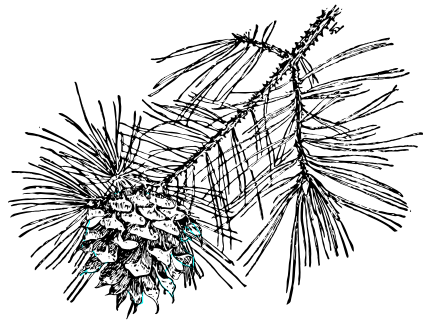


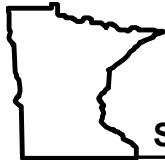
James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA
Deputy Legislative Auditor

December 11, 2009





2009 Comprehensive Annual Financial Report Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2009, 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 public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance 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
- ClearWay Minnesota
- National Sports Center Foundation
- Office of Higher Education
- 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 recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that 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 29 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 27 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 type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are 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 8 nonmajor enterprise funds and the 7 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

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

The state maintains 19 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which accounts for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the 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.

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 and Other Postemployment Benefits 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, 2009, by \$11.8 billion (presented as *net assets*). Of this amount, a deficit of \$957 million was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.
- The state's total net assets decreased by \$1.4 billion (10.5 percent) during fiscal year 2009. Net assets of governmental activities decreased by \$1.0 billion (9.5 percent), while net assets of the business-type activities showed a decrease of \$344 million (15.3 percent). For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$3.5 billion, a decrease of \$1.6 billion compared to the prior year. This amount includes an unreserved fund balance of \$1.6 billion; however, included in this amount is a General Fund deficit of \$752 million. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by \$432 million (6.7 percent) during the current fiscal year. The increase is partially due to the issuance of general obligation bonds for trunk highway projects and other various state purposes and revenue bonds for the Minnesota State Colleges and Universities and a statewide 911 emergency response communication system. The beginning balance has been restated due to the implementation of GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." As a result of implementing this statement, the state recognized a change in accounting principle of \$45.9 million, which restated the liability recognized for pollution remediation at the beginning of the year.

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 \$11.8 billion at the end of 2009, compared to \$13.2 billion at the end of the previous year.

Net Assets						
June 30, 2009 and 2008						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 8,465,565	\$ 9,679,864	\$ 1,233,270	\$ 1,588,517	\$ 9,698,835	\$ 11,268,381
Noncurrent Assets:						
Capital Assets	11,256,982	10,531,680	1,595,883	1,462,138	12,852,865	11,993,818
Other Assets	753,474	781,787	168,620	143,908	922,094	925,695
Total Assets	<u>\$ 20,476,021</u>	<u>\$ 20,993,331</u>	<u>\$ 2,997,773</u>	<u>\$ 3,194,563</u>	<u>\$ 23,473,794</u>	<u>\$ 24,187,894</u>
Current Liabilities	\$ 4,899,954	\$ 4,702,255	\$ 412,129	\$ 349,690	\$ 5,312,083	\$ 5,051,945
Noncurrent Liabilities	5,656,275	5,331,720	687,424	602,567	6,343,699	5,934,287
Total Liabilities	<u>\$ 10,556,229</u>	<u>\$ 10,033,975</u>	<u>\$ 1,099,553</u>	<u>\$ 952,257</u>	<u>\$ 11,655,782</u>	<u>\$ 10,986,232</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 8,285,028	\$ 7,775,939	\$ 1,199,727	\$ 1,108,136	\$ 9,484,755	\$ 8,884,075
Restricted	2,552,659	2,693,756	737,400	1,140,070	3,290,059	3,833,826
Unrestricted	(917,895)	489,661	(38,907)	(5,900)	(956,802)	483,761
Total Net Assets	<u>\$ 9,919,792</u>	<u>\$ 10,959,356</u>	<u>\$ 1,898,220</u>	<u>\$ 2,242,306</u>	<u>\$ 11,818,012</u>	<u>\$ 13,201,662</u>

The largest portion, \$9.5 billion of \$11.8 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 \$3.3 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 \$957 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 noncapital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities decreased \$1.4 billion (10.5 percent) over the course of this fiscal year. This resulted from a \$1.0 billion (9.5 percent) decrease in net assets of governmental activities, and a \$344 million (15.3 percent) decrease in net assets of business-type activities.

Changes in Net Assets						
Fiscal Years Ended June 30, 2009 and 2008						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,189,748	\$ 1,202,566	\$ 2,343,895	\$ 2,325,325	\$ 3,533,643	\$ 3,527,891
Operating Grants and Contributions	7,754,986	6,677,323	872,484	217,224	8,627,470	6,894,547
Capital Grants	272,736	449,765	4,262	1,142	276,998	450,907
General Revenues:						
Individual Income Taxes	7,203,337	7,929,096	-	-	7,203,337	7,929,096
Corporate Income Taxes	741,049	1,039,843	-	-	741,049	1,039,843
Sales Taxes	4,338,748	4,474,576	-	-	4,338,748	4,474,576
Property Taxes	733,899	703,972	-	-	733,899	703,972
Motor Vehicle Taxes	955,785	1,011,494	-	-	955,785	1,011,494
Fuel Taxes	758,271	651,988	-	-	758,271	651,988
Other Taxes ⁽¹⁾	2,206,648	2,149,162	-	-	2,206,648	2,149,162
Tobacco Settlement	176,140	186,425	-	-	176,140	186,425
Investment/Interest Income	57,790	121,638	32,306	48,126	90,096	169,764
Other Revenues	95,316	103,416	630	1,649	95,946	105,065
Total Revenues	\$ 26,484,453	\$ 26,701,264	\$ 3,253,577	\$ 2,593,466	\$ 29,738,030	\$ 29,294,730
Expenses:						
Public Safety and Corrections	\$ 944,400	\$ 901,641	\$ -	\$ -	\$ 944,400	\$ 901,641
Transportation	2,068,880	2,047,500	-	-	2,068,880	2,047,500
Agricultural, Environmental and Energy Resources	834,458	825,842	-	-	834,458	825,842
Economic and Workforce Development	695,314	704,501	-	-	695,314	704,501
General Education	7,811,723	7,675,567	-	-	7,811,723	7,675,567
Higher Education	912,011	981,943	-	-	912,011	981,943
Health and Human Services	11,248,700	10,296,359	-	-	11,248,700	10,296,359
General Government	800,123	816,111	-	-	800,123	816,111
Intergovernmental Aid	1,435,897	1,511,715	-	-	1,435,897	1,511,715
Interest	210,435	221,162	-	-	210,435	221,162
State Colleges and Universities	-	-	1,743,609	1,675,051	1,743,609	1,675,051
Unemployment Insurance	-	-	1,865,939	828,857	1,865,939	828,857
Lottery	-	-	363,832	346,834	363,832	346,834
Other	-	-	235,163	228,361	235,163	228,361
Total Expenses	\$ 26,961,941	\$ 25,982,341	\$ 4,208,543	\$ 3,079,103	\$ 31,170,484	\$ 29,061,444
Excess (Deficiency) Before						
Transfers	\$ (477,488)	\$ 718,923	\$ (954,966)	\$ (485,637)	\$ (1,432,454)	\$ 233,286
Transfers	(610,880)	(654,359)	610,880	654,359	-	-
Change in Net Assets	\$ (1,088,368)	\$ 64,564	\$ (344,086)	\$ 168,722	\$ (1,432,454)	\$ 233,286
Net Assets, Beginning	\$ 10,959,356	\$ 10,802,980	\$ 2,242,306	\$ 2,073,584	\$ 13,201,662	\$ 12,876,564
Prior Period Adjustments	94,658	-	-	-	94,658	-
Change in Accounting Principle	(45,854)	91,812	-	-	(45,854)	91,812
Change in Fund Structure	-	-	-	-	-	-
Net Assets, Ending	\$ 9,919,792	\$ 10,959,356	\$ 1,898,220	\$ 2,242,306	\$ 11,818,012	\$ 13,201,662

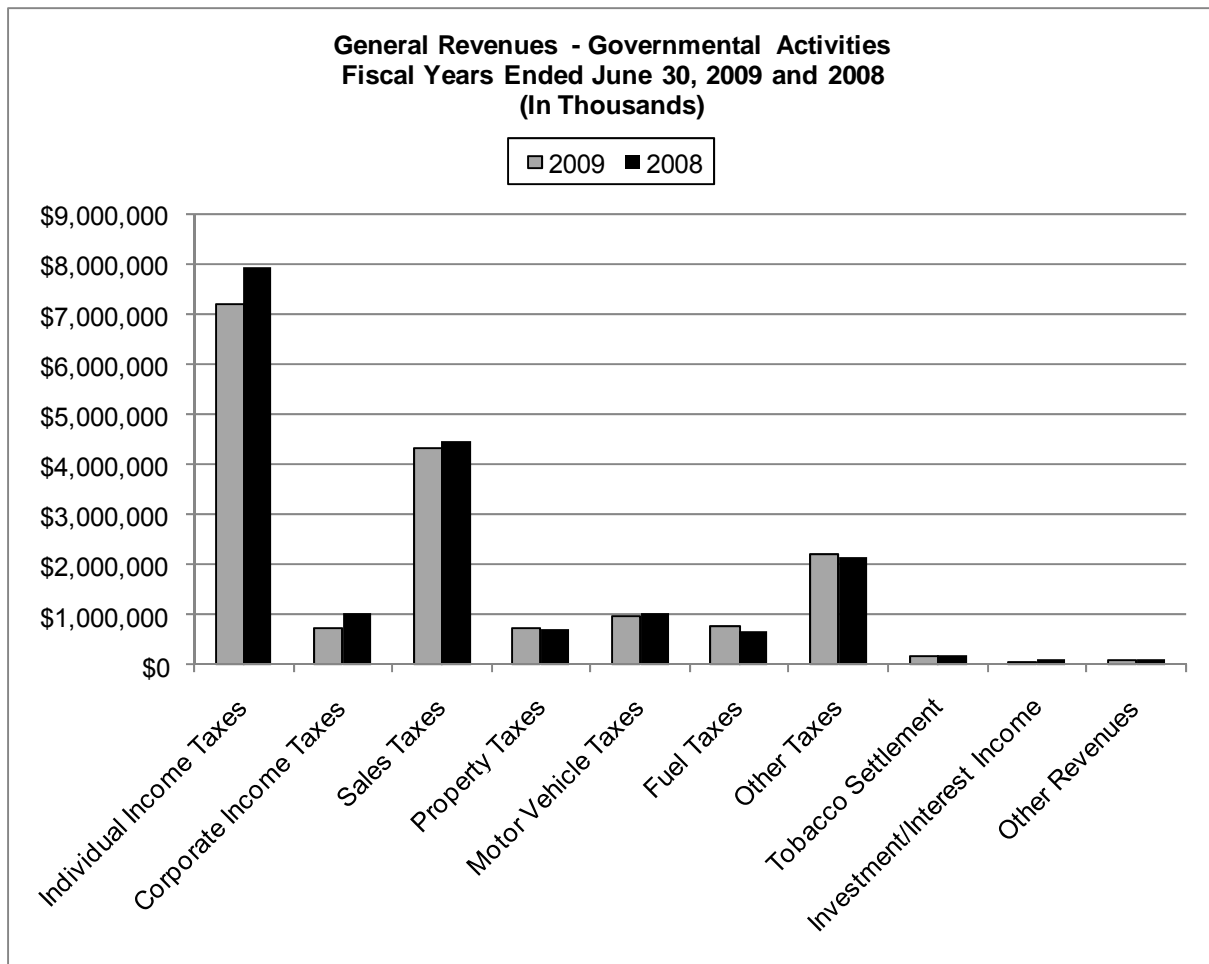
Approximately 57 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 30 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 1 percent came from other general revenues.

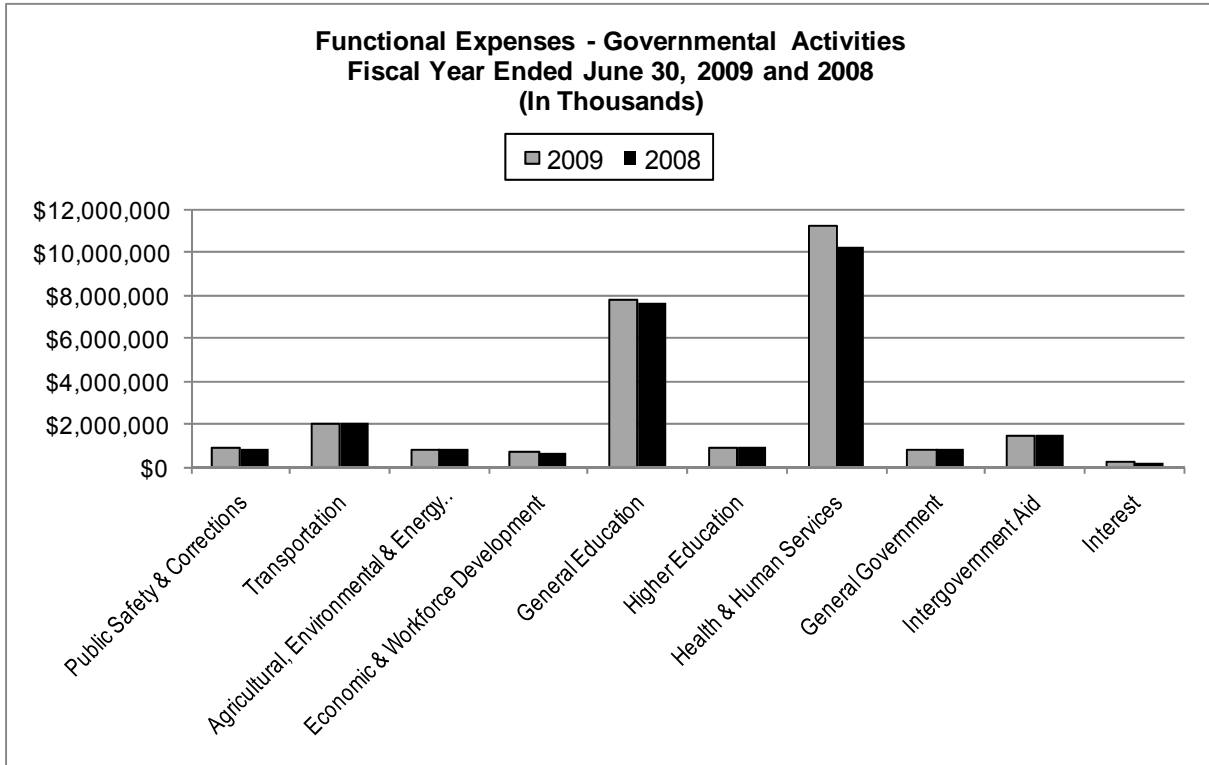
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

Governmental activities decreased the state's net assets by \$1.0 billion compared to an increase of \$156 million in the prior year.

The decrease in revenues was primarily attributable to decreases in individual income tax receipts, corporate income tax receipts, and sales tax revenue resulting from deterioration in the economy, which was partially offset by an increase in fuel tax receipts due to an additional surcharge imposed on fuel.

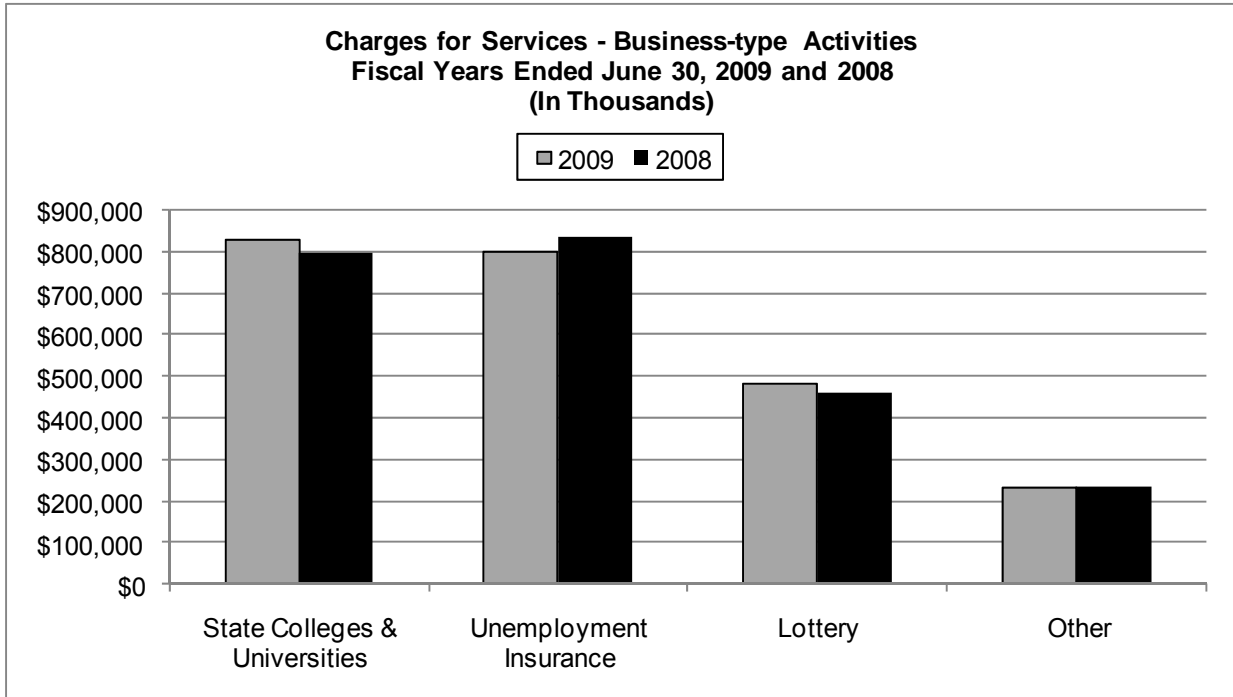




The increase in expenses primarily resulted from increases in Health and Human Services and General Education expenses, which were partially offset by decreases in Intergovernmental Aid and Higher Education expenses. Health and Human Services increased due to an increase in the number of participants eligible for health care services due to the weaker economy as well as an increase in health care costs. This increase was offset by an increase in operating grants from the federal government for health and human services programs. General Education's increase was partially due to a one-time general education aid increase of \$51 per pupil and a slight increase in the number of pupils. These increases were partially offset by decreases in grants to cities, counties and the University of Minnesota (component unit) due to the Governor's actions to balance the budget.

Business-type Activities

The state's proprietary funds net assets decreased by \$344 million during the current year. This primarily resulted from a \$414 million decrease in net assets in the Unemployment Insurance Fund. This decrease resulted from a significant increase in unemployment benefits due to an increase in the unemployment rate as a result of the economic downturn and extended benefit periods. These benefits were partially offset by an increase in nonoperating federal revenue provided by the American Recovery and Reinvestment Act (ARRA). ARRA was designed to provide federal spending to accelerate the nation's economic recovery and preserve and create jobs. The decrease in net assets of the Unemployment Insurance Fund was partially offset by a \$107 million increase in net assets in the State Colleges and Universities Fund, which is consistent with the increase in net assets during fiscal year 2008.



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 financial condition. The unreserved fund balance serves as a useful measure of the state’s net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state’s governmental funds reported combined ending fund balances of \$3.5 billion, a decrease of \$1.6 billion over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unreserved fund balance of the General Fund was a deficit of \$752 million, a decrease of \$1.5 billion compared to the prior year. This decrease primarily resulted from the continuing economic downturn, which resulted in revenues insufficient to cover expenditures.

Because the General Fund is the chief operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. General Education expenditures increased primarily due to a one-time general education aid increase of \$51 per pupil and a slight increase in the number of pupils, while Intergovernmental Aids and Higher Education expenditures decreased as a result of the Governor’s unallotment of grants to cities, counties and the University of Minnesota (component unit).

Although Health and Human Services expenditures increased in the governmental activities due to the increase in the number of participants eligible for health care services and an increase in costs to provide services, the impact to the General Fund was minimal. These expenditures were shifted to the Federal Fund as ARRA provided an increase in the Federal Medical Assistance Percentage. Thus, the increased expenditures were mainly offset by a corresponding increase in federal revenue.

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 decreased by \$344 million during the current year. This primarily resulted from a \$414 million decrease in net assets in the Unemployment Insurance Fund, which was slightly offset by an increase of \$107 million in net assets of the State Colleges and Universities Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2009. These are material to understanding changes in General Fund balances that occurred in fiscal year 2009. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following includes actions taken by the Minnesota legislature and the Governor affecting fiscal year 2009.

Actions Establishing the Fiscal Year 2009 Budget

The budget for state fiscal year 2009 was initially adopted in June 2007. The enacted budget included anticipated General Fund resources of \$18.849 billion, spending of \$17.441 billion, and an undesignated balance of \$1.408 billion, which included budgetary reserves.

By February 2008, economic forecasts recognized the effect of the recession on the U.S. and Minnesota economies. Typical with the experience of other states, a decline in state employment and wages resulted in a general decline in forecast tax collections. As a result, a \$935 million General Fund budgetary deficit was forecast for fiscal year 2009.

During the 2008 legislative session, revenue and expenditure measures were enacted to re-balance the budget for the biennium. Actions included \$125 million in spending cuts, \$109.6 million transferred from other governmental funds, and \$205.7 million in revenue changes, primarily related to changes in the computation of taxes for foreign corporations and accelerated tax collections. In addition, General Fund reserves were reduced by \$500 million, to \$153 million.

The November 2008 Forecast continued to show additional declines in forecast revenues and an increase in spending for health and human services programs. This forecast projected a \$426 million General Fund budgetary deficit for fiscal year 2009 and an additional \$4.874 billion deficit for the 2010-2011 biennium.

Budget Actions during Fiscal Year 2009

Under the provisions of Minnesota Statutes, Section 16A.152, in December 2008, the Commissioner of Minnesota Management and Budget acted to reduce fiscal year 2009 state spending. As required by this statute, the remaining \$153 million balance was released from the budget reserve, reducing the forecast deficit to \$271 million. A reduction of \$271 million was made to unexpended allotments of appropriations from the General Fund. These unallotments primarily related to reductions in aids to counties and local governments, grants to the University of Minnesota, and health and human services programs. These reductions acted to balance revenues and expenditures, leaving a small fiscal year 2009 surplus. In addition, ARRA was projected to provide \$464 million in fiscal year 2009 and \$1.359 billion in additional federal revenue in the 2010-2011 biennium based on the February 2009 forecast. As noted previously, the majority of the revenue provided by ARRA for fiscal year 2009 related to a change in the increase in the Federal Medical Assistance Percentage. This resulted in a decrease in General Fund expenditures from the amount originally budgeted, as some expenditures were moved to the Federal Fund.

The February 2009 forecast projected 2010-2011 biennium revenues to decline \$1.166 billion below the previous forecast. This revenue decline was offset by a reduction in expenditures in the General Fund by \$1.359 billion as a result of ARRA, moving expenditures to the Federal Fund. As a result, the fiscal year 2010-2011 budget deficit decreased slightly to \$4.570 billion. During the 2009 legislative session, the budgetary deficit was further reduced, ending the session with a projected \$2.676 billion deficit. On July 1, 2009, the Governor acted to balance the budget through a combination of executive authorities, primarily by deferring \$1.7 billion in school aid payments and reducing \$300 million in local governmental aid payments.

Budget and GAAP Based Financial Outlook

On December 2, 2009, MMB released the forecast for the 2010-2011 biennium. Based on the forecast, the state's financial outlook has weakened since the end of the legislative session and a General Fund deficit of \$1.203 billion is projected in the absence of legislative or executive action. Both state statutes and the state constitution require a balanced budget for the biennium. However, it is likely that the state's General Fund will continue to show deficits on a GAAP basis over the 2010-2011 biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2009, was \$15.2 billion, less accumulated depreciation of \$2.4 billion, resulting in a net book value of \$12.8 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, 2009 and 2008 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Assets not Depreciated:						
Land	\$ 2,073,170	\$ 1,904,657	\$ 81,879	\$ 80,852	\$ 2,155,049	\$ 1,985,509
Buildings, Structures, Improvements	52,799	28,040	-	-	52,799	28,040
Construction in Progress	251,943	261,251	154,867	174,345	406,810	435,596
Infrastructure	7,323,111	6,876,135	-	-	7,323,111	6,876,135
Art and Historical Treasures	1,989	1,989	-	-	1,989	1,989
Total Capital Assets not Depreciated	\$ 9,703,012	\$ 9,072,072	\$ 236,746	\$ 255,197	\$ 9,939,758	\$ 9,327,269
Capital Assets Depreciated:						
Buildings, Structures, Improvements	\$ 2,142,686	\$ 2,011,326	\$ 2,286,086	\$ 2,071,380	\$ 4,428,772	\$ 4,082,706
Infrastructure	92,789	69,216	-	-	92,789	69,216
Library Collections	-	-	48,526	48,168	48,526	48,168
Equipment, Furniture, Fixtures	417,044	397,033	288,907	288,172	705,951	685,205
Total Capital Assets Depreciated	\$ 2,652,519	\$ 2,477,575	\$ 2,623,519	\$ 2,407,720	\$ 5,276,038	\$ 4,885,295
Less: Accumulated Depreciation	1,098,549	1,017,967	1,264,382	1,200,779	2,362,931	2,218,746
Capital Assets Net of Depreciation	\$ 1,553,970	\$ 1,459,608	\$ 1,359,137	\$ 1,206,941	\$ 2,913,107	\$ 2,666,549
Total	\$ 11,256,982	\$ 10,531,680	\$ 1,595,883	\$ 1,462,138	\$ 12,852,865	\$ 11,993,818

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2008, indicated that the average PQI for principal arterial pavement was 3.3 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past five 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 2008, indicated that 94 percent of principal arterial system bridges and 90 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, the state received additional federal revenue as a result of the ARRA to fund transportation projects that were not included in the original budget. The additional revenue allowed the MnDOT to realign maintenance projects that were scheduled in future years to the current year. However, capitalized costs were less than the original budget primarily due to a slow start on two significant projects, the I-35W and Trunk Highway 62 interchange and the four lane highway project near Waseca.

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, 2009 and 2008
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation	\$ 4,667,902	\$ 4,070,056	\$ 241,946	\$ 215,024	\$ 4,909,848	\$ 4,285,080
Revenue	13,715	14,500	278,246	206,585	291,961	221,085
Total	<u>\$ 4,681,617</u>	<u>\$ 4,084,556</u>	<u>\$ 520,192</u>	<u>\$ 421,609</u>	<u>\$ 5,201,809</u>	<u>\$ 4,506,165</u>

During fiscal year 2009, the state issued the following bonds:

- \$600 million in general obligation state various purpose bonds
- \$103.5 million in general obligation state trunk highway bonds
- \$5 million in general obligation Rural Finance Authority bonds
- \$155.4 million in state refunding bonds
- \$42.2 million in revenue bonds for a statewide 911 emergency response communication system
- \$35.8 million in revenue bonds for Minnesota State Colleges and Universities

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

Requests for Information

This financial report is designed to provide 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.

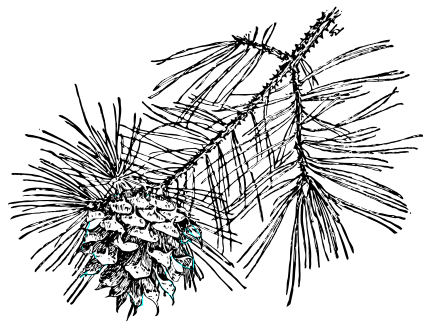
Questions about this report or requests for additional financial information should be addressed to Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.



State of Minnesota

Basic Financial Statements

2009
Comprehensive
Annual
Financial Report





State of Minnesota

Government-wide Financial Statements

2009
Comprehensive
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Financial Report

STATE OF MINNESOTA

**STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 4,202,217	\$ 716,811	\$ 4,919,028	\$ 1,174,332
Investments.....	963,165	27,341	990,506	861,891
Accounts Receivable.....	2,063,238	411,651	2,474,889	427,476
Due from Component Units.....	21,827	-	21,827	-
Due from Primary Government.....	-	-	-	71,599
Accrued Investment/Interest Income.....	21,350	17	21,367	40,726
Federal Aid Receivable.....	1,017,915	42,945	1,060,860	12,888
Inventories.....	25,990	21,399	47,389	45,451
Loans and Notes Receivable.....	58,554	6,622	65,176	196,163
Internal Balances.....	(3,245)	3,245	-	-
Securities Lending Collateral.....	85,676	358	86,034	36,762
Other Assets.....	8,878	2,881	11,759	55,129
Total Current Assets.....	\$ 8,465,565	\$ 1,233,270	\$ 9,698,835	\$ 2,922,417
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 140,446	\$ 140,446	\$ 312,255
Investments-Restricted.....	-	-	-	627,218
Accounts Receivable-Restricted.....	-	-	-	14,505
Due from Primary Government.....	-	-	-	42,528
Other Assets-Restricted.....	-	82	82	13,378
Due from Component Units.....	103,957	-	103,957	-
Investments.....	-	-	-	2,561,876
Accounts Receivable.....	362,176	-	362,176	550,348
Loans and Notes Receivable.....	247,725	28,092	275,817	4,724,003
Depreciable Capital Assets (Net).....	1,553,970	1,359,137	2,913,107	4,074,626
Nondepreciable Capital Assets.....	2,379,901	236,746	2,616,647	915,614
Infrastructure (Not depreciated).....	7,323,111	-	7,323,111	-
Other Assets.....	39,616	-	39,616	10,895
Total Noncurrent Assets.....	\$ 12,010,456	\$ 1,764,503	\$ 13,774,959	\$ 13,847,246
Total Assets.....	\$ 20,476,021	\$ 2,997,773	\$ 23,473,794	\$ 16,769,663
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 3,539,600	\$ 283,564	\$ 3,823,164	\$ 325,212
Due to Component Units.....	28,848	-	28,848	-
Due to Primary Government.....	-	-	-	24,641
Unearned Revenue.....	612,890	59,716	672,606	96,737
Accrued Interest Payable.....	71,370	418	71,788	76,001
General Obligation Bonds Payable.....	389,243	17,067	406,310	300,467
Loans and Notes Payable.....	16,862	929	17,791	264,422
Revenue Bonds Payable.....	815	15,630	16,445	503,749
Claims Payable.....	90,395	-	90,395	93,885
Compensated Absences Payable.....	31,419	14,634	46,053	183,873
Workers' Compensation Liability.....	15,922	2,065	17,987	-
Capital Leases Payable.....	6,368	2,253	8,621	540
Securities Lending Liabilities.....	85,676	358	86,034	36,762
Other Liabilities.....	10,546	15,495	26,041	23,449
Total Current Liabilities.....	\$ 4,899,954	\$ 412,129	\$ 5,312,083	\$ 1,929,738
Noncurrent Liabilities:				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 96,554
Unearned Revenue-Restricted.....	-	-	-	55,591
Accrued Interest Payable-Restricted.....	-	-	-	10,763
Due to Primary Government.....	-	-	-	103,267
Unearned Revenue.....	-	-	-	3,982
General Obligation Bonds Payable.....	4,278,659	224,879	4,503,538	1,349,853
Loans and Notes Payable.....	36,796	4,653	41,449	4,700
Revenue Bonds Payable.....	12,900	262,616	275,516	3,746,399
Claims Payable.....	674,582	-	674,582	625,741
Compensated Absences Payable.....	256,044	129,479	385,523	45,441
Workers' Compensation Liability.....	79,250	3,099	82,349	-
Capital Leases Payable.....	155,261	18,071	173,332	11,955
Funds Held in Trust.....	-	-	-	88,604
Due to Component Units.....	15,718	-	15,718	-
Other Liabilities.....	147,065	44,627	191,692	128,248
Total Noncurrent Liabilities.....	\$ 5,656,275	\$ 687,424	\$ 6,343,699	\$ 6,271,098
Total Liabilities.....	\$ 10,556,229	\$ 1,099,553	\$ 11,655,782	\$ 8,200,836

CONTINUED

STATE OF MINNESOTA

STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2009
(IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 8,285,028	\$ 1,199,727	\$ 9,484,755	\$ 3,098,572
Restricted for:				
Capital Projects.....	\$ 36,933	\$ -	\$ 36,933	\$ -
Debt Service.....	425,915	-	425,915	-
Transportation.....	792,534	-	792,534	-
Environmental Resources.....	493,637	-	493,637	-
Economic and Workforce Development.....	100,766	6,058	106,824	-
School Aid-Nonexpendable	624,361	-	624,361	-
School Aid-Expendable.....	78,513	-	78,513	-
Health & Human Services.....	-	16,506	16,506	-
Unemployment Benefits.....	-	317,218	317,218	-
State Colleges and Universities.....	-	364,804	364,804	-
Other Purposes.....	-	32,814	32,814	-
Component Units.....	-	-	-	4,998,096
Total Restricted.....	\$ 2,552,659	\$ 737,400	\$ 3,290,059	\$ 4,998,096
Unrestricted	\$ (917,895)	\$ (38,907)	\$ (956,802)	\$ 472,159
Total Net Assets.....	\$ 9,919,792	\$ 1,898,220	\$ 11,818,012	\$ 8,568,827

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections.....	\$ 944,400	\$ 159,155	\$ 135,246	\$ -
Transportation.....	2,068,880	45,385	567,177	269,602
Agricultural, Environmental and Energy Resources.....	834,458	339,523	144,300	1,798
Economic and Workforce Development.....	695,314	47,377	254,396	-
General Education.....	7,811,723	42,192	615,651	-
Higher Education.....	912,011	-	-	-
Health and Human Services.....	11,248,700	317,009	5,997,417	1,336
General Government.....	800,123	239,107	40,799	-
Intergovernment Aid.....	1,435,897	-	-	-
Interest.....	210,435	-	-	-
Total Governmental Activities.....	<u>\$ 26,961,941</u>	<u>\$ 1,189,748</u>	<u>\$ 7,754,986</u>	<u>\$ 272,736</u>
Business-type Activities:				
State Colleges and Universities.....	\$ 1,743,609	\$ 827,997	\$ 238,327	\$ 4,262
Unemployment Insurance.....	1,865,939	800,590	634,157	-
Lottery.....	363,832	482,738	-	-
Other.....	235,163	232,570	-	-
Total Business-type Activities.....	<u>\$ 4,208,543</u>	<u>\$ 2,343,895</u>	<u>\$ 872,484</u>	<u>\$ 4,262</u>
Total Primary Government.....	<u>\$ 31,170,484</u>	<u>\$ 3,533,643</u>	<u>\$ 8,627,470</u>	<u>\$ 276,998</u>
Component Units:				
University of Minnesota.....	\$ 3,234,259	\$ 1,420,733	\$ 793,783	\$ 203,099
Metropolitan Council.....	853,745	348,281	166,627	161,996
Housing Finance.....	439,168	183,505	187,720	-
Others.....	355,745	139,862	59,138	-
Total Component Units.....	<u>\$ 4,882,917</u>	<u>\$ 2,092,381</u>	<u>\$ 1,207,268</u>	<u>\$ 365,095</u>

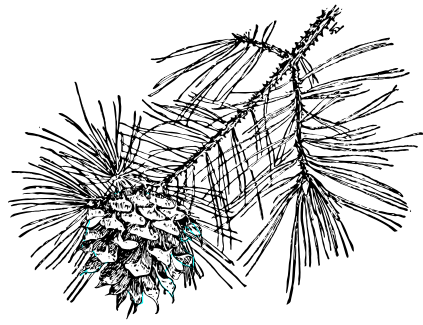
General Revenues:

Taxes:	
Individual Income Taxes.....	
Corporate Income Taxes.....	
Sales Taxes.....	
Property Taxes.....	
Motor Vehicle Taxes.....	
Fuel Taxes.....	
Other Taxes.....	
Tobacco Settlement.....	
Unallocated Investment/Interest Income.....	
Other Revenues.....	
State Grants Not Restricted.....	
Special Item.....	
Transfers.....	
Total General Revenues and Transfers.....	
Change in Net Assets.....	
Net Assets, Beginning, as Reported.....	
Prior Period Adjustments.....	
Change in Accounting Principle.....	
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
\$ (649,999)		\$ (649,999)	
(1,186,716)		(1,186,716)	
(348,837)		(348,837)	
(393,541)		(393,541)	
(7,153,880)		(7,153,880)	
(912,011)		(912,011)	
(4,932,938)		(4,932,938)	
(520,217)		(520,217)	
(1,435,897)		(1,435,897)	
(210,435)		(210,435)	
<u>\$ (17,744,471)</u>		<u>\$ (17,744,471)</u>	
	\$ (673,023)	\$ (673,023)	
	(431,192)	(431,192)	
	118,906	118,906	
	(2,593)	(2,593)	
	<u>\$ (987,902)</u>	<u>\$ (987,902)</u>	
<u>\$ (17,744,471)</u>	<u>\$ (987,902)</u>	<u>\$ (18,732,373)</u>	
			\$ (816,644)
			(176,841)
			(67,943)
			<u>(156,745)</u>
			<u>\$ (1,218,173)</u>
\$ 7,203,337	\$ -	\$ 7,203,337	\$ -
741,049	-	741,049	-
4,338,748	-	4,338,748	-
733,899	-	733,899	-
955,785	-	955,785	-
758,271	-	758,271	-
2,206,648	-	2,206,648	196,142
176,140	-	176,140	-
57,790	32,306	90,096	(648,507)
95,316	630	95,946	32,599
-	-	-	988,937
-	-	-	(16,822)
(610,880)	610,880	-	-
<u>\$ 16,656,103</u>	<u>\$ 643,816</u>	<u>\$ 17,299,919</u>	<u>\$ 552,349</u>
<u>\$ (1,088,368)</u>	<u>\$ (344,086)</u>	<u>\$ (1,432,454)</u>	<u>\$ (665,824)</u>
\$ 10,959,356	\$ 2,242,306	\$ 13,201,662	\$ 9,187,677
94,658	-	94,658	-
(45,854)	-	(45,854)	46,974
<u>\$ 11,008,160</u>	<u>\$ 2,242,306</u>	<u>\$ 13,250,466</u>	<u>\$ 9,234,651</u>
<u>\$ 9,919,792</u>	<u>\$ 1,898,220</u>	<u>\$ 11,818,012</u>	<u>\$ 8,568,827</u>

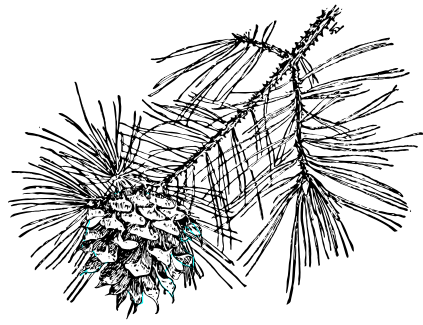




State of Minnesota

Fund Financial Statements

2009
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State of Minnesota

Major Governmental Funds

General Fund

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

Federal Fund

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

2009
Comprehensive
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Financial Report

STATE OF MINNESOTA

**GOVERNMENTAL FUNDS
BALANCE SHEET**

**JUNE 30, 2009
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 857,656	\$ 9,654	\$ 3,027,309	\$ 3,894,619
Investments.....	13,508	-	928,328	941,836
Accounts Receivable.....	1,886,194	142,456	392,699	2,421,349
Interfund Receivables.....	144,120	4,757	224,486	373,363
Due from Component Units.....	7,779	-	118,005	125,784
Accrued Investment/Interest Income.....	13,969	-	7,130	21,099
Federal Aid Receivable.....	-	978,107	39,808	1,017,915
Inventories.....	-	-	25,202	25,202
Loans and Notes Receivable.....	41,330	-	264,949	306,279
Advances to Other Funds.....	1,125	-	-	1,125
Deferred Costs.....	-	-	2,577	2,577
Securities Lending Collateral.....	461	-	85,215	85,676
Investment in Land.....	-	-	16,007	16,007
Total Assets	\$ 2,966,142	\$ 1,134,974	\$ 5,131,715	\$ 9,232,831
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 2,062,544	\$ 971,281	\$ 446,311	\$ 3,480,136
Interfund Payables.....	54,997	81,791	239,362	376,150
Due to Component Units.....	15,610	2,878	6,613	25,101
Deferred Revenue.....	1,468,238	78,871	185,741	1,732,850
Accrued Interest Payable.....	5,600	-	-	5,600
Securities Lending Liabilities.....	461	-	85,215	85,676
Total Liabilities.....	\$ 3,607,450	\$ 1,134,821	\$ 963,242	\$ 5,705,513
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 68,727	\$ -	\$ 276,967	\$ 345,694
Reserved for Trust Principal.....	-	-	1,008,778	1,008,778
Other Reserved Fund Balances.....	42,455	153	572,691	615,299
Total Reserved Fund Balances.....	\$ 111,182	\$ 153	\$ 1,858,436	\$ 1,969,771
Unreserved Fund Balances:				
Designated for:				
Special Revenue Funds	\$ -	\$ -	\$ 1,214,750	\$ 1,214,750
Debt Service Fund	-	-	742,069	742,069
Permanent Funds	-	-	5,862	5,862
Undesignated, reported in:				
General Fund.....	(752,490)	-	-	(752,490)
Capital Project Funds.....	-	-	2,472	2,472
Special Revenue Funds.....	-	-	344,884	344,884
Total Unreserved Fund Balance.....	\$ (752,490)	\$ -	\$ 2,310,037	\$ 1,557,547
Total Fund Balances.....	\$ (641,308)	\$ 153	\$ 4,168,473	\$ 3,527,318
Total Liabilities and Fund Balances.....	\$ 2,966,142	\$ 1,134,974	\$ 5,131,715	\$ 9,232,831

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

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

**JUNE 30, 2009
(IN THOUSANDS)**

Total Fund Balance for Governmental Funds.....\$ 3,527,318

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.....	\$ 7,323,111	
Depreciable Capital Assets.....	2,575,058	
Nondepreciable Capital Assets.....	2,363,894	
Accumulated Depreciation.....	<u>(1,051,171)</u>	
Total Capital Assets.....		11,210,892

Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end..... 1,124,787

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..... 38,387

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..... 280,076

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.....	\$ (4,371,788)	
Bond Premium Payable.....	(296,114)	
Revenue Bonds Payable.....	(13,715)	
Accrued Interest Payable on Bonds.....	(65,770)	
Loans and Notes Payable.....	(34,396)	
Claims Payable.....	(764,977)	
Workers' Compensation Liability.....	(95,172)	
Capital Leases Payable.....	(161,629)	
Compensated Absences Payable.....	(281,409)	
Net Pension Obligation.....	(46,856)	
Net Other Post-Employment Benefits Obligation.....	(71,736)	
Pollution Remediation.....	(38,641)	
Due to Component Units.....	<u>(19,465)</u>	
Total Liabilities.....		(6,261,668)

Net Assets of Governmental Activities.....\$ 9,919,792

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes.....	\$ 7,162,974	\$ -	\$ -	\$ 7,162,974
Corporate Income Taxes.....	727,928	-	-	727,928
Sales Taxes.....	4,279,055	-	123	4,279,178
Property Taxes.....	729,373	-	-	729,373
Motor Vehicle Taxes.....	244,917	-	710,868	955,785
Fuel Taxes.....	-	-	756,381	756,381
Other Taxes.....	1,196,171	-	768,449	1,964,620
Tobacco Settlement.....	179,854	-	-	179,854
Federal Revenues.....	-	7,344,523	543,422	7,887,945
Licenses and Fees.....	246,755	3,044	527,301	777,100
Departmental Services.....	47,503	17,589	199,368	264,460
Investment/Interest Income.....	38,385	450	(72,275)	(33,440)
Securities Lending Income.....	940	-	1,480	2,420
Other Revenues.....	299,463	47,418	309,012	655,893
Net Revenues.....	\$ 15,153,318	\$ 7,413,024	\$ 3,744,129	\$ 26,310,471
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 601,299	\$ 101,976	\$ 188,205	\$ 891,480
Transportation.....	237,131	279,430	1,523,773	2,040,334
Agricultural, Environmental and Energy Resources.....	234,886	195,470	436,607	866,963
Economic and Workforce Development.....	111,869	232,989	359,878	704,736
General Education.....	7,076,624	665,465	66,190	7,808,279
Higher Education.....	830,789	-	82,503	913,292
Health and Human Services.....	4,551,788	5,819,593	866,662	11,238,043
General Government.....	692,936	18,132	42,814	753,882
Intergovernment Aid.....	1,435,675	-	222	1,435,897
Securities Lending Rebates and Fees.....	568	-	669	1,237
Total Current Expenditures.....	\$ 15,773,565	\$ 7,313,055	\$ 3,567,523	\$ 26,654,143
Capital Outlay.....	8,067	63,659	675,229	746,955
Debt Service.....	32,149	579	587,288	620,016
Total Expenditures.....	\$ 15,813,781	\$ 7,377,293	\$ 4,830,040	\$ 28,021,114
Excess of Revenues Over (Under) Expenditures.....	\$ (660,463)	\$ 35,731	\$ (1,085,911)	\$ (1,710,643)
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ 675,810	\$ 675,810
Loan Proceeds.....	-	-	549	549
Proceeds from Refunding Bonds.....	-	-	155,415	155,415
Payment to Refunded Bonds Escrow Agent.....	-	-	(155,415)	(155,415)
Bond Issue Premium.....	-	-	56,112	56,112
Transfers-In.....	555,696	2,015	2,447,570	3,005,281
Transfers-Out.....	(1,379,167)	(45,085)	(2,161,569)	(3,585,821)
Net Other Financing Sources (Uses).....	\$ (823,471)	\$ (43,070)	\$ 1,018,472	\$ 151,931
Net Change in Fund Balances.....	\$ (1,483,934)	\$ (7,339)	\$ (67,439)	\$ (1,558,712)
Fund Balances, Beginning, as Reported.....	\$ 842,626	\$ 7,492	\$ 4,234,565	\$ 5,084,683
Change in Inventory.....	-	-	1,347	1,347
Fund Balances, Ending.....	\$ (641,308)	\$ 153	\$ 4,168,473	\$ 3,527,318

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

Net Change in Fund Balances for Governmental Funds	\$ (1,558,712)
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 of \$99,842 in the current period.....	647,113
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.....	(17,503)
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.....	39,704
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.....	1,347
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....	137,616
Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets.....	(887,886)
Repayment of bonds and loans are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.....	545,324
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.....	4,629
Change in Net Assets of Governmental Activities	<u>\$ (1,088,368)</u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 7,766,795	\$ 7,208,220	\$ 6,988,234
Corporate Income Taxes.....	968,780	652,385	708,195
Sales Taxes.....	4,601,341	4,377,601	4,314,314
Property Taxes.....	739,125	743,211	729,373
Motor Vehicle Taxes.....	248,255	237,669	246,370
Other Taxes.....	1,133,860	1,153,603	1,154,769
Departmental Earnings/Licenses & Fees.....	278,138	290,521	293,535
Investment/Interest Income.....	35,000	28,000	40,093
Tobacco Settlement.....	180,987	176,982	179,855
Other Revenues.....	394,572	371,086	426,929
Net Revenues.....	<u>\$ 16,346,853</u>	<u>\$ 15,239,278</u>	<u>\$ 15,081,667</u>
Expenditures:			
Public Safety and Corrections.....	\$ 612,650	\$ 623,597	\$ 608,629
Transportation.....	241,371	241,292	239,707
Agricultural, Environmental and Energy Resources.....	274,000	260,064	245,082
Economic and Workforce Development.....	80,832	73,708	65,273
General Education.....	7,074,188	7,059,426	7,056,860
Higher Education.....	900,406	876,493	867,180
Health and Human Services.....	4,906,698	4,529,569	4,409,591
General Government.....	1,279,868	821,268	770,723
Intergovernment Aid.....	1,541,547	1,459,048	1,441,246
Total Expenditures.....	<u>\$ 16,911,560</u>	<u>\$ 15,944,465</u>	<u>\$ 15,704,291</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (564,707)</u>	<u>\$ (705,187)</u>	<u>\$ (622,624)</u>
Other Financing Sources (Uses):			
Transfers-In.....	\$ 391,375	\$ 465,872	\$ 464,507
Transfers-Out.....	(891,169)	(1,357,963)	(1,357,963)
Net Other Financing Sources (Uses).....	<u>\$ (499,794)</u>	<u>\$ (892,091)</u>	<u>\$ (893,456)</u>
Net Change in Fund Balances.....	<u>\$ (1,064,501)</u>	<u>\$ (1,597,278)</u>	<u>\$ (1,516,080)</u>
Fund Balances, Beginning, as Reported	\$ 1,981,911	\$ 1,981,911	\$ 1,981,911
Prior Period Adjustments.....	-	-	32,175
Fund Balances, Beginning, as Restated.....	<u>\$ 1,981,911</u>	<u>\$ 1,981,911</u>	<u>\$ 2,014,086</u>
Budgetary Fund Balances, Ending.....	\$ 917,410	\$ 384,633	\$ 498,006
Less: Appropriation Carryover.....	-	-	45,644
Less: Reserved for Long-Term Receivables.....	-	-	41,330
Less: Budgetary Reserve.....	-	-	350,000
Undesignated Fund Balances, Ending.....	<u>\$ 917,410</u>	<u>\$ 384,633</u>	<u>\$ 61,032</u>

The notes are an integral part of the financial statements.



State of Minnesota

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.

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STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 544,952	\$ 67,428	\$ 104,431	\$ 716,811	\$ 307,598
Investments.....	27,341	-	-	27,341	21,329
Accounts Receivable.....	42,957	335,370	33,324	411,651	26,082
Interfund Receivables.....	42,016	-	2,355	44,371	-
Accrued Investment/Interest Income.....	-	-	17	17	251
Federal Aid Receivable.....	13,629	29,316	-	42,945	-
Inventories.....	14,326	-	7,073	21,399	788
Deferred Costs.....	313	-	594	907	6,301
Loans and Notes Receivable.....	6,622	-	-	6,622	-
Securities Lending Collateral.....	358	-	-	358	-
Other Assets.....	-	-	1,974	1,974	-
Total Current Assets.....	\$ 692,514	\$ 432,114	\$ 149,768	\$ 1,274,396	\$ 362,349
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 138,846	\$ -	\$ 1,600	\$ 140,446	\$ -
Other Assets-Restricted.....	82	-	-	82	-
Deferred Costs.....	-	-	-	-	1,229
Loans and Notes Receivable.....	28,092	-	-	28,092	-
Depreciable Capital Assets (Net).....	1,328,081	-	31,056	1,359,137	30,083
Nondepreciable Capital Assets.....	233,366	-	3,380	236,746	-
Total Noncurrent Assets.....	\$ 1,728,467	\$ -	\$ 36,036	\$ 1,764,503	\$ 31,312
Total Assets.....	\$ 2,420,981	\$ 432,114	\$ 185,804	\$ 3,038,899	\$ 393,661
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 181,488	\$ 70,322	\$ 31,754	\$ 283,564	\$ 81,481
Interfund Payables.....	-	25,320	15,806	41,126	458
Unearned Revenue.....	38,874	19,254	1,588	59,716	4,827
Accrued Bond Interest Payable.....	-	-	418	418	-
General Obligation Bonds Payable.....	16,786	-	281	17,067	-
Loans and Notes Payable.....	929	-	-	929	6,448
Revenue Bonds Payable.....	6,270	-	9,360	15,630	-
Workers' Compensation Liability.....	2,065	-	-	2,065	-
Capital Leases.....	2,141	-	112	2,253	-
Compensated Absences Payable.....	13,192	-	1,442	14,634	530
Securities Lending Liabilities.....	358	-	-	358	-
Other Liabilities.....	15,454	-	41	15,495	-
Total Current Liabilities.....	\$ 277,557	\$ 114,896	\$ 60,802	\$ 453,255	\$ 93,744
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	\$ 222,526	\$ -	\$ 2,353	\$ 224,879	\$ -
Loans and Notes Payable.....	4,653	-	-	4,653	12,814
Revenue Bonds Payable.....	188,838	-	73,778	262,616	-
Workers' Compensation Liability.....	3,099	-	-	3,099	-
Capital Leases.....	17,573	-	498	18,071	-
Compensated Absences Payable.....	118,770	-	10,709	129,479	5,524
Advances from Other Funds.....	-	-	-	-	1,125
Other Liabilities.....	43,840	-	787	44,627	378
Total Noncurrent Liabilities.....	\$ 599,299	\$ -	\$ 88,125	\$ 687,424	\$ 19,841
Total Liabilities.....	\$ 876,856	\$ 114,896	\$ 148,927	\$ 1,140,679	\$ 113,585
NET ASSETS					
Invested in Capital Assets, Net of Related Debt.....					
	\$ 1,179,321	\$ -	\$ 20,406	\$ 1,199,727	\$ 11,096
Restricted for:					
Bond Covenants.....	\$ 51,881	\$ -	\$ -	\$ 51,881	\$ -
Debt Service.....	22,016	-	-	22,016	-
Capital Projects.....	24,942	-	-	24,942	-
Economic and Workforce Development.....	-	-	6,058	6,058	-
Health and Human Services.....	-	-	16,506	16,506	-
Other Purposes.....	14,059	-	32,814	46,873	-
Total Restricted.....	\$ 112,898	\$ -	\$ 55,378	\$ 168,276	\$ -
Unrestricted.....	\$ 251,906	\$ 317,218	\$ (38,907)	\$ 530,217	\$ 268,980
Total Net Assets.....	\$ 1,544,125	\$ 317,218	\$ 36,877	\$ 1,898,220	\$ 280,076

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 730,048	\$ -	\$ -	\$ 730,048	\$ -
Net Sales.....	-	-	525,235	525,235	18,543
Rental and Service Fees.....	-	-	175,401	175,401	166,468
Insurance Premiums.....	-	798,037	11,813	809,850	664,106
Federal Revenues.....	216,482	-	-	216,482	-
State Grants.....	80,834	-	-	80,834	-
Other Income.....	17,115	2,553	2,859	22,527	8,163
Total Operating Revenues.....	\$ 1,044,479	\$ 800,590	\$ 715,308	\$ 2,560,377	\$ 857,280
Less: Cost of Goods Sold.....	-	-	357,361	357,361	5,481
Gross Margin.....	\$ 1,044,479	\$ 800,590	\$ 357,947	\$ 2,203,016	\$ 851,799
Operating Expenses:					
Purchased Services.....	\$ 220,513	\$ -	\$ 50,739	\$ 271,252	\$ 167,470
Salaries and Fringe Benefits.....	1,224,801	-	126,883	1,351,684	54,004
Student Financial Aid.....	33,506	-	-	33,506	-
Unemployment Benefits.....	-	1,865,237	-	1,865,237	-
Claims.....	-	-	8,914	8,914	539,658
Depreciation.....	82,982	-	4,280	87,262	9,832
Amortization.....	-	-	71	71	426
Supplies and Materials.....	89,593	-	5,933	95,526	7,681
Repairs and Maintenance.....	28,093	-	-	28,093	-
Indirect Costs.....	-	-	8,611	8,611	2,833
Other Expenses.....	37,860	-	9,371	47,231	7,671
Total Operating Expenses.....	\$ 1,717,348	\$ 1,865,237	\$ 214,802	\$ 3,797,387	\$ 789,575
Operating Income (Loss).....	\$ (672,869)	\$ (1,064,647)	\$ 143,145	\$ (1,594,371)	\$ 62,224
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 10,066	\$ 19,665	\$ 2,575	\$ 32,306	\$ 9,307
Private Grants.....	21,845	-	-	21,845	-
Grants and Subsidies.....	4,262	634,157	-	638,419	-
Other Nonoperating Revenues.....	-	-	22	22	-
Interest and Financing Costs.....	(17,155)	-	(3,427)	(20,582)	(672)
Grants, Aids and Subsidies.....	(9,106)	(702)	(17,555)	(27,363)	-
Other Nonoperating Expenses.....	-	-	(5,850)	(5,850)	(1,383)
Gain (Loss) on Disposal of Capital Assets.....	653	-	(45)	608	316
Total Nonoperating Revenues (Expenses).....	\$ 10,565	\$ 653,120	\$ (24,280)	\$ 639,405	\$ 7,568
Income (Loss) Before Transfers & Contributions.....	\$ (662,304)	\$ (411,527)	\$ 118,865	\$ (954,966)	\$ 69,792
Capital Contributions.....	106,733	-	252	106,985	-
Transfers-In.....	662,417	-	6,088	668,505	681
Transfers-Out.....	-	(2,138)	(162,472)	(164,610)	(30,769)
Change in Net Assets.....	\$ 106,846	\$ (413,665)	\$ (37,267)	\$ (344,086)	\$ 39,704
Net Assets, Beginning, as Reported.....	\$ 1,437,279	\$ 730,883	\$ 74,144	\$ 2,242,306	\$ 240,372
Net Assets, Ending.....	\$ 1,544,125	\$ 317,218	\$ 36,877	\$ 1,898,220	\$ 280,076

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

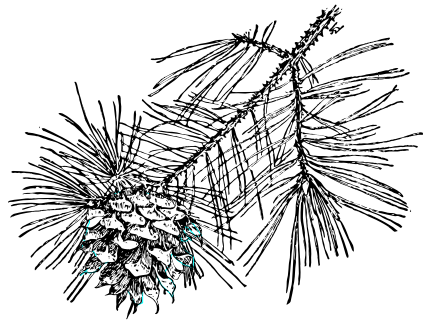
	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers.....	\$ 805,740	\$ 815,322	\$ 708,716	\$ 2,329,778	\$ 848,766
Receipts from Grants.....	297,593	-	-	297,593	-
Receipts from Other Revenues.....	-	-	2,311	2,311	9,087
Receipts from Repayment of Program Loans.....	3,453	-	-	3,453	-
Financial Aid Disbursements.....	(34,673)	-	-	(34,673)	-
Payments to Claimants.....	-	(1,855,990)	(302,812)	(2,158,802)	(533,667)
Payments to Suppliers.....	(450,607)	-	(106,777)	(557,384)	(181,498)
Payments to Employees.....	(1,209,167)	-	(124,734)	(1,333,901)	(53,289)
Payments to Others.....	-	-	(28,016)	(28,016)	(1,423)
Payments of Program Loans.....	(3,647)	-	-	(3,647)	-
Net Cash Flows from Operating Activities.....	\$ (591,308)	\$ (1,040,668)	\$ 148,688	\$ (1,483,288)	\$ 87,976
Cash Flows from Noncapital Financing Activities:					
Grant Receipts.....	\$ 17,301	\$ 605,793	\$ -	\$ 623,094	\$ -
Grant Disbursements.....	(9,106)	(1,720)	(16,541)	(27,367)	-
Transfers-In.....	642,417	-	8,508	650,925	-
Transfers-Out.....	-	(5,919)	(162,221)	(168,140)	(30,088)
Advances from Other Funds.....	-	-	-	-	1,899
Repayments of Advances from Other Funds.....	-	-	-	-	(2,125)
Proceeds from Bonds.....	-	-	42,381	42,381	-
Repayment of Bond Principal.....	-	-	(5,365)	(5,365)	-
Interest Paid.....	-	-	(2,452)	(2,452)	-
Other Nonoperating Expenses.....	-	-	(4,995)	(4,995)	(6,384)
Other Nonoperating Revenues.....	2,057	-	-	2,057	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 652,669	\$ 598,154	\$ (140,685)	\$ 1,110,138	\$ (36,698)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions.....	\$ 109,534	\$ -	\$ -	\$ 109,534	\$ -
Investment in Capital Assets.....	(201,008)	-	(4,910)	(205,918)	(12,881)
Proceeds from Disposal of Capital Assets.....	1,441	-	83	1,524	2,130
Proceeds from Capital Debt.....	70,375	-	-	70,375	-
Proceeds from Loans.....	-	-	-	-	8,579
Capital Lease Payments.....	(2,328)	-	(80)	(2,408)	-
Repayment of Loan Principal.....	(703)	-	-	(703)	(9,498)
Repayment of Bond Principal.....	(19,764)	-	(1,029)	(20,793)	-
Interest Paid.....	(17,909)	-	(1,128)	(19,037)	(683)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (60,362)	\$ -	\$ (7,064)	\$ (67,426)	\$ (12,353)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments.....	\$ 9,093	\$ -	\$ -	\$ 9,093	\$ 15,037
Purchase of Investments.....	(8,397)	-	-	(8,397)	(15,328)
Investment Earnings.....	11,523	19,666	2,562	33,751	8,787
Net Cash Flows from Investing Activities.....	\$ 12,219	\$ 19,666	\$ 2,562	\$ 34,447	\$ 8,496
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 13,218	\$ (422,848)	\$ 3,501	\$ (406,129)	\$ 47,421
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 670,580	\$ 490,276	\$ 102,530	\$ 1,263,386	\$ 260,177
Cash and Cash Equivalents, Ending.....	\$ 683,798	\$ 67,428	\$ 106,031	\$ 857,257	\$ 307,598

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(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).....	\$ (672,869)	\$ (1,064,647)	\$ 143,145	\$ (1,594,371)	\$ 62,224
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation.....	\$ 82,982	\$ -	\$ 4,280	\$ 87,262	\$ 9,832
Amortization.....	-	-	71	71	426
Loan Principal Repayments.....	3,453	-	-	3,453	-
Loans Issued.....	(3,647)	-	-	(3,647)	-
Provision for Loan Defaults.....	(57)	-	-	(57)	-
Loans Forgiven.....	575	-	-	575	-
Change in Valuation of Assets.....	1,593	-	-	1,593	-
Change in Assets and Liabilities:					
Accounts Receivable.....	(3,569)	(25,025)	(797)	(29,391)	790
Inventories.....	(1,251)	-	41	(1,210)	435
Other Assets.....	395	-	(327)	68	(67)
Accounts Payable.....	(7,360)	45,630	1,173	39,443	10,962
Compensated Absences Payable.....	9,753	-	210	9,963	337
Unearned Revenues.....	1,071	3,401	336	4,808	107
Other Liabilities.....	(2,377)	(27)	556	(1,848)	2,930
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 81,561	\$ 23,979	\$ 5,543	\$ 111,083	\$ 25,752
Net Cash Flows from Operating Activities.....	\$ (591,308)	\$ (1,040,668)	\$ 148,688	\$ (1,483,288)	\$ 87,976
Noncash Investing, Capital and Financing Activities:					
Transferred/Donated Assets.....	\$ 3,251	\$ -	\$ 252	\$ 3,503	\$ -
Change in Fair Value of Investments.....	(1,861)	-	-	(1,861)	-
Capital Assets Acquired Through Leases/Loans.....	-	-	-	-	40
Capital Assets Purchased on Account.....	32,429	-	-	32,429	-
Investment Earning on Account.....	806	-	-	806	1,324
Trade-in Allowance for Investment in Capital Assets.....	-	-	-	-	369
Bond Premium Amortization.....	1,084	-	271	1,355	-

The notes are an integral part of the financial statements.





State of Minnesota

Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

The funds account for the external portion of the state's investment pools.

Agency Fund

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

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STATE OF MINNESOTA

FIDUCIARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2009
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents.....	\$ 21,329	\$ -	\$ 131,015
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 1,727,015	\$ 145,319	\$ -
Investments:			
Debt Securities.....	\$ 8,446,460	\$ 386,562	\$ -
Equity Securities.....	28,145,287	781,055	-
Mutual Funds.....	2,699,909	-	-
Total Investments.....	\$ 39,291,656	\$ 1,167,617	\$ -
Accrued Interest and Dividends.....	\$ 116,985	\$ 5,100	\$ -
Securities Trades Receivables (Payables).....	(638,559)	(25,792)	-
Total Investment Pool Participation.....	\$ 40,497,097	\$ 1,292,244	\$ -
Receivables:			
Employer Contributions.....	\$ 21,081	\$ -	\$ -
Member Contributions.....	14,693	-	-
Accounts Receivable.....	-	-	19,627
Interfund Receivables.....	50,745	-	-
Other Receivables.....	24,417	-	-
Accrued Interest and Dividends.....	508	-	-
Total Receivables.....	\$ 111,444	\$ -	\$ 19,627
Securities Lending Collateral.....	\$ 5,973,804	\$ 216,989	\$ -
Depreciable Capital Assets (Net).....	24,996	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	\$ 46,629,099	\$ 1,509,233	\$ 150,642
LIABILITIES			
Accounts Payable.....	\$ 21,768	\$ 72	\$ 150,642
Interfund Payables.....	50,745	-	-
Accrued Expense.....	1	-	-
Revenue Bonds Payable.....	24,929	-	-
Bond Interest.....	45	-	-
Compensated Absences Payable.....	2,327	-	-
Securities Lending Liabilities.....	5,973,804	216,989	-
Total Liabilities.....	\$ 6,073,619	\$ 217,061	\$ 150,642
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 40,555,480	\$ 1,292,172	\$ -

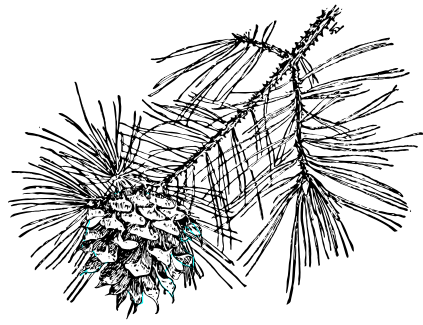
The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 856,976	\$ -
Member.....	1,059,961	-
Contributions From Other Sources.....	25,797	-
Participating Plans.....	-	1,122,011
Total Contributions.....	<u>\$ 1,942,734</u>	<u>\$ 1,122,011</u>
Net Investment Income:		
Investment Income.....	\$ (9,397,750)	\$ (37,402)
Less: Investment Expense.....	<u>(50,974)</u>	<u>(319)</u>
Net Investment Income.....	<u>\$ (9,448,724)</u>	<u>\$ (37,721)</u>
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 103,424	\$ 3,704
Borrower Rebates.....	(36,308)	(1,651)
Management Fees.....	<u>(10,067)</u>	<u>(11)</u>
Net Securities Lending Revenue.....	<u>\$ 57,049</u>	<u>\$ 2,042</u>
Total Investment Income.....	<u>\$ (9,391,675)</u>	<u>\$ (35,679)</u>
Transfers From Other Funds.....	\$ 15,283	\$ -
Other Additions.....	14,387	-
Total Additions.....	<u>\$ (7,419,271)</u>	<u>\$ 1,086,332</u>
Deductions:		
Benefits.....	\$ 3,205,137	\$ -
Refunds/Withdrawals.....	170,325	233,665
Administrative Expenses.....	43,978	-
Transfers to Other Funds.....	<u>15,283</u>	<u>-</u>
Total Deductions.....	<u>\$ 3,434,723</u>	<u>\$ 233,665</u>
Net Increase (Decrease).....	<u>\$ (10,853,994)</u>	<u>\$ 852,667</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 51,409,474</u>	<u>\$ 439,505</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u><u>\$ 40,555,480</u></u>	<u><u>\$ 1,292,172</u></u>

The notes are an integral part of the financial statements.





State of Minnesota

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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 undergraduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources which benefit the university.

STATE OF MINNESOTA

**COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2008 and JUNE 30, 2009
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 305,521	\$ 50,719	\$ 314,239	\$ 503,853	\$ 1,174,332
Investments.....	105,209	247,020	74,678	434,984	861,891
Accounts Receivable.....	10,691	20,926	355,685	40,174	427,476
Due from Other Governmental Units.....	-	17,652	-	-	17,652
Due from Primary Government.....	-	60,675	7,177	3,747	71,599
Accrued Investment/Interest Income.....	17,730	1,774	2,044	19,178	40,726
Federal Aid Receivable.....	2,503	-	-	10,385	12,888
Inventories.....	-	22,254	23,144	53	45,451
Deferred Costs.....	13,698	-	-	4,067	17,765
Loans and Notes Receivable.....	-	-	8,810	187,353	196,163
Securities Lending Collateral.....	-	-	36,762	-	36,762
Other Assets.....	13,101	1,318	5,064	229	19,712
Total Current Assets.....	\$ 468,453	\$ 422,338	\$ 827,603	\$ 1,204,023	\$ 2,922,417
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 105,265	\$ 109,782	\$ 51,416	\$ 45,792	\$ 312,255
Investments-Restricted.....	509,282	-	95,516	22,420	627,218
Accounts Receivable-Restricted.....	-	11,832	-	2,673	14,505
Due from Primary Government-Restricted.....	-	26,810	-	15,718	42,528
Other Assets-Restricted.....	-	13,378	-	-	13,378
Investments.....	-	-	2,491,043	70,833	2,561,876
Accounts Receivable.....	-	-	163,085	387,263	550,348
Loans and Notes Receivable.....	2,428,625	44,537	59,999	2,190,842	4,724,003
Depreciable Capital Assets (Net).....	2,585	2,147,251	1,922,649	2,141	4,074,626
Nondepreciable Capital Assets.....	-	341,780	573,317	517	915,614
Other Assets.....	-	-	4,473	6,422	10,895
Total Noncurrent Assets.....	\$ 3,045,757	\$ 2,695,370	\$ 5,361,498	\$ 2,744,621	\$ 13,847,246
Total Assets.....	\$ 3,514,210	\$ 3,117,708	\$ 6,189,101	\$ 3,948,644	\$ 16,769,663
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 19,277	\$ 84,871	\$ 196,431	\$ 21,549	\$ 322,128
Payable to Other Governmental Units.....	-	241	-	-	241
Due to Primary Government.....	-	-	5,756	18,885	24,641
Unearned Revenue.....	-	6,821	67,745	22,171	96,737
Accrued Bond Interest Payable.....	49,956	3,641	6,534	15,870	76,001
General Obligation Bonds Payable.....	-	90,040	210,427	-	300,467
Loans and Notes Payable.....	-	-	263,600	822	264,422
Revenue Bonds Payable.....	446,815	1,135	5,524	50,275	503,749
Grants Payable.....	-	-	-	2,843	2,843
Claims Payable.....	-	5,783	27,229	60,873	93,885
Compensated Absences Payable.....	182	2,926	180,678	87	183,873
Securities Lending Liabilities.....	-	-	36,762	-	36,762
Other Liabilities.....	-	540	22,956	493	23,989
Total Current Liabilities.....	\$ 516,230	\$ 195,998	\$ 1,023,642	\$ 193,868	\$ 1,929,738
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ 40,822	\$ 55,732	\$ -	\$ 96,554
Unearned Revenue-Restricted.....	-	55,591	-	-	55,591
Accrued Bond Interest Payable-Restricted.....	-	10,246	-	517	10,763
Due to Primary Government.....	-	-	40,004	63,263	103,267
Unearned Revenue.....	-	-	3,982	-	3,982
General Obligation Bonds Payable.....	-	1,087,120	262,733	-	1,349,853
Loans and Notes Payable.....	-	1,405	-	3,295	4,700
Revenue Bonds Payable.....	2,026,918	5,144	139,237	1,575,100	3,746,399
Claims Payable.....	-	9,535	13,079	603,127	625,741
Compensated Absences Payable.....	1,757	4,958	37,849	877	45,441
Funds Held in Trust.....	83,486	-	5,118	-	88,604
Other Liabilities.....	100	42,302	91,741	6,060	140,203
Total Noncurrent Liabilities.....	\$ 2,112,261	\$ 1,257,123	\$ 649,475	\$ 2,252,239	\$ 6,271,098
Total Liabilities.....	\$ 2,628,491	\$ 1,453,121	\$ 1,673,117	\$ 2,446,107	\$ 8,200,836
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt.....	\$ 2,585	\$ 1,486,014	\$ 1,607,315	\$ 2,658	\$ 3,098,572
Restricted-Expendable.....	883,134	191,040	1,698,365	1,290,855	4,063,394
Restricted-Nonexpendable.....	-	-	934,702	-	934,702
Unrestricted.....	-	(12,467)	275,602	209,024	472,159
Total Net Assets.....	\$ 885,719	\$ 1,664,587	\$ 4,515,984	\$ 1,502,537	\$ 8,568,827

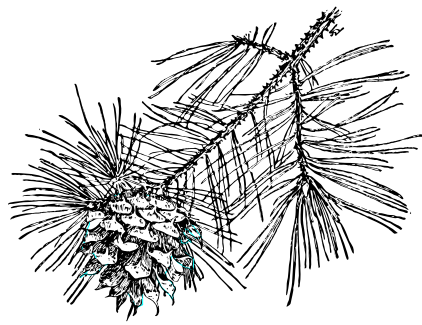
The notes are an integral part of the financial statements.

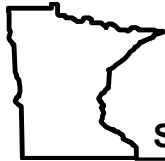
STATE OF MINNESOTA

**COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND JUNE 30, 2009
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 439,168	\$ 853,745	\$ 3,234,259	\$ 355,745	\$ 4,882,917
Program Revenues:					
Charges for Services.....	\$ 183,505	\$ 348,281	\$ 1,420,733	\$ 139,862	\$ 2,092,381
Operating Grants and Contributions.....	187,720	166,627	793,783	59,138	1,207,268
Capital Grants and Contributions.....	-	161,996	203,099	-	365,095
Net (Expense) Revenue.....	\$ (67,943)	\$ (176,841)	\$ (816,644)	\$ (156,745)	\$ (1,218,173)
General Revenues:					
Taxes.....	\$ -	\$ 196,142	\$ -	\$ -	\$ 196,142
Investment Income.....	-	7,914	(597,965)	(58,456)	(648,507)
Other Revenues.....	1,991	83	29,369	1,156	32,599
Total General Revenues before Grants.....	\$ 1,991	\$ 204,139	\$ (568,596)	\$ (57,300)	\$ (419,766)
State Grants Not Restricted.....	44,205	-	707,806	236,926	988,937
Special Item.....	-	-	-	(16,822)	(16,822)
Total General Revenues.....	\$ 46,196	\$ 204,139	\$ 139,210	\$ 162,804	\$ 552,349
Change in Net Assets.....	\$ (21,747)	\$ 27,298	\$ (677,434)	\$ 6,059	\$ (665,824)
Net Assets, Beginning, as Reported	\$ 907,466	\$ 1,637,289	\$ 5,146,444	\$ 1,496,478	\$ 9,187,677
Change in Accounting Principle.....	-	-	46,974	-	46,974
Net Assets, Beginning, as Restated.....	\$ 907,466	\$ 1,637,289	\$ 5,193,418	\$ 1,496,478	\$ 9,234,651
Net Assets, Ending.....	\$ 885,719	\$ 1,664,587	\$ 4,515,984	\$ 1,502,537	\$ 8,568,827

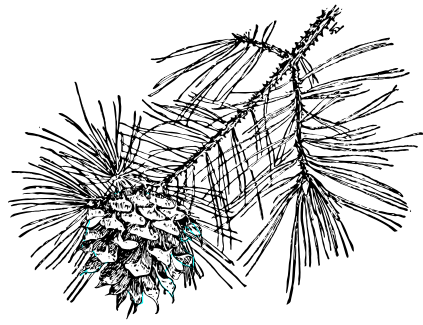
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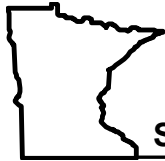




2009 Comprehensive Annual Financial Report
Index of Notes to the Financial Statements

Table with 2 columns: Note description and Page number. Includes entries for Note 1 through Note 21, such as 'Summary of Significant Accounting and Reporting Policies' on page 51 and 'Subsequent Events' on page 127.





2009 Comprehensive Annual Financial Report Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following two GASB statements for the fiscal year ended June 30, 2009.

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" was issued in November 2006. The statement addresses accounting and financial reporting for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. The statement sets uniform standards requiring more timely and complete reporting of pollution remediation obligations, including required reporting of pollution remediation obligations that previously may not have been reported. See the impact on implementing this change in accounting principle in Note 14 - Pollution Remediation for more information on the state's and its component units' liability.

GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" was issued in November 2007. The statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value.

In fiscal year 2009, the University of Minnesota changed its method for recognizing sponsored revenue, resulting in a \$58.3 million change in accounting principle.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization's relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. All of the state's component units are discretely presented, or shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. They are also identified separately in the note disclosures because of their separate legal status. All component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

The following provides a description of the state's discretely presented component units. Additional information is available from the component unit's separately issued financial statements.

- 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, including the chair, subject to the advice and consent of the Minnesota senate. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.
- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- ClearWay Minnesota – ClearWay Minnesota issues grants to health, community, and academic organizations throughout Minnesota to support research and cessation activities that will encourage and help tobacco users quit. It is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of ClearWay Minnesota's governing board and is neither able to impose its will on ClearWay Minnesota nor is there a potential financial benefit/burden to the state, the state believes that excluding ClearWay Minnesota 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 various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.
- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. 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 the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net 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	National Sports Center Foundation National Sports Center 1700 105 th Avenue Northeast Blaine, Minnesota 55449
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Public Facilities Authority Department of Employment & Economic Development 1 st National Bank Building, Suite E200 332 Minnesota Street St. Paul, Minnesota 55101-1351
ClearWay Minnesota Two Appletree Square, Suite 400 8011 34 th Avenue South Minneapolis, Minnesota 55425	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 8300 Norman Center Drive, Fourth Floor Minneapolis, Minnesota 55437

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, but are 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.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

Minnesota State Lottery 2645 Long Lake Road Roseville, Minnesota 55113	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 7 th Street St. Paul, Minnesota 55101

The financial statements, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net 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. 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 a reduction of the related liabilities, rather than as expenditures.

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 taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

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

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

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

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

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental 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 motor pool, central stores, employee insurance, technology services, plant management, risk management, and central services.

The state has two major enterprise funds, State Colleges and Universities and Unemployment Insurance funds. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) System. 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.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

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

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. 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. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, pollution remediation obligations, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

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

Property Tax Revenues – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal 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.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (a special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues.

Proprietary, pension, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting, but do not have a measurement focus because agency funds do not recognize revenues and expenses.

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

Private-sector standards of accounting and financial reporting, including Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, generally are followed in the government-wide, proprietary, and component unit financial statements to the extent that those standards do not conflict with or contradict GASB guidance. Except for the Workers' Compensation Assigned Risk Plan (WCARP) (component unit), the government has elected not to follow subsequent private-sector guidance. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989, that do not contradict GASB pronouncements.

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. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

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

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net 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, equipment, and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. 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. Permanent School Fund (Permanent Fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method 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. Transportation infrastructure assets using the modified approach plus land, construction in progress, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

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

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, pollution remediation obligations, net pension and other postemployment benefit obligations, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

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

See Note 12 – Long-Term Liabilities – Primary Government for further information.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The State Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net 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.

Restricted Net Assets represent the portion of net assets that are constrained either externally by parties such as creditors or grantors, or legally through constitution provisions or enabling legislation. Restricted net assets are determined at the fund level. For a fund with more than one revenue stream, restricted net assets are determined by the materiality of any restricted revenues in the fund. When both restricted and unrestricted net assets are available for use, the state policy is to use restricted resources first.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Minnesota Resources, Environmental and Natural Resources, Iron Range Resources and Rehabilitation, Douglas J Johnson Economic Protection Trust, Endowment, Maximum Effort School Loan, Health Impact, Medical Education and Research, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

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

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The 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 Minnesota Management and Budget.

Interfund Activity and Balances

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

Prior Period Adjustment

See Note 6 – Capital Assets for discussion of the prior period adjustment.

Special Item

GASB Statement No. 34 defines a special item as a significant transaction or event within the control of management, but either unusual in nature or infrequent in occurrence. Based on a 2002 law, Workers' Compensation Assigned Risk Plan (WCARP) (component unit) paid \$16,822,000 in excess surplus to the General Fund during fiscal year 2009. The payment was received and reported by the General Fund during the year ended June 30, 2009. WCARP reported the payment as a special item on its financial statements for the year ended December 31, 2008.

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.

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.

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

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds 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, 2009, are presented below using the Standard & Poor's (S & P) rating scale.

**Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2009
(In Thousands)**

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Lower of S & P or Moody S & P Equivalent Rating</u>			
			<u>AA or Better</u>	<u>BBB to A</u>	<u>BB or Lower</u>	<u>Not Rated</u>
Debt Securities:						
U.S. Treasury	\$ 132,643	0.41	100%	-	-	-
U.S. Agencies	63,302	10.29	95%	-	-	5%
Mortgage-backed Securities	239,088	21.97	93%	2%	1%	4%
State or Local Government Bonds	61,860	9.17	86%	7%	-	7%
Corporate Bonds	2,417,526	1.35	52%	47%	1%	-
Commercial Paper	1,906,071	0.10	100%	-	-	-
Repurchase Agreements	581,643	0.01	2%	3%	-	95%
Certificates of Deposit	64,918	0.08	20%	-	-	80%
Total Debt Securities	<u>\$ 5,467,051</u>					
Equity Investments:						
Corporate Stock	\$ 466,760					
Alternative Equities	4,601					
Stock Options	658					
Total Equity Investments	<u>\$ 472,019</u>					
Other Investments:						
Escheat Property	\$ 8,444					
Money Market Accounts	4,838					
Total Other Investments	<u>\$ 13,282</u>					
Total Investments	<u>\$ 5,952,352</u>					

⁽¹⁾Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

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

Primary Government Pension Trust and Investment Trust Funds Investments and Cash Equivalent Investments As of June 30, 2009 (In Thousands)						
	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating			
			AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	\$ 793,933	10.09	100%	-	-	-
U.S. Agencies	642,456	8.44	98%	-	1%	1%
Mortgage-backed Securities	4,139,211	24.76	83%	3%	8%	6%
State or Local Government Bonds	93,854	12.19	53%	37%	2%	9%
Corporate Bonds	3,303,544	9.12	22%	64%	10%	4%
Foreign Country Bonds	16,744	13.41	63%	37%	-	-
Commercial Paper	625,510	0.19	100%	-	-	-
Asset-backed Securities	298,013	11.72	76%	17%	4%	3%
Certificates of Deposit	153,856	0.14	41%	-	-	59%
Repurchase Agreements	451,611	0.00	22%	50%	-	29%
Other Short-term Securities	207,953	-	-	-	-	100%
Total Debt Securities	<u>\$ 10,726,685</u>					
Equity Investments:						
Corporate Stock	\$ 23,466,170					
Stock Options	50,405					
Alternative Equities	5,409,767					
Mutual Funds	2,699,909					
Total Equity Investments	<u>\$ 31,626,251</u>					
Total Investments	<u>\$ 42,352,936</u>					(1)

(1) Total investments include cash equivalent investments not included in the investment pools.

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 5 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 state had concentration of credit risk over 5% as of June 30, 2009, in the General Electric Capital Corporation (GE-CAP). GE-CAP represented 5.7% and 5.3%, respectively, of the primary government's, excluding pension trust and investment trust funds, total debt securities investments and total investments.

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, 2009.

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, 2009 (In Thousands)			
Currency	Cash	Debt	Equity
Australian Dollar	\$ 5,060	\$ -	\$ 263,108
Brazilian Real	2,451	-	89,804
Canadian Dollar	6,387	1,264	355,047
Euro Currency	24,379	7,837	1,367,475
Hong Kong Dollar	1,998	-	365,463
Indian Rupee	592	-	106,177
Japanese Yen	17,641	-	1,021,505
New Taiwan Dollar	2,570	-	101,897
Norwegian Krone	3,217	-	25,420
Pound Sterling	13,219	18,362	857,180
South African Rand	1,218	-	77,038
South Korean Won	47	-	132,851
Swedish Krona	1,499	-	81,070
Swiss Franc	5,946	-	312,369
Other	2,017	-	300,722
Total	<u>\$ 88,241</u>	<u>\$ 27,463</u>	<u>\$ 5,457,126</u>

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. The Wells Fargo program was suspended at the end of May 2009.

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. Wells Fargo securities lent included U. S. Treasuries and Agencies debt securities. State Street securities lent included both debt securities and equity investments. Neither State Street nor Wells Fargo has/had 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 separately managed funds of SBI.

Primary Government ⁽¹⁾ Securities Lending Analysis As of June 30, 2009 (In Thousands)	
	<u>State Street</u>
Fair Value of Securities on Loan	\$ 6,587,602
Collateral Held	\$ 6,829,949
Cash Collateral Held & Reported on Statements of Net Assets	\$ 6,307,960
Average Weighted Maturity	37 days
⁽¹⁾ Includes securities lending for certain component units that invest through SBI. Some of these component units have a December 31 year end.	

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, 2009, 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.

Component Units

Metropolitan Council and University of Minnesota (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.

Housing Finance Agency

As of June 30, 2009, Housing Finance Agency (HFA) had \$1,025,277,000 of cash, cash equivalents, and investments. As of June 30, 2009, \$222,755,000 of deposits and \$722,780,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from .2 years (certificates of deposit) to 1.1 – 10.2 years (U.S. Agencies).

HFA cash equivalents included \$188,031,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2009, most investment agreement providers had a Standard & Poor's long-term credit rating of 'A- or higher' and a Moody's Investors Service long-term credit rating of 'A3 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 remedial action is not taken.

HFA investments had an estimated fair market value of \$614,491,000 as of June 30, 2009. Included in these investments were \$10,683,000 in U. S. Treasuries (not rated), plus \$363,985,000 in Certificates of Deposit, \$118,800,000 in U.S. Agencies, and \$38,380,000 in municipal debt investments having a Standard & Poor's rating of 'AAA' and Moody's Investors Services rating of 'Aaa.' An additional \$80,880,000 in municipal debt investments had a Standard & Poor's rating of 'AA' to 'A' and Moody's Investors Services rating of 'Aa' to 'A'.

HFA had investments in single issuers as of June 30, 2009, excluding investments issued or explicitly guaranteed by the U.S. Government, that exceeded five percent of total investments. These investments amounted to \$469,982,000 and involved Federal Home Loan Bank and FSA Capital Management Services.

Metropolitan Council

As of December 31, 2008, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of \$407,521,000. Of this amount, \$376,306,000 was subject to rating. \$323,215,000 of these investments were rated 'Aaa' using the Moody's Investors Services rating scale, while \$53,091,000 was not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the \$155,606,000 U.S. Treasury and Agency investments, MC has a custodial credit risk exposure of \$4,999,000 because the related securities are held by a custodial agent in the broker's name.

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, 2008. The investment portfolio has an average yield of 2.4 percent, modified duration of 3.1 years, effective duration of 1.42 years, and convexity of -.33.

The following table presents the estimated fair value of MC, excluding its component unit, investments subject to interest rate risk using the simulation model (in thousands).

Major Component Unit Metropolitan Council Fair Value of Investments (In Thousands)	
	<u>Estimated Fair Value</u>
December 31, 2008	\$ 388,651
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	\$ 372,523
100 Points	\$ 369,339
150 Points	\$ 365,531
200 Points	\$ 361,785

University of Minnesota

As of June 30, 2009, University of Minnesota (U of M), including its discretely presented component units, had \$365,655,000 of cash and cash equivalents and \$2,661,237,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of \$326,320,000 and investments of \$1,192,237,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2009, \$8,044,000 of U of M's bank balance of \$8,294,000 was uninsured and uncollateralized.

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

U of M has established policies to address the various types of investment risks. U of M uses 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, 2009, \$593,767,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$384,768,000 was rated AAA
- \$53,863,000 was rated A- to AA

- \$20,481,000 was rated BBB- to BBB+
- \$38,105,000 was rated BB- to BB+
- \$96,550,000 was not rated

The securities subject to interest rate risk were comprised of:

- \$143,515,000 in government agencies with an average duration of 1.85 years
- \$112,493,000 in corporate bonds with an average duration of 0.68 years
- \$33,653,000 in mortgage backed securities with an average duration of 2.83 years
- \$25,233,000 in cash and cash equivalents with an average duration of .003 year
- \$278,873,000 in other types of securities (primarily mutual funds) with an average duration of 0.003 years

As of June 30, 2009, U of M had \$16,620,000 of equity investments subject to foreign currency risk. The three largest components of this amount (in thousands) are as follows:

- \$5,254 in Japanese Yen
- \$3,690 in Euro Currency
- \$2,813 in Pound Sterling

Nonmajor Component Units

The following table presents the cash, cash equivalents, and investments (in thousands) by nonmajor component unit.

Nonmajor Component Units		
Cash, Cash Equivalents, and Investments		
June 30, 2009, or December 31, 2008, as applicable		
(In Thousands)		
Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	\$ 3,668	\$ 22,420
ClearWay Minnesota	20	116,485
National Sports Center Foundation	286	-
Office of Higher Education	277,901	-
Public Facilities Authority	234,813	28,282
Rural Finance Authority	20,926	-
Workers' Compensation Assigned Risk Plan	12,031	290,217
Total	<u>\$ 549,645</u>	<u>\$ 457,404</u>

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, 2009:

Primary Government Components of Net Receivables Government-wide As of June 30, 2009 (In Thousands)				
	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds⁽¹⁾</u>	
Taxes:				
Corporate and Individual	\$ 634,571	\$ -	\$ -	\$ 634,571
Sales and Use	363,663	-	-	363,663
Property	401,996	-	-	401,996
Health Care Provider	205,585	-	89,987	295,572
Highway Users	-	-	80,157	80,157
Child Support	79,792	78,529	-	158,321
Workers' Compensation	-	-	111,045	111,045
Other	<u>200,587</u>	<u>63,927</u>	<u>115,575</u>	<u>380,089</u>
Net Receivables	<u>\$ 1,886,194</u>	<u>\$ 142,456</u>	<u>\$ 396,764</u>	<u>\$ 2,425,414</u>
Business-type Activities				
	<u>State Colleges and Universities</u>	<u>Unemployment Insurance</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Unemployment Insurance	\$ -	\$ 335,370	\$ -	\$ 335,370
Tuition and Fees	42,957	-	-	42,957
Other	<u>-</u>	<u>-</u>	<u>33,324</u>	<u>33,324</u>
Net Receivables	<u>\$ 42,957</u>	<u>\$ 335,370</u>	<u>\$ 33,324</u>	<u>\$ 411,651</u>
Total Government-wide Net Receivables				<u><u>\$ 2,837,065</u></u>
⁽¹⁾ Includes \$4,065 Internal Service Funds.				

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

- Corporate and Individual Taxes \$144,972,000
- Sales and Use Taxes \$42,443,000
- Child Support \$322,659,000
- Other Receivables \$50,902,000

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

- Corporate and Individual Taxes \$80,587,000
- Sales and Use Taxes \$37,332,000
- Child Support \$142,073,000
- Health Care Provider \$84,039,000
- Other Receivables \$18,145,000

Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2009, consisted of the following:

Primary Government Loans and Notes Receivable As of June 30, 2009 (In Thousands)				
	General Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	\$ -	\$ -	\$ -	\$ 34,714
Economic Development	41,296	64,083	-	-
School Districts	-	107,450	-	-
Agricultural, Environmental and Energy Resources	34	74,146	-	-
Transportation	-	16,708	243	-
Other	-	2,222	97	-
Total	<u>\$ 41,330</u>	<u>\$ 264,609</u>	<u>\$ 340</u>	<u>\$ 34,714</u>

Component Units Loans and Notes Receivable As of June 30, 2009 (In Thousands)	
Housing Finance Authority	\$ 2,428,625
Metropolitan Council	44,537
University of Minnesota	68,809
Agricultural and Economic Development Board	8,608
Office of Higher Education	714,195
Public Facilities Authority	1,600,387
Rural Finance Authority	55,005
Total	<u>\$ 4,920,166</u>

Note 5 – Interfund Transactions

Primary Government

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

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

Primary Government Interfund Receivables and Payables As of June 30, 2009 (In Thousands)	
Due to the General Fund From:	
Federal Fund	\$ 67,414
Nonmajor Governmental Funds	66,828
Nonmajor Enterprise Funds	9,420
Internal Service Funds	458
Total Due to General Fund From Other Funds	<u>\$ 144,120</u>
Due to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 4,748
Unemployment Insurance Fund	9
Total Due to Federal Fund From Other Funds	<u>\$ 4,757</u>
Due to the State Colleges and Universities Fund From:	
General Fund	\$ 20,000
Nonmajor Governmental Funds	22,016
Total Due to State Colleges and Universities From Other Funds	<u>\$ 42,016</u>
Due to the Nonmajor Enterprise Funds From:	
Nonmajor Enterprise Funds	\$ 2,355
Total Due to Nonmajor Enterprise Funds From Other Funds	<u>\$ 2,355</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 50,745
Total Due to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 50,745</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 34,997
Federal Fund	14,377
Unemployment Insurance Fund	25,311
Nonmajor Governmental Funds	145,770
Nonmajor Enterprise Funds	4,031
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 224,486</u>

The Central Motor Pool Fund had an outstanding advance of \$1,125,000 from the General Fund as of June 30, 2009. This advance is not expected to be repaid within one year.

Primary Government Interfund Transfers Year Ended June 30, 2009 (In Thousands)	
Transfers to the General Fund From:	
Federal Fund	\$ 21,353
Nonmajor Governmental Funds	447,304
Nonmajor Enterprise Funds	65,944
Internal Service Funds	21,095
Total Transfers to General Fund From Other Funds	<u>\$ 555,696</u>
Transfers to the Federal Fund From:	
General Fund	\$ 717
Unemployment Insurance Fund	24
Nonmajor Governmental Funds	1,274
Total Transfers to Federal Fund From Other Funds	<u>\$ 2,015</u>
Transfers to the State Colleges and Universities Fund From:	
General Fund	\$ 662,417
Nonmajor Governmental Funds – Capital Contributions	106,733
Total Transfers to State Colleges and Universities From Other Funds	<u>\$ 769,150</u>
Transfers to Fiduciary Funds From:	
Fiduciary Funds	\$ 15,283
Total Transfers to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 15,283</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 715,046
Federal Fund	23,732
Unemployment Insurance Fund	2,114
Nonmajor Governmental Funds	1,600,476
Nonmajor Enterprise Funds	96,528
Internal Service Funds	9,674
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 2,447,570</u>
Transfers to the Nonmajor Enterprise Funds From:	
General Fund	\$ 987
Nonmajor Governmental Funds	5,101
Total Transfers to Nonmajor Enterprise Funds From Other Funds	<u>\$ 6,088</u>
Transfers to Internal Service Funds From:	
Nonmajor Governmental funds	\$ 681
Total Transfers to Internal Service Funds From Other Funds	<u>\$ 681</u>

Component Units

Receivables and payables as of June 30, 2009, between the primary government and component units are summarized as follows:

Primary Government and Component Units Receivables and Payables As of June 30, 2009 (In Thousands)		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
Component Units		
Major Component Units:		
Metropolitan Council	\$ 87,485	\$ -
University of Minnesota	<u>7,177</u>	<u>45,760</u>
Total Major Component Units	<u>\$ 94,662</u>	<u>\$ 45,760</u>
Nonmajor Component Units	<u>\$ 19,465</u>	<u>\$ 82,148</u>
Total Component Units	<u>\$ 114,127</u>	<u>\$ 127,908</u>
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
Primary Government		
Major Governmental Funds:		
General Fund	\$ 7,779	\$ 15,610
Federal Fund	<u>-</u>	<u>2,878</u>
Total Major Governmental Funds	<u>\$ 7,779</u>	<u>\$ 18,488</u>
Nonmajor Governmental Funds	<u>\$ 118,005</u>	<u>\$ 6,613</u>
Total Primary Government	<u>\$ 125,784</u>	<u>\$ 25,101</u> ⁽¹⁾

⁽¹⁾ Due to component units on the Government-wide Statement of Net Assets totals \$44,566 including \$19,465 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by \$2,124,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The \$89,026,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the \$19,465,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government Capital Asset Activity Government-wide Year Ended June 30, 2009 (In Thousands)				
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 1,904,657	\$ 171,907	\$ (3,394)	\$ 2,073,170
Buildings, Structures, Improvements	28,040	24,759	-	52,799
Construction in Progress	261,251	180,185	(189,493)	251,943
Infrastructure	6,876,135	455,048	(8,072)	7,323,111
Art and Historical Treasures	1,989	-	-	1,989
Total Capital Assets not Depreciated	<u>\$ 9,072,072</u>	<u>\$ 831,899</u>	<u>\$ (200,959)</u>	<u>\$ 9,703,012</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 2,011,326	\$ 146,107	\$ (14,747)	\$ 2,142,686
Infrastructure	69,216	23,602	(29)	92,789
Equipment, Furniture, Fixtures	397,033	46,119	(26,108)	417,044
Total Capital Assets Depreciated	<u>\$ 2,477,575</u>	<u>\$ 215,828</u>	<u>\$ (40,884)</u>	<u>\$ 2,652,519</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (751,327)	\$ (73,395)	\$ 7,079	\$ (817,643)
Infrastructure	(15,480)	(2,130)	7	(17,603)
Equipment, Furniture, Fixtures	(251,160)	(34,575)	22,432	(263,303)
Total Accumulated Depreciation	<u>\$ (1,017,967)</u>	<u>\$ (110,100)</u>	<u>\$ 29,518</u>	<u>\$ (1,098,549)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,459,608</u>	<u>\$ 105,728</u>	<u>\$ (11,366)</u>	<u>\$ 1,553,970</u>
Governmental Act. Capital Assets, Net	<u><u>\$ 10,531,680</u></u>	<u><u>\$ 937,627</u></u>	<u><u>\$ (212,325)</u></u>	<u><u>\$ 11,256,982</u></u>
Business-type Activities				
Capital Assets not Depreciated:				
Land	\$ 80,852	\$ 1,027	\$ -	\$ 81,879
Construction in Progress	174,345	194,057	(213,535)	154,867
Total Capital Assets not Depreciated	<u>\$ 255,197</u>	<u>\$ 195,084</u>	<u>\$ (213,535)</u>	<u>\$ 236,746</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 2,071,380	\$ 214,851	\$ (145)	\$ 2,286,086
Library Collections	48,168	6,651	(6,293)	48,526
Equipment, Furniture, Fixtures	288,172	18,462	(17,727)	288,907
Total Capital Assets Depreciated	<u>\$ 2,407,720</u>	<u>\$ 239,964</u>	<u>\$ (24,165)</u>	<u>\$ 2,623,519</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (970,712)	\$ (59,485)	\$ 10	\$ (1,030,187)
Library Collections	(27,132)	(6,932)	6,293	(27,771)
Equipment, Furniture, Fixtures	(202,935)	(20,867)	17,378	(206,424)
Total Accumulated Depreciation	<u>\$ (1,200,779)</u>	<u>\$ (87,284)</u>	<u>\$ 23,681</u>	<u>\$ (1,264,382)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,206,941</u>	<u>\$ 152,680</u>	<u>\$ (484)</u>	<u>\$ 1,359,137</u>
Business-type Act. Capital Assets, Net	<u><u>\$ 1,462,138</u></u>	<u><u>\$ 347,764</u></u>	<u><u>\$ (214,019)</u></u>	<u><u>\$ 1,595,883</u></u>

**Primary Government
Capital Asset Activity
Fiduciary Funds
Year Ended June 30, 2009
(In Thousands)**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	\$ 429	\$ -	\$ -	\$ 429
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429</u>
Capital Assets Depreciated:				
Buildings	\$ 29,707	\$ 30	\$ -	\$ 29,737
Equipment, Furniture, Fixtures	5,498	314	(300)	5,512
Total Capital Assets Depreciated	<u>\$ 35,205</u>	<u>\$ 344</u>	<u>\$ (300)</u>	<u>\$ 35,249</u>
Accumulated Depreciation for:				
Buildings	\$ (5,165)	\$ (757)	\$ -	\$ (5,922)
Equipment, Furniture, Fixtures	(4,228)	(367)	264	(4,331)
Total Accumulated Depreciation	<u>\$ (9,393)</u>	<u>\$ (1,124)</u>	<u>\$ 264</u>	<u>\$ (10,253)</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,812</u>	<u>\$ (780)</u>	<u>\$ (36)</u>	<u>\$ 24,996</u>
Fiduciary Funds, Capital Assets, Net	<u><u>\$ 26,241</u></u>	<u><u>\$ (780)</u></u>	<u><u>\$ (36)</u></u>	<u><u>\$ 25,425</u></u>

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 Government-wide Year Ended June 30, 2009 (In Thousands)	
Governmental Activities:	
Public Safety and Corrections	\$ 20,041
Transportation	28,730
Agricultural, Environmental & Energy Resources	8,049
Economic and Workforce Development	1,012
General Education	4,271
Health and Human Services	21,829
General Government	15,910
Internal Service Funds	10,258
Total Governmental Activities	<u>\$ 110,100</u>
Business-type Activities:	
State Colleges and Universities	\$ 82,982
Lottery	635
Other	3,645
Total Business-type Activities	<u>\$ 87,262</u>

Prior Period Adjustment: During fiscal year 2009, non depreciable infrastructure and land increased by \$22,285,000 and \$72,373,000, respectively, as a result of capitalizing costs associated with the Northstar Rail project. These costs were incurred during fiscal year 2008; however, title will not transfer to Metropolitan Council (component unit) until fiscal year 2010.

Capital outlay expenditures in the governmental funds totaled \$746,955,000 for fiscal year 2009. Donations of general capital assets received during fiscal year 2009 were valued at \$3,169,000. Transfers were \$189,493,000 primarily from construction in progress. Additions in internal service funds were \$12,921,000, and \$531,000 in the Permanent School Fund.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2009, consisted of equipment with a cost of \$8,633,000 and buildings with a cost of \$180,005,000.

Authorizations and commitments as of June 30, 2009, for the largest construction in progress projects consisted of the following (in thousands):

Primary Government Project Authorizations and Commitments As of June 30, 2009 (In Thousands)		
	<u>Administration</u>	<u>Transportation</u>
Authorization	\$ 126,165	\$ 878,465
Expended through June 30, 2009	118,991	670,154
Unexpended Commitment	<u>2,712</u>	<u>161,887</u>
Available Authorization	<u>\$ 4,462</u>	<u>\$ 46,424</u>

Land in the Permanent School Fund totaling 2,520,840 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, 2008, or June 30, 2009, as applicable:

Component Units Capital Assets As of December 31, 2008 or June 30, 2009 (In Thousands)					
	<u>Major Component Units</u>			<u>Nonmajor Component Units</u>	<u>Totals</u>
	<u>Housing Finance Agency</u>	<u>Metropolitan Council</u>	<u>University of Minnesota</u>		
Land and Improvements	\$ -	\$ 88,755	\$ 82,364	\$ 517	\$ 171,636
Construction in Progress	-	253,025	445,495	-	698,520
Museums and Collections	-	-	45,458	-	45,458
Buildings and Improvements	-	2,884,431	2,662,354	2,400	5,549,185
Equipment	7,667	641,346	788,802	2,099	1,439,914
Infrastructure	-	-	367,117	-	367,117
Total	<u>\$ 7,667</u>	<u>\$ 3,867,557</u>	<u>\$ 4,391,590</u>	<u>\$ 5,016</u>	<u>\$ 8,271,830</u>
Less: Accumulated Depreciation	<u>\$ 5,082</u>	<u>\$ 1,378,526</u>	<u>\$ 1,924,607</u>	<u>\$ 2,358</u>	<u>\$ 3,310,573</u>
Net Total	<u>\$ 2,585</u>	<u>\$ 2,489,031</u>	<u>\$ 2,466,983</u> ⁽¹⁾	<u>\$ 2,658</u>	<u>\$ 4,961,257</u>

⁽¹⁾ In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of \$28,983 as of June 30, 2009.

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, 2009:

Primary Government Components of Accounts Payable Government-wide As of June 30, 2009 (In Thousands)				
<u>Governmental Activities</u>				
	<u>General Fund</u>	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds⁽¹⁾</u>	<u>Total</u>
School Aid Programs	\$ 755,894	\$ 141,728	\$ 897	\$ 898,519
Tax Refunds	574,657	-	-	574,657
Medical Care Programs	348,234	617,794	76,419	1,042,447
Grants	206,804	133,495	124,177	464,476
Salaries and Benefits	80,638	12,848	59,666	153,152
Vendors/Service Providers	61,935	57,728	215,006	334,669
Other	34,382	7,688	29,610	71,680
Net Payables	<u>\$ 2,062,544</u>	<u>\$ 971,281</u>	<u>\$ 505,775</u>	<u>\$ 3,539,600</u>
<u>Business-type Activities</u>				
	<u>State Colleges and Universities</u>	<u>Unemployment Insurance</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Salaries and Benefits	\$ 121,061	\$ -	\$ 7,500	\$ 128,561
Vendors/Service Providers	52,967	-	3,766	\$ 56,733
Other	7,460	70,322	20,488	\$ 98,270
Net Payables	<u>\$ 181,488</u>	<u>\$ 70,322</u>	<u>\$ 31,754</u>	<u>\$ 283,564</u>
Total Government-wide Net Payables				<u>\$ 3,823,164</u>

⁽¹⁾Includes \$59,464 Internal Service Funds.

Note 8 – Pension and Investment Trust Funds

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

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below.

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA and TRA. The address for MnSCU is included in the “Defined contribution Funds” section of this note.

<u>Plan Administrator</u>	<u>Plans Covered</u>
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 Hennepin County Supplemental Retirement Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

Basis of Accounting and Valuation of Investments

The four 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 the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2009, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple employer, cost-sharing plans:

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-three 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 average salary of the five highest paid successive years of service. Annual benefits increase equal to the percent increase of the Consumer Price Index (CPI-W), not to exceed 2.5 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. 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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. 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. Eighty county 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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Retirement Fund (PERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: 'basic' for members not covered by the Social Security Act (closed to new members since 1968) and 'coordinated' for members who are covered by the act. 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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Five hundred eighty employers participate in this plan. Normal retirement is age 65. As of June 30, 2006, the assets, liabilities, and membership of the Minneapolis Teachers Retirement Fund Association (MTRFA) were merged with TRF. Some former MTRFA members retain rights under a 'basic' plan. 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 the basic members is 2.5 percent of average salary. The Annuity formula for the coordinated members 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 for service rendered before July 1, 2006, and 1.9 percent for service rendered on or after July 1, 2006. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- 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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

The Elective State Officers Fund (ESOF) covers state constitutional officers elected prior to July 1, 1997. 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 prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.80 percent. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

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 (defined contribution fund). 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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

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. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

**Statutory Contribution Rates
Year Ended June 30, 2009**

	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	7.00%	N/A	8.00%	9.00%	9.80%	4.50%	5.50%
Employer(s)	10.10%	N/A	20.50%	N/A	14.60%	4.50%	5.50%

**Multiple Employer Plan
Required Contributions
(In Thousands)**

		SERF	TRF
Required Contributions:			
Employee	2009	\$ 108,866	\$ 212,043
	2008	\$ 99,280	\$ 209,592
	2007	\$ 89,448	\$ 199,869
Employer ⁽¹⁾	2009	\$ 107,211	\$ 220,268
	2008	\$ 96,746	\$ 209,717
	2007	\$ 86,493	\$ 187,339

⁽¹⁾Contributions were at least 100 percent of required contributions.
Contribution rates are statutorily determined.

Single Employer Plan Disclosures
As of June 30, 2009
(In Thousands)

	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Required Contributions (ARC) ⁽¹⁾	\$ 45,769	\$ 10,186	\$ 4,774	\$ 21,215
Interest on Net Pension Obligation (NPO) ⁽¹⁾	2,914	(641)	(730)	(2,508)
Amortization Adjustment to ARC ⁽¹⁾	<u>(1,954)</u>	<u>454</u>	<u>856</u>	<u>1,747</u>
Annual Pension Cost	\$ 46,729	\$ 9,999	\$ 4,900	\$ 20,454
Contributions	<u>(34,158)</u>	<u>(11,196)</u>	<u>(1,517)</u>	<u>(15,394)</u>
Increase (Decrease) in NPO	<u>\$ 12,571</u>	<u>\$ (1,197)</u>	<u>\$ 3,383</u>	<u>\$ 5,060</u>
NPO, Beginning Balance	<u>\$ 34,285</u>	<u>\$ (7,535)</u>	<u>\$ (8,587)</u>	<u>\$ (29,511)</u>
NPO, Ending (Asset)	<u><u>\$ 46,856</u></u>	<u><u>\$ (8,732)</u></u>	<u><u>\$ (5,204)</u></u>	<u><u>\$ (24,451)</u></u>

⁽¹⁾Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Pension Cost (APC)	2009	\$ 46,729	\$ 9,999	\$ 4,900	\$ 20,454
	2008	\$ 45,815	\$ 11,769	\$ 3,475	\$ 16,799
	2007	\$ 39,289	\$ 10,553	\$ 2,973	\$ 14,382
Percentage of APC Contributed	2009	73%	112%	31%	75%
	2008	69%	92%	69%	83%
	2007	61%	98%	68%	87%
NPO (End of Year)	2009	\$ 46,856	\$ (8,732)	\$ (5,204)	\$ (24,451)
	2008	\$ 34,285	\$ (7,535)	\$ (8,587)	\$ (29,511)
	2007	\$ 19,868	\$ (8,509)	\$ (9,665)	\$ (32,436)

Schedule of Funding Status (In Thousands)				
	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Actual Valuation Date ⁽¹⁾	7/1/2008	7/1/2008	7/1/2008	7/1/2008
Actuarial Value of Plan Assets	\$ 572,719	\$ 147,542	\$ 39,209	\$ 595,082
Actuarial Accrued Liability	\$ 760,363	\$ 231,623	\$ 86,131	\$ 693,686
Total Unfunded Actuarial Liability	\$ 187,644	\$ 84,081	\$ 46,922	\$ 98,604
Funded Ratio	75%	64%	46%	86%
Annual Covered Payroll	\$ 194,391	\$ 38,296	\$ 1,993	\$ 60,029
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	97%	220%	2354%	164%
⁽¹⁾ The July 1, 2008, Annual Valuation Report is the most recently issued report available.				
Required Supplementary Information - Schedule of Funding Progress immediately following the notes presents multiyear trend information.				

Actuarial Assumptions for Single Employer Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2008.
- 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, 2008, less: 80 percent UAR for fiscal year 2008; 60 percent UAR for fiscal year 2007; 40 percent UAR for fiscal year 2006; and 20 percent UAR for fiscal year 2005.
- Expected net investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively.
- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.0 percent postretirement investment return assumption that is 2.5 percent less than the pre-retirement investment return assumption. 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 amortization method uses level percentage of projected payroll growth, except for the ESOF plan, which uses the level dollar amortization method.
- Projected payroll growth is a level 4.5 percent except for JRF which is a level 4.0 percent.

- The statutory amortization periods for CERF, ESORF, JRF, LRF, and SPRF are through July 1, of 2038, 2017, 2038, 2021, and 2036, respectively.
- The amortization periods are closed.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRFB), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. As of June 30, 2008, there were 2,192 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. As of June 30, 2008, there were 49,526 members in the plan.

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 various statutorily designated entities. 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. As of June 30, 2008, there were 3,303 members in the plan.

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, 2008, there were 6,882 members in the plan.

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. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary 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 14,400.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Defined Contribution Plans Contributions Year Ended June 30, 2009 (In Thousands)					
	<u>HCSRF</u>	<u>PHCBF</u>	<u>UERF</u>	<u>DCF</u>	<u>CURF</u>
Employee Contributions	\$ 570	\$ 82,920	\$ 4,660	\$ 1,462	\$ 33,061
Employer Contributions	\$ 570	N/A	\$ 6,514	\$ 1,583	\$ 39,032

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 88,616 participants from approximately 800 employers.

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants. During the fiscal year, the investments of the Minneapolis Employees Retirement Plan were transferred to the State Board of Investment and are included in the Investment Trust Fund. Contributions from Minneapolis Employees Retirement Plan for the fiscal year ended June 30, 2009, were approximately \$965 million.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement funds (UERF):

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

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation. Approximately 200 former faculty members currently receive this benefit. The cost of the benefits was \$3,421,000 during fiscal year ended June 30, 2009, with a remaining liability as of June 30, 2009, of \$5,886,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes 43A.27 subdivision 3 and 471.61 subdivision 2a, and required under the terms of selected employment contracts. All pre-age 65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100% of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2008, there were approximately 2,400 retirees participating in the state's insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age of 65. As of July 1, 2008, there were approximately 950 correctional and law enforcement retirees receiving an explicit rate subsidy. The state does not issue a separate financial report for its OPEB plan.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2009, the state contributed \$28.0 million to the plan. Plan members receiving benefits through the implicit rate subsidy contributed \$14.4 million through their average required contribution of \$440 per month for retiree-only coverage and \$1,293 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75% discount rate. For year ending June 30, 2009, the state's ARC is \$73,466,000.

The following table shows the components of the state's annual OPEB cost for the year ended June 30, 2009, the amount contributed to the plan, and the changes to the state's net OPEB obligation:

OPEB Disclosures As of June 30, 2009 (In Thousands)	
Annual Required Contributions (ARC) ⁽¹⁾	\$ 73,466
Interest on Net OPEB Obligation (NOO) ⁽¹⁾	1,790
Amortization Adjustment to ARC ⁽¹⁾	<u>(1,550)</u>
Annual OPEB Cost (Expense)	\$ 73,706
Contributions	<u>(28,001)</u>
Increase in NOO	<u>\$ 45,705</u>
NOO, Beginning Balance	<u>\$ 37,658</u>
NOO, Ending	<u><u>\$ 83,363</u></u>
⁽¹⁾ Components of annual OPEB cost.	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2008 (the only years available) are as follows (in thousands):

OPEB Disclosures (In Thousands)			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 73,706	38%	\$ 83,363
June 30, 2008	\$ 66,282	43%	\$ 37,658

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$755 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was \$2.8 billion, and the ratio of the UAAL to the covered payroll was 27 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2008.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Projected salary increases are a level 4.0 percent.
- The annual health care cost trend rate is 8.97 percent initially, reduced by increments to an ultimate rate of 5.0 percent after 20 years. The annual dental cost trend rate is 5.0 percent.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

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

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested \$49.3 million as of December 31, 2008, for this purpose. The annual required contribution for 2008 was \$28.4 million or 12.2 percent of annual covered payroll. As of December 31, 2008 and 2007, the net OPEB obligation was \$29.6 million and \$14.5 million respectively. The actuarial accrued liability (AAL) for benefits was \$301.3 million as of December 31, 2008, all of which was unfunded. The covered payroll was \$232.2 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 129.7 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible retiree, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2009, was \$18.5 million or 1.6 percent of annual covered payroll. As of June 30, 2009, the net OPEB obligation was \$22.5 million. The actuarial accrued liability (AAL) for benefits was \$78.9 million as of June 30, 2009, all of which was unfunded. The covered payroll was \$1.2 billion, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 6.8 percent.

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 with the remaining resources provided by future bond proceeds, gas taxes, and motor vehicle registration revenues, and federal grants. Long-term commitments as of June 30, 2009, were as follows:

Primary Government Long-Term Commitments As of June 30, 2009 (In Thousands)	
Special Revenue Fund:	
Trunk Highway Fund	\$ 661,283
Capital Projects Funds:	
General Projects Fund	6,989
Transportation Fund	98,286
Building Fund	608,253
Enterprise Funds:	
State Colleges and Universities	<u>156,326</u>
Total Primary Government	<u>\$ 1,531,137</u>

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of November 2009, the Petrofund has reimbursed eligible applicants approximately \$400 million since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2012, are between \$425 and \$465 million for investigative and cleanup costs.

Remediation Fund

The Remediation Fund (special revenue fund) is comprised of two accounts: the Metropolitan Landfill Contingency Action Trust Account and the Closed Landfill Investment Account. The Metropolitan Landfill Contingency Action Trust Account consists of revenue deposited in the account under Minnesota Statutes, Chapter 473.843, and interest earned on the account. Money in the account is appropriated for closure and post closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30 year period after closure if it is determined that the operator/owner will not take the necessary actions as directed by the agency.

The Closed Landfill Investment Account consists of money credited to the account plus interest and other earnings on the account. Money in the account may be spent after fiscal year 2020 for landfill abatement projects.

Component Units

As of June 30, 2009, the Housing Finance Agency (HFA) had committed approximately \$213 million for the purchase or origination of future loans or other housing assistance.

Metropolitan Council enters into contracts for various purposes such as transit services and construction projects. As of December 31, 2008, unpaid commitments for Metro Transit Bus services were approximately \$180.7 million. Future commitments for Metro Transit Light Rail were approximately \$54.3 million, while future commitments for Metro Transit Commuter Rail were approximately \$36.4 million. Finally, future commitments for Regional Transit and Environmental services were approximately \$133.1 million and \$21.1 million, respectively.

University of Minnesota (U of M) has construction projects in progress with an estimated completion cost of \$357 million. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2009, Public Facilities Authority (PFA) had committed approximately \$194 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$51 million for grants.

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 fiscal year ended June 30, 2009, totaled approximately \$79,220,000 and \$21,016,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2008, totaled approximately \$480,000 for component units.

**Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)**

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2010	\$ 72,077	2010	\$ 14,123	2009	\$ 542
2011	61,147	2011	13,181	2010	409
2012	53,421	2012	12,416	2011	275
2013	47,175	2013	11,085	2012	179
2014	33,093	2014	6,750	2013	152
2015-2019	65,057	2015-2019	2,489	2014-2018	344
2020-2024	9,502	2020-2024	-	2019-2023	411
2025-2029	7,297	2025-2029	-	2024-2029	-
2030-2034	419	2030-2034	-	2030-2034	-
Total	<u>\$ 349,188</u>	Total	<u>\$ 60,044</u>	Total	<u>\$ 2,312</u>

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2009, and the changes during fiscal year 2009:

Primary Government Long-Term Liabilities Year Ended June 30, 2009 (In Thousands)					
	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	\$ 4,330,291	\$ 887,337	\$ 549,726	\$ 4,667,902	\$ 389,243
Loans	59,889	8,579	14,810	53,658	16,862
Revenue Bonds	14,500	-	785	13,715	815
Claims	806,021	67,184	108,228	764,977	90,395
Compensated Absences	275,717	246,302	234,556	287,463	31,419
Workers' Compensation	95,741	15,540	16,109	95,172	15,922
Capital Leases	167,877	-	6,248	161,629	6,368
Pollution Remediation ⁽¹⁾	45,854	7,157	14,370	38,641	10,546
Net Pension Obligation	34,285	46,729	34,158	46,856	-
Net Other Postemployment Obligation	31,327	60,007	19,220	72,114	-
Due to Component Unit	22,485	549	3,569	19,465	3,747
Total	<u>\$ 5,883,987</u>	<u>\$ 1,339,384</u>	<u>\$ 1,001,779</u>	<u>\$ 6,221,592</u>	<u>\$ 565,317</u>
Business-type Activities					
Liabilities For:					
General Obligation Bonds	\$ 224,090	\$ 34,537	\$ 16,681	\$ 241,946	\$ 17,067
Loans	5,829	456	703	5,582	929
Revenue Bonds	209,719	78,219	9,692	278,246	15,630
Compensated Absences	137,905	26,966	20,758	144,113	14,634
Workers' Compensation	5,412	2,517	2,765	5,164	2,065
Capital Leases	22,647	85	2,408	20,324	2,253
Net Other Postemployment Obligation	6,331	9,458	4,540	11,249	-
Total	<u>\$ 611,933</u>	<u>\$ 152,238</u>	<u>\$ 57,547</u>	<u>\$ 706,624</u>	<u>\$ 52,578</u>

⁽¹⁾ As a result of implementing GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," the beginning balance has been increased by a change in accounting principle of \$45,854.

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			Business- type Activities	Total
	General Fund	Special Revenue Funds	Internal Service Funds		
Liabilities For:					
General Obligation Bonds	\$ 3,810,506	\$ 857,396	\$ -	\$ 241,946	\$ 4,909,848
Loans	-	34,396	19,262	5,582	59,240
Revenue Bonds	-	13,715	-	278,246	291,961
Claims	23,164	741,813	-	-	764,977
Compensated Absences	131,701	149,708	6,054	144,113	431,576
Workers' Compensation	72,661	22,511	-	5,164	100,336
Capital Leases	160,370	1,259	-	20,324	181,953
Net Pension Obligation	46,856	-	-	-	46,856
Net Other Postemployment Benefit Obligation	71,736	-	378	11,249	83,363
Due to Component Unit	-	19,465	-	-	19,465
Pollution Remediation	-	38,641	-	-	38,641
Total	\$ 4,316,994	\$ 1,878,904	\$ 25,694	\$ 706,624	\$ 6,928,216

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, due to component unit, and capital leases. There are no payment schedules for claims, compensated absences, workers' compensation, Net Pension Obligation, or Net Other Postemployment Benefit Obligation.

Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 389,243	\$ 213,404	\$ 17,067	\$ 11,593	\$ 406,310	\$ 224,997
2011	365,055	189,098	16,570	10,349	381,625	199,447
2012	341,051	171,836	16,599	9,546	357,650	181,382
2013	348,369	155,069	15,791	8,750	364,160	163,819
2014	319,382	138,239	15,708	7,966	335,090	146,205
2015-2019	1,307,468	479,205	71,042	28,588	1,378,510	507,793
2020-2024	915,091	201,451	54,664	12,500	969,755	213,951
2025-2029	386,129	34,589	24,626	2,318	410,755	36,907
Total	\$ 4,371,788	\$ 1,582,891	\$ 232,067	\$ 91,610	\$ 4,603,855	\$ 1,674,501
Bond Premium	296,114	-	9,879	-	305,993	-
Total	\$ 4,667,902	\$ 1,582,891	\$ 241,946	\$ 91,610	\$ 4,909,848	\$ 1,674,501

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 815	\$ 579	\$ 15,630	\$ 12,289	\$ 16,445	\$ 12,868
2011	845	546	14,360	11,890	15,205	12,436
2012	880	511	13,475	11,322	14,355	11,833
2013	915	475	14,475	10,759	15,390	11,234
2014	955	438	14,970	10,124	15,925	10,562
2015-2019	5,430	1,503	78,375	39,825	83,805	41,328
2020-2024	3,875	267	68,190	22,178	72,065	22,445
2025-2029	-	-	45,085	7,602	45,085	7,602
2030-2034	-	-	10,669	931	10,669	931
Total	\$ 13,715	\$ 4,319	\$ 275,229	\$ 126,920	\$ 288,944	\$ 131,239
Bond Premium	-	-	3,017	-	3,017	-
Total	<u>\$ 13,715</u>	<u>\$ 4,319</u>	<u>\$ 278,246</u>	<u>\$ 126,920</u>	<u>\$ 291,961</u>	<u>\$ 131,239</u>

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 20,609	\$ 2,838	\$ 929	\$ 250	21,538	3,088
2011	16,567	1,697	961	205	17,528	1,902
2012	11,792	483	719	161	12,511	644
2013	7,515	369	604	125	8,119	494
2014	9,305	264	404	99	9,709	363
2015-2019	6,536	486	1,378	300	7,914	786
2020-2024	700	47	587	53	1,287	100
2025-2029	99	7	-	-	99	7
Total	<u>\$ 73,123</u>	<u>\$ 6,191</u>	<u>\$ 5,582</u>	<u>\$ 1,193</u>	<u>\$ 78,705</u>	<u>\$ 7,384</u>

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 6,368	\$ 7,955	\$ 2,253	\$ 1,021	\$ 8,621	\$ 8,976
2011	6,461	7,707	1,669	928	8,130	8,635
2012	6,300	7,453	1,637	894	7,937	8,347
2013	6,469	7,176	1,162	780	7,631	7,956
2014	6,735	6,885	1,202	726	7,937	7,611
2015-2019	38,807	28,932	6,521	2,681	45,328	31,613
2020-2024	49,352	17,936	4,257	1,047	53,609	18,983
2025-2029	41,137	4,626	1,024	301	42,161	4,927
2030-2034	-	-	599	40	599	40
Total	<u>\$ 161,629</u>	<u>\$ 88,670</u>	<u>\$ 20,324</u>	<u>\$ 8,418</u>	<u>\$ 181,953</u>	<u>\$ 97,088</u>

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 2009, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government Transfers to Debt Service Fund Year Ended June 30, 2009 (In Thousands)	
General Fund	\$ 452,893
Special Revenue Funds:	
Game and Fish Fund	\$ 2
Trunk Highway Fund	59,542
Natural Resources Funds	10
Maximum Effort School Loan Fund	1,828
Miscellaneous Special Revenue Fund	<u>329</u>
Total Special Revenue Funds	\$ 61,711
Capital Projects Funds:	
Building Fund	\$ 4,307
Transportation	<u>1,465</u>
Total Capital Project Funds	<u>\$ 5,772</u>
Total Operating Transfers to Debt Service Fund	<u><u>\$ 520,376</u></u>

General Obligation Bond Issues

On July 22, 2008, \$275,000,000 in general obligation state various purpose bonds were issued at a true interest rate of 4.10 percent, \$33,500,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.12 percent, and \$155,415,000 in general obligation state refunding bonds were issued at a true interest rate of 3.52 percent.

As a result of the advance refunding, the state reduced its total debt service requirements by \$9,906,000, which resulted in an economic gain of \$12,783,000. The balance outstanding for all extinguished debt as of June 30, 2009, was \$174,130,000, which is shown in the following table. The state remains contingently liable to pay the advance refunded general obligation bonds.

On January 2, 2009, \$325,000,000 in general obligation state various purpose bonds were issued at a true interest rate of 3.50 percent, \$70,000,000 in general obligation state trunk highway bonds were issued at a true interest rate of 3.48 percent, and \$5,000,000 general obligation taxable state bonds were issued at a true interest rate of 3.08 percent.

Primary Government General Obligation Bonds Outstanding Defeased Debt (In Thousands)				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2009 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
July 22, 2008	\$ 74,710	\$ 75,000	\$ 84,250	August 1, 2010
July 22, 2008	80,705	81,150	89,880	June 1, 2011
	<u>\$ 155,415</u>	<u>\$ 156,150</u>	<u>\$ 174,130</u>	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2009. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding As of June 30, 2009 (In Thousands)				
<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates Range - %</u>	
State Building	\$ 698	\$ 210,715	5.00 - 5.62	
State Operated Community Services	-	2,634	5.00	
State Transportation	32,560	196,553	5.00 - 5.62	
Waste Management	-	1,075	5.00 - 5.50	
Water Pollution Control	-	15,700	5.00 - 5.62	
Maximum Effort School Loan	-	60,585	5.00 - 5.25	
Rural Finance Authority	3,500	59,100	5.00 - 5.60	
Refunding Bonds	-	824,551	4.00 - 5.00	
Municipal Energy Building	-	165	5.00	
Trunk Highway	1,766,585	585,730	3.25 - 5.25	
Landfill	-	385	5.50 - 5.62	
Various Purpose	1,329,902	2,646,662	5.00 - 5.62	
Total	<u>\$ 3,133,245</u>	<u>\$ 4,603,855</u>		

Capital Leases

In 2006, the state entered into capital lease agreements with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The state has other 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 that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option and the equipment at any time during the lease period.

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of \$34,396,000 were from local government entities to finance certain trunk highway projects. In addition, \$19,465,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans are loans to purchase equipment and loans from energy companies to improve energy efficiencies in the colleges and universities.

Revenue Bonds Payable

On July 26, 2006, \$15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Agency has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue funds). These tax distributions, totaling \$33,718,000 for fiscal year 2009, have averaged about one third of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. For fiscal year 2009, principal and interest paid by the Iron Range Resources and Rehabilitation Agency on the bonds was \$1,396,000. The total principal and interest remaining to be paid as of June 30, 2009, is \$18,034,000, payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275 and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, \$42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 25 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2009, is \$90,263,000, payable through June 2024. Principal and interest paid during fiscal year 2009 and total 911 fee revenues were \$7,817,000 and \$52,677,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$200,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 3.25 to 6.5 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 17.2 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$287,174,000. Principal and interest paid for the current year and total customer net revenues were \$9,907,000 and \$93,781,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,696,000. For the current year, principal and interest paid and total customer net revenues were \$207,000 and \$394,000, respectively. These revenue bonds have a variable interest rate of 2.50 to 5.75 percent.

Vermilion Community College issued revenue bonds through the Minnesota Higher Education Facilities Authority that are payable through 2013. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and guaranteed by the City of Ely. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$335,000. For the current year, principal and interest paid and total customer net revenues were \$86,000 and \$214,000, respectively. These revenue bonds have a fixed interest rate of 6 percent.

On November 1, 2000, \$16,000,000 in revenue bonds were issued for financing expansion of the Giants Ridge Recreational Area at a true interest rate of 7.48 percent. In addition, \$3,710,000 in bonds were refunded. The original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the Giants Ridge Fund (enterprise fund). The Iron Range Resources and Rehabilitation Agency has pledged the gross revenues from the operation of the Giants Ridge Recreational Facilities, including greens fees and ski lift ticket receipts, to repay the debt. The debt service on these bonds is payable solely from these sources. The total principal and interest remaining to be paid on the bonds as of June 30, 2009 is \$20,681,000, payable through November 2025. Principal and interest paid during fiscal year 2009, and net Giants Ridge Fund available revenues were \$1,669,000 and \$4,195,000, respectively.

Giants Ridge Outstanding Defeased Debt (In Thousands)				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2009 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
November 1, 2000	\$ 3,710	\$ 3,710	\$ 2,610	November 1, 2025

Claims

Municipal solid waste landfill liability of \$200,777,000 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 \$44,200,000 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).

The remaining claim amount of \$520,000,000 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 discounted (5.00%) 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 2050 for supplementary benefits and 2033 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$287,463,000 and \$144,113,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The governmental activities and business-type activities liability for workers' compensation of \$95,172,000 and \$5,164,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2009, 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 2009, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling \$29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. The revenue bonds have a variable interest rate of 5.38 to 6.00 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds. The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2009, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was \$2,079,000. The total principal and interest remaining to be paid as of June 30, 2009, is \$44,130,000, payable through 2030.

Long-Term Debt Repayment Schedule Fiduciary Funds Revenue Bonds – SERF, TRF, and PERF (In Thousands)		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 625	\$ 1,446
2011	675	1,413
2012	700	1,376
2013	750	1,338
2014	775	1,297
2015-2019	4,650	5,774
2020-2024	6,250	4,257
2025-2029	8,450	2,178
2030-2034	2,054	122
Total	<u>\$ 24,929</u>	<u>\$ 19,201</u>

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

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 \$5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2009, net of unamortized premium, was \$2,473,733,000.

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 \$1,177,160,000 in general obligation bonds outstanding, net of unamortized premium, and \$6,279,000 of revenue bonds outstanding on December 31, 2008.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2009, the principal amount of revenue bonds outstanding was \$144,761,000 and the principal amount of general obligation bonds outstanding was \$473,160,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2009, the principal amount of revenue bonds outstanding was \$9,885,000.

Office of Higher Education (OHE) 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, 2009, the outstanding principal of revenue bonds was \$627,000,000.

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 \$1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2009, net of unamortized premium, was \$988,490,000.

Component Units General Obligation Bonds Major Component Units (In Thousands)				
Year Ended	MC ⁽¹⁾		U of M	
	Principal	Interest	Principal	Interest
2010	\$ 90,040	\$ 43,085	\$ 210,427	\$ 56,318
2011	81,203	39,638	18,403	7,717
2012	82,832	36,308	112,043	12,965
2013	65,975	34,518	5,073	6,624
2014	62,760	29,650	5,284	6,420
2015-2019	358,631	116,815	29,541	28,958
2020-2024	301,339	52,921	35,806	21,578
2025-2029	114,648	9,948	43,774	10,413
2030-2034	-	-	12,809	1,989
	<u>\$ 1,157,428</u>	<u>\$ 362,883</u>	<u>\$ 473,160</u>	<u>\$ 152,982</u>
Unamortized Discounts/Premiums and Issuance Costs	19,732	-	-	-
Total	<u><u>\$ 1,177,160</u></u>	<u><u>\$ 362,883</u></u>	<u><u>\$ 473,160</u></u>	<u><u>\$ 152,982</u></u>

⁽¹⁾MC fiscal year ends December 31.

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

Year Ended	HFA		MC ⁽²⁾		U of M ⁽¹⁾	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 446,815	\$ 84,688	\$ 1,135	\$ 252	\$ 5,524	\$ 6,600
2011	47,680	81,966	1,185	199	5,669	6,341
2012	49,345	80,002	1,245	138	5,564	6,086
2013	59,910	77,682	1,305	81	5,769	5,840
2014	54,340	75,312	1,365	27	5,789	5,590
2015-2019	274,255	341,974	-	-	29,569	24,042
2020-2024	289,370	280,853	-	-	37,274	16,336
2025-2029	391,285	212,856	-	-	47,184	6,421
2030-2034	440,690	128,972	-	-	2,419	60
2035-2039	380,490	46,359	-	-	-	-
2040-2044	18,065	3,555	-	-	-	-
2045-2049	17,765	979	-	-	-	-
	<u>\$2,470,010</u>	<u>\$ 1,415,198</u>	<u>\$ 6,235</u>	<u>\$ 697</u>	<u>\$144,761</u>	<u>\$ 77,316</u>
Unamortized Discounts/Premiums and Issuance Costs	<u>3,723</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$2,473,733</u></u>	<u><u>\$ 1,415,198</u></u>	<u><u>\$ 6,279</u></u>	<u><u>\$ 697</u></u>	<u><u>\$144,761</u></u>	<u><u>\$ 77,316</u></u>

⁽¹⁾Does not include foundation issued bonds.

⁽²⁾MC fiscal year ends December 31.

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

Year Ended	AEDB		OHE		PFA	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,075	\$ 545	\$ -	\$ 5,671	\$ 49,200	\$ 46,897
2011	885	495	-	5,671	46,980	44,731
2012	930	447	-	5,671	58,105	42,492
2013	990	395	-	5,671	58,280	39,727
2014	1,035	341	-	5,670	61,215	36,840
2015-2019	3,920	897	-	28,355	348,305	134,858
2020-2024	1,050	70	-	28,355	274,995	52,305
2025-2029	-	-	-	28,355	66,486	6,654
2030-2034	-	-	-	28,355	-	-
2035-2039	-	-	387,000	22,120	-	-
2040-2044	-	-	240,000	4,668	-	-
	<u>\$ 9,885</u>	<u>\$ 3,190</u>	<u>\$ 627,000</u>	<u>\$ 168,562</u>	<u>\$ 963,566</u>	<u>\$ 404,504</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	-	-	24,924	-
Total	<u>\$ 9,885</u>	<u>\$ 3,190</u>	<u>\$ 627,000</u>	<u>\$ 168,562</u>	<u>\$ 988,490</u>	<u>\$ 404,504</u>

Variable Rate Debt

University of Minnesota

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

Office of Higher Education

The interest rates on all of the bonds are reset periodically. The rates on all of the bonds, except the taxable Series 2008A bonds and the tax-exempt Series 2008B bonds, are based on a determination by the auction agent through auction proceedings. The rates on the taxable bonds cannot exceed the lesser of one-month LIBOR plus 1 percent, 17 percent, or the 91 day average of the three-month T-Bill plus an applicable spread of 1.25 percent. The rates on the tax-exempt bonds cannot exceed the lesser of the applicable percentage of the Kenny index or the after-tax equivalent rate, 14 percent, or the three month average of the three-month T-Bill plus an applicable spread of 1.25 percent. The interest on the auction rate bonds is payable each time the rates are reset and no principal payments are required until final maturity.

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15 percent and 12 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and no principal payments are required until final maturity.

Bond Defeasances

In prior years, 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 1982 and 1996 Series A was \$271,635,000 with \$171,625,000 outstanding as of June 30, 2009. Neither the outstanding indebtedness, nor the related trust account assets for these bonds are included in the U of M's financial statements as of June 30, 2009.

Public Facilities Authority had \$139,000,000 of various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2009.

Note 14 – Pollution Remediation and Landfill Postclosure Obligations

Primary Government

The state of Minnesota is financially responsible to remediate certain known pollution present on either state owned or non-state owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2009, were \$38,641,000. Of this total, \$29,200,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Remediation Fund (special revenue fund), which was established under Minnesota Statute, Section 116.155 and the Petroleum Tank Fund (special revenue fund), which was established under Minnesota Statute Section 115C.08.

The state is also responsible for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all maintenance and monitoring, at qualifying sites. There are currently 109 closed sites in the program. Funding for the state's perpetual obligation at these landfills comes from the Remediation Fund (special revenue fund). The Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators, as well as transfers in from the Environmental Fund (special revenue fund). Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are used for design and construction work at the publicly-owned landfills in the program. Estimated landfill postclosure obligation liabilities as of June 30, 2009, were \$200,777,000, including planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

See Note 12 – Long-Term Liabilities – Primary Government for liability amounts accrued at the government-wide statement of net assets. As a result of implementing GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the beginning net asset balance on the government-wide statement of activities has been decreased by \$45,854,000, due to a change in accounting principle.

Component Unit

The University of Minnesota (U of M) also implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, for the fiscal year ended June 30, 2009. U of M's pollution remediation liability was \$4,737,000 as of June 30, 2009, and the beginning net assets decreased by \$11,290,000 as a result of implementing this change in accounting principle.

Note 15 – Segment Information

**Primary Government
Segment Information Financial Data
Year Ended June 30, 2009
(In Thousands)**

	<u>Minnesota State Colleges and Universities</u>				
	<u>Revenue Fund</u>	<u>Vermilion Modular Housing</u>	<u>Itasca Residence Halls</u>	<u>Giants Ridge</u>	<u>911 Services</u>
Condensed Statement of Net Assets					
Assets:					
Current Assets	\$ 62,038	\$ 35	\$ 52	\$ 6,922	\$ 36,201
Restricted Assets	122,997	140	264	1,600	-
Capital Assets	192,177	865	3,664	21,106	-
Total Assets	\$ 377,212	\$ 1,040	\$ 3,980	\$ 29,628	\$ 36,201
Liabilities:					
Current Liabilities	\$ 20,912	\$ 86	\$ 141	\$ 1,800	\$ 10,551
Noncurrent Liabilities	195,194	225	2,103	11,500	62,745
Total Liabilities	\$ 216,106	\$ 311	\$ 2,244	\$ 13,300	\$ 73,296
Net Assets:					
Invested in Capital Assets, Net of Related Debt	\$ 87,118	\$ 641	\$ 1,481	\$ 10,270	\$ -
Restricted	73,988	66	264	-	-
Unrestricted	-	22	(9)	6,058	(37,095)
Total Net Assets	\$ 161,106	\$ 729	\$ 1,736	\$ 16,328	\$ (37,095)
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets					
Assets					
Operating Revenues - Customer Charges	\$ 93,781	\$ 214	\$ 394	\$ 4,091	\$ 52,677
Depreciation Expense	(10,043)	(36)	(119)	(1,091)	-
Other Operating Expenses	(69,867)	(119)	(227)	(5,796)	(23,225)
Operating Income (Loss)	\$ 13,871	\$ 59	\$ 48	\$ (2,796)	\$ 29,452
Nonoperating Revenues (Expenses):					
Interest Income	\$ 2,467	\$ 1	\$ 9	\$ 117	\$ 642
Interest Expense	(7,091)	(19)	(127)	(905)	(2,311)
Other	108	-	-	(3)	(17,555)
Transfers-In (Out)	-	-	-	4,821	(42,558)
Change in Net Assets	\$ 9,355	\$ 41	\$ (70)	\$ 1,234	\$ (32,330)
Beginning Net Assets	151,751	688	1,806	\$ 15,094	(4,765)
Ending Net Assets	\$ 161,106	\$ 729	\$ 1,736	\$ 16,328	\$ (37,095)
Condensed Statement of Cash Flows					
Net Cash Provided (Used) By:					
Operating Activities	\$ 22,605	\$ 82	\$ 184	\$ (1,365)	\$ 30,198
Noncapital Financing Activities	-	-	-	4,821	(24,478)
Capital and Related Financing Activities	(9,389)	(86)	(207)	(3,350)	-
Investing Activities	3,079	1	9	105	642
Net Increase (Decrease)	\$ 16,295	\$ (3)	\$ (14)	\$ 211	\$ 6,362
Beginning Cash and Cash Equivalents	\$ 149,637	\$ 143	\$ 305	\$ 6,491	\$ 25,527
Ending Cash and Cash Equivalents	\$ 165,932	\$ 140	\$ 291	\$ 6,702	\$ 31,889

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

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, or food service purposes.
- MnSCU Vermilion Modular Housing accounts for the construction and operation of student housing at Vermilion Community College.
- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.
- Giants Ridge Fund is a four-season recreation facility with golfing, as well as downhill and Nordic skiing.
- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.

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

Note 16 – Contingent Liabilities

Primary Government

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):

Primary Government Contingent Liabilities (In Thousands)		
Fund	Liability as of	Unfunded Liability
Minneapolis Employee Retirement Fund	June 30, 2009	\$ 694,878
St. Paul Teachers Retirement Fund	June 30, 2009	\$ 404,360
Duluth Teachers Retirement Fund	June 30, 2008	\$ 64,977
Local Police and Fire Fund ⁽¹⁾	December 31, 2008	\$ 234,791

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

Component Units

Since January 18, 2000, Metropolitan Council (MC) has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for \$2,696,000, 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.

On December 31, 1996, University of Minnesota Hospital and Clinic operations and certain assets and liabilities were transferred to University of Minnesota Medical Center, Fairview (Fairview). Fairview and the University of Minnesota also agreed to affiliate with each other in support of research, education, and patient care missions of the University of Minnesota's Academic Health Center. Under this affiliation agreement, the University of Minnesota shares equally with Fairview in any unfunded education costs at the teaching hospital.

Workers' Compensation Assigned Risk Plan (WCARP) contracts with six 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, 2008, was less than \$4 million.

Note 17 – Equity

Restricted Net Assets – Government-wide Statement of Net Assts

The following table identifies the primary government's restricted net assets in greater detail than is presented on the face of the financial statements:

Primary Government Restricted Net Asset Balances As of June 30, 2009 (In Thousands)				
	<u>Restricted by Constitution</u>	<u>Restricted by Enabling Legislation</u>	<u>Restricted by Other</u>	<u>Total</u>
Restricted For:				
Capital Projects	\$ 36,933	\$ -	\$ -	\$ 36,933
Debt Service	425,915	-	-	425,915
Transportation	330,880	461,654	-	792,534
Environmental Resources	-	493,484	153	493,637
Economic and Workforce Development	-	100,766	6,058	106,824
School Aid - Nonexpendable	624,361	-	-	624,361
School Aid - Expendable	5,862	72,651	-	78,513
Health & Human Services	-	-	16,506	16,506
State Colleges and Universities	-	-	364,804	364,804
Unemployment Benefits	-	-	317,218	317,218
Other Purposes	-	-	32,814	32,814
Total Restricted Net Assets	<u>\$ 1,423,951</u>	<u>\$ 1,128,555</u>	<u>\$ 737,553</u>	<u>\$ 3,290,059</u>

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, 2009 (In Thousands)			
	<u>General</u>	<u>Federal</u>	<u>Nonmajor Governmental</u>
Fund Balances:			
Reserved for Encumbrances	\$ 68,727	\$ -	\$ 276,967
Reserved for Inventory	-	-	25,202
Reserved for Long-Term Receivables	42,455	-	230,150
Reserved for Long-Term Commitments	-	-	317,339
Reserved for Trust Principal	-	-	1,008,778
Reserved for Other	-	153	-
Total Reserved Fund Balances	<u>\$ 111,182</u>	<u>\$ 153</u>	<u>\$ 1,858,436</u>
Unreserved Fund Balances:			
Designated for Appropriation Carryover	\$ -	\$ -	\$ 233,452
Designated for Fund Purposes	-	-	1,729,229
Total Designated Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,962,681</u>
Undesignated	<u>(752,490)</u>	<u>-</u>	<u>347,356</u>
Total Unreserved Fund Balance	<u>\$ (752,490)</u>	<u>\$ -</u>	<u>\$ 2,310,037</u>
Total Fund Balance	<u>\$ (641,308)</u>	<u>\$ 153</u>	<u>\$ 4,168,473</u>

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 Other of \$153,000 in the Federal Fund consists 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:

Primary Government Fund Balance Designated for Fund Purposes As of June 30, 2009 (In Thousands)				
	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total
Designated For:				
Public Safety and Corrections	\$ 53,237	\$ -	\$ -	\$ 53,237
Transportation	477,333	-	-	477,333
Environmental Resources	203,216	-	-	203,216
Economic and Workforce Development	80,801	-	-	80,801
General Education	10,504	-	5,862	16,366
Higher Education	1,212	-	-	1,212
Health & Human Services	84,731	-	-	84,731
General Government	67,472	742,069	-	809,541
Intergovernmental Aids	2,792	-	-	2,792
Total	<u>\$ 981,298</u>	<u>\$ 742,069</u>	<u>\$ 5,862</u>	<u>\$ 1,729,229</u>

Deficit Equity Balances

A \$37,095,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state's emergency communication system. The deficit will be resolved through future 911 fee revenues.

Note 18 – 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 (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,000,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach \$4,000,000 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 \$400,000 bodily injury and property damage per person, and \$1,200,000 bodily injury and property damage per occurrence. Effective July 1, 2009, the per person limit increased to \$500,000 and the per occurrence limit increased to \$1,500,000. The casualty reinsurance program provides \$10,000,000 excess of a \$1,200,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction. One exception is the casualty program for MnSCU auto, which provides \$10,000,000 excess of a \$1,500,000 retention.

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

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

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

Tort claims against the state are limited to \$400,000 bodily injury and property damage per person, and \$1,200,000 bodily injury and property damage per occurrence as of June 30, 2009. Effective July 1, 2009, the per person limit increased to \$500,000 and the per occurrence limit increased to \$1,500,000. State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The 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. Tort claims brought outside Minnesota state jurisdiction and in Federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including work place safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of \$1,720,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits, related to the reported claim.

State Employee Group Insurance Program

The Minnesota State Legislature created the Employee Insurance Fund (internal service 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 Employee Insurance 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 to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of \$1,351,739 less than coverage during fiscal year ended June 30, 2009.

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

PEIP's membership as of June 30, 2009, was 1,257 members and their dependents. The members of the pool include 9 school districts, 33 cities/townships, 2 counties, and 13 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 \$100,000.

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, 2008, and 2009:

Primary Government Self-Insured Claim Liabilities (In Thousands)					
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>	
Risk Management Fund					
Fiscal Year Ended 6/30/08	\$ 9,060	\$ 4,304	\$ 4,363	\$	9,001
Fiscal Year Ended 6/30/09	\$ 9,001	\$ 5,896	\$ 5,556	\$	9,341
Tort Claims					
Fiscal Year Ended 6/30/08	\$ -	\$ 1,420	\$ 1,420	\$	-
Fiscal Year Ended 6/30/09	\$ -	\$ 1,111	\$ 1,111	\$	-
Workers' Compensation					
Fiscal Year Ended 6/30/08	\$ 113,763	\$ 6,004	\$ 18,616	\$	101,151
Fiscal Year Ended 6/30/09	\$ 101,151	\$ 17,842	\$ 18,653	\$	100,340
State Employee Insurance Plans					
Fiscal Year Ended 6/30/08	\$ 39,836	\$ 498,581	\$ 497,137	\$	41,280
Fiscal Year Ended 6/30/09	\$ 41,280	\$ 533,762	\$ 529,652	\$	45,390

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

	Year Ended June 30	
	2009	2008
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 975	\$ 1,210
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	\$ 8,806	\$ 10,368
Increases (Decreases) in Provision for Insured Events of Prior Years	(15)	(55)
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 8,791</u>	<u>\$ 10,313</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 7,921	\$ 9,403
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	950	1,145
Total Payments	<u>\$ 8,871</u>	<u>\$ 10,548</u>
Total Unpaid Claims and Claim Adjustment Expenses, Ending	<u>\$ 895</u>	<u>\$ 975</u>

Component Units

Housing Finance Agency

Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in the State Employee Group Insurance Plan (SEGIP), which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and 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. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to \$400,000 per claim and \$1,200,000 per occurrence for a claim arising on or after January 1, 2008. For claims arising earlier, the limits are \$300,000 per claim and \$1,000,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred, but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.44 percent. The self-insurance retention limit for workers' compensation is \$1,720,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

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 using a discount rate of 6 percent.

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

U of M's medical (health) and dental coverage for faculty and staff are self-insured programs. Under the plans, U of M pays claims, while the administration of the program is handled by independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of the U of M's liability is established for incurred but not reported claims.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2007, and 2008, or June 30, 2008, and 2009, as applicable:

	Component Units Claims Liabilities (In Thousands)			
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/07	\$ 17,332	\$ 4,247	\$ 5,648	\$ 15,931
Fiscal Year Ended 12/31/08	\$ 15,931	\$ 6,180	\$ 6,793	\$ 15,318
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/08	\$ 6,490	\$ 5,253	\$ 1,986	\$ 9,757
Fiscal Year Ended 6/30/09	\$ 9,757	\$ 1,011	\$ 2,848	\$ 7,920
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/08	\$ 7,953	\$ 3,180	\$ 3,759	\$ 7,374
Fiscal Year Ended 6/30/09	\$ 7,374	\$ 10,633	\$ 3,875	\$ 14,132
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/08	\$ 13,753	\$ 197,161	\$ 194,752	\$ 16,162
Fiscal Year Ended 6/30/09	\$ 16,162	\$ 219,327	\$ 217,232	\$ 18,257

Note 19 – 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 basis of accounting for the General Fund is provided in the following table.

General Fund Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2009 (In Thousands)	
GAAP Basis Fund Balance:	\$ (641,308)
Less: Reserved Fund Balance	111,182
Undesignated Fund Balance	<u>\$ (752,490)</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (405,361)
Tax Refunds Payable	511,702
Human Services Receivable	(18,127)
Unearned Revenue	18,735
Escheat Asset	(8,464)
Other Receivables	(36,473)
Permanent School Fund Reimbursement	(4,400)
Investments at Market	3,290
Expenditure Accruals/Adjustments:	
Medical Care Programs	348,234
Human Services Grants Payable	40,316
Education Aids	673,128
Police and Fire Aid	78,014
Other Payables	998
Fund Structure Differences:	
Terminally Funded Pension Plans	7,574
Perspective Differences:	
Designated for Appropriation Carryover and Budgetary Reserve	<u>(395,644)</u>
Budgetary Basis:	
Undesignated Fund Balance	<u>\$ 61,032</u>

Note 20 – 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 each of the fiscal years ending June 30, 2009, 2010, and 2011 are \$761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is \$1,000,000. The maximum limited liability for any one claim is \$300,000 for claims arising before August 1, 2007, and \$400,000 for claims arising on or after August 1, 2007, and before July 1, 2009. The maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, are \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.
- 2) *I-35W Bridge Collapse.* On August 1, 2007, the I-35W interstate bridge over the Mississippi River collapsed. Thirteen people were killed, and approximately 145 injured. The bridge, which opened in 1967, was designed by a private contractor under contract with the state of Minnesota; it was inspected and maintained by the Minnesota Department of Transportation (“MnDOT”). The state has received 186 Notices of Tort Claim arising from the collapse of the I-35W bridge. The Minnesota Legislature enacted a compensation fund codified in Minn. Stat. § 3.7391 et seq. and appropriated \$36,640,000 for payments to representatives of decedents and claimants who were on the I-35W bridge at the time of the collapse. A panel of three attorneys determined the amount of payments. All 179 claimants accepted payments from the compensation fund and the emergency relief fund in the aggregate amount of about \$37 million on the condition that they waived the right to sue the state for additional recovery. However, the majority of those claimants have commenced litigation against the original bridge designer, an engineering firm that inspected the bridge under contract with the state, and a construction company that was performing work on the bridge at the time of the collapse. The state has been third-partied into this litigation which is venued in Hennepin County state court. Although the state’s position is that its exposure in this litigation is capped at \$1 million, the constitutionality of this cap may be challenged. The state has brought third party claims against the other defendants seeking recovery of the \$37 million paid to claimants by the statutory compensation fund, the emergency relief fund, and for state’s damages associated with the collapse. The state’s claim against the construction company performing work on the bridge at the time of the collapse has been settled for \$1 million.
- 3) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$15 million in excess of current levels.
 - a) At any one time, there are hundreds of MnDOT eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact the state’s Trunk Highway Fund (special revenue fund). MnDOT has agreed to acquire properties for the Metropolitan Council’s (component unit) Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to MnDOT by the Metropolitan Council.

- b) *ACS State and Local Solutions, Inc. v. State of Minnesota, through its Commissioner of the Department of Human Services* (Ramsey County District Court). In May, 2003, the Minnesota Department of Human Services (“DHS”) entered into a software development contract with an entity known as SSi North America. Under the contract, SSi was to develop and deliver a web-based software program known as “HealthMatch,” intended to combine and automate certain evaluation and decision-making tasks regarding eligibility for several health care assistance programs administered by DHS. The HealthMatch contract was subsequently assigned to Albion, Inc., which was owned by SSi, and later, the assets of Albion, Inc., including the HealthMatch contract, were purchased by ACS State and Local Solutions, Inc. Initially, the contract was to continue until May 2005, but as difficulties arose with regard to completion of the software, it was eventually extended to May 2008. In March 2008, DHS determined that satisfactory progress toward completion was not being made and terminated the contract. ACS filed suit on September 9, 2008, claiming damages in excess of \$50,000 based on breach of contract, quantum meruit (just compensation for work performed), and unjust enrichment. While denying liability, DHS estimates that a decision favorable to plaintiff ACS could result in an impact on the General Fund in excess of \$15 million. The court granted in part DHS’s motion for summary judgment and dismissed ACS’s claims for quantum merit and unjust enrichment. The court has set the case on for trial during a three week block beginning on August 16, 2010.
- c) *Alliance Pipeline, L.P. v. Commissioner of Revenue* (Minnesota Tax Court). Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In mid-October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner’s 2009 assessment of Alliance’s natural gas pipeline property in Minnesota. The legal issues in this appeal are very similar to the legal challenges raised in the MERC 2008 and 2009 appeals below. Alliance challenges the assessment asserting that the Commissioner has failed to correctly determine the market value of the property as defined by Minn. Stat. § 272.03, subd. 8. Alliance also challenges Minn. Rule 8100 to the extent it exceeds the Commissioner’s statutory authority arguing that it creates a valuation process which does not value utility property at its fair market value. Alliance also challenges the rule as unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause, and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process Clauses of the U.S. Constitution. Alliance also alleges the Commissioner’s assessment violates the Commerce Clause of the U.S. Constitution.
- d) *Brayton, et al. v. Pawlenty, et al.* (Ramsey County District Court No. 62-CV-09-11693). On October 29, 2009, six named plaintiffs who receive Minnesota Supplemental Aid (MSA) Special Diet funding, three of whom also regularly apply for and receive a renters’ property tax refund, challenged unallotment of approximately \$5.33 million in funding for the MSA Special Diet program effective November 1, 2009, through June 30, 2011, and the unallotment of approximately \$50.8 million for the 2009 renters’ property tax refunds payable starting July 2010, by reducing the portion of the rent used to calculate the 2009 refund from 19 to 15 percent. Plaintiffs have styled the action as a class action, but have not yet sought class certification. Plaintiffs seek injunctive and declaratory relief alleging, inter alia, that unallotment at the beginning of a biennium and extending beyond a fiscal year is inconsistent with Minn. Stat. § 16A.152; that unallotment to reduce the statutorily prescribed amount of rent used to calculate the renters’ property tax refund from 19 to 15 percent is unlawful and violates the Minnesota Constitution doctrine of separation of powers; and that unallotment at the beginning of the biennium, rather than using line-item veto to reduce appropriations before the beginning of the biennium, violates separation of powers. The Minnesota House of Representatives filed a brief as Amicus Curiae in support of plaintiff’s motion for a temporary restraining order.

- e) *The Home Insurance Company v. Special Compensation Fund, and Minnesota Department of Labor and Industry* (Ramsey County District Court). The Home Insurance Company (“Home”) seeks a declaration that it is entitled to reimbursement from the Special Compensation Fund (special revenue fund) for certain workers’ compensation payments Home has made. Home, which is in liquidation, seeks the reimbursement to which it claims it is entitled under the state’s workers’ compensation scheme, and without recourse to the General Fund. Defendants Minnesota Department of Labor and Industry and Special Compensation Fund have denied Home’s requests for reimbursement, raising various statutory defenses and that Home is not entitled to reimbursement under the law. Home claims it is entitled to \$21 million in past and future reimbursements. The Complaint and Answer have been filed. Defendants expect to bring a summary judgment motion in late 2009. Plaintiffs ask for reimbursement from the Special Compensation Fund.
- f) *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for \$178,327 and seeks a \$5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of \$15 million. The parties submitted cross-motions for summary judgment, and the Court ruled in favor of the Commissioner of Revenue. The Minnesota Supreme Court ruled in the Commissioner’s favor on September 20, 2009. McLane moved for reconsideration which the Commissioner opposed. McLane has until January 19, 2010, to file a petition for certiorari to the U.S. Supreme Court.
- g) *Merrill Lynch Pierce Fenner & Smith, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff engages in securities transactions sometimes on a commission basis and sometimes as a principal. Plaintiff’s principal contention is that the Department of Revenue erred in using net rather than gross receipts in the apportionment formula sales factor for principal transactions. Plaintiff also alleges that the Department of Revenue erred in the method used to “source” receipts from principal and commission transactions involving Minnesota customers and in excluding certain intangibles from the apportionment formula property factor denominator. Finally, Plaintiff alleges, on various grounds, that the Department of Revenue’s approach violates the Equal Protection, Uniformity and Due Process clauses of the Minnesota or Federal Constitutions and the Commerce Clause of the Federal Constitution. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of \$15 million. In February 2009, the parties stipulated to facts eliminating the need for a trial and tentatively settled the matter pending the outcome of an audit by the Department of Revenue.
- h) *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation appeals the 2007 and 2008 assessment of the real, personal, and operating property of its pipeline that is subject to assessment in 53 counties in Minnesota. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minn. Stat. § 272.03, subd. 8) of the pipeline’s property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline’s property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minn. Stat. § 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (art. X, sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is \$126 Million. In August 2009, MERC filed a new appeal in the Minnesota Tax Court challenging the 2009 assessment of their natural gas pipeline. In this new appeal, MERC objects to both the old and new Rules. Specifically, MERC disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not

included in depreciation, the weighting of cost factors, and claim that the property tax assessments are not applied evenly throughout Minnesota. The Commissioner's Return and Answer has been filed in early October 2009 for the new appeal (2009 tax year). The Commissioner has prepared and served MERC with discovery requests.

- i) *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, challenged 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 alleged 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. Plaintiffs brought declaratory and injunctive relief prohibiting enforcement and collection of the tax. The Department of Revenue estimated a determination in plaintiffs' favor could result in revenue collection losses of \$30 million when applied to plaintiffs and other railroad common carriers operating in Minnesota that paid the fuel tax and have timely filed claims for refunds. On August 22, 2006, the United States District Court filed a decision rejecting plaintiffs' challenges and upholding enforcement and collection of the tax. On November 6, 2007, the Eighth Circuit Court of Appeals reversed the decision and remanded the case to the District Court to enjoin the Commissioner from continuing to enforce the tax. The Commissioner of the Minnesota Department of Revenue filed a motion for a rehearing en banc to the United States Eighth Circuit Court of Appeals, which was denied. The Commissioner of the Department of Revenue then chose not to appeal this denial to the United States Supreme Court, and has been denying the outstanding refund claims. The Department of Revenue is awaiting an order from the District Court pursuant to the remand. It is expected that additional litigation will be initiated by all of the railroads that have outstanding refund claims, with these claims expected to be \$20,000,000 to \$30,000,000.

Note 21 – Subsequent Events

Primary Government

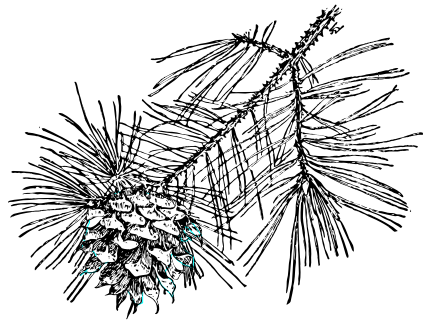
On August 26, 2009, the state sold \$192,275,000 of general obligation state various purpose bonds Series 2009D, \$297,750,000 of general obligation state various purpose refunding bonds 2009F, \$80,000,000 general obligation state trunk highway bonds Series 2009E, and \$28,360,000 of general obligation state trunk highway refunding bonds Series 2009G at a true interest rate of 3.01 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On September 1, 2009, the state sold \$74,980,000 of certificates of participation Series 2009 at a true interest rate of 2.88 percent. These bonds will provide funding for the development, acquisition, installation, and implementation of a new statewide accounting and procurement system and integrated tax software. These bonds are payable from the rental payments made pursuant to the Technology Systems Lease Purchase Agreement.

On October, 22, 2009, the state sold \$60,510,000 of 911 revenue bonds at a true interest rate of 3.17 percent. These bonds will provide funding for implementation of a statewide 911 public safety radio communications systems project. The revenue bonds are secured by a monthly statewide 911 surcharge applied to subscribers of any basic telephone service capable of originating a 911 emergency telephone call.

On November 5, 2009, the state sold \$443,000,000 of general obligation state various purpose bonds Series 2009H, \$100,395,000 general obligation state various purpose refunding bonds Series 2009K, and \$7,000,000 general obligation taxable state bonds Series 2009J at a true interest rate of 3.25 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On November 5, 2009, the state sold \$25,000,000 of general obligation state trunk highway bonds Series 2009I at a true interest rate of 3.35 percent. These bonds are backed by the full faith and credit and taxing power of the state.

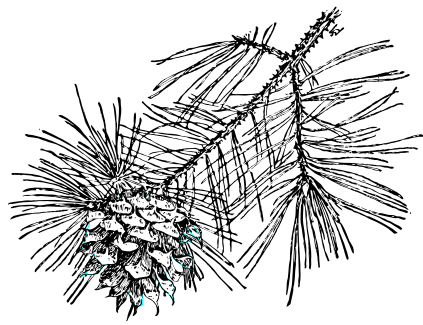


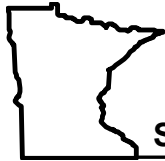


State of Minnesota

Required Supplementary Information

2009
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2009 Comprehensive Annual Financial Report Required Supplementary Information

Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (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.

	<u>Principal Arterial Average PQI</u>	<u>Non-Principal Arterial Average PQI</u>
2008	3.28	3.15
2007	3.34	3.16
2006	3.37	3.21

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 2,985 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).

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

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

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

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

Assessed Conditions

Principal Arterial	2008	2007	2006
Fair to Good	93.5%	97.6%	96.8%

All Other Systems	2008	2007	2006
Fair to Good	90.2%	93.2%	95.3%

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 (in thousands):

	Fiscal Year Ended	Costs to be Capitalized			Maintenance of System			Total Construction Program
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	
Budget	2009	\$ 153,692	\$ 357,479	\$ 511,171	\$ 12,312	\$ 250,415	\$ 262,727	\$ 773,898
	2008	183,449	308,443	491,892	10,836	223,926	234,762	726,654
	2007	148,320	480,900	629,220	63,835	223,476	287,311	916,531
	2006 ⁽¹⁾			773,735			301,852	1,075,587
	2005 ⁽¹⁾			393,467			200,765	594,232
Actual	2009	\$ 175,274	\$ 257,489	\$ 432,763	\$ 37,994	\$ 408,090	\$ 446,084	\$ 868,694
	2008	252,306	279,664	531,970	35,341	364,939	400,280	932,250
	2007	150,497	253,040	403,537	15,125	312,567	327,692	731,229
	2006 ⁽¹⁾			451,935			360,835	812,770
	2005 ⁽¹⁾			465,960			223,809	689,769

⁽¹⁾ Due to system limitations, bridge and pavement costs are combined for the years ended June 30, 2006, and 2005.

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)

		<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Actuarial Valuation Date	2008 ⁽¹⁾	7/1/2008	7/1/2008	7/1/2008	7/1/2008
	2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007
	2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
Actuarial Value of Plan Assets	2008	\$ 572,719	\$ 147,542	\$ 39,209	\$ 595,082
	2007	\$ 559,852	\$ 153,562	\$ 44,869	\$ 617,901
	2006	\$ 535,357	\$ 151,850	\$ 48,504	\$ 618,990
Actuarial Accrued Liability	2008	\$ 760,363	\$ 231,623	\$ 86,131	\$ 693,686
	2007	\$ 708,292	\$ 214,297	\$ 86,449	\$ 673,444
	2006	\$ 647,480	\$ 202,301	\$ 81,361	\$ 641,479
Total Unfunded Actuarial Liability	2008	\$ 187,644	\$ 84,081	\$ 46,922	\$ 98,604
	2007	\$ 148,440	\$ 60,735	\$ 41,580	\$ 55,543
	2006	\$ 112,123	\$ 50,451	\$ 32,858	\$ 22,489
Funded Ratio ⁽²⁾	2008	75%	64%	46%	86%
	2007	79%	72%	52%	92%
	2006	83%	75%	60%	96%
Annual Covered Payroll	2008	\$ 194,391	\$ 38,296	\$ 1,993	\$ 60,029
	2007	\$ 167,727	\$ 36,195	\$ 2,380	\$ 61,498
	2006	\$ 145,879	\$ 36,529	\$ 2,894	\$ 57,765
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2008	97%	220%	2354%	164%
	2007	89%	168%	1747%	90%
	2006	77%	138%	1135%	39%

⁽¹⁾The July 1, 2008, Annual Valuation Report is the most recently issued report available.

⁽²⁾Actuarial value of assets as a percent of actuarial accrued liability.

Actuarial Measures of Other Postemployment Benefits Funding Progress

The state of Minnesota offers other postemployment benefits to state employees and their dependents through a single-employer defined benefit health care plan.

Required Supplementary Information Schedule of Funding Progress (In Thousands)		
Actuarial Valuation Date	2009 ⁽¹⁾	7/1/2008
	2008	7/1/2006
Actuarial Value of Plan Assets	2009	\$ -
	2008	\$ -
Actuarial Accrued Liability	2009	\$ 754,801
	2008	\$ 659,044
Total Unfunded Actuarial Liability	2009	\$ 754,801
	2008	\$ 659,044
Funded Ratio ⁽²⁾	2009	0%
	2008	0%
Annual Covered Payroll	2009	\$ 2,785,335
	2008	\$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2009	27%
	2008	23%
⁽¹⁾ The July 1, 2008, Annual Valuation Report is the most recently issued report available.		
⁽²⁾ Actuarial value of assets as a percent of actuarial accrued liability.		

Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Required Contribution and Investment Revenue:										
Earned	\$ 10,995	\$ 18,005	\$ 22,149	\$ 23,458	\$ 22,764	\$ 19,177	\$ 14,942	\$ 13,219	\$ 13,439	\$ 12,286
Ceded	1,031	1,972	2,243	2,321	2,231	1,736	1,491	1,347	1,298	1,218
Net Earned	\$ 9,964	\$ 16,033	\$ 19,906	\$ 21,137	\$ 20,533	\$ 17,441	\$ 13,451	\$ 11,872	\$ 12,141	\$ 11,068
2. Unallocated Expenses	\$ 1,983	\$ 2,535	\$ 2,715	\$ 2,528	\$ 2,296	\$ 1,904	\$ 1,638	\$ 1,547	\$ 1,505	\$ 1,534
3. Estimated claims and Expenses End of Policy Year:										
Incurred	\$ 9,972	\$ 16,550	\$ 21,055	\$ 19,715	\$ 19,466	\$ 16,499	\$ 12,551	\$ 11,206	\$ 10,748	\$ 9,473
Ceded	772	760	2,513	1,570	1,980	1,913	1,382	1,782	380	667
Net Incurred	\$ 9,200	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806
4. Net Paid (Cumulative) as of:										
End of Policy Year	\$ 7,944	\$ 13,228	\$ 15,824	\$ 15,848	\$ 15,699	\$ 12,909	\$ 10,055	\$ 8,226	\$ 9,403	\$ 7,921
One Year Later	9,240	15,908	18,091	17,572	17,367	14,141	11,282	9,352	10,415	
Two Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301	9,358		
Three Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301			
Four Years Later	9,243	15,963	18,034	17,579	17,764	14,139				
Five Years Later	9,243	15,963	18,034	17,579	17,696					
Six Years Later	9,243	15,963	18,034	17,579						
Seven Years Later	9,243	15,963	18,034							
Eight Years Later	9,243	15,963								
Nine Years Later	9,243									
5. Re-estimated Ceded Claims and Expenses	\$ 772	\$ 760	\$ 2,513	\$ 1,570	\$ 1,980	\$ 1,913	\$ 1,382	\$ 1,782	\$ 380	\$ 667
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	\$ 9,200	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806
One Year Later	9,253	15,935	18,114	17,595	17,385	14,152	11,294	9,362	10,425	
Two Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301	9,358		
Three Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301			
Four Years Later	9,243	15,963	18,034	17,579	17,764	14,139				
Five Years Later	9,243	15,963	18,034	17,579	17,696					
Six Years Later	9,243	15,963	18,034	17,579						
Seven Years Later	9,243	15,963	18,034							
Eight Years Later	9,243	15,963								
Nine Years Later	9,243									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	\$ 43	\$ 173	\$ (508)	\$ (566)	\$ 210	\$ (447)	\$ 132	\$ (66)	\$ 57	\$ -

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.

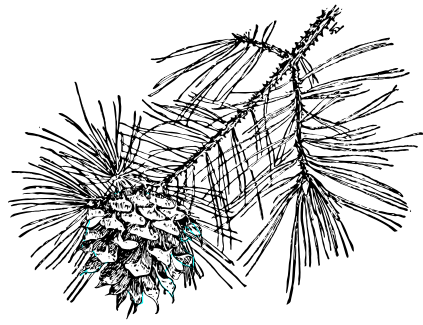
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage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

Combining and Individual Fund Statements – Nonmajor Funds

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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.

STATE OF MINNESOTA

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2009
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents.....	\$ 2,123,841	\$ 583,826	\$ 139,116	\$ 180,526	\$ 3,027,309
Investments.....	385,778	61,860	480,690	-	928,328
Accounts Receivable.....	391,885	-	683	131	392,699
Interfund Receivables.....	223,128	-	1,358	-	224,486
Due from Component Units.....	-	118,005	-	-	118,005
Accrued Investment/Interest Income.....	4,247	394	2,489	-	7,130
Federal Aid Receivable.....	39,808	-	-	-	39,808
Inventories.....	25,202	-	-	-	25,202
Loans and Notes Receivable.....	264,609	-	-	340	264,949
Deferred Costs.....	-	-	-	2,577	2,577
Securities Lending Collateral.....	42,400	-	42,815	-	85,215
Investment in Land.....	-	-	16,007	-	16,007
Total Assets.....	<u>\$ 3,500,898</u>	<u>\$ 764,085</u>	<u>\$ 683,158</u>	<u>\$ 183,574</u>	<u>\$ 5,131,715</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 373,873	\$ -	\$ 20	\$ 72,418	\$ 446,311
Interfund Payables.....	197,213	22,016	10,100	10,033	239,362
Due to Component Units.....	1,884	-	-	4,729	6,613
Deferred Revenue.....	185,610	-	-	131	185,741
Securities Lending Liabilities.....	42,400	-	42,815	-	85,215
Total Liabilities.....	<u>\$ 800,980</u>	<u>\$ 22,016</u>	<u>\$ 52,935</u>	<u>\$ 87,311</u>	<u>\$ 963,242</u>
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances.....	\$ 183,516	\$ -	\$ -	\$ 93,451	\$ 276,967
Reserved for Trust Principal.....	384,417	-	624,361	-	1,008,778
Other Reserved Fund Balances.....	572,351	-	-	340	572,691
Total Reserved Fund Balances.....	<u>\$ 1,140,284</u>	<u>\$ -</u>	<u>\$ 624,361</u>	<u>\$ 93,791</u>	<u>\$ 1,858,436</u>
Unreserved Fund Balances:					
Designated for Appropriation Carryover.....	\$ 233,452	\$ -	\$ -	\$ -	\$ 233,452
Designated for Special Revenue Funds.....	981,298	-	-	-	981,298
Designated for Debt Service Fund.....	-	742,069	-	-	742,069
Designated for Permanent Funds.....	-	-	5,862	-	5,862
Undesignated, reported in:					
Capital Project Funds.....	-	-	-	2,472	2,472
Special Revenue Funds.....	344,884	-	-	-	344,884
Total Unreserved Fund Balances.....	<u>\$ 1,559,634</u>	<u>\$ 742,069</u>	<u>\$ 5,862</u>	<u>\$ 2,472</u>	<u>\$ 2,310,037</u>
Total Fund Balances.....	<u>\$ 2,699,918</u>	<u>\$ 742,069</u>	<u>\$ 630,223</u>	<u>\$ 96,263</u>	<u>\$ 4,168,473</u>
Total Liabilities and Fund Balances.....	<u>\$ 3,500,898</u>	<u>\$ 764,085</u>	<u>\$ 683,158</u>	<u>\$ 183,574</u>	<u>\$ 5,131,715</u>

STATE OF MINNESOTA

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes.....	\$ -	\$ 123	\$ -	\$ -	\$ 123
Motor Vehicle Taxes.....	710,868	-	-	-	710,868
Fuel Taxes.....	756,381	-	-	-	756,381
Other Taxes.....	768,449	-	-	-	768,449
Federal Revenues.....	543,422	-	-	-	543,422
Licenses and Fees.....	527,297	-	4	-	527,301
Departmental Services.....	179,031	-	20,337	-	199,368
Investment/Interest Income.....	(32,071)	24,253	(64,834)	377	(72,275)
Penalties and Fines.....	16,058	-	49	-	16,107
Securities Lending Income.....	708	-	772	-	1,480
Other Revenues.....	291,688	1,084	133	-	292,905
Net Revenues.....	\$ 3,761,831	\$ 25,460	\$ (43,539)	\$ 377	\$ 3,744,129
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ 181,590	\$ -	\$ -	\$ 6,615	\$ 188,205
Transportation.....	1,407,449	-	-	116,324	1,523,773
Agricultural, Environmental and Energy Resources.....	366,689	-	10,182	59,736	436,607
Economic and Workforce Development.....	274,868	-	-	85,010	359,878
General Education.....	32,667	-	27,423	6,100	66,190
Higher Education.....	25,534	-	-	56,969	82,503
Health and Human Services.....	866,407	-	-	255	866,662
General Government.....	38,134	120	-	4,560	42,814
Intergovernment Aid.....	222	-	-	-	222
Securities Lending Rebates and Fees.....	308	-	361	-	669
Total Current Expenditures.....	\$ 3,193,868	\$ 120	\$ 37,966	\$ 335,569	\$ 3,567,523
Capital Outlay.....	486,413	-	-	188,816	675,229
Debt Service.....	6,443	580,845	-	-	587,288
Total Expenditures.....	\$ 3,686,724	\$ 580,965	\$ 37,966	\$ 524,385	\$ 4,830,040
Excess of Revenues Over (Under)					
Expenditures.....	\$ 75,107	\$ (555,505)	\$ (81,505)	\$ (524,008)	\$ (1,085,911)
Other Financing Sources (Uses):					
General Obligation Bond Issuance.....	\$ 3,300	\$ 14,000	\$ -	\$ 658,510	\$ 675,810
Loan Proceeds.....	549	-	-	-	549
Refunding Bonds Sale.....	-	155,415	-	-	155,415
Payment to Refunded Bonds Escrow Agent.....	-	(155,415)	-	-	(155,415)
Bond Issue Premium.....	-	56,112	-	-	56,112
Transfers-In.....	1,875,585	520,376	3,743	47,866	2,447,570
Transfers-Out.....	(2,048,277)	-	-	(113,292)	(2,161,569)
Net Other Financing Sources (Uses).....	\$ (168,843)	\$ 590,488	\$ 3,743	\$ 593,084	\$ 1,018,472
Net Change in Fund Balances.....	\$ (93,736)	\$ 34,983	\$ (77,762)	\$ 69,076	\$ (67,439)
Fund Balances, Beginning, as Reported.....	\$ 2,792,307	\$ 707,086	\$ 707,985	\$ 27,187	\$ 4,234,565
Change in Inventory.....	1,347	-	-	-	1,347
Fund Balances, Ending.....	\$ 2,699,918	\$ 742,069	\$ 630,223	\$ 96,263	\$ 4,168,473



State of Minnesota

2009
Comprehensive
Annual
Financial Report

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 revenue from the Highway User Tax Distribution Fund primarily for distribution to municipalities for improvement of streets.

County State-Aid Highway Fund

The fund receives revenue from 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 Legislative Commission on Minnesota Resources.

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.

Health Impact Fund

The fund receives revenues from a health impact fee which is imposed on, and collected from, cigarette and tobacco products distributors.

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.

Workforce Development Fund

The fund receives special assessments levied on employers for employment and training programs.

Miscellaneous Special Revenue Fund

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

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

**JUNE 30, 2009
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents.....	\$ 377,868	\$ 14,572	\$ 15,686	\$ 131,598
Investments.....	-	-	-	-
Accounts Receivable.....	5,511	80,157	695	509
Interfund Receivables.....	55,046	17,888	-	7,726
Accrued Investment/Interest Income.....	-	-	-	-
Federal Aid Receivable.....	37,677	-	-	-
Inventories.....	25,202	-	-	-
Loans and Notes Receivable.....	-	-	2,124	-
Securities Lending Collateral.....	-	-	-	-
Total Assets.....	<u>\$ 501,304</u>	<u>\$ 112,617</u>	<u>\$ 18,505</u>	<u>\$ 139,833</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 117,692	\$ 2,415	\$ 2,155	\$ 15,358
Interfund Payables.....	-	105,772	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	4,697	4,355	-	2
Securities Lending Liabilities.....	-	-	-	-
Total Liabilities.....	<u>\$ 122,389</u>	<u>\$ 112,542</u>	<u>\$ 2,155</u>	<u>\$ 15,360</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 25,547	\$ 75	\$ 5,682	\$ 195
Reserved for Inventory.....	25,202	-	-	-
Reserved for Long-Term Receivables.....	-	-	2,124	-
Reserved for Long-Term Commitments.....	277,876	-	-	-
Reserved for Trust Principal.....	-	-	-	-
Total Reserved Fund Balances.....	<u>\$ 328,625</u>	<u>\$ 75</u>	<u>\$ 7,806</u>	<u>\$ 195</u>
Unreserved Fund Balances:				
Designated for Appropriation Carryover.....	\$ 50,290	\$ -	\$ 2,667	\$ -
Designated for Fund Purposes.....	-	-	5,877	124,278
Undesignated.....	-	-	-	-
Total Unreserved Fund Balances.....	<u>\$ 50,290</u>	<u>\$ -</u>	<u>\$ 8,544</u>	<u>\$ 124,278</u>
Total Fund Balances.....	<u>\$ 378,915</u>	<u>\$ 75</u>	<u>\$ 16,350</u>	<u>\$ 124,473</u>
Total Liabilities and Fund Balances.....	<u>\$ 501,304</u>	<u>\$ 112,617</u>	<u>\$ 18,505</u>	<u>\$ 139,833</u>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL
\$ 352,089	\$ 29,227	\$ -	\$ 34,250	\$ 38,144	\$ 133,965	\$ 32,479
-	-	-	-	4,270	300,543	-
764	-	-	634	264	1	12,278
29,414	6,303	-	16,318	854	2,209	7,674
-	-	-	-	14	855	-
-	-	-	-	2,131	-	-
-	-	-	-	-	-	-
-	6	-	-	-	-	1,136
-	-	-	-	448	33,905	-
<u>\$ 382,267</u>	<u>\$ 35,536</u>	<u>\$ -</u>	<u>\$ 51,202</u>	<u>\$ 46,125</u>	<u>\$ 471,478</u>	<u>\$ 53,567</u>
\$ 61,436	\$ 5,529	\$ -	\$ 4,624	\$ 7,311	\$ 1,449	\$ 2,824
-	2,201	-	1,358	384	-	25,009
-	-	-	806	5	-	30
-	-	-	159	80	-	6,464
-	-	-	-	448	33,905	-
<u>\$ 61,436</u>	<u>\$ 7,730</u>	<u>\$ -</u>	<u>\$ 6,947</u>	<u>\$ 8,228</u>	<u>\$ 35,354</u>	<u>\$ 34,327</u>
\$ 1,104	\$ 9,370	\$ -	\$ 5,778	\$ 9,194	\$ 8,093	\$ 2,892
-	-	-	-	-	-	-
-	6	-	-	-	-	1,136
-	-	-	-	-	-	-
-	-	-	-	-	384,417	-
<u>\$ 1,104</u>	<u>\$ 9,376</u>	<u>\$ -</u>	<u>\$ 5,778</u>	<u>\$ 9,194</u>	<u>\$ 392,510</u>	<u>\$ 4,028</u>
\$ -	\$ 2,313	\$ -	\$ 7,987	\$ 3,969	\$ 9,917	\$ 2,882
319,727	16,117	-	30,490	24,734	33,697	12,330
-	-	-	-	-	-	-
<u>\$ 319,727</u>	<u>\$ 18,430</u>	<u>\$ -</u>	<u>\$ 38,477</u>	<u>\$ 28,703</u>	<u>\$ 43,614</u>	<u>\$ 15,212</u>
<u>\$ 320,831</u>	<u>\$ 27,806</u>	<u>\$ -</u>	<u>\$ 44,255</u>	<u>\$ 37,897</u>	<u>\$ 436,124</u>	<u>\$ 19,240</u>
<u>\$ 382,267</u>	<u>\$ 35,536</u>	<u>\$ -</u>	<u>\$ 51,202</u>	<u>\$ 46,125</u>	<u>\$ 471,478</u>	<u>\$ 53,567</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 COMBINING BALANCE SHEET
 JUNE 30, 2009
 (IN THOUSANDS)**

ASSETS	REMEDICATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Cash and Cash Equivalents.....	\$ 14,298	\$ 51,007	\$ 71,225	\$ 17,412	\$ 3,578
Investments.....	28,042	-	52,069	854	-
Accounts Receivable.....	142	9,229	1,607	69	-
Interfund Receivables.....	27,210	-	-	-	-
Accrued Investment/Interest Income.....	-	-	324	3	3,051
Federal Aid Receivable.....	-	-	-	-	-
Inventories.....	-	-	-	-	-
Loans and Notes Receivable.....	-	15,499	35,943	-	107,450
Securities Lending Collateral.....	4,016	-	3,970	61	-
Total Assets.....	<u>\$ 73,708</u>	<u>\$ 75,735</u>	<u>\$ 165,138</u>	<u>\$ 18,399</u>	<u>\$ 114,079</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 11,081	\$ 1,286	\$ 816	\$ 1,129	\$ -
Interfund Payables.....	-	-	-	5	-
Due to Component Units.....	-	-	-	-	-
Deferred Revenue.....	22	113	-	-	41,428
Securities Lending Liabilities.....	4,016	-	3,970	61	-
Total Liabilities.....	<u>\$ 15,119</u>	<u>\$ 1,399</u>	<u>\$ 4,786</u>	<u>\$ 1,195</u>	<u>\$ 41,428</u>
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances.....	\$ 3,760	\$ 29,402	\$ 8,277	\$ 2,840	\$ -
Reserved for Inventory.....	-	-	-	-	-
Reserved for Long-Term Receivables.....	-	15,499	35,943	-	72,651
Reserved for Long-Term Commitments.....	39,463	-	-	-	-
Reserved for Trust Principal.....	-	-	-	-	-
Total Reserved Fund Balances.....	<u>\$ 43,223</u>	<u>\$ 44,901</u>	<u>\$ 44,220</u>	<u>\$ 2,840</u>	<u>\$ 72,651</u>
Unreserved Fund Balances:					
Designated for Appropriation Carryover.....	\$ 11,576	\$ 29,435	\$ 103,569	\$ -	\$ -
Designated for Fund Purposes.....	3,790	-	12,563	14,364	-
Undesignated.....	-	-	-	-	-
Total Unreserved Fund Balances.....	<u>\$ 15,366</u>	<u>\$ 29,435</u>	<u>\$ 116,132</u>	<u>\$ 14,364</u>	<u>\$ -</u>
Total Fund Balances.....	<u>\$ 58,589</u>	<u>\$ 74,336</u>	<u>\$ 160,352</u>	<u>\$ 17,204</u>	<u>\$ 72,651</u>
Total Liabilities and Fund Balances.....	<u>\$ 73,708</u>	<u>\$ 75,735</u>	<u>\$ 165,138</u>	<u>\$ 18,399</u>	<u>\$ 114,079</u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 31,020	\$ 306,806	\$ -	\$ 18,968	\$ 21,180	\$ 428,469	\$ 2,123,841
-	-	-	-	-	-	385,778
111,045	89,987	40,085	-	12,999	25,909	391,885
-	365	-	8,407	19	43,695	223,128
-	-	-	-	-	-	4,247
-	-	-	-	-	-	39,808
-	-	-	-	-	-	25,202
-	-	-	-	-	102,451	264,609
-	-	-	-	-	-	42,400
<u>\$ 142,065</u>	<u>\$ 397,158</u>	<u>\$ 40,085</u>	<u>\$ 27,375</u>	<u>\$ 34,198</u>	<u>\$ 600,524</u>	<u>\$ 3,500,898</u>
\$ 6,518	\$ 53,377	\$ -	\$ 321	\$ 948	\$ 77,604	\$ 373,873
-	7,272	40,085	2,998	-	12,129	197,213
-	303	-	47	-	693	1,884
111,509	4,388	-	-	1,192	11,201	185,610
-	-	-	-	-	-	42,400
<u>\$ 118,027</u>	<u>\$ 65,340</u>	<u>\$ 40,085</u>	<u>\$ 3,366</u>	<u>\$ 2,140</u>	<u>\$ 101,627</u>	<u>\$ 800,980</u>
\$ 429	\$ 5,241	\$ -	\$ 520	\$ 19,555	\$ 45,562	\$ 183,516
-	-	-	-	-	-	25,202
-	-	-	-	-	102,451	229,810
-	-	-	-	-	-	317,339
-	-	-	-	-	-	384,417
<u>\$ 429</u>	<u>\$ 5,241</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ 19,555</u>	<u>\$ 148,013</u>	<u>\$ 1,140,284</u>
\$ 3,099	\$ 5,182	\$ -	\$ -	\$ 566	\$ -	\$ 233,452
20,510	-	-	-	11,937	350,884	981,298
-	321,395	-	23,489	-	-	344,884
<u>\$ 23,609</u>	<u>\$ 326,577</u>	<u>\$ -</u>	<u>\$ 23,489</u>	<u>\$ 12,503</u>	<u>\$ 350,884</u>	<u>\$ 1,559,634</u>
<u>\$ 24,038</u>	<u>\$ 331,818</u>	<u>\$ -</u>	<u>\$ 24,009</u>	<u>\$ 32,058</u>	<u>\$ 498,897</u>	<u>\$ 2,699,918</u>
<u>\$ 142,065</u>	<u>\$ 397,158</u>	<u>\$ 40,085</u>	<u>\$ 27,375</u>	<u>\$ 34,198</u>	<u>\$ 600,524</u>	<u>\$ 3,500,898</u>

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2009 (IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ 696,691	\$ 14,177	\$ -
Fuel Taxes.....	-	753,147	3,234	-
Other Taxes.....	-	-	-	-
Federal Revenues.....	505,093	-	-	183
Licenses and Fees.....	8,879	-	699	-
Departmental Services.....	2,192	-	-	-
Investment/Interest Income.....	8,065	1,087	384	3,015
Penalties and Fines.....	2	375	-	-
Securities Lending Income.....	-	-	-	-
Other Revenues.....	52,935	351	40	-
Net Revenues.....	<u>\$ 577,166</u>	<u>\$ 1,451,651</u>	<u>\$ 18,534</u>	<u>\$ 3,198</u>
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 85,758	\$ 8,252	\$ -	\$ -
Transportation.....	828,482	194	22,305	100,321
Agricultural, Environmental and Energy Resources....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	72	2,233	16	-
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	-	-	-	-
Total Current Expenditures.....	<u>\$ 914,312</u>	<u>\$ 10,679</u>	<u>\$ 22,321</u>	<u>\$ 100,321</u>
Capital Outlay.....	460,594	-	-	-
Debt Service.....	4,255	-	-	-
Total Expenditures.....	<u>\$ 1,379,161</u>	<u>\$ 10,679</u>	<u>\$ 22,321</u>	<u>\$ 100,321</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (801,995)</u>	<u>\$ 1,440,972</u>	<u>\$ (3,787)</u>	<u>\$ (97,123)</u>
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -
Loan Proceeds.....	-	-	-	-
Transfers-In.....	855,932	-	-	124,354
Transfers-Out.....	(59,543)	(1,440,965)	-	-
Net Other Financing Sources (Uses).....	<u>\$ 796,389</u>	<u>\$ (1,440,965)</u>	<u>\$ -</u>	<u>\$ 124,354</u>
Net Change in Fund Balances.....	<u>\$ (5,606)</u>	<u>\$ 7</u>	<u>\$ (3,787)</u>	<u>\$ 27,231</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 383,174</u>	<u>\$ 68</u>	<u>\$ 20,137</u>	<u>\$ 97,242</u>
Change in Inventory.....	1,347	-	-	-
Fund Balances, Ending.....	<u>\$ 378,915</u>	<u>\$ 75</u>	<u>\$ 16,350</u>	<u>\$ 124,473</u>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRONMENTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	48,188
177	-	-	402	25,263	-	-
-	22,890	-	19,612	56,707	-	31,173
-	-	-	20,190	921	-	-
8,286	698	8	560	(241)	(70,811)	681
-	14	-	75	389	-	651
-	-	-	-	8	562	-
-	38	18	1,547	388	12	4
<u>\$ 8,463</u>	<u>\$ 23,640</u>	<u>\$ 26</u>	<u>\$ 42,386</u>	<u>\$ 83,435</u>	<u>\$ (70,237)</u>	<u>\$ 80,697</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69
433,136	-	-	4,713	-	847	-
-	11,549	-	73,319	92,008	12,651	68,076
-	6,616	-	-	-	-	-
-	-	-	138	-	257	-
-	-	-	-	-	3,284	-
-	-	-	-	-	-	-
-	-	-	-	-	853	280
-	-	-	-	-	-	-
-	-	-	-	3	243	-
<u>\$ 433,136</u>	<u>\$ 18,165</u>	<u>\$ -</u>	<u>\$ 78,170</u>	<u>\$ 92,011</u>	<u>\$ 18,135</u>	<u>\$ 68,425</u>
-	-	-	2,041	1,574	3,432	-
-	-	-	-	-	-	-
<u>\$ 433,136</u>	<u>\$ 18,165</u>	<u>\$ -</u>	<u>\$ 80,211</u>	<u>\$ 93,585</u>	<u>\$ 21,567</u>	<u>\$ 68,425</u>
<u>\$ (424,673)</u>	<u>\$ 5,475</u>	<u>\$ 26</u>	<u>\$ (37,825)</u>	<u>\$ (10,150)</u>	<u>\$ (91,804)</u>	<u>\$ 12,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
462,681	1,511	-	31,557	12,214	30,811	-
(18,150)	(8,762)	(140)	(3,753)	(928)	-	(25,009)
<u>\$ 444,531</u>	<u>\$ (7,251)</u>	<u>\$ (140)</u>	<u>\$ 27,804</u>	<u>\$ 11,286</u>	<u>\$ 30,811</u>	<u>\$ (25,009)</u>
<u>\$ 19,858</u>	<u>\$ (1,776)</u>	<u>\$ (114)</u>	<u>\$ (10,021)</u>	<u>\$ 1,136</u>	<u>\$ (60,993)</u>	<u>\$ (12,737)</u>
<u>\$ 300,973</u>	<u>\$ 29,582</u>	<u>\$ 114</u>	<u>\$ 54,276</u>	<u>\$ 36,761</u>	<u>\$ 497,117</u>	<u>\$ 31,977</u>
-	-	-	-	-	-	-
<u>\$ 320,831</u>	<u>\$ 27,806</u>	<u>\$ -</u>	<u>\$ 44,255</u>	<u>\$ 37,897</u>	<u>\$ 436,124</u>	<u>\$ 19,240</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2009
 (IN THOUSANDS)**

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Net Revenues:					
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-	-
Other Taxes.....	682	27,881	5,837	-	-
Federal Revenues.....	-	-	-	-	-
Licenses and Fees.....	582	-	-	-	-
Departmental Services.....	100	24	140	-	-
Investment/Interest Income.....	(12,859)	1,351	(1,913)	138	2,776
Penalties and Fines.....	342	-	-	-	-
Securities Lending Income.....	61	-	76	1	-
Other Revenues.....	13,868	70	1,122	13,064	-
Net Revenues.....	<u>\$ 2,776</u>	<u>\$ 29,326</u>	<u>\$ 5,262</u>	<u>\$ 13,203</u>	<u>\$ 2,776</u>
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ 158	\$ -
Transportation.....	-	-	-	-	-
Agricultural, Environmental and Energy Resources.....	41,528	-	-	4,728	-
Economic and Workforce Development.....	61	18,634	1,889	620	-
General Education.....	-	-	-	1,758	9,148
Higher Education.....	-	-	-	-	-
Health and Human Services.....	280	-	-	580	-
General Government.....	135	-	-	787	-
Intergovernment Aid.....	-	-	-	-	-
Securities Lending Rebates and Fees.....	24	-	37	1	-
Total Current Expenditures.....	<u>\$ 42,028</u>	<u>\$ 18,634</u>	<u>\$ 1,926</u>	<u>\$ 8,632</u>	<u>\$ 9,148</u>
Capital Outlay.....	-	66	-	4,604	-
Debt Service.....	-	698	698	-	-
Total Expenditures.....	<u>\$ 42,028</u>	<u>\$ 19,398</u>	<u>\$ 2,624</u>	<u>\$ 13,236</u>	<u>\$ 9,148</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (39,252)</u>	<u>\$ 9,928</u>	<u>\$ 2,638</u>	<u>\$ (33)</u>	<u>\$ (6,372)</u>
Other Financing Sources (Uses):					
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -	\$ 3,300
Loan Proceeds.....	-	-	-	-	-
Transfers-In.....	33,775	14,648	1,960	-	-
Transfers-Out.....	(1,511)	(4,821)	(10,189)	(5)	(1,828)
Net Other Financing Sources (Uses).....	<u>\$ 32,264</u>	<u>\$ 9,827</u>	<u>\$ (8,229)</u>	<u>\$ (5)</u>	<u>\$ 1,472</u>
Net Change in Fund Balances.....	<u>\$ (6,988)</u>	<u>\$ 19,755</u>	<u>\$ (5,591)</u>	<u>\$ (38)</u>	<u>\$ (4,900)</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 65,577</u>	<u>\$ 54,581</u>	<u>\$ 165,943</u>	<u>\$ 17,242</u>	<u>\$ 77,551</u>
Change in Inventory.....	-	-	-	-	-
Fund Balances, Ending.....	<u>\$ 58,589</u>	<u>\$ 74,336</u>	<u>\$ 160,352</u>	<u>\$ 17,204</u>	<u>\$ 72,651</u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 710,868
-	-	-	-	-	-	756,381
92,057	520,210	-	-	42,359	31,235	768,449
-	-	-	-	-	12,304	543,422
699	-	214,888	-	-	171,168	527,297
272	19,405	-	-	-	135,787	179,031
1,417	6,551	-	-	756	17,980	(32,071)
4,294	-	-	-	-	9,916	16,058
-	-	-	-	-	-	708
1,617	7,251	-	13	4	199,346	291,688
<u>\$ 100,356</u>	<u>\$ 553,417</u>	<u>\$ 214,888</u>	<u>\$ 13</u>	<u>\$ 43,119</u>	<u>\$ 577,736</u>	<u>\$ 3,761,831</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,353	\$ 181,590
-	-	-	-	-	17,451	1,407,449
739	-	-	-	-	62,091	366,689
97,611	-	-	-	52,595	96,842	274,868
-	-	-	-	-	21,366	32,667
-	-	-	-	-	22,250	25,534
-	413,431	-	58,681	-	393,435	866,407
7,440	1,862	-	-	-	24,456	38,134
-	-	-	-	-	222	222
-	-	-	-	-	-	308
<u>\$ 105,790</u>	<u>\$ 415,293</u>	<u>\$ -</u>	<u>\$ 58,681</u>	<u>\$ 52,595</u>	<u>\$ 725,466</u>	<u>\$ 3,193,868</u>
-	143	-	-	-	13,959	486,413
-	564	-	-	-	228	6,443
<u>\$ 105,790</u>	<u>\$ 416,000</u>	<u>\$ -</u>	<u>\$ 58,681</u>	<u>\$ 52,595</u>	<u>\$ 739,653</u>	<u>\$ 3,686,724</u>
<u>\$ (5,434)</u>	<u>\$ 137,417</u>	<u>\$ 214,888</u>	<u>\$ (58,668)</u>	<u>\$ (9,476)</u>	<u>\$ (161,917)</u>	<u>\$ 75,107</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,300
-	-	-	-	-	549	549
-	365	-	84,157	1,450	220,170	1,875,585
-	(108,917)	(214,888)	(55,400)	(9,220)	(84,248)	(2,048,277)
<u>\$ -</u>	<u>\$ (108,552)</u>	<u>\$ (214,888)</u>	<u>\$ 28,757</u>	<u>\$ (7,770)</u>	<u>\$ 136,471</u>	<u>\$ (168,843)</u>
<u>\$ (5,434)</u>	<u>\$ 28,865</u>	<u>\$ -</u>	<u>\$ (29,911)</u>	<u>\$ (17,246)</u>	<u>\$ (25,446)</u>	<u>\$ (93,736)</u>
<u>\$ 29,472</u>	<u>\$ 302,953</u>	<u>\$ -</u>	<u>\$ 53,920</u>	<u>\$ 49,304</u>	<u>\$ 524,343</u>	<u>\$ 2,792,307</u>
-	-	-	-	-	-	1,347
<u>\$ 24,038</u>	<u>\$ 331,818</u>	<u>\$ -</u>	<u>\$ 24,009</u>	<u>\$ 32,058</u>	<u>\$ 498,897</u>	<u>\$ 2,699,918</u>

STATE OF MINNESOTA

**NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ 696,950	\$ 696,950
Fuel Taxes.....	-	-	742,601	742,601
Other Taxes.....	-	-	-	-
Federal Revenues.....	813,186	583,370	-	-
Departmental Services/Licenses & Fees.....	10,252	17,176	-	-
Investment/Interest Income.....	9,250	8,066	1,100	944
Penalties and Fines.....	-	-	-	-
Other Revenues.....	80,758	53,256	1,039	884
Net Revenues.....	\$ 913,446	\$ 661,868	\$ 1,441,690	\$ 1,441,379
Expenditures:				
Public Safety and Corrections.....	\$ 88,924	\$ 88,313	\$ 8,279	\$ 8,264
Transportation.....	1,471,485	1,421,799	194	194
Agricultural, Environmental and Energy Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	1,000	154	2,551	2,286
Intergovernment Aid.....	-	-	1	1
Total Expenditures.....	\$ 1,561,409	\$ 1,510,266	\$ 11,025	\$ 10,745
Excess of Revenues Over (Under)				
Expenditures.....	\$ (647,963)	\$ (848,398)	\$ 1,430,665	\$ 1,430,634
Other Financing Sources (Uses):				
Transfers-In.....	\$ 853,402	\$ 853,489	\$ -	\$ -
Transfers-Out.....	(59,543)	(59,543)	(1,435,024)	(1,435,024)
Net Other Financing Sources (Uses).....	\$ 793,859	\$ 793,946	\$ (1,435,024)	\$ (1,435,024)
Net Change in Fund Balances.....	\$ 145,896	\$ (54,452)	\$ (4,359)	\$ (4,390)
Fund Balances, Beginning, as Reported.....	\$ 143,518	\$ 143,518	\$ 4,612	\$ 4,612
Prior Period Adjustments.....	-	1,289	-	59
Fund Balances, Beginning, as Restated.....	\$ 143,518	\$ 144,807	\$ 4,612	\$ 4,671
Fund Balances, Ending.....	\$ 289,414	\$ 90,355	\$ 253	\$ 281
Less Appropriation Carryover.....	-	50,290	-	-
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	\$ 289,414	\$ 40,065	\$ 253	\$ 281

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,100	3,172	-	-	-	-
14,737	14,177	-	-	-	-
-	-	-	-	416	401
500	645	26,756	22,890	42,511	42,189
500	384	900	697	586	519
-	-	-	-	-	-
103	40	73	52	1,719	1,705
<u>\$ 18,940</u>	<u>\$ 18,418</u>	<u>\$ 27,729</u>	<u>\$ 23,639</u>	<u>\$ 45,232</u>	<u>\$ 44,814</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,264	15,057	-	-	5,550	4,870
-	-	11,316	9,665	94,837	80,144
-	-	4,715	4,715	-	-
-	-	-	-	138	138
-	-	-	-	-	-
295	16	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,559</u>	<u>\$ 15,073</u>	<u>\$ 16,031</u>	<u>\$ 14,380</u>	<u>\$ 100,525</u>	<u>\$ 85,152</u>
<u>\$ 2,381</u>	<u>\$ 3,345</u>	<u>\$ 11,698</u>	<u>\$ 9,259</u>	<u>\$ (55,293)</u>	<u>\$ (40,338)</u>
\$ -	\$ -	\$ 1,511	\$ 1,511	\$ 36,270	\$ 35,054
-	-	(8,763)	(8,763)	(3,880)	(3,880)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,252)</u>	<u>\$ (7,252)</u>	<u>\$ 32,390</u>	<u>\$ 31,174</u>
<u>\$ 2,381</u>	<u>\$ 3,345</u>	<u>\$ 4,446</u>	<u>\$ 2,007</u>	<u>\$ (22,903)</u>	<u>\$ (9,164)</u>
\$ 6,296	\$ 6,296	\$ 20,221	\$ 20,221	\$ 34,221	\$ 34,221
-	611	-	170	-	1,343
<u>\$ 6,296</u>	<u>\$ 6,907</u>	<u>\$ 20,221</u>	<u>\$ 20,391</u>	<u>\$ 34,221</u>	<u>\$ 35,564</u>
\$ 8,677	\$ 10,252	\$ 24,667	\$ 22,398	\$ 11,318	\$ 26,400
-	2,667	-	2,313	-	7,987
-	2,124	-	6	-	-
<u>\$ 8,677</u>	<u>\$ 5,461</u>	<u>\$ 24,667</u>	<u>\$ 20,079</u>	<u>\$ 11,318</u>	<u>\$ 18,413</u>

CONTINUED

STATE OF MINNESOTA

**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, 2009
 (IN THOUSANDS)**

	GAME AND FISH		ENVIRONMENTAL	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-
Other Taxes.....	11,370	11,400	49,777	48,551
Federal Revenues.....	25,243	25,262	-	-
Departmental Services/Licenses & Fees.....	56,277	58,455	33,315	32,206
Investment/Interest Income.....	954	790	807	647
Penalties and Fines.....	-	-	-	-
Other Revenues.....	303	391	930	685
Net Revenues.....	<u>\$ 94,147</u>	<u>\$ 96,298</u>	<u>\$ 84,829</u>	<u>\$ 82,089</u>
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 69	\$ 69
Transportation.....	-	-	-	-
Agricultural, Environmental and Energy Resources.....	103,950	99,881	67,188	67,147
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	-	-	617	335
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	<u>\$ 103,950</u>	<u>\$ 99,881</u>	<u>\$ 67,874</u>	<u>\$ 67,551</u>
Excess of Revenues Over (Under)				
Expenditures.....	<u>\$ (9,803)</u>	<u>\$ (3,583)</u>	<u>\$ 16,955</u>	<u>\$ 14,538</u>
Other Financing Sources (Uses):				
Transfers-In.....	\$ 886	\$ 886	\$ -	\$ -
Transfers-Out.....	(937)	(937)	(25,009)	(25,009)
Net Other Financing Sources (Uses).....	<u>\$ (51)</u>	<u>\$ (51)</u>	<u>\$ (25,009)</u>	<u>\$ (25,009)</u>
Net Change in Fund Balances.....	<u>\$ (9,854)</u>	<u>\$ (3,634)</u>	<u>\$ (8,054)</u>	<u>\$ (10,471)</u>
Fund Balances, Beginning, as Reported.....	\$ 31,355	\$ 31,355	\$ 21,212	\$ 21,212
Prior Period Adjustments.....	-	870	-	283
Fund Balances, Beginning, as Restated.....	<u>\$ 31,355</u>	<u>\$ 32,225</u>	<u>\$ 21,212</u>	<u>\$ 21,495</u>
Fund Balances, Ending.....	\$ 21,501	\$ 28,591	\$ 13,158	\$ 11,024
Less Appropriation Carryover.....	-	3,969	-	2,882
Less Long-term Receivables.....	-	-	-	1,136
Undesignated Fund Balances, Ending.....	<u>\$ 21,501</u>	<u>\$ 24,622</u>	<u>\$ 13,158</u>	<u>\$ 7,006</u>

REMEDIATION		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
712	682	92,845	91,658	519,900	513,985
-	-	-	-	-	-
742	683	846	3,964	16,963	15,510
576	299	2,927	1,346	5,718	6,552
-	-	4,199	2,139	-	-
7,521	14,210	1,050	1,821	7,372	10,050
<u>\$ 9,551</u>	<u>\$ 15,874</u>	<u>\$ 101,867</u>	<u>\$ 100,928</u>	<u>\$ 549,953</u>	<u>\$ 546,097</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
42,021	40,799	842	739	-	-
2,111	2,111	99,882	98,671	-	-
-	-	-	-	-	-
281	281	-	-	415,621	404,710
372	134	8,126	7,358	1,987	1,917
-	-	-	-	566	566
<u>\$ 44,785</u>	<u>\$ 43,325</u>	<u>\$ 108,850</u>	<u>\$ 106,768</u>	<u>\$ 418,174</u>	<u>\$ 407,193</u>
<u>\$ (35,234)</u>	<u>\$ (27,451)</u>	<u>\$ (6,983)</u>	<u>\$ (5,840)</u>	<u>\$ 131,779</u>	<u>\$ 138,904</u>
\$ 35,932	\$ 33,776	\$ -	\$ -	\$ 365	\$ 365
(3,518)	(3,518)	-	-	(108,852)	(108,852)
<u>\$ 32,414</u>	<u>\$ 30,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,487)</u>	<u>\$ (108,487)</u>
<u>\$ (2,820)</u>	<u>\$ 2,807</u>	<u>\$ (6,983)</u>	<u>\$ (5,840)</u>	<u>\$ 23,292</u>	<u>\$ 30,417</u>
\$ 8,044	\$ 8,044	\$ 32,342	\$ 32,342	\$ 261,211	\$ 261,211
-	4,246	-	7	-	268
<u>\$ 8,044</u>	<u>\$ 12,290</u>	<u>\$ 32,342</u>	<u>\$ 32,349</u>	<u>\$ 261,211</u>	<u>\$ 261,479</u>
\$ 5,224	\$ 15,097	\$ 25,359	\$ 26,509	\$ 284,503	\$ 291,896
-	11,576	-	3,099	-	5,182
-	-	-	-	-	-
<u>\$ 5,224</u>	<u>\$ 3,521</u>	<u>\$ 25,359</u>	<u>\$ 23,410</u>	<u>\$ 284,503</u>	<u>\$ 286,714</u>

CONTINUED

STATE OF MINNESOTA

**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, 2009
 (IN THOUSANDS)**

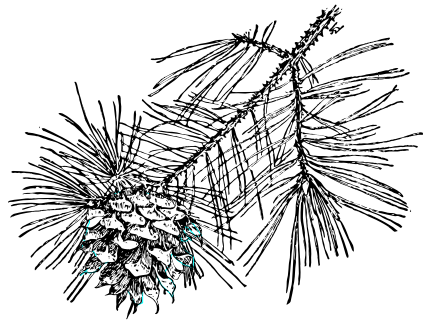
	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ 696,950	\$ 696,950
Fuel Taxes.....	-	-	745,701	745,773
Other Taxes.....	43,357	41,394	732,698	721,847
Federal Revenues.....	-	-	838,845	609,033
Departmental Services/Licenses & Fees.....	-	-	188,162	193,718
Investment/Interest Income.....	1,000	756	24,318	21,000
Penalties and Fines.....	-	-	4,199	2,139
Other Revenues.....	-	-	100,868	83,094
Net Revenues.....	\$ 44,357	\$ 42,150	\$ 3,331,741	\$ 3,073,554
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 97,272	\$ 96,646
Transportation.....	-	-	1,493,493	1,441,920
Agricultural and Environmental Resources.....	-	-	320,154	298,375
Economic and Workforce Development.....	55,447	55,219	162,155	160,716
General Education.....	-	-	138	138
Health and Human Services.....	-	-	415,902	404,991
General Government.....	-	-	14,948	12,200
Intergovernment Aid.....	-	-	567	567
Total Expenditures.....	\$ 55,447	\$ 55,219	\$ 2,504,629	\$ 2,415,553
Excess of Revenues Over (Under)				
Expenditures.....	\$ (11,090)	\$ (13,069)	\$ 827,112	\$ 658,001
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,450	\$ 1,450	\$ 929,816	\$ 926,531
Transfers-Out.....	(8,000)	(8,000)	(1,653,526)	(1,653,526)
Net Other Financing Sources (Uses).....	\$ (6,550)	\$ (6,550)	\$ (723,710)	\$ (726,995)
Net Change in Fund Balances.....	\$ (17,640)	\$ (19,619)	\$ 103,402	\$ (68,994)
Fund Balances, Beginning, as Reported.....	\$ 17,730	\$ 17,730	\$ 580,762	\$ 580,762
Prior Period Adjustments.....	-	2,566	-	11,712
Fund Balances, Beginning, as Restated.....	\$ 17,730	\$ 20,296	\$ 580,762	\$ 592,474
Fund Balances, Ending.....	\$ 90	\$ 677	\$ 684,164	\$ 523,480
Less Appropriation Carryover.....	-	566	-	90,531
Less Long-term Receivables.....	-	-	-	3,266
Undesignated Fund Balances, Ending.....	\$ 90	\$ 111	\$ 684,164	\$ 429,683

**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, 2009
(In Thousands)**

**Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds**

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental	Remediation	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	\$ 378,915	\$ 75	\$ 16,350	\$ 27,806	\$ 44,255	\$ 37,897	\$ 19,240	\$ 58,589	\$ 24,038	\$ 331,818	\$ 32,058
Less: Reserved Fund Balances	328,625	75	7,806	9,376	5,778	9,194	4,028	43,223	429	5,241	19,555
Less: Designated Fund Balances	50,290	-	8,544	18,430	38,477	28,703	15,212	15,366	23,609	5,182	12,503
Undesignated Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,395	\$ -
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	\$ -	\$ (75,763)	\$ (416)	\$ -	\$ -	\$ -	\$ (4,822)	\$ (9)	\$ (90,389)	\$ (84,493)	\$ (13,018)
Human Services Receivable	-	-	-	-	-	-	-	-	-	(3,481)	-
Deferred Revenue	4,697	4,355	-	-	159	-	6,464	22	111,509	4,388	1,192
Other Receivables	(6,445)	-	-	-	(6,049)	(867)	(6,966)	(22)	(19,133)	(3,915)	-
Investments at Market	-	-	-	-	-	755	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	52,820	-
Other Payables	-	-	-	3,962	2,918	-	-	-	913	-	-
Other Financial Sources (Uses):											
Transfers-In	(36,861)	-	-	-	(9,105)	-	-	-	-	-	-
Transfers-Out	-	71,689	-	-	-	-	-	(260)	-	-	-
Perspective Differences:											
Reserve for Long-Term	-	-	-	-	-	-	-	-	-	-	-
Commitments	78,674	-	-	-	-	-	-	-	-	-	-
Designated for Fund Purposes	-	-	5,877	16,117	30,490	24,734	12,330	3,790	20,510	-	11,937
Budgetary Basis Undesignated Fund Balances	\$ 40,065	\$ 281	\$ 5,461	\$ 20,079	\$ 18,413	\$ 24,622	\$ 7,006	\$ 3,521	\$ 23,410	\$ 286,714	\$ 111





State of Minnesota

2009
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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 transportation bond proceeds, General Fund appropriations, and federal grants for the construction or reconstruction of state and locally-owned bridges.

STATE OF MINNESOTA

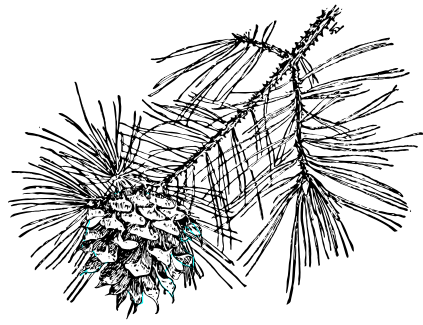
**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 103,431	\$ 10,514	\$ 66,581	\$ 180,526
Accounts Receivable.....	131	-	-	131
Loans and Notes Receivable.....	340	-	-	340
Deferred Costs.....	2,577	-	-	2,577
Total Assets	<u>\$ 106,479</u>	<u>\$ 10,514</u>	<u>\$ 66,581</u>	<u>\$ 183,574</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 57,727	\$ 1,053	\$ 13,638	\$ 72,418
Interfund Payables.....	8,211	-	1,822	10,033
Due to Component Units.....	4,729	-	-	4,729
Deferred Revenue.....	131	-	-	131
Total Liabilities.....	<u>\$ 70,798</u>	<u>\$ 1,053</u>	<u>\$ 15,460</u>	<u>\$ 87,311</u>
Fund Balances:				
Reserved Fund Balance:				
Reserved for Encumbrances.....	\$ 35,341	\$ 6,989	\$ 51,121	\$ 93,451
Reserved for Long-Term Receivables.....	340	-	-	340
Total Reserved Fund Balances.....	<u>\$ 35,681</u>	<u>\$ 6,989</u>	<u>\$ 51,121</u>	<u>\$ 93,791</u>
Unreserved Fund Balance:				
Undesignated.....	\$ -	\$ 2,472	\$ -	\$ 2,472
Total Fund Balances	<u>\$ 35,681</u>	<u>\$ 9,461</u>	<u>\$ 51,121</u>	<u>\$ 96,263</u>
Total Liabilities and Fund Balances	<u>\$ 106,479</u>	<u>\$ 10,514</u>	<u>\$ 66,581</u>	<u>\$ 183,574</u>

STATE OF MINNESOTA

**NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 377	\$ -	\$ -	\$ 377
Net Revenues.....	\$ 377	\$ -	\$ -	\$ 377
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 6,615	\$ -	\$ -	\$ 6,615
Transportation.....	56,089	46	60,189	116,324
Agricultural, Environmental and Energy Resources.....	55,582	4,154	-	59,736
Economic and Workforce Development.....	79,676	5,334	-	85,010
General Education.....	6,100	-	-	6,100
Higher Education.....	56,969	-	-	56,969
Health and Human Services.....	255	-	-	255
General Government.....	3,941	329	290	4,560
Total Current Expenditures.....	\$ 265,227	\$ 9,863	\$ 60,479	\$ 335,569
Capital Outlay.....	147,585	37	41,194	188,816
Total Expenditures.....	\$ 412,812	\$ 9,900	\$ 101,673	\$ 524,385
Excess of Revenues Over (Under) Expenditures.....	\$ (412,435)	\$ (9,900)	\$ (101,673)	\$ (524,008)
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ 484,010	\$ -	\$ 174,500	\$ 658,510
Transfers-In.....	41,875	5,991	-	47,866
Transfers-Out.....	(111,827)	-	(1,465)	(113,292)
Net Other Financing Sources (Uses).....	\$ 414,058	\$ 5,991	\$ 173,035	\$ 593,084
Net Change in Fund Balances.....	\$ 1,623	\$ (3,909)	\$ 71,362	\$ 69,076
Fund Balances, Beginning, as Reported.....	\$ 34,058	\$ 13,370	\$ (20,241)	\$ 27,187
Fund Balances, Ending.....	\$ 35,681	\$ 9,461	\$ 51,121	\$ 96,263





State of Minnesota

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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.

911 Services Fund

The fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Public Employees Insurance Fund

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

State Lottery Fund

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

State Operated Community Services Fund

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

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2009
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 1,438	\$ 8,797	\$ 5,102	\$ 15,692
Accounts Receivable.....	12,579	2,490	111	4,408
Interfund Receivables.....	-	-	-	-
Accrued Investment/Interest Income.....	-	-	17	-
Inventories.....	-	623	195	4,796
Deferred Costs.....	-	6	-	-
Other Assets.....	-	-	1,497	327
Total Current Assets.....	<u>\$ 14,017</u>	<u>\$ 11,916</u>	<u>\$ 6,922</u>	<u>\$ 25,223</u>
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 1,600	\$ -
Depreciable Capital Assets (Net).....	1,553	1,156	18,515	4,442
Nondepreciable Capital Assets	-	3	2,591	-
Total Noncurrent Assets.....	<u>\$ 1,553</u>	<u>\$ 1,159</u>	<u>\$ 22,706</u>	<u>\$ 4,442</u>
Total Assets.....	<u>\$ 15,570</u>	<u>\$ 13,075</u>	<u>\$ 29,628</u>	<u>\$ 29,665</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 6,545	\$ 6,454	\$ 722	\$ 1,372
Interfund Payables.....	2,355	-	-	-
Unearned Revenue.....	-	14	47	-
Accrued Bond Interest Payable.....	-	-	147	-
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	815	-
Capital Leases.....	-	-	42	-
Compensated Absences Payable.....	398	45	27	85
Other Liabilities.....	-	-	-	41
Total Current Liabilities.....	<u>\$ 9,298</u>	<u>\$ 6,513</u>	<u>\$ 1,800</u>	<u>\$ 1,498</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable.....	-	-	11,310	-
Capital Leases.....	-	-	21	-
Compensated Absences Payable.....	2,278	476	169	764
Other Liabilities.....	167	29	-	88
Total Noncurrent Liabilities.....	<u>\$ 2,445</u>	<u>\$ 505</u>	<u>\$ 11,500</u>	<u>\$ 852</u>
Total Liabilities.....	<u>\$ 11,743</u>	<u>\$ 7,018</u>	<u>\$ 13,300</u>	<u>\$ 2,350</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 1,553	\$ 1,146	\$ 10,270	\$ 4,442
Unrestricted	2,274	4,911	6,058	22,873
Total Net Assets.....	<u>\$ 3,827</u>	<u>\$ 6,057</u>	<u>\$ 16,328</u>	<u>\$ 27,315</u>

<u>911 SERVICES</u>	<u>PUBLIC EMPLOYEES INSURANCE</u>	<u>STATE LOTTERY</u>	<u>STATE OPERATED COMMUNITY SERVICES</u>	<u>TOTAL</u>
\$ 31,889	\$ 6,669	\$ 14,741	\$ 20,103	\$ 104,431
4,312	281	6,219	2,924	33,324
-	-	-	2,355	2,355
-	-	-	-	17
-	-	1,459	-	7,073
-	-	588	-	594
-	-	-	150	1,974
<u>\$ 36,201</u>	<u>\$ 6,950</u>	<u>\$ 23,007</u>	<u>\$ 25,532</u>	<u>\$ 149,768</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,600
-	-	1,812	3,578	31,056
-	-	-	786	3,380
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,812</u>	<u>\$ 4,364</u>	<u>\$ 36,036</u>
<u>\$ 36,201</u>	<u>\$ 6,950</u>	<u>\$ 24,819</u>	<u>\$ 29,896</u>	<u>\$ 185,804</u>
\$ 1,603	\$ 1,043	\$ 9,475	\$ 4,540	\$ 31,754
114	-	13,337	-	15,806
-	842	685	-	1,588
261	-	-	10	418
-	-	-	281	281
8,545	-	-	-	9,360
-	-	-	70	112
28	4	113	742	1,442
-	-	-	-	41
<u>\$ 10,551</u>	<u>\$ 1,889</u>	<u>\$ 23,610</u>	<u>\$ 5,643</u>	<u>\$ 60,802</u>
\$ -	\$ -	\$ -	\$ 2,353	\$ 2,353
62,468	-	-	-	73,778
-	-	-	477	498
277	30	1,180	5,535	10,709
-	1	29	473	787
<u>\$ 62,745</u>	<u>\$ 31</u>	<u>\$ 1,209</u>	<u>\$ 8,838</u>	<u>\$ 88,125</u>
<u>\$ 73,296</u>	<u>\$ 1,920</u>	<u>\$ 24,819</u>	<u>\$ 14,481</u>	<u>\$ 148,927</u>
\$ -	\$ -	\$ 1,812	\$ 1,183	\$ 20,406
(37,095)	5,030	(1,812)	14,232	16,471
<u>\$ (37,095)</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ 15,415</u>	<u>\$ 36,877</u>

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ -	\$ 2,403	\$ 3,763	\$ 36,331
Rental and Service Fees.....	30,207	11,128	138	-
Insurance Premiums.....	-	-	-	-
Other Income.....	2	-	190	1,155
Total Operating Revenues.....	\$ 30,209	\$ 13,531	\$ 4,091	\$ 37,486
Less: Cost of Goods Sold.....	-	1,007	-	17,132
Gross Margin.....	\$ 30,209	\$ 12,524	\$ 4,091	\$ 20,354
Operating Expenses:				
Purchased Services.....	\$ 4,198	\$ 1,784	\$ 2,612	\$ 3,381
Salaries and Fringe Benefits.....	28,217	4,642	2,658	9,419
Claims.....	-	-	-	-
Depreciation.....	173	137	1,091	763
Amortization.....	-	-	71	-
Supplies and Materials.....	557	166	254	846
Indirect Costs.....	3,266	256	-	907
Other Expenses.....	2,555	12	201	4,068
Total Operating Expenses.....	\$ 38,966	\$ 6,997	\$ 6,887	\$ 19,384
Operating Income (Loss).....	\$ (8,757)	\$ 5,527	\$ (2,796)	\$ 970
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 60	\$ -	\$ 117	\$ 404
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	-	-	(905)	-
Grants, Aids and Subsidies.....	-	-	-	-
Other Nonoperating Expenses.....	-	(5,847)	(3)	-
Gain (Loss) on Disposal of Capital Assets.....	-	2	-	(53)
Total Nonoperating Revenues (Expenses).....	\$ 60	\$ (5,845)	\$ (791)	\$ 351
Income (Loss) Before Transfers & Contributions.....	\$ (8,697)	\$ (318)	\$ (3,587)	\$ 1,321
Capital Contributions.....	-	252	-	-
Transfers-In.....	-	1,267	4,821	-
Transfers-Out.....	-	(311)	-	-
Change in Net Assets.....	\$ (8,697)	\$ 890	\$ 1,234	\$ 1,321
Net Assets, Beginning, as Reported.....	\$ 12,524	\$ 5,167	\$ 15,094	\$ 25,994
Net Assets, Ending.....	\$ 3,827	\$ 6,057	\$ 16,328	\$ 27,315

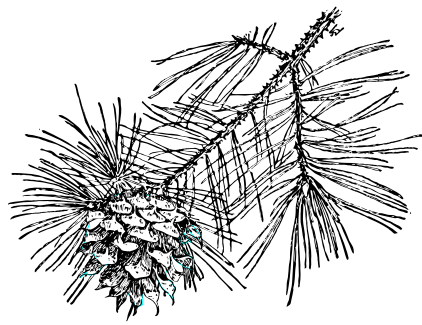
911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ -	\$ 482,738	\$ -	\$ 525,235
52,677	-	-	81,251	175,401
-	11,813	-	-	11,813
-	440	-	1,072	2,859
<u>\$ 52,677</u>	<u>\$ 12,253</u>	<u>\$ 482,738</u>	<u>\$ 82,323</u>	<u>\$ 715,308</u>
-	-	339,222	-	357,361
<u>\$ 52,677</u>	<u>\$ 12,253</u>	<u>\$ 143,516</u>	<u>\$ 82,323</u>	<u>\$ 357,947</u>
\$ 19,373	\$ 2,581	\$ 11,621	\$ 5,189	\$ 50,739
2,754	150	10,782	68,261	126,883
-	8,914	-	-	8,914
-	-	635	1,481	4,280
-	-	-	-	71
1,026	-	975	2,109	5,933
72	6	-	4,104	8,611
-	15	597	1,923	9,371
<u>\$ 23,225</u>	<u>\$ 11,666</u>	<u>\$ 24,610</u>	<u>\$ 83,067</u>	<u>\$ 214,802</u>
<u>\$ 29,452</u>	<u>\$ 587</u>	<u>\$ 118,906</u>	<u>\$ (744)</u>	<u>\$ 143,145</u>
\$ 642	\$ 157	\$ 675	\$ 520	\$ 2,575
-	-	22	-	22
(2,311)	-	-	(211)	(3,427)
(17,555)	-	-	-	(17,555)
-	-	-	-	(5,850)
-	-	-	6	(45)
<u>\$ (19,224)</u>	<u>\$ 157</u>	<u>\$ 697</u>	<u>\$ 315</u>	<u>\$ (24,280)</u>
\$ 10,228	\$ 744	\$ 119,603	\$ (429)	\$ 118,865
-	-	-	-	252
-	-	-	-	6,088
(42,558)	-	(119,603)	-	(162,472)
<u>\$ (32,330)</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ (429)</u>	<u>\$ (37,267)</u>
<u>\$ (4,765)</u>	<u>\$ 4,286</u>	<u>\$ -</u>	<u>\$ 15,844</u>	<u>\$ 74,144</u>
<u>\$ (37,095)</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ 15,415</u>	<u>\$ 36,877</u>

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 28,421	\$ 13,084	\$ 4,108	\$ 36,102
Receipts from Other Revenues.....	1	-	-	1,156
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(6,147)	(2,900)	(4,044)	(26,676)
Payments to Employees.....	(27,913)	(4,892)	(1,429)	(9,263)
Payments to Others.....	-	(146)	-	-
Net Cash Flows from Operating Activities.....	\$ (5,638)	\$ 5,146	\$ (1,365)	\$ 1,319
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements.....	\$ -	\$ -	\$ -	\$ -
Transfers-In.....	2,355	1,267	4,821	-
Transfers-Out.....	-	(311)	-	-
Proceeds from Bonds.....	-	-	-	-
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	-	-	-	-
Other Nonoperating Expenses.....	-	(4,995)	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 2,355	\$ (4,039)	\$ 4,821	\$ -
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ (579)	\$ (334)	\$ (1,673)	\$ (499)
Proceeds from Disposal of Capital Assets.....	-	6	-	49
Capital Lease Payments.....	-	-	-	-
Repayment of Bond Principal.....	-	-	(760)	-
Interest Paid.....	-	-	(917)	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (579)	\$ (328)	\$ (3,350)	\$ (450)
Cash Flows from Investing Activities:				
Investment Earnings.....	\$ 60	\$ -	\$ 105	\$ 404
Net Cash Flows from Investing Activities.....	\$ 60	\$ -	\$ 105	\$ 404
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (3,802)	\$ 779	\$ 211	\$ 1,273
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 5,240	\$ 8,018	\$ 6,491	\$ 14,419
Cash and Cash Equivalents, Ending.....	\$ 1,438	\$ 8,797	\$ 6,702	\$ 15,692
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ (8,757)	\$ 5,527	\$ (2,796)	\$ 970
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 173	\$ 137	\$ 1,091	\$ 763
Amortization.....	-	-	71	-
Change in Assets and Liabilities:				
Accounts Receivable.....	641	(322)	(1)	(229)
Inventories.....	-	(96)	19	490
Other Assets.....	-	15	13	(196)
Accounts Payable.....	2,011	(172)	216	(499)
Compensated Absences Payable.....	198	43	18	9
Unearned Revenues.....	-	(5)	4	(145)
Other Liabilities.....	96	19	-	156
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 3,119	\$ (381)	\$ 1,431	\$ 349
Net Cash Flows from Operating Activities.....	\$ (5,638)	\$ 5,146	\$ (1,365)	\$ 1,319
Noncash Investing, Capital and Financing Activities:				
Transferred/Donated Assets.....	\$ -	\$ 252	\$ -	\$ -
Bond Premium Amortization.....	-	-	-	-

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 53,227	\$ 12,590	\$ 480,993	\$ 80,191	\$ 708,716
-	-	82	1,072	2,311
-	(9,130)	(293,682)	-	(302,812)
(20,109)	(2,645)	(30,705)	(13,551)	(106,777)
(2,580)	(148)	(10,710)	(67,799)	(124,734)
(340)	(21)	(27,509)	-	(28,016)
<u>\$ 30,198</u>	<u>\$ 646</u>	<u>\$ 118,469</u>	<u>\$ (87)</u>	<u>\$ 148,688</u>
\$ (16,541)	\$ -	\$ -	\$ -	\$ (16,541)
-	-	65	-	8,508
(42,501)	-	(117,054)	(2,355)	(162,221)
42,381	-	-	-	42,381
(5,365)	-	-	-	(5,365)
(2,452)	-	-	-	(2,452)
-	-	-	-	(4,995)
<u>\$ (24,478)</u>	<u>\$ -</u>	<u>\$ (116,989)</u>	<u>\$ (2,355)</u>	<u>\$ (140,685)</u>
\$ -	\$ -	\$ (1,311)	\$ (514)	\$ (4,910)
-	-	22	6	83
-	-	-	(80)	(80)
-	-	-	(269)	(1,029)
-	-	-	(211)	(1,128)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,289)</u>	<u>\$ (1,068)</u>	<u>\$ (7,064)</u>
<u>\$ 642</u>	<u>\$ 157</u>	<u>\$ 674</u>	<u>\$ 520</u>	<u>\$ 2,562</u>
<u>\$ 642</u>	<u>\$ 157</u>	<u>\$ 674</u>	<u>\$ 520</u>	<u>\$ 2,562</u>
<u>\$ 6,362</u>	<u>\$ 803</u>	<u>\$ 865</u>	<u>\$ (2,990)</u>	<u>\$ 3,501</u>
<u>\$ 25,527</u>	<u>\$ 5,866</u>	<u>\$ 13,876</u>	<u>\$ 23,093</u>	<u>\$ 102,530</u>
<u>\$ 31,889</u>	<u>\$ 6,669</u>	<u>\$ 14,741</u>	<u>\$ 20,103</u>	<u>\$ 106,031</u>
\$ 29,452	\$ 587	\$ 118,906	\$ (744)	\$ 143,145
\$ -	\$ -	\$ 635	\$ 1,481	\$ 4,280
-	-	-	-	71
550	128	(505)	(1,059)	(797)
-	-	(372)	-	41
-	-	(159)	-	(327)
104	(397)	(264)	174	1,173
92	2	71	(223)	210
-	325	157	-	336
-	1	-	284	556
<u>\$ 746</u>	<u>\$ 59</u>	<u>\$ (437)</u>	<u>\$ 657</u>	<u>\$ 5,543</u>
<u>\$ 30,198</u>	<u>\$ 646</u>	<u>\$ 118,469</u>	<u>\$ (87)</u>	<u>\$ 148,688</u>
\$ -	\$ -	\$ -	\$ -	\$ 252
271	-	-	-	271





State of Minnesota

2009
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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.

Enterprise Technologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

STATE OF MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)**

ASSETS	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Current Assets:				
Cash and Cash Equivalents.....	\$ 2,970	\$ 990	\$ 1,237	\$ 259,498
Investments.....	-	-	-	21,329
Accounts Receivable.....	1,269	2,512	601	7,527
Accrued Investment/Interest Income.....	-	-	-	251
Inventories.....	1	10	449	-
Deferred Costs.....	2	168	-	-
Total Current Assets.....	<u>\$ 4,242</u>	<u>\$ 3,680</u>	<u>\$ 2,287</u>	<u>\$ 288,605</u>
Noncurrent Assets:				
Deferred Costs.....	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets (Net).....	17,125	98	1	1
Total Noncurrent Assets.....	<u>\$ 17,125</u>	<u>\$ 98</u>	<u>\$ 1</u>	<u>\$ 1</u>
Total Assets.....	<u>\$ 21,367</u>	<u>\$ 3,778</u>	<u>\$ 2,288</u>	<u>\$ 288,606</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 602	\$ 235	\$ 418	\$ 55,126
Interfund Payables.....	-	458	-	-
Unearned Revenue.....	-	-	-	4,542
Loans Payable.....	2,755	-	-	-
Compensated Absences Payable.....	10	36	6	34
Total Current Liabilities.....	<u>\$ 3,367</u>	<u>\$ 729</u>	<u>\$ 424</u>	<u>\$ 59,702</u>
Noncurrent Liabilities:				
Loans Payable.....	\$ 7,944	\$ -	\$ -	\$ -
Compensated Absences Payable.....	95	420	64	428
Advances from Other Funds.....	1,125	-	-	-
Other Liabilities.....	5	54	4	23
Total Noncurrent Liabilities.....	<u>\$ 9,169</u>	<u>\$ 474</u>	<u>\$ 68</u>	<u>\$ 451</u>
Total Liabilities.....	<u>\$ 12,536</u>	<u>\$ 1,203</u>	<u>\$ 492</u>	<u>\$ 60,153</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 6,385	\$ 98	\$ 1	\$ 1
Unrestricted	2,446	2,477	1,795	228,452
Total Net Assets.....	<u>\$ 8,831</u>	<u>\$ 2,575</u>	<u>\$ 1,796</u>	<u>\$ 228,453</u>

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 14,389	\$ 12,938	\$ 15,576	\$ 307,598
-	-	-	21,329
12,008	1,967	198	26,082
-	-	-	251
-	328	-	788
5,952	-	179	6,301
<u>\$ 32,349</u>	<u>\$ 15,233</u>	<u>\$ 15,953</u>	<u>\$ 362,349</u>
\$ 1,229	\$ -	\$ -	\$ 1,229
11,968	639	251	30,083
<u>\$ 13,197</u>	<u>\$ 639</u>	<u>\$ 251</u>	<u>\$ 31,312</u>
<u>\$ 45,546</u>	<u>\$ 15,872</u>	<u>\$ 16,204</u>	<u>\$ 393,661</u>
\$ 12,381	\$ 3,217	\$ 9,502	\$ 81,481
-	-	-	458
-	-	285	4,827
3,693	-	-	6,448
276	161	7	530
<u>\$ 16,350</u>	<u>\$ 3,378</u>	<u>\$ 9,794</u>	<u>\$ 93,744</u>
\$ 4,870	\$ -	\$ -	\$ 12,814
3,048	1,363	106	5,524
-	-	-	1,125
158	129	5	378
<u>\$ 8,076</u>	<u>\$ 1,492</u>	<u>\$ 111</u>	<u>\$ 19,841</u>
<u>\$ 24,426</u>	<u>\$ 4,870</u>	<u>\$ 9,905</u>	<u>\$ 113,585</u>
\$ 3,721	\$ 639	\$ 251	\$ 11,096
17,399	10,363	6,048	268,980
<u>\$ 21,120</u>	<u>\$ 11,002</u>	<u>\$ 6,299</u>	<u>\$ 280,076</u>

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2009 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales.....	\$ -	\$ 11,579	\$ 6,964	\$ -
Rental and Service Fees.....	13,071	2,173	-	-
Insurance Premiums.....	-	-	-	653,098
Other Income.....	59	-	-	7,128
Total Operating Revenues.....	<u>\$ 13,130</u>	<u>\$ 13,752</u>	<u>\$ 6,964</u>	<u>\$ 660,226</u>
Less: Cost of Goods Sold.....	-	-	5,481	-
Gross Margin.....	<u>\$ 13,130</u>	<u>\$ 13,752</u>	<u>\$ 1,483</u>	<u>\$ 660,226</u>
Operating Expenses:				
Purchased Services.....	\$ 1,362	\$ 9,673	\$ 554	\$ 91,878
Salaries and Fringe Benefits.....	865	3,506	426	3,641
Claims.....	-	-	-	533,762
Depreciation.....	5,219	21	3	2
Amortization.....	-	-	-	-
Supplies and Materials.....	3,863	108	6	9
Indirect Costs.....	422	150	247	348
Other Expenses.....	-	123	-	1,151
Total Operating Expenses.....	<u>\$ 11,731</u>	<u>\$ 13,581</u>	<u>\$ 1,236</u>	<u>\$ 630,791</u>
Operating Income (Loss).....	<u>\$ 1,399</u>	<u>\$ 171</u>	<u>\$ 247</u>	<u>\$ 29,435</u>
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 244	\$ -	\$ -	\$ 8,380
Interest and Financing Costs.....	(413)	-	-	-
Other Nonoperating Expenses.....	-	-	-	-
Gain (Loss) on Disposal of Capital Assets.....	46	-	-	-
Total Nonoperating Revenues (Expenses).....	<u>\$ (123)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,380</u>
Income (Loss) Before Transfers & Contributions.....	<u>\$ 1,276</u>	<u>\$ 171</u>	<u>\$ 247</u>	<u>\$ 37,815</u>
Transfers-In.....	-	-	-	681
Transfers-Out.....	-	-	-	-
Change in Net Assets.....	<u>\$ 1,276</u>	<u>\$ 171</u>	<u>\$ 247</u>	<u>\$ 38,496</u>
Net Assets, Beginning, as Reported.....	<u>\$ 7,555</u>	<u>\$ 2,404</u>	<u>\$ 1,549</u>	<u>\$ 189,957</u>
Net Assets, Ending.....	<u>\$ 8,831</u>	<u>\$ 2,575</u>	<u>\$ 1,796</u>	<u>\$ 228,453</u>

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ -	\$ -	\$ -	\$ 18,543
86,871	64,353	-	166,468
-	-	11,008	664,106
861	-	115	8,163
<u>\$ 87,732</u>	<u>\$ 64,353</u>	<u>\$ 11,123</u>	<u>\$ 857,280</u>
-	-	-	5,481
<u>\$ 87,732</u>	<u>\$ 64,353</u>	<u>\$ 11,123</u>	<u>\$ 851,799</u>
\$ 45,756	\$ 13,475	\$ 4,772	\$ 167,470
29,395	15,208	963	54,004
-	-	5,896	539,658
4,436	151	-	9,832
426	-	-	426
1,795	1,893	7	7,681
301	1,225	140	2,833
6,388	-	9	7,671
<u>\$ 88,497</u>	<u>\$ 31,952</u>	<u>\$ 11,787</u>	<u>\$ 789,575</u>
<u>\$ (765)</u>	<u>\$ 32,401</u>	<u>\$ (664)</u>	<u>\$ 62,224</u>
\$ 243	\$ -	\$ 440	\$ 9,307
(259)	-	-	(672)
-	-	(1,383)	(1,383)
268	2	-	316
<u>\$ 252</u>	<u>\$ 2</u>	<u>\$ (943)</u>	<u>\$ 7,568</u>
\$ (513)	\$ 32,403	\$ (1,607)	\$ 69,792
-	-	-	681
-	(30,769)	-	(30,769)
<u>\$ (513)</u>	<u>\$ 1,634</u>	<u>\$ (1,607)</u>	<u>\$ 39,704</u>
<u>\$ 21,633</u>	<u>\$ 9,368</u>	<u>\$ 7,906</u>	<u>\$ 240,372</u>
<u>\$ 21,120</u>	<u>\$ 11,002</u>	<u>\$ 6,299</u>	<u>\$ 280,076</u>

STATE OF MINNESOTA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 13,629	\$ 13,168	\$ 6,753	\$ 653,410
Receipts from Other Revenues.....	59	-	-	7,065
Payments to Claimants.....	-	-	-	(528,883)
Payments to Suppliers.....	(5,967)	(9,965)	(5,537)	(93,923)
Payments to Employees.....	(888)	(3,480)	(437)	(3,495)
Payments to Others.....	-	(17)	-	(1,406)
Net Cash Flows from Operating Activities.....	<u>\$ 6,833</u>	<u>\$ (294)</u>	<u>\$ 779</u>	<u>\$ 32,768</u>
Cash Flows from Noncapital Financing Activities:				
Transfers-Out.....	\$ -	\$ -	\$ -	\$ 681
Advances from Other Funds.....	1,500	399	-	-
Repayments of Advances from Other Funds.....	(2,125)	-	-	-
Other Nonoperating Expenses.....	-	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	<u>\$ (625)</u>	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 681</u>
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ (6,494)	\$ (59)	\$ -	\$ -
Proceeds from Disposal of Capital Assets.....	2,042	-	-	-
Proceeds from Loans.....	4,645	-	-	-
Repayment of Loan Principal.....	(5,759)	-	-	-
Interest Paid.....	(424)	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	<u>\$ (5,990)</u>	<u>\$ (59)</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ 15,037
Purchase of Investments.....	-	-	-	(15,328)
Investment Earnings.....	244	-	-	7,884
Net Cash Flows from Investing Activities.....	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,593</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ 462</u>	<u>\$ 46</u>	<u>\$ 779</u>	<u>\$ 41,042</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 2,508</u>	<u>\$ 944</u>	<u>\$ 458</u>	<u>\$ 218,456</u>
Cash and Cash Equivalents, Ending.....	<u>\$ 2,970</u>	<u>\$ 990</u>	<u>\$ 1,237</u>	<u>\$ 259,498</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ 1,399	\$ 171	\$ 247	\$ 29,435
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 5,219	\$ 21	\$ 3	\$ 2
Amortization.....	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable.....	558	(580)	(210)	(421)
Inventories.....	3	3	455	-
Other Assets.....	-	37	-	-
Accounts Payable.....	(344)	57	292	3,511
Compensated Absences Payable.....	(4)	27	(10)	93
Unearned Revenues.....	-	-	-	95
Other Liabilities.....	2	(30)	2	53
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 5,434</u>	<u>\$ (465)</u>	<u>\$ 532</u>	<u>\$ 3,333</u>
Net Cash Flows from Operating Activities.....	<u>\$ 6,833</u>	<u>\$ (294)</u>	<u>\$ 779</u>	<u>\$ 32,768</u>
Noncash Investing, Capital and Financing Activities:				
Capital Assets Acquired Through Leases/Loans.....	\$ 40	\$ -	\$ -	\$ -
Accrual of Computer Equipment as an Investment in Capital Assets.....	-	-	-	-
Trade-In Allowance for Investment in Capital Assets.....	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 84,238	\$ 66,373	\$ 11,195	\$ 848,766
842	1,121	-	9,087
-	-	(4,784)	(533,667)
(43,968)	(17,106)	(5,032)	(181,498)
(29,114)	(14,923)	(952)	(53,289)
-	-	-	(1,423)
<u>\$ 11,998</u>	<u>\$ 35,465</u>	<u>\$ 427</u>	<u>\$ 87,976</u>
\$ -	\$ (30,769)	\$ -	\$ (30,088)
-	-	-	1,899
-	-	-	(2,125)
(5,000)	-	(1,384)	(6,384)
<u>\$ (5,000)</u>	<u>\$ (30,769)</u>	<u>\$ (1,384)</u>	<u>\$ (36,698)</u>
\$ (6,058)	\$ (19)	\$ (251)	\$ (12,881)
82	6	-	2,130
3,934	-	-	8,579
(3,739)	-	-	(9,498)
(259)	-	-	(683)
<u>\$ (6,040)</u>	<u>\$ (13)</u>	<u>\$ (251)</u>	<u>\$ (12,353)</u>
\$ -	\$ -	\$ -	\$ 15,037
-	-	-	(15,328)
219	-	440	8,787
<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 8,496</u>
\$ 1,177	\$ 4,683	\$ (768)	\$ 47,421
\$ 13,212	\$ 8,255	\$ 16,344	\$ 260,177
<u>\$ 14,389</u>	<u>\$ 12,938</u>	<u>\$ 15,576</u>	<u>\$ 307,598</u>
\$ (765)	\$ 32,401	\$ (664)	\$ 62,224
\$ 4,436	\$ 151	\$ -	\$ 9,832
426	-	-	426
(2,472)	3,141	774	790
-	(26)	-	435
-	-	(104)	(67)
7,517	(408)	337	10,962
103	121	7	337
(62)	-	74	107
2,815	85	3	2,930
<u>\$ 12,763</u>	<u>\$ 3,064</u>	<u>\$ 1,091</u>	<u>\$ 25,752</u>
<u>\$ 11,998</u>	<u>\$ 35,465</u>	<u>\$ 427</u>	<u>\$ 87,976</u>
\$ -	\$ -	\$ -	\$ 40
1,324	-	-	1,324
369	-	-	369
<u>\$ 1,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,324</u>
<u>\$ 369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>



State of Minnesota

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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.

Hennepin County Supplemental Retirement Fund

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

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.

Pension Trust Funds – Cont'd.

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.

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.

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

Colleges and Universities 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.

STATE OF MINNESOTA

**PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2009
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalents.....	\$ 45	\$ -	\$ 33	\$ 6
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 18,328	\$ -	\$ 20,348	\$ 5,038
Investments:				
Debt Securities.....	\$ 102,692	\$ -	\$ 25,480	\$ 26,737
Equity Securities.....	340,870	-	56,429	84,389
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 443,562	\$ -	\$ 81,909	\$ 111,126
Accrued Interest and Dividends.....	\$ 1,457	\$ -	\$ 342	\$ 375
Securities Trades Receivables (Payables).....	(8,036)	-	(681)	(2,099)
Total Investment Pool Participation.....	\$ 455,311	\$ -	\$ 101,918	\$ 114,440
Receivables:				
Employer Contributions.....	\$ 1,163	\$ -	\$ 19	\$ 221
Member Contributions.....	806	-	19	79
Interfund Receivables.....	-	-	-	-
Other Receivables.....	2	214	7	3
Accrued Interest and Dividends.....	10	-	-	3
Total Receivables.....	\$ 1,981	\$ 214	\$ 45	\$ 306
Securities Lending Collateral.....	\$ 74,962	\$ -	\$ 13,882	\$ 18,964
Depreciable Capital Assets (Net).....	-	-	-	-
Nondepreciable Capital Assets.....	-	-	-	-
Total Assets.....	\$ 532,299	\$ 214	\$ 115,878	\$ 133,716
LIABILITIES				
Accounts Payable.....	\$ 156	\$ -	\$ -	\$ 29
Interfund Payables.....	398	1	3	33
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	-
Securities Lending Liabilities.....	74,962	-	13,882	18,964
Total Liabilities.....	\$ 75,516	\$ 1	\$ 13,885	\$ 19,026
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 456,783	\$ 213	\$ 101,993	\$ 114,690

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ 7,260	\$ -	\$ 328	\$ 80	\$ 1,168
\$ 1,144	\$ 115,957	\$ 113,006	\$ 263,262	\$ 19,589	\$ 17,565
\$ 5,423 15,118 -	\$ 80,900 46,099 -	\$ - 1,059,010 1,936,012	\$ 1,527,017 5,191,676 -	\$ 104,602 331,835 -	\$ 79,325 136,130 -
\$ 20,541	\$ 126,999	\$ 2,995,022	\$ 6,718,693	\$ 436,437	\$ 215,455
\$ 74 (430)	\$ 508 (1,099)	\$ 25 -	\$ 21,728 (118,763)	\$ 1,467 (8,210)	\$ 827 (1,257)
\$ 21,329	\$ 242,365	\$ 3,108,053	\$ 6,884,920	\$ 449,283	\$ 232,590
\$ - - - 7,360 -	\$ - 7,047 - - -	\$ - - - 442 -	\$ 6,188 6,200 3,580 233 150	\$ 533 358 - 13 10	\$ 253 184 - - -
\$ 7,360	\$ 7,047	\$ 442	\$ 16,351	\$ 914	\$ 437
\$ 3,597 - -	\$ 12,167 - -	\$ - - -	\$ 1,128,374 6,002 88	\$ 74,399 - -	\$ 32,757 - -
\$ 32,286	\$ 268,839	\$ 3,108,495	\$ 8,036,063	\$ 524,676	\$ 266,952
\$ - 26 - - - 3,597	\$ - 1,290 - - - 12,167	\$ 522 1,504 - - - -	\$ 3,700 - 6,155 716 1,128,374	\$ 116 101 - - 74,399	\$ - 224 - - - 32,757
\$ 3,623	\$ 13,457	\$ 2,026	\$ 1,138,945	\$ 74,616	\$ 32,981
\$ 28,663	\$ 255,382	\$ 3,106,469	\$ 6,897,118	\$ 450,060	\$ 233,971

CONTINUED

STATE OF MINNESOTA

**PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2009
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
ASSETS				
Cash and Cash Equivalents.....	\$ 10	\$ 655	\$ 170	\$ 1,686
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 2,353	\$ 152,402	\$ 5,024	\$ 403,146
Investments:				
Debt Securities.....	\$ 9,566	\$ 891,052	\$ 35,684	\$ 2,326,671
Equity Securities.....	15,623	2,968,660	128,356	7,568,022
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 25,189	\$ 3,859,712	\$ 164,040	\$ 9,894,693
Accrued Interest and Dividends.....	\$ 100	\$ 12,473	\$ 495	\$ 32,215
Securities Trades Receivables (Payables).....	(196)	(68,289)	(2,601)	(177,375)
Total Investment Pool Participation.....	\$ 27,446	\$ 3,956,298	\$ 166,958	\$ 10,152,679
Receivables:				
Employer Contributions.....	\$ -	\$ -	\$ -	\$ -
Member Contributions.....	-	-	-	-
Interfund Receivables.....	-	45,305	28	1,832
Other Receivables.....	75	3,262	414	12,392
Accrued Interest and Dividends.....	-	-	-	-
Total Receivables.....	\$ 75	\$ 48,567	\$ 442	\$ 14,224
Securities Lending Collateral.....	\$ 3,854	\$ 646,607	\$ 26,665	\$ 1,660,492
Depreciable Capital Assets (Net).....	-	-	-	9,530
Nondepreciable Capital Assets.....	-	-	-	170
Total Assets.....	\$ 31,385	\$ 4,652,127	\$ 194,235	\$ 11,838,781
LIABILITIES				
Accounts Payable.....	\$ 224	\$ 2,981	\$ 44	\$ 5,830
Interfund Payables.....	113	1,493	226	45,333
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	9,362
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	912
Securities Lending Liabilities.....	3,854	646,607	26,665	1,660,492
Total Liabilities.....	\$ 4,191	\$ 651,081	\$ 26,935	\$ 1,721,929
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 27,194	\$ 4,001,046	\$ 167,300	\$ 10,116,852

TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 9,888	\$ -	\$ 21,329
\$ 589,853	\$ -	\$ 1,727,015
\$ 3,231,311	\$ -	\$ 8,446,460
10,203,070	-	28,145,287
-	763,897	2,699,909
\$ 13,434,381	\$ 763,897	\$ 39,291,656
\$ 44,899	\$ -	\$ 116,985
(249,523)	-	(638,559)
\$ 13,819,610	\$ 763,897	\$ 40,497,097
\$ 12,704	\$ -	\$ 21,081
-	-	14,693
-	-	50,745
-	-	24,417
335	-	508
\$ 13,039	\$ -	\$ 111,444
\$ 2,277,084	\$ -	\$ 5,973,804
9,464	-	24,996
171	-	429
\$ 16,129,256	\$ 763,897	\$ 46,629,099
\$ 8,166	\$ -	\$ 21,768
-	-	50,745
1	-	1
9,412	-	24,929
45	-	45
699	-	2,327
2,277,084	-	5,973,804
\$ 2,295,407	\$ -	\$ 6,073,619
\$ 13,833,849	\$ 763,897	\$ 40,555,480

STATE OF MINNESOTA

**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 20,127	\$ -	\$ 570	\$ 8,219
Member.....	14,032	-	570	2,977
Contributions From Other Sources.....	-	442	-	-
Total Contributions.....	<u>\$ 34,159</u>	<u>\$ 442</u>	<u>\$ 1,140</u>	<u>\$ 11,196</u>
Net Investment Income:				
Investment Income.....	\$ (107,871)	\$ -	\$ (21,080)	\$ (26,305)
Less: Investment Expense.....	(632)	-	-	(158)
Net Investment Income.....	<u>\$ (108,503)</u>	<u>\$ -</u>	<u>\$ (21,080)</u>	<u>\$ (26,463)</u>
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 1,298	\$ -	\$ 226	\$ 329
Borrower Rebates.....	(456)	-	(75)	(116)
Management Fees.....	(126)	-	(22)	(31)
Net Securities Lending Revenue.....	<u>\$ 716</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 182</u>
Total Investment Income.....	<u>\$ (107,787)</u>	<u>\$ -</u>	<u>\$ (20,951)</u>	<u>\$ (26,281)</u>
Transfers From Other Funds.....	\$ 39	\$ -	\$ -	\$ -
Other Additions.....	-	-	34	-
Total Additions.....	<u>\$ (73,589)</u>	<u>\$ 442</u>	<u>\$ (19,777)</u>	<u>\$ (15,085)</u>
Deductions:				
Benefits.....	\$ 33,239	\$ 440	\$ 4,260	\$ 16,261
Refunds/Withdrawals.....	1,016	-	322	-
Administrative Expenses.....	541	1	38	52
Transfers to Other Funds.....	10	-	-	1
Total Deductions.....	<u>\$ 34,806</u>	<u>\$ 441</u>	<u>\$ 4,620</u>	<u>\$ 16,314</u>
Net Increase (Decrease).....	<u>\$ (108,395)</u>	<u>\$ 1</u>	<u>\$ (24,397)</u>	<u>\$ (31,399)</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 565,178</u>	<u>\$ 212</u>	<u>\$ 126,390</u>	<u>\$ 146,089</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 456,783</u>	<u>\$ 213</u>	<u>\$ 101,993</u>	<u>\$ 114,690</u>

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ -	\$ -	\$ 107,211	\$ 9,178	\$ 6,514
248	82,920	217,415	108,866	6,216	4,660
1,269	-	-	-	-	-
<u>\$ 1,517</u>	<u>\$ 82,920</u>	<u>\$ 217,415</u>	<u>\$ 216,077</u>	<u>\$ 15,394</u>	<u>\$ 11,174</u>
\$ (5,024)	\$ (14,059)	\$ (547,304)	\$ (1,675,504)	\$ (110,138)	\$ (47,054)
(32)	(1)	-	(9,654)	(646)	-
<u>\$ (5,056)</u>	<u>\$ (14,060)</u>	<u>\$ (547,304)</u>	<u>\$ (1,685,158)</u>	<u>\$ (110,784)</u>	<u>\$ (47,054)</u>
\$ 63	\$ 208	\$ -	\$ 19,518	\$ 1,291	\$ 534
(22)	(69)	-	(6,843)	(455)	(172)
(6)	(21)	-	(1,902)	(125)	(54)
<u>\$ 35</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 10,773</u>	<u>\$ 711</u>	<u>\$ 308</u>
\$ (5,021)	\$ (13,942)	\$ (547,304)	\$ (1,674,385)	\$ (110,073)	\$ (46,746)
\$ -	\$ -	\$ -	\$ 14,853	\$ -	\$ 391
-	1,438	3,788	393	13	35
<u>\$ (3,504)</u>	<u>\$ 70,416</u>	<u>\$ (326,101)</u>	<u>\$ (1,443,062)</u>	<u>\$ (94,666)</u>	<u>\$ (35,146)</u>
\$ 7,016	\$ 31,088	\$ 35,222	\$ 445,792	\$ 44,480	\$ -
-	-	106,009	10,908	-	5,008
26	1,523	6,413	5,831	174	237
-	-	-	429	-	14,843
<u>\$ 7,042</u>	<u>\$ 32,611</u>	<u>\$ 147,644</u>	<u>\$ 462,960</u>	<u>\$ 44,654</u>	<u>\$ 20,088</u>
<u>\$ (10,546)</u>	<u>\$ 37,805</u>	<u>\$ (473,745)</u>	<u>\$ (1,906,022)</u>	<u>\$ (139,320)</u>	<u>\$ (55,234)</u>
<u>\$ 39,209</u>	<u>\$ 217,577</u>	<u>\$ 3,580,214</u>	<u>\$ 8,803,140</u>	<u>\$ 589,380</u>	<u>\$ 289,205</u>
<u>\$ 28,663</u>	<u>\$ 255,382</u>	<u>\$ 3,106,469</u>	<u>\$ 6,897,118</u>	<u>\$ 450,060</u>	<u>\$ 233,971</u>

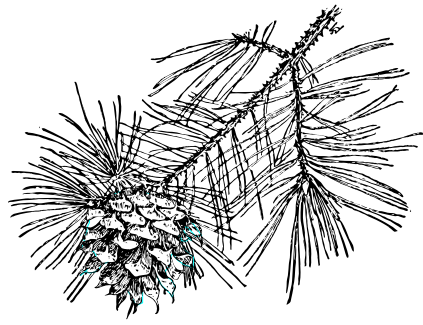
CONTINUED

STATE OF MINNESOTA

**PENSION TRUST FUNDS (CONTINUED)
 COMBINING STATEMENT OF CHANGES
 IN NET ASSETS
 YEAR ENDED JUNE 30, 2009
 (IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 1,583	\$ 101,548	\$ 14,123	\$ 328,603
Member.....	1,462	67,701	9,409	298,381
Contributions From Other Sources.....	-	-	-	-
Total Contributions.....	<u>\$ 3,045</u>	<u>\$ 169,249</u>	<u>\$ 23,532</u>	<u>\$ 626,984</u>
Net Investment Income:				
Investment Income.....	\$ (5,182)	\$ (967,985)	\$ (36,243)	\$ (2,383,360)
Less: Investment Expense.....	-	(5,634)	(212)	(14,140)
Net Investment Income.....	<u>\$ (5,182)</u>	<u>\$ (973,619)</u>	<u>\$ (36,455)</u>	<u>\$ (2,397,500)</u>
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 63	\$ 11,187	\$ 459	\$ 28,751
Borrower Rebates.....	(21)	(3,923)	(160)	(10,094)
Management Fees.....	(6)	(1,090)	(45)	(2,799)
Net Securities Lending Revenue.....	<u>\$ 36</u>	<u>\$ 6,174</u>	<u>\$ 254</u>	<u>\$ 15,858</u>
Total Investment Income.....	<u>\$ (5,146)</u>	<u>\$ (967,445)</u>	<u>\$ (36,201)</u>	<u>\$ (2,381,642)</u>
Transfers From Other Funds.....	\$ -	\$ -	\$ -	\$ -
Other Additions.....	-	701	35	3,725
Total Additions.....	<u>\$ (2,101)</u>	<u>\$ (797,495)</u>	<u>\$ (12,634)</u>	<u>\$ (1,750,933)</u>
Deductions:				
Benefits.....	\$ -	\$ 310,100	\$ 2,836	\$ 863,910
Refunds/Withdrawals.....	1,398	1,237	810	26,887
Administrative Expenses.....	112	946	236	11,601
Transfers to Other Funds.....	-	-	-	-
Total Deductions.....	<u>\$ 1,510</u>	<u>\$ 312,283</u>	<u>\$ 3,882</u>	<u>\$ 902,398</u>
Net Increase (Decrease).....	<u>\$ (3,611)</u>	<u>\$ (1,109,778)</u>	<u>\$ (16,516)</u>	<u>\$ (2,653,331)</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 30,805</u>	<u>\$ 5,110,824</u>	<u>\$ 183,816</u>	<u>\$ 12,770,183</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 27,194</u>	<u>\$ 4,001,046</u>	<u>\$ 167,300</u>	<u>\$ 10,116,852</u>

TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 220,268	\$ 39,032	\$ 856,976
212,043	33,061	1,059,961
22,749	1,337	25,797
<u>\$ 455,060</u>	<u>\$ 73,430</u>	<u>\$ 1,942,734</u>
\$ (3,320,259)	\$ (130,382)	\$ (9,397,750)
(19,865)	-	(50,974)
<u>\$ (3,340,124)</u>	<u>\$ (130,382)</u>	<u>\$ (9,448,724)</u>
\$ 39,497	\$ -	\$ 103,424
(13,902)	-	(36,308)
(3,840)	-	(10,067)
<u>\$ 21,755</u>	<u>\$ -</u>	<u>\$ 57,049</u>
<u>\$ (3,318,369)</u>	<u>\$ (130,382)</u>	<u>\$ (9,391,675)</u>
\$ -	\$ -	\$ 15,283
4,225	-	14,387
<u>\$ (2,859,084)</u>	<u>\$ (56,952)</u>	<u>\$ (7,419,271)</u>
\$ 1,381,366	\$ 29,127	\$ 3,205,137
16,730	-	170,325
15,938	309	43,978
-	-	15,283
<u>\$ 1,414,034</u>	<u>\$ 29,436</u>	<u>\$ 3,434,723</u>
<u>\$ (4,273,118)</u>	<u>\$ (86,388)</u>	<u>\$ (10,853,994)</u>
<u>\$ 18,106,967</u>	<u>\$ 850,285</u>	<u>\$ 51,409,474</u>
<u>\$ 13,833,849</u>	<u>\$ 763,897</u>	<u>\$ 40,555,480</u>





State of Minnesota

Investment Trust Funds

Supplemental Retirement Fund

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

Investment Trust Fund

The fund provides an investment vehicle for external entities, such as the Minneapolis Employees Retirement Plan, that are authorized to use the state's investment management services.

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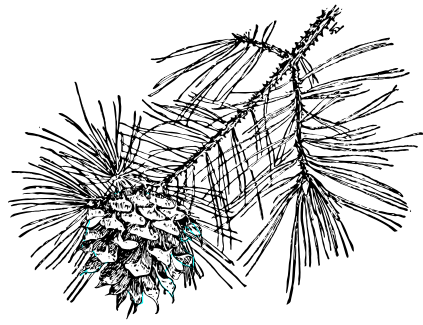
**INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 37,014	\$ 108,305	\$ 145,319
Investments:			
Debt Securities.....	\$ 71,039	\$ 315,523	\$ 386,562
Equity Securities.....	219,122	561,933	781,055
Total Investments.....	\$ 290,161	\$ 877,456	\$ 1,167,617
Accrued Interest and Dividends.....	\$ 1,077	\$ 4,023	\$ 5,100
Securities Trades Receivables (Payables).....	(4,616)	(21,176)	(25,792)
Total Investment Pool Participation.....	\$ 323,636	\$ 968,608	\$ 1,292,244
Securities Lending Collateral.....	\$ 55,502	\$ 161,487	\$ 216,989
Total Assets.....	\$ 379,138	\$ 1,130,095	\$ 1,509,233
LIABILITIES			
Accounts Payable.....	\$ 72	\$ -	\$ 72
Securities Lending Liabilities.....	55,502	161,487	216,989
Total Liabilities.....	\$ 55,574	\$ 161,487	\$ 217,061
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 323,564	\$ 968,608	\$ 1,292,172

STATE OF MINNESOTA

**INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 40,407	\$ 1,081,604	\$ 1,122,011
Total Contributions.....	<u>\$ 40,407</u>	<u>\$ 1,081,604</u>	<u>\$ 1,122,011</u>
Net Investment Income:			
Investment Income.....	\$ (84,463)	\$ 47,061	\$ (37,402)
Less: Investment Expense.....	(269)	(50)	(319)
Net Investment Income.....	<u>\$ (84,732)</u>	<u>\$ 47,011</u>	<u>\$ (37,721)</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 843	\$ 2,861	\$ 3,704
Borrower Rebates.....	(346)	(1,305)	(1,651)
Management Fees.....	-	(11)	(11)
Net Securities Lending Revenue.....	<u>\$ 497</u>	<u>\$ 1,545</u>	<u>\$ 2,042</u>
Total Investment Income.....	<u>\$ (84,235)</u>	<u>\$ 48,556</u>	<u>\$ (35,679)</u>
Total Additions.....	<u>\$ (43,828)</u>	<u>\$ 1,130,160</u>	<u>\$ 1,086,332</u>
Deductions:			
Refunds/Withdrawals.....	\$ 50,870	\$ 182,795	\$ 233,665
Total Deductions.....	<u>\$ 50,870</u>	<u>\$ 182,795</u>	<u>\$ 233,665</u>
Net Increase (Decrease).....	<u>\$ (94,698)</u>	<u>\$ 947,365</u>	<u>\$ 852,667</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 418,262</u>	<u>\$ 21,243</u>	<u>\$ 439,505</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 323,564</u>	<u>\$ 968,608</u>	<u>\$ 1,292,172</u>





State of Minnesota

Agency Fund

Agency Fund

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

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**AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents.....	\$ 124,842	\$ 1,274,588	\$ 1,268,415	\$ 131,015
Accounts Receivable.....	22,201	19,627	22,201	19,627
Total Assets.....	<u>\$ 147,043</u>	<u>\$ 1,294,215</u>	<u>\$ 1,290,616</u>	<u>\$ 150,642</u>
LIABILITIES				
Accounts Payable.....	\$ 147,043	\$ 1,294,215	\$ 1,290,616	\$ 150,642
Total Liabilities.....	<u>\$ 147,043</u>	<u>\$ 1,294,215</u>	<u>\$ 1,290,616</u>	<u>\$ 150,642</u>



State of Minnesota

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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

ClearWay Minnesota

ClearWay Minnesota 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.

Office of Higher Education

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

Public Facilities Authority

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

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

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

STATE OF MINNESOTA

**NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008 and JUNE 30, 2009
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 3,668	\$ 20	\$ 286	\$ 232,109
Investments.....	-	116,485	-	-
Accounts Receivable.....	-	17	768	6,832
Due from Primary Government.....	-	-	-	-
Accrued Investment/Interest Income.....	173	-	-	-
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	-	53	-
Deferred Costs.....	-	-	44	220
Loans and Notes Receivable.....	1,099	-	-	96,599
Other Assets.....	-	25	-	-
Total Current Assets.....	<u>\$ 4,940</u>	<u>\$ 116,547</u>	<u>\$ 1,151</u>	<u>\$ 335,760</u>
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ -	\$ 45,792
Investments-Restricted.....	22,420	-	-	-
Accounts Receivable-Restricted.....	-	-	2,673	-
Due from Primary government.....	-	-	-	-
Investments.....	-	-	-	-
Accounts Receivable.....	-	-	-	-
Loans and Notes Receivable.....	7,509	-	-	617,596
Depreciable Capital Assets (Net).....	-	51	2,061	29
Nondepreciable Capital Assets.....	-	-	517	-
Other Assets.....	-	-	-	3,987
Total Noncurrent Assets.....	<u>\$ 29,929</u>	<u>\$ 51</u>	<u>\$ 5,251</u>	<u>\$ 667,404</u>
Total Assets.....	<u>\$ 34,869</u>	<u>\$ 116,598</u>	<u>\$ 6,402</u>	<u>\$ 1,003,164</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 1	\$ 1,013	\$ 798	\$ 4,100
Due to Primary Government.....	-	-	-	7,779
Unearned Revenue.....	-	-	915	138
Accrued Bond Interest Payable.....	238	-	-	-
Loans and Notes Payable.....	-	-	822	-
Revenue Bonds Payable.....	1,075	-	-	-
Grants Payable.....	-	2,843	-	-
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	56
Other Liabilities.....	-	98	-	-
Total Current Liabilities.....	<u>\$ 1,314</u>	<u>\$ 3,954</u>	<u>\$ 2,535</u>	<u>\$ 12,073</u>
Noncurrent Liabilities:				
Accrued Bond Interest Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 517
Due to Primary Government.....	-	-	-	-
Loans and Notes Payable.....	-	-	3,295	-
Revenue Bonds Payable.....	8,810	-	-	627,000
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	599
Other Liabilities.....	-	1,085	-	2,305
Total Noncurrent Liabilities.....	<u>\$ 8,810</u>	<u>\$ 1,085</u>	<u>\$ 3,295</u>	<u>\$ 630,421</u>
Total Liabilities.....	<u>\$ 10,124</u>	<u>\$ 5,039</u>	<u>\$ 5,830</u>	<u>\$ 642,494</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....				
Restricted.....	\$ -	\$ 51	\$ 2,578	\$ 29
Unrestricted.....	21,649	-	-	359,912
	3,096	111,508	(2,006)	729
Total Net Assets.....	<u>\$ 24,745</u>	<u>\$ 111,559</u>	<u>\$ 572</u>	<u>\$ 360,670</u>

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
\$ 234,813	\$ 20,926	\$ 12,031	\$ 503,853
28,282	-	290,217	434,984
-	4	32,553	40,174
3,747	-	-	3,747
17,111	-	1,894	19,178
10,385	-	-	10,385
-	-	-	53
-	-	3,803	4,067
82,588	7,067	-	187,353
-	-	204	229
<u>\$ 376,926</u>	<u>\$ 27,997</u>	<u>\$ 340,702</u>	<u>\$ 1,204,023</u>
\$ -	\$ -	\$ -	\$ 45,792
-	-	-	22,420
-	-	-	2,673
15,718	-	-	15,718
70,833	-	-	70,833
-	-	387,263	387,263
1,517,799	47,938	-	2,190,842
-	-	-	2,141
-	-	-	517
2,435	-	-	6,422
<u>\$ 1,606,785</u>	<u>\$ 47,938</u>	<u>\$ 387,263</u>	<u>\$ 2,744,621</u>
<u>\$ 1,983,711</u>	<u>\$ 75,935</u>	<u>\$ 727,965</u>	<u>\$ 3,948,644</u>
\$ 12,388	\$ -	\$ 3,249	\$ 21,549
-	8,982	2,124	18,885
-	-	21,118	22,171
15,632	-	-	15,870
-	-	-	822
49,200	-	-	50,275
-	-	-	2,843
-	-	60,873	60,873
31	-	-	87
395	-	-	493
<u>\$ 77,646</u>	<u>\$ 8,982</u>	<u>\$ 87,364</u>	<u>\$ 193,868</u>
\$ -	\$ -	\$ -	\$ 517
-	63,263	-	63,263
-	-	-	3,295
939,290	-	-	1,575,100
-	-	603,127	603,127
278	-	-	877
2,670	-	-	6,060
<u>\$ 942,238</u>	<u>\$ 63,263</u>	<u>\$ 603,127</u>	<u>\$ 2,252,239</u>
<u>\$ 1,019,884</u>	<u>\$ 72,245</u>	<u>\$ 690,491</u>	<u>\$ 2,446,107</u>
\$ -	\$ -	\$ -	\$ 2,658
906,412	-	2,882	1,290,855
57,415	3,690	34,592	209,024
<u>\$ 963,827</u>	<u>\$ 3,690</u>	<u>\$ 37,474</u>	<u>\$ 1,502,537</u>

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2008 AND JUNE 30, 2009 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:				
Total Expenses.....	\$ 951	\$ 15,647	\$ 11,007	\$ 215,544
Program Revenues:				
Charges for Services.....	\$ 365	\$ -	\$ 9,819	\$ 42,615
Operating Grants and Contributions.....	-	-	-	5,614
Net (Expense) Revenue.....	\$ (586)	\$ (15,647)	\$ (1,188)	\$ (167,315)
General Revenues:				
Investment Income.....	\$ 1,196	\$ (26,019)	\$ 2	\$ -
Other Revenues.....	-	-	1,156	-
Total General Revenues before Grants.....	\$ 1,196	\$ (26,019)	\$ 1,158	\$ -
State Grants Not Restricted.....	-	-	-	185,893
Special Item.....	-	-	-	-
Total General Revenues.....	\$ 1,196	\$ (26,019)	\$ 1,158	\$ 185,893
Change in Net Assets.....	\$ 610	\$ (41,666)	\$ (30)	\$ 18,578
Net Assets, Beginning, as Reported.....	\$ 24,135	\$ 153,225	\$ 602	\$ 342,092
Net Assets, Ending.....	\$ 24,745	\$ 111,559	\$ 572	\$ 360,670

<u>PUBLIC FACILITIES AUTHORITY</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>TOTAL</u>
\$ 89,033	\$ 1,527	\$ 22,036	\$ 355,745
\$ 40,613	\$ 3,305	\$ 43,145	\$ 139,862
53,524	-	-	59,138
\$ 5,104	\$ 1,778	\$ 21,109	\$ (156,745)
\$ -	\$ -	\$ (33,635)	\$ (58,456)
-	-	-	1,156
\$ -	\$ -	\$ (33,635)	\$ (57,300)
51,033	-	-	236,926
-	-	(16,822)	(16,822)
\$ 51,033	\$ -	\$ (50,457)	\$ 162,804
\$ 56,137	\$ 1,778	\$ (29,348)	\$ 6,059
\$ 907,690	\$ 1,912	\$ 66,822	\$ 1,496,478
\$ 963,827	\$ 3,690	\$ 37,474	\$ 1,502,537

STATE OF MINNESOTA

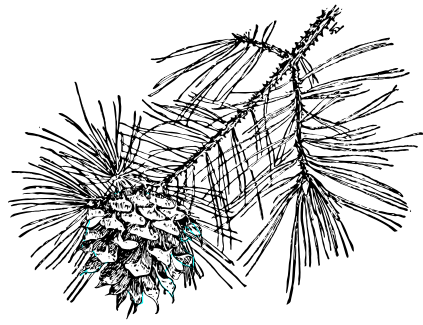
**NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 290	\$ 3,301	\$ 3,591
Rental and Service Fees.....	-	4	4
Other Income.....	75	-	75
Total Operating Revenues.....	<u>\$ 365</u>	<u>\$ 3,305</u>	<u>\$ 3,670</u>
Operating Expenses:			
Economic and Manpower Development.....	\$ 247	\$ 1,527	\$ 1,774
Total Operating Expenses.....	<u>\$ 247</u>	<u>\$ 1,527</u>	<u>\$ 1,774</u>
Operating Income (Loss).....	<u>\$ 118</u>	<u>\$ 1,778</u>	<u>\$ 1,896</u>
Nonoperating Revenues (Expenses):			
Bond Interest Expense.....	\$ (704)	\$ -	\$ (704)
Investment/Interest Income.....	1,196	-	1,196
Total Nonoperating Revenues (Expenses).....	<u>\$ 492</u>	<u>\$ -</u>	<u>\$ 492</u>
Change in Net Assets.....	<u>\$ 610</u>	<u>\$ 1,778</u>	<u>\$ 2,388</u>
Net Assets, Beginning, as Reported.....	<u>\$ 24,135</u>	<u>\$ 1,912</u>	<u>\$ 26,047</u>
Net Assets, Ending.....	<u><u>\$ 24,745</u></u>	<u><u>\$ 3,690</u></u>	<u><u>\$ 28,435</u></u>

STATE OF MINNESOTA

**NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers.....	\$ 7,124	\$ 11,286	\$ 18,410
Receipts from Other Revenues.....	75	14,280	14,355
Payments to Customers.....	(1,899)	(7,185)	(9,084)
Payments to Suppliers.....	(152)	-	(152)
Payments to Others.....	-	(12,922)	(12,922)
Net Cash Flows from Operating Activities.....	<u>\$ 5,148</u>	<u>\$ 5,459</u>	<u>\$ 10,607</u>
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest.....	\$ (903)	\$ -	\$ (903)
Repayment of Bond Principal.....	(7,025)	-	(7,025)
Net Cash Flows from Non-Capital Financing Activities.....	<u>\$ (7,928)</u>	<u>\$ -</u>	<u>\$ (7,928)</u>
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	\$ 5,970	\$ -	\$ 5,970
Purchase of Investments.....	(6,375)	-	(6,375)
Investment Interest.....	906	-	906
Net Cash Flows from Investing Activities.....	<u>\$ 501</u>	<u>\$ -</u>	<u>\$ 501</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (2,279)</u>	<u>\$ 5,459</u>	<u>\$ 3,180</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 5,947</u>	<u>\$ 15,467</u>	<u>\$ 21,414</u>
Cash and Cash Equivalents, Ending.....	<u>\$ 3,668</u>	<u>\$ 20,926</u>	<u>\$ 24,594</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Flows from Operating Activities:			
Operating Income (Loss).....	\$ 118	\$ 1,778	\$ 1,896
Adjustments to Reconcile Operating Income to			
Net Cash Flows from Operating Activities:			
Loans Receivable.....	\$ 5,030	\$ 1,068	\$ 6,098
Due to Primary Government.....	-	2,613	2,613
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 5,030</u>	<u>\$ 3,681</u>	<u>\$ 8,711</u>
Net Cash Flows from Operating Activities.....	<u>\$ 5,148</u>	<u>\$ 5,459</u>	<u>\$ 10,607</u>





State of Minnesota

General Obligation Debt Schedule

2009
Comprehensive
Annual
Financial Report

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2009
(In Thousands)

<u>Purpose of Issue</u>	<u>Law Authorizing</u>	<u>Total Authorization</u>	<u>Previously Issued</u>	<u>Remaining Authorization</u>
Building ^{15, 16, 17, 18}	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ 3.1
Building ^{8, 12, 14, 16}	1994, Ch. 643	523,874.5	523,849.0	25.5
Building ^{6, 7, 8, 12}	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building ^{8, 9, 12, 13}	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose ^{1, 6, 7, 8, 11}	2000, Ch. 492	527,901.9	517,330.0	10,571.9
Various Purpose ^{1, 6, 8, 10}	X2001, Ch. 12	116,930.3	115,425.0	1,505.3
Various Purpose ^{1, 6}	2002, Ch. 374	74,441.7	73,560.0	881.7
Various Purpose ^{1, 4, 6, 8, 9}	2002, Ch. 393	601,397.2	598,105.0	3,292.2
Various Purpose ^{1, 6}	X2002, Ch. 1	15,451.6	15,220.0	231.6
Trunk Highway ¹	X2003, Ch. 19, Art.3	400,400.0	399,750.0	650.0
Trunk Highway ¹	X2003, Ch. 19, Art.4	110,110.0	105,700.0	4,410.0
Various Purpose ^{1, 4}	X2003, Ch. 20	232,844.0	219,010.0	13,834.0
Various Purpose ⁴	2005, Ch. 20	942,980.0	873,079.0	69,901.0
Various Purpose ^{4, 5}	2006, Ch. 258	1,002,863.0	796,975.0	205,888.0
Rural Finance Authority	2007, Ch. 16	30,000.0	26,500.0	3,500.0
Various Purpose	X2007, Ch. 2	56,255.0	32,000.0	24,255.0
Trunk Highway	X2007, Ch. 2	20,020.0	16,500.0	3,520.0
Trunk Highway	2008, Ch. 152	1,801,800.0	86,500.0	1,715,300.0
Transportation	2008, Ch. 152	60,060.0	27,500.0	32,560.0
Various Purpose ³	2008, Ch. 179	801,022.0	237,000.0	564,022.0
Various Purpose	2008, Ch. 365	105,500.0	17,900.0	87,600.0
Trunk Highway	2009, Ch. 36	40,000.0	0.0	40,000.0
Various Purpose ²	2009, Ch. 93	347,920.0	0.0	347,920.0
Trunk Highway	2009, Ch. 93	2,705.0	0.0	2,705.0
Totals		\$ 8,561,474.4	\$ 5,428,229.0	\$ 3,133,245.4

(1) Minnesota Statutes 16A.642, required that on January 1, 2009 the Commissioner of Minnesota Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$217,331; Special Session Laws 2001, Chapter 12 by \$171,552; Laws 2002, Chapter 374 by \$30,014; Laws 2002, Chapter 393 by \$284,508; Special Session Laws 2002, Chapter 1 by \$178,656; and Special Session Laws 2003, Chapter 20 by \$13,834,000. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by \$208,570; Special Session Laws 2003, Chapter 19, Article 4 by \$4,083,466.

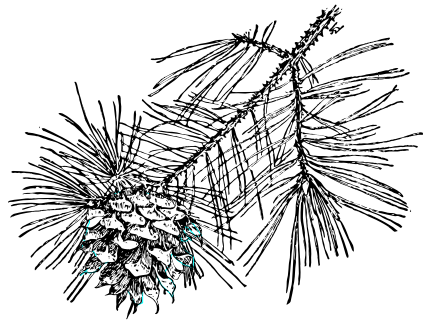
(2) The Governor vetoed \$85,155,000 of appropriations for capital projects to be funded from Laws 2009, Chapter 93. The Governor will request that the bond authorization be reduced to match the appropriations in the 2010 Legislative Session.

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

(4) Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$17,262,000; Special Session Laws 2003, Chapter 20 by \$4,071,000; Laws 2005, Chapter 20 by \$2,000,000; and Laws 2006, Chapter 258 by \$3,767,000.

(5) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by \$150,000.

- (6) Minnesota Statutes 16A.642, required that on January 1, 2007 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Laws 1996, Chapter 463 by \$137,935; Special Session Laws 1997, Chapter 2 by \$112,548; and Laws 1999, Chapter 240 by \$93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$524,411; Special Session Laws 2001, Chapter 12 by \$274,734; Laws 2002, Chapter 374 by \$88,266; Laws 2002, Chapter 393 by \$6,052,781 and Special Session Laws 2002, Chapter 1 by \$863,386. The cancellation report also reduced Trunk Highway Bonds authorized by Laws 2000, Chapter 479 by \$503,054; Special Session Laws 2002, Chapter 1 by \$11,644 and Transportation Bonds authorized by Laws 2002, Chapter 374 by \$590,000.
- (7) 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 \$73,514; 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) Laws 1998, Chapter 404 reduced Building Bonds 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.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) 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.





State of Minnesota

2009
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Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

Revenue Capacity

These schedules contain information to assess the state's most significant revenue source, individual income taxes. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

Debt Capacity

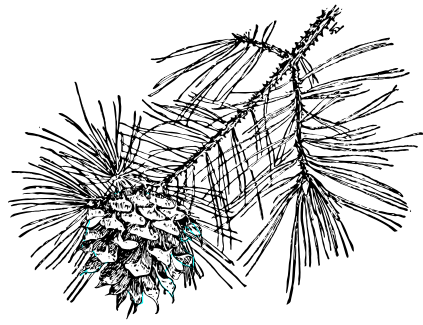
These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

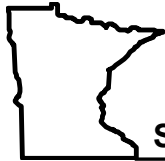
Economic and Demographic Information

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.





2009 Comprehensive Annual Financial Report
Index of Statistical Section

Table with 2 columns: Section Name and Page. Sections include Financial Trends, Revenue Capacity, Debt Capacity, Economic and Demographic Information, and Operating Information.

**Schedule 1 - Net Assets By Component
Last Eight Years
Accrual Basis of Accounting
(In Thousands)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Activities:			
Invested in Capital Assets, Net of Related Debt	\$ 3,516,294	\$ 4,998,667	\$ 5,525,157
Restricted	2,300,180	2,280,661	2,387,732
Unrestricted	<u>2,364,102</u>	<u>(526,251)</u>	<u>(987,312)</u>
Total Governmental Activities Net Assets	<u>\$ 8,180,576</u>	<u>\$ 6,753,077</u>	<u>\$ 6,925,577</u>
Business-type Activities:			
Invested in Capital Assets, Net of Related Debt	\$ 776,233	\$ 812,780	\$ 872,804
Restricted	431,695	151,812	86,291
Unrestricted	<u>157,403</u>	<u>179,009</u>	<u>218,797</u>
Total Business-type Activities Net Assets	<u>\$ 1,365,331</u>	<u>\$ 1,143,601</u>	<u>\$ 1,177,892</u>
Primary Government:			
Invested in Capital Assets, Net of Related Debt	\$ 4,292,527	\$ 5,811,447	\$ 6,397,961
Restricted	2,731,875	2,432,473	2,474,023
Unrestricted	<u>2,521,505</u>	<u>(347,242)</u>	<u>(768,515)</u>
Total Primary Government Net Assets	<u>\$ 9,545,907</u>	<u>\$ 7,896,678</u>	<u>\$ 8,103,469</u>

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 5,943,503	\$ 6,468,103	\$ 6,781,966	\$ 7,775,939	\$ 8,285,028
2,452,423	2,482,626	2,703,598	2,693,756	2,552,659
<u>(673,695)</u>	<u>649,481</u>	<u>1,317,416</u>	<u>489,661</u>	<u>(917,895)</u>
<u>\$ 7,722,231</u>	<u>\$ 9,600,210</u>	<u>\$ 10,802,980</u>	<u>\$ 10,959,356</u>	<u>\$ 9,919,792</u>
\$ 884,486	\$ 931,297	\$ 1,016,955	\$ 1,108,136	\$ 1,199,727
520,745	852,943	1,058,032	1,140,070	737,400
<u>(1,096)</u>	<u>(1,089)</u>	<u>(1,403)</u>	<u>(5,900)</u>	<u>(38,907)</u>
<u>\$ 1,404,135</u>	<u>\$ 1,783,151</u>	<u>\$ 2,073,584</u>	<u>\$ 2,242,306</u>	<u>\$ 1,898,220</u>
\$ 6,827,989	\$ 7,399,400	\$ 7,798,921	\$ 8,884,075	\$ 9,484,755
2,973,168	3,335,569	3,761,630	3,833,826	3,290,059
<u>(674,791)</u>	<u>648,392</u>	<u>1,316,013</u>	<u>483,761</u>	<u>(956,802)</u>
<u>\$ 9,126,366</u>	<u>\$ 11,383,361</u>	<u>\$ 12,876,564</u>	<u>\$ 13,201,662</u>	<u>\$ 11,818,012</u>

**Schedule 2 - Changes in Net Assets
Last Eight Years
Accrual Basis of Accounting
(In Thousands)**

	2002	2003	2004	2005
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Public Safety and Corrections	\$ 104,577	\$ 101,157	\$ 138,359	\$ 143,998
Transportation	3,976	16,445	15,473	17,451
Agricultural, Environmental and Energy Resources ⁽¹⁾	179,838	179,037	187,779	196,047
Economic and Workforce Development ⁽¹⁾	117,993	125,832	158,788	159,929
General Education	20,822	34,038	33,284	39,655
Higher Education	-	249	-	2
Health and Human Services	721,014	571,531	516,539	360,563
General Government	250,588	183,052	214,962	226,809
Operating Grants and Contributions				
Health and Human Services	3,229,846	3,764,754	3,874,378	4,075,420
All Others	1,468,115	1,454,634	1,554,481	1,480,801
Capital Grants and Contributions	21,508	131,632	269,786	261,236
Total Governmental Activities Program Revenues	<u>\$ 6,118,277</u>	<u>\$ 6,562,361</u>	<u>\$ 6,963,829</u>	<u>\$ 6,961,911</u>
Business-type Activities:				
Charges for Services:				
State Colleges and Universities	\$ 539,365	\$ 583,236	\$ 636,138	\$ 651,094
Unemployment Insurance	378,531	608,634	806,185	908,540
Lottery	352,618	351,815	387,800	408,011
Other	126,326	153,962	171,598	169,182
Operating Grants and Contributions	437,777	369,481	312,200	198,217
Capital Grants and Contributions	24,333	2,274	2,307	1,687
Total Business-type Activities Program Revenues	<u>\$ 1,858,950</u>	<u>\$ 2,069,402</u>	<u>\$ 2,316,228</u>	<u>\$ 2,336,731</u>
Total Primary Government Program Revenues	<u>\$ 7,977,227</u>	<u>\$ 8,631,763</u>	<u>\$ 9,280,057</u>	<u>\$ 9,298,642</u>
Expenses:				
Governmental Activities:				
Public Safety and Corrections	\$ 702,345	\$ 750,143	\$ 731,438	\$ 764,307
Transportation	1,619,806	1,727,604	1,662,402	1,685,256
Agricultural, Environmental and Energy Resources ⁽¹⁾	609,199	541,828	557,414	612,566
Economic and Workforce Development ⁽¹⁾	731,568	671,469	591,513	505,901
General Education	5,461,074	6,929,870	6,512,834	6,820,389
Higher Education	865,729	785,524	744,112	762,092
Health and Human Services	7,307,133	8,102,781	8,228,552	8,466,865
General Government	849,938	652,005	671,908	654,758
Intergovernmental Aid	1,287,768	1,480,533	1,355,683	1,284,576
Interest	161,129	169,023	181,323	184,573
Total Governmental Activities Expenses	<u>\$ 19,595,689</u>	<u>\$ 21,810,780</u>	<u>\$ 21,237,179</u>	<u>\$ 21,741,283</u>
Business-type Activities:				
State Colleges and Universities	\$ 1,296,697	\$ 1,386,493	\$ 1,385,817	\$ 1,394,893
Unemployment Insurance	946,562	1,054,281	931,659	686,818
Lottery	296,985	273,884	287,550	302,575
Other	132,479	153,397	166,923	172,886
Total Business-type Activities Expenses	<u>\$ 2,672,723</u>	<u>\$ 2,868,055</u>	<u>\$ 2,771,949</u>	<u>\$ 2,557,172</u>
Total Primary Government Expenses	<u>\$ 22,268,412</u>	<u>\$ 24,678,835</u>	<u>\$ 24,009,128</u>	<u>\$ 24,298,455</u>

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

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

	2006	2007	2008	2009
\$	174,807	\$130,830	\$143,073	\$159,155
	19,226	18,796	21,474	45,385
	218,376	335,670	360,056	339,523
	214,650	44,551	52,400	47,377
	38,808	42,943	54,662	42,192
	-	-	-	-
	447,404	265,853	330,570	285,963
	245,015	278,846	240,331	270,153
	4,187,909	4,609,077	4,909,527	5,996,063
	1,506,094	1,891,362	1,767,796	1,758,923
	452,197	236,700	449,765	272,736
\$	<u>7,504,486</u>	<u>\$ 7,854,628</u>	<u>\$ 8,329,654</u>	<u>\$ 9,217,470</u>
\$	694,053	\$ 750,742	\$ 794,091	\$ 827,997
	1,054,227	946,269	835,725	800,590
	449,761	422,570	461,565	482,738
	178,764	230,657	233,944	232,570
	176,023	187,530	217,224	872,484
	1,963	1,839	1,142	4,262
\$	<u>2,554,791</u>	<u>\$ 2,539,607</u>	<u>\$ 2,543,691</u>	<u>\$ 3,220,641</u>
\$	<u>10,059,277</u>	<u>\$ 10,394,235</u>	<u>\$ 10,873,345</u>	<u>\$ 12,438,111</u>
\$	818,192	\$ 855,328	\$ 901,641	\$ 944,400
	1,791,316	1,795,056	2,047,500	2,068,880
	525,251	762,549	825,842	834,458
	273,510	568,064	704,501	695,314
	7,336,455	7,323,406	7,675,567	7,811,723
	786,563	921,339	981,943	912,011
	8,823,115	9,596,061	10,296,359	11,248,700
	718,996	771,733	816,111	800,123
	1,400,479	1,489,439	1,511,715	1,435,897
	172,612	208,719	221,162	210,435
\$	<u>22,646,489</u>	<u>\$ 24,291,694</u>	<u>\$ 25,982,341</u>	<u>\$ 26,961,941</u>
\$	1,479,519	\$ 1,550,936	\$ 1,675,051	\$ 1,743,609
	690,713	735,987	828,857	1,865,939
	332,031	311,893	346,834	363,832
	183,043	215,005	228,361	235,163
\$	<u>2,685,306</u>	<u>\$ 2,813,821</u>	<u>\$ 3,079,103</u>	<u>\$ 4,208,543</u>
\$	<u>25,331,795</u>	<u>\$ 27,105,515</u>	<u>\$ 29,061,444</u>	<u>\$ 31,170,484</u>

Schedule 2 - Changes in Net Assets (Cont'd.)
Last Eight Years
Accrual Basis of Accounting
(In Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (13,477,412)	\$ (15,248,419)	\$ (14,273,350)	\$ (14,779,372)
Business-type Activities	(813,773)	(798,653)	(455,721)	(220,441)
Total Primary Government Net Expense	<u>\$ (14,291,185)</u>	<u>\$ (16,047,072)</u>	<u>\$ (14,729,071)</u>	<u>\$ (14,999,813)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual Income Taxes	\$ 5,419,220	\$ 5,497,328	\$ 5,863,383	\$ 6,556,331
Corporate Income Taxes	428,614	636,214	643,442	702,839
Sales Taxes	3,777,259	3,924,424	3,911,496	4,269,837
Property Taxes	308,337	594,094	608,860	603,412
Motor Vehicle Taxes	616,616	606,137	587,223	552,856
Fuel Taxes	614,285	656,326	643,964	652,493
Other Taxes	1,862,382	1,981,468	2,190,491	2,417,175
Tobacco Settlement	380,024	261,525	173,173	178,177
Unallocated Investment/Interest Income	83,432	24,049	32,712	42,753
Other Revenues	71,621	203,206	178,255	63,182
Special Item	134,000	30,000	-	-
Transfers	(615,758)	(548,291)	(471,382)	(425,180)
Total Governmental Activities	<u>\$ 13,080,032</u>	<u>\$ 13,866,480</u>	<u>\$ 14,361,617</u>	<u>\$ 15,613,875</u>
Business-type Activities:				
Unallocated Investment/Interest Income	\$ 35,853	\$ 15,697	\$ 16,213	\$ 9,264
Other Revenues	721	9,294	2,417	12,240
Transfers	615,758	548,291	471,382	425,180
Total Business-type Activities	<u>\$ 652,332</u>	<u>\$ 573,282</u>	<u>\$ 490,012</u>	<u>\$ 446,684</u>
Total Primary Government General Revenues	<u>\$ 13,732,364</u>	<u>\$ 14,439,762</u>	<u>\$ 14,851,629</u>	<u>\$ 16,060,559</u>
Change in Net Assets:				
Governmental Activities:				
Changes in Fund Structure	\$ (397,380)	\$ (1,381,939)	\$ 88,267	\$ 834,503
Changes in Inventory	-	(3,641)	-	-
Change in Accounting Principle	2,441	-	-	-
Prior Period Adjustments	-	-	-	-
Prior Period Adjustments	-	(41,919)	84,233	(37,849)
Business-type Activities:	(161,441)	(225,371)	34,291	226,243
Changes in Fund Structure	-	3,641	-	-
Total Primary Government Change in Net Assets	<u>\$ (556,380)</u>	<u>\$ (1,649,229)</u>	<u>\$ 206,791</u>	<u>\$ 1,022,897</u>

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ (15,142,003)	\$ (16,437,066)	\$ (17,652,687)	\$ (17,744,471)
<u>(130,515)</u>	<u>(274,214)</u>	<u>(535,412)</u>	<u>(987,902)</u>
<u>\$ (15,272,518)</u>	<u>\$ (16,711,280)</u>	<u>\$ (18,188,099)</u>	<u>\$ (18,732,373)</u>

\$ 7,069,242	\$ 7,463,959	\$ 7,929,096	\$ 7,203,337
1,189,328	1,160,380	1,039,843	741,049
4,439,667	4,600,984	4,474,576	4,338,748
633,288	667,395	703,972	733,899
539,468	1,025,820	1,011,494	955,785
659,980	647,168	651,988	758,271
2,663,939	2,154,689	2,149,162	2,206,648
184,139	184,924	186,425	176,140
101,803	155,016	121,638	57,790
28,447	91,867	103,416	95,316
-	-	-	-
<u>(474,090)</u>	<u>(510,578)</u>	<u>(654,359)</u>	<u>(610,880)</u>
<u>\$ 17,035,211</u>	<u>\$ 17,641,624</u>	<u>\$ 17,717,251</u>	<u>\$ 16,656,103</u>

\$ 18,300	\$ 26,786	\$ 48,126	\$ 32,306
17,141	17,811	1,649	630
<u>474,090</u>	<u>510,578</u>	<u>654,359</u>	<u>610,880</u>
<u>\$ 509,531</u>	<u>\$ 555,175</u>	<u>\$ 704,134</u>	<u>\$ 643,816</u>

<u>\$ 17,544,742</u>	<u>\$ 18,196,799</u>	<u>\$ 18,421,385</u>	<u>\$ 17,299,919</u>
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\$ 1,893,208	\$ 1,204,558	\$ 64,564	\$ (1,088,368)
-	(9,472)	-	-
-	-	-	-
-	-	91,812	(45,854)
(15,229)	7,684	-	94,658
379,016	280,961	168,722	(344,086)
<u>-</u>	<u>9,472</u>	<u>-</u>	<u>-</u>
<u>\$ 2,256,995</u>	<u>\$ 1,493,203</u>	<u>\$ 325,098</u>	<u>\$ (1,383,650)</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:				
Reserved	\$ 146,286	\$ 74,766	\$ 120,506	\$ 161,257
Designated	482,657	-	-	-
Undesignated	<u>56,516</u>	<u>(1,006,866)</u>	<u>(448,465)</u>	<u>(68,292)</u>
Total General Fund	<u>\$ 685,459</u>	<u>\$ (932,100)</u>	<u>\$ (327,959)</u>	<u>\$ 92,965</u>
All Other Governmental Funds:				
Reserved	\$ 3,755,023	\$ 3,944,156	\$ 2,543,206	\$ 2,797,593
Designated, Reported In:				
Special Revenue Funds	783,976	442,662	580,118	484,012
Debt Service Fund	-	-	-	-
Permanent Funds	-	-	-	-
Undesignated, Reported In:				
Special Revenue Funds	472,520	396,014	262,630	189,873
Capital Projects Funds	<u>1,608</u>	<u>44</u>	<u>(62,340)</u>	<u>(8,187)</u>
Total All Other Governmental Funds	<u>\$ 5,013,127</u>	<u>\$ 4,782,876</u>	<u>\$ 3,323,614</u>	<u>\$ 3,463,291</u>
Total Governmental Funds	<u>\$ 5,698,586</u>	<u>\$ 3,850,776</u>	<u>\$ 2,995,655</u>	<u>\$ 3,556,256</u>

Note: Due to significant fund structure changes that occurred when the state implemented GASB Statement No. 34 in fiscal year 2002, earlier financial statement information is not presented.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 228,640	\$ 155,985	\$ 153,150	\$ 111,182
610,167	1,124,122	689,476	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(752,490)</u>
<u>\$ 838,807</u>	<u>\$ 1,280,107</u>	<u>\$ 842,626</u>	<u>\$ (641,308)</u>
\$ 2,805,382	\$ 2,020,610	\$ 1,931,753	\$ 1,858,589
715,202	1,139,133	1,266,623	1,214,750
-	704,800	707,086	742,069
-	15,690	9,479	5,862
239,599	243,192	339,989	344,884
<u>(48,184)</u>	<u>6,044</u>	<u>(12,873)</u>	<u>2,472</u>
<u>\$ 3,711,999</u>	<u>\$ 4,129,469</u>	<u>\$ 4,242,057</u>	<u>\$ 4,168,626</u>
<u>\$ 4,550,806</u>	<u>\$ 5,409,576</u>	<u>\$ 5,084,683</u>	<u>\$ 3,527,318</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:			
Individual Income Taxes	\$ 5,439,186	\$ 5,477,799	\$ 5,836,790
Corporate Income Taxes	454,318	572,689	648,837
Sales Taxes	3,795,942	3,822,453	3,959,236
Property Taxes	305,573	585,416	599,622
Motor Vehicle Taxes	1,111,953	1,109,090	1,096,890
Fuel Taxes	611,886	645,886	651,261
Federal Revenues	4,650,483	5,265,603	5,550,606
Other Taxes and Revenues	3,121,250	3,212,677	3,396,171
Total Revenues	<u>\$ 19,490,591</u>	<u>\$ 20,691,613</u>	<u>\$ 21,739,413</u>
Expenditures:			
Current:			
Public Safety and Corrections	\$ 695,305	\$ 748,482	\$ 711,888
Transportation	1,610,669	1,724,106	1,647,447
Agricultural, Environmental and Energy Resources ⁽¹⁾	637,139	594,696	575,363
Economic and Workforce Development ⁽¹⁾	776,484	750,463	649,090
General Education	5,460,622	6,929,529	6,512,633
Higher Education	864,395	785,887	745,406
Health and Human Services	7,118,313	8,091,315	8,229,553
General Government	712,474	604,481	617,052
Intergovernment Aid	1,287,768	1,480,533	1,355,683
Securities Lending Rebates and Fees	25,408	6,968	3,854
Capital Outlay	500,458	572,534	701,372
Debt Service:			
Principal	241,855	275,718	253,127
Interest	142,567	144,940	184,833
Total Expenditures	<u>\$ 20,073,457</u>	<u>\$ 22,709,652</u>	<u>\$ 22,187,301</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (582,866)</u>	<u>\$ (2,018,039)</u>	<u>\$ (447,888)</u>
Other Financing Sources (Uses):			
Bond Proceeds	\$ 602,613	\$ 256,362	\$ 417,937
Loan Proceeds	-	14,897	-
Proceeds from Refunding Bonds	37,405	391,680	20,855
Payment of Refunding Bonds	(37,405)	-	(425,715)
Bond Issue Premium	35,476	58,252	33,455
Net Transfers In (Out)	(601,319)	(523,318)	(456,971)
Capital Leases	3,326	3,134	1,774
Total Other Financing Sources (Uses)	<u>\$ 40,096</u>	<u>\$ 201,007</u>	<u>\$ (408,665)</u>
Changes in Inventory	2,441	(321)	1,432
Changes in Fund Structure	2,241,775	(1,117)	-
Changes in Accounting Principles	67,749	-	-
Prior Period Adjustments	(26,608)	(59,340)	-
Special Item	134,000	30,000	-
Net Change in Fund Balances	<u>\$ 1,876,587</u>	<u>\$ (1,847,810)</u>	<u>\$ (855,121)</u>
Debt Service as a Percentage of Noncapital Expenditures	2.0%	1.9%	2.0%

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

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

2005	2006	2007	2008	2009
\$ 6,534,422	\$ 7,068,712	\$ 7,412,381	\$ 7,932,036	\$ 7,162,974
711,136	1,189,915	1,163,095	1,024,040	727,928
4,281,391	4,473,275	4,513,452	4,499,550	4,279,178
610,809	631,279	665,746	704,246	729,373
1,067,444	1,037,593	1,025,820	1,011,494	955,785
655,162	659,647	648,078	651,860	756,381
5,606,553	5,864,373	6,333,686	6,858,191	7,887,945
3,591,776	4,080,518	4,027,767	4,005,067	3,810,907
<u>\$ 23,058,693</u>	<u>\$ 25,005,312</u>	<u>\$ 25,790,025</u>	<u>\$ 26,686,484</u>	<u>\$ 26,310,471</u>
\$ 753,260	\$ 793,202	\$ 813,636	\$ 858,385	\$ 891,480
1,644,500	1,776,980	1,765,410	2,029,762	2,040,334
578,000	537,220	755,168	782,381	866,963
617,247	703,108	605,784	719,801	704,736
6,820,292	7,337,888	7,320,491	7,673,220	7,808,279
764,072	786,606	922,772	983,319	913,292
8,465,547	8,820,143	9,581,606	10,298,462	11,238,043
622,177	690,753	699,585	772,835	753,882
1,284,576	1,400,479	1,489,439	1,511,715	1,435,897
9,030	18,049	29,929	21,534	1,237
703,777	854,612	693,041	818,701	746,955
260,930	288,932	349,941	373,619	389,371
184,191	183,240	222,175	220,957	230,645
<u>\$ 22,707,599</u>	<u>\$ 24,191,212</u>	<u>\$ 25,248,977</u>	<u>\$ 27,064,691</u>	<u>\$ 28,021,114</u>
<u>\$ 351,094</u>	<u>\$ 814,100</u>	<u>\$ 541,048</u>	<u>\$ (378,207)</u>	<u>\$ (1,710,643)</u>
\$ 507,294	\$ 377,949	\$ 720,445	\$ 637,744	\$ 675,810
17,885	24,388	24,610	414	549
171,880	160,960	264,050	-	155,415
(171,880)	(160,960)	(264,050)	-	(155,415)
61,662	45,141	57,918	34,016	56,112
(387,029)	(449,246)	(479,598)	(622,455)	(580,540)
8,387	180,005	1,090	1,308	-
<u>\$ 208,199</u>	<u>\$ 178,237</u>	<u>\$ 324,465</u>	<u>\$ 51,027</u>	<u>\$ 151,931</u>
1,308	-	2,845	2,287	1,347
-	-	(9,588)	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 560,601</u>	<u>\$ 992,337</u>	<u>\$ 858,770</u>	<u>\$ (324,893)</u>	<u>\$ (1,557,365)</u>
2.0%	2.0%	2.3%	2.3%	2.3%

**Schedule 5 - Revenue Base
Personal Income By Industry
Last Eight Calendar Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Farm Earnings	\$ 1,004,155	\$ 980,509	\$ 1,890,660
Private Earnings:			
Forestry, Fishing, Related Activities	\$ 298,387	\$ 282,013	\$ 296,927
Mining	415,323	380,852	399,799
Utilities	1,143,504	1,176,293	1,136,952
Construction	8,994,221	9,279,159	9,693,308
Manufacturing:			
Durable Goods Manufacturing	13,321,368	13,377,345	13,858,423
Nondurable Goods Manufacturing	6,632,406	6,981,285	7,155,596
Wholesale Trade	8,499,396	8,605,381	8,930,235
Retail Trade	8,676,404	8,974,539	9,258,367
Transportation and Warehousing	5,276,600	5,010,525	5,178,203
Information	4,021,489	4,005,539	3,915,092
Finance and Insurance	10,306,601	10,702,728	11,492,034
Real Estate and Rental and Leasing	2,532,330	2,821,021	2,893,049
Professional and Technical Services	10,115,591	10,074,878	10,221,545
Management of Companies and Enterprises	6,231,039	6,062,365	6,052,241
Administrative and Waste Services	3,906,768	3,991,636	4,124,896
Educational Services	1,377,067	1,525,624	1,621,389
Health Care and Social Assistance	12,536,745	13,859,167	14,908,626
Arts, Entertainment, and Recreation	1,187,536	1,317,325	1,440,220
Accommodation and Food Services	3,131,273	3,215,164	3,376,348
Other Services, Except Public Administration	4,728,135	5,266,709	5,232,613
Total Private Earnings	<u>\$ 113,332,183</u>	<u>\$ 116,909,548</u>	<u>\$ 121,185,863</u>
Government and Government Enterprises:			
Federal, Civilian	\$ 2,314,424	\$ 2,434,264	\$ 2,557,012
Military	368,330	473,651	663,606
State and Local	14,823,299	15,625,483	16,089,018
Total Government and Government Enterprises	<u>\$ 17,506,053</u>	<u>\$ 18,533,398</u>	<u>\$ 19,309,636</u>
Nonfarm Earnings	<u>130,838,236</u>	<u>135,442,946</u>	<u>140,495,499</u>
Total Earnings By Industry	<u><u>\$ 131,842,391</u></u>	<u><u>\$ 136,423,455</u></u>	<u><u>\$ 142,386,159</u></u>
Derivation of Personal Income:			
Earnings By Place of Work	\$ 131,842,391	\$ 136,423,455	\$ 142,386,159
Other Personal Income ⁽¹⁾	34,293,713	34,525,752	35,708,942
Personal income	<u><u>\$ 166,136,104</u></u>	<u><u>\$ 170,949,207</u></u>	<u><u>\$ 178,095,101</u></u>

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

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of October 16, 2009.

The Personal Income by Industry Report for 2001 and later is not directly comparable to previous years because of a major change in the way in which the data was summarized. The Federal government has changed its industry classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). The change to NAICS codes was an improvement in a number of ways. For example, NAICS codes reflect recent technological changes, and also the growth and diversification of services. In 2001, Bureau of Economic Affairs changed to the new NAICS system. Because of this change, a direct comparison of the 2001 data with any earlier data is not possible.

2004	2005	2006	2007	2008
\$ 2,466,520	\$ 3,089,441	\$ 2,680,438	\$ 2,641,090	\$ 4,329,794
\$ 301,315	\$ 301,845	\$ 322,520	\$ 324,848	\$ 345,208
430,736	453,720	510,529	488,592	565,018
1,273,103	1,248,361	1,359,490	1,362,267	1,466,945
10,377,189	10,574,558	10,519,155	10,280,111	9,294,978
14,703,033	14,903,048	15,139,874	15,583,081	15,649,422
7,284,143	7,260,833	7,557,310	7,685,185	7,761,636
9,500,469	10,025,738	10,539,400	11,016,806	11,651,244
9,590,980	9,571,126	9,640,300	9,761,743	9,735,076
5,433,112	5,583,772	5,294,729	5,713,334	5,920,211
4,091,623	4,142,205	4,179,078	4,431,281	4,435,308
12,187,514	12,647,381	13,391,232	14,133,623	13,843,938
2,914,275	2,970,362	2,983,106	2,785,139	2,742,486
10,825,901	11,440,141	12,375,438	13,388,911	13,962,297
6,926,319	6,719,458	7,217,755	8,159,424	9,657,233
4,333,128	4,611,705	4,902,735	5,159,719	5,188,773
1,739,372	1,781,380	1,938,994	2,103,058	2,220,178
15,988,253	16,675,293	18,059,007	19,292,213	20,220,250
1,502,810	1,523,561	1,731,523	1,753,012	1,832,769
3,587,470	3,677,062	3,795,917	3,995,093	4,070,520
5,453,478	5,693,557	5,824,217	5,955,804	6,185,764
<u>\$ 128,444,223</u>	<u>\$ 131,805,106</u>	<u>\$ 137,282,309</u>	<u>\$ 143,373,244</u>	<u>\$ 146,749,254</u>
\$ 2,757,741	\$ 2,832,440	\$ 2,995,599	\$ 3,060,398	\$ 3,183,277
745,144	966,040	896,525	970,634	948,271
16,567,688	17,138,277	17,962,127	18,684,829	19,600,295
<u>\$ 20,070,573</u>	<u>\$ 20,936,757</u>	<u>\$ 21,854,251</u>	<u>\$ 22,715,861</u>	<u>\$ 23,731,843</u>
148,514,796	152,741,863	159,136,560	166,089,105	170,481,097
<u>\$ 150,981,316</u>	<u>\$ 155,831,304</u>	<u>\$ 161,816,998</u>	<u>\$ 168,730,195</u>	<u>\$ 174,810,891</u>
\$ 150,981,316	\$ 155,831,254	\$ 161,816,998	\$ 168,730,195	\$ 174,810,891
37,303,837	38,106,380	43,986,392	47,706,193	49,859,847
<u>\$ 188,285,153</u>	<u>\$ 193,937,634</u>	<u>\$ 205,803,390</u>	<u>\$ 216,436,388</u>	<u>\$ 224,670,738</u>

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2000 Through 2009

Tax Year 2000

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 25,680	\$25,681 - \$102,030	\$ 102,030
Married Separate	\$ 12,840	\$12,841 - \$ 51,010	\$ 51,010
Single	\$ 17,570	\$17,571 - \$ 57,710	\$ 57,710
Head of Household	\$ 21,630	\$21,631 - \$ 86,910	\$ 86,910

Tax Year 2001

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 26,480	\$26,481 - \$105,200	\$ 105,200
Married Separate	\$ 13,240	\$13,241 - \$ 52,600	\$ 52,600
Single	\$ 18,120	\$18,121 - \$ 59,500	\$ 59,500
Head of Household	\$ 22,300	\$22,301 - \$ 89,610	\$ 89,610

Tax Year 2002

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 27,350	\$27,351 - \$108,660	\$ 108,660
Married Separate	\$ 13,680	\$13,681 - \$ 54,330	\$ 54,330
Single	\$ 18,710	\$18,711 - \$ 61,460	\$ 61,460
Head of Household	\$ 23,040	\$23,041 - \$ 92,560	\$ 92,560

Tax Year 2003

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 27,780	\$27,781 - \$110,390	\$ 110,390
Married Separate	\$ 13,890	\$13,891 - \$ 55,200	\$ 55,200
Single	\$ 19,010	\$19,011 - \$ 62,440	\$ 62,440
Head of Household	\$ 23,400	\$23,401 - \$ 94,030	\$ 94,030

Tax Year 2004

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 28,420	\$28,421 - \$112,910	\$ 112,910
Married Separate	\$ 14,210	\$14,211 - \$ 56,460	\$ 56,460
Single	\$ 19,440	\$19,441 - \$ 63,860	\$ 63,860
Head of Household	\$ 23,940	\$23,941 - \$ 96,180	\$ 96,180

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2000 Through 2009 - (Cont'd.)

Tax Year 2005

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 29,070	\$29,071 - \$115,510	\$ 115,510
Married Separate	\$ 14,540	\$14,541 - \$ 57,760	\$ 57,760
Single	\$ 19,890	\$19,891 - \$ 65,330	\$ 65,330
Head of Household	\$ 24,490	\$24,491 - \$ 98,390	\$ 98,390

Tax Year 2006

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 29,980	\$29,981 - \$119,100	\$ 119,100
Married Separate	\$ 14,990	\$14,991 - \$ 59,550	\$ 59,550
Single	\$ 20,510	\$20,511 - \$ 67,360	\$ 67,360
Head of Household	\$ 25,250	\$25,251 - \$101,450	\$ 101,450

Tax Year 2007

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 31,150	\$31,151 - \$123,750	\$ 123,750
Married Separate	\$ 15,580	\$15,581 - \$ 61,880	\$ 61,880
Single	\$ 21,310	\$21,311 - \$ 69,990	\$ 69,990
Head of Household	\$ 26,230	\$26,231 - \$105,410	\$ 105,410

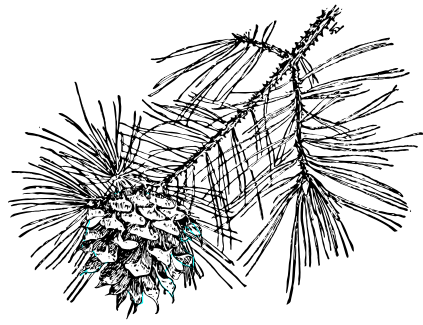
Tax Year 2008

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 31,860	\$31,861 - \$126,580	\$ 126,580
Married Separate	\$ 15,930	\$15,931 - \$ 63,290	\$ 63,290
Single	\$ 21,800	\$21,801 - \$ 71,590	\$ 71,590
Head of Household	\$ 26,830	\$26,831 - \$107,820	\$ 107,820

Tax Year 2009

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 33,220	\$33,221 - \$131,970	\$ 131,970
Married Separate	\$ 16,610	\$16,611 - \$ 65,990	\$ 65,990
Single	\$ 22,730	\$22,731 - \$ 74,650	\$ 74,650
Head of Household	\$ 27,980	\$27,981 - \$112,420	\$ 112,420

Source: Minnesota Department of Revenue Tax Research Division
 Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.



Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2000 and 2007

Calendar Year 2000

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability ⁽¹⁾	Percent of Total
\$ 0 – 4,999	244,899	10.03%	\$ 2,801,382	0.05%
\$ 5,000 – 9,999	224,068	9.18%	15,890,099	0.28%
\$ 10,000 – 19,999	369,747	15.14%	103,195,876	1.80%
\$ 20,000 – 29,999	320,464	13.12%	231,759,906	4.04%
\$ 30,000 – 39,999	267,184	10.94%	322,485,289	5.62%
\$ 40,000 – 49,999	203,633	8.34%	336,767,359	5.87%
\$ 50,000 – 99,999	580,230	23.76%	1,703,694,527	29.70%
\$ 100,000 – 249,999	186,705	7.65%	1,349,479,006	23.52%
\$ 250,000 – 499,999	27,077	1.11%	511,773,735	8.92%
\$ 500,000 & Over	18,036	0.74%	1,158,706,862	20.20%
	<u>2,442,043</u>	<u>100.00%</u>	<u>\$ 5,736,554,041</u>	<u>100.00%</u>

Calendar Year 2007

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability ⁽¹⁾	Percent of Total
\$ 0 – 4,999	246,513	9.59%	\$ 1,667,519	0.02%
\$ 5,000 – 9,999	207,318	8.06%	7,942,813	0.11%
\$ 10,000 – 19,999	334,195	13.00%	73,616,266	0.99%
\$ 20,000 – 29,999	296,016	11.51%	172,179,020	2.32%
\$ 30,000 – 39,999	254,067	9.88%	270,137,957	3.64%
\$ 40,000 – 49,999	210,332	8.18%	322,274,532	4.34%
\$ 50,000 – 99,999	648,904	25.24%	1,840,351,179	24.78%
\$ 100,000 – 249,999	307,624	11.96%	2,121,030,234	28.56%
\$ 250,000 – 499,999	41,127	1.60%	796,131,747	10.72%
\$ 500,000 & Over	25,174	0.98%	1,821,711,256	24.53%
	<u>2,571,270</u>	<u>100.00%</u>	<u>\$ 7,427,042,523</u>	<u>100.00%</u>

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

Note: Calendar year 2007 is the most recent year available.

Source: Minnesota Department of Revenue, 2000 and 2007 Individual Income Tax Sample.

**Schedule 8 - Ratios of Outstanding and General Bonded Debt
Last Ten Years
(In Thousands)**

	2000	2001	2002	2003
Governmental Activities:				
General Obligation Bonds	\$ 2,527,281	\$ 2,588,155	\$ 2,923,221	\$ 3,295,545
Bond Premium ⁽¹⁾	-	-	-	92,387
Loans	32,385	36,643	39,618	24,198
Revenue Bonds	56,595	16,100	-	-
Capital Leases	21,578	26,357	18,027	8,846
Total	\$ 2,637,839	\$ 2,667,255	\$ 2,980,866	\$ 3,420,976
Business-type Activities:				
General Obligation Bonds	\$ 4,619	\$ 4,440	\$ 108,874	\$ 125,950
Bond Premium ⁽¹⁾	-	-	-	1,694
Loans	2,482	1,965	4,498	135,486
Revenue Bonds	28,910	1,410	53,365	52,925
Capital Leases	-	-	8,578	12,483
Total	\$ 36,011	\$ 7,815	\$ 175,315	\$ 328,538
Total Debt to the Primary Government	\$ 2,673,850	\$ 2,675,070	\$ 3,156,181	\$ 3,749,514
Less: Set Aside to Repay General Debt	\$ (252,819)	\$ (257,534)	\$ (243,830)	\$ (263,810)
Net Debt to the Primary Government	\$ 2,421,031	\$ 2,417,536	\$ 2,912,351	\$ 3,485,704
Total Personal Income	\$ 157,963,755	\$ 162,577,516	\$ 166,967,832	\$ 173,497,885
Ratio of Total Debt to Personal Income	1.69%	1.65%	1.89%	2.16%
Per Capita Total Outstanding Debt (Actual Dollars)	\$ 542	\$ 537	\$ 628	\$ 741
Ratio of Net General Obligation Debt to Personal Income	1.44%	1.44%	1.67%	1.82%
Per Capita Net General Obligation Debt (Actual Dollars)	\$ 462	\$ 468	\$ 555	\$ 624

⁽¹⁾ Bond Premium information not available prior to 2003.

⁽²⁾ Estimate.

⁽³⁾ Based on projected 2009 population. U.S. Census Bureau, Population Division.

Sources: The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis, U.S. Department of Commerce

2004	2005	2006	2007	2008	2009
\$ 3,055,496	\$ 3,315,282	\$ 3,414,239	\$ 3,791,494	\$ 4,330,291	\$ 4,667,902
117,619	168,574	201,142	245,209	-	-
19,653	17,130	45,918	60,494	59,889	53,658
-	-	-	15,145	14,500	13,715
9,085	11,037	182,930	172,732	167,877	161,629
<u>\$ 3,201,853</u>	<u>\$ 3,512,023</u>	<u>\$ 3,844,229</u>	<u>\$ 4,285,074</u>	<u>\$ 4,572,557</u>	<u>\$ 4,896,904</u>
\$ 141,859	\$ 145,028	\$ 156,896	\$ 188,096	\$ 224,090	\$ 241,946
3,242	4,420	7,735	11,594	-	-
275,703	87,376	5,832	5,419	5,829	5,582
51,410	52,475	95,780	170,941	209,719	278,246
14,868	26,497	26,520	25,382	22,647	20,324
<u>\$ 487,082</u>	<u>\$ 315,796</u>	<u>\$ 292,763</u>	<u>\$ 401,432</u>	<u>\$ 462,285</u>	<u>\$ 546,098</u>
<u>\$ 3,688,935</u>	<u>\$ 3,827,819</u>	<u>\$ 4,136,992</u>	<u>\$ 4,686,506</u>	<u>\$ 5,034,842</u>	<u>\$ 5,443,002</u>
<u>\$ (258,925)</u>	<u>\$ (286,535)</u>	<u>\$ (313,324)</u>	<u>\$ (372,510)</u>	<u>\$ (368,800)</u>	<u>\$ (406,310)</u>
<u><u>\$ 3,430,010</u></u>	<u><u>\$ 3,541,284</u></u>	<u><u>\$ 3,823,668</u></u>	<u><u>\$ 4,313,996</u></u>	<u><u>\$ 4,666,042</u></u>	<u><u>\$ 5,036,692</u></u>
\$ 183,821,247	\$ 190,296,195	\$ 200,250,304	\$ 212,941,365	\$ 218,233,000	\$ 224,670,738 ⁽²⁾
2.01%	2.01%	2.07%	2.20%	2.31%	2.42%
\$ 724	\$ 747	\$ 801	\$ 902	\$ 969	\$ 1,043 ⁽³⁾
1.60%	1.67%	1.63%	1.69%	1.92%	2.00%
\$ 577	\$ 619	\$ 631	\$ 694	\$ 805	\$ 863

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
State University Board Revenue				
- Segment of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 51,470	\$ 54,385	\$ 55,964	\$ 60,606
Less: Operating Expenses ⁽²⁾	<u>(38,543)</u>	<u>(42,343)</u>	<u>(47,830)</u>	<u>(47,599)</u>
Net Available Revenue	<u>\$ 12,927</u>	<u>\$ 12,042</u>	<u>\$ 8,134</u>	<u>\$ 13,007</u>
Debt Service				
Principal	\$ 665	\$ 27,390	\$ -	\$ -
Interest	<u>1,813</u>	<u>2,933</u>	<u>-</u>	<u>2,247</u>
Total Debt Service	<u>\$ 2,478</u>	<u>\$ 30,323</u>	<u>\$ -</u>	<u>\$ 2,247</u>
Coverage	5.22	0.40	N/A	5.79
Vermilion Community College and Itasca Community College Student Housing				
- Segments of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 596	\$ 555	\$ 544	\$ 570
Less: Operating Expenses ⁽²⁾	<u>(169)</u>	<u>(329)</u>	<u>(309)</u>	<u>(335)</u>
Net Available Revenue	<u>\$ 427</u>	<u>\$ 226</u>	<u>\$ 235</u>	<u>\$ 235</u>
Debt Service				
Principal	\$ 105	\$ 110	\$ 120	\$ 130
Interest	<u>118</u>	<u>110</u>	<u>101</u>	<u>96</u>
Total Debt Service	<u>\$ 223</u>	<u>\$ 220</u>	<u>\$ 221</u>	<u>\$ 226</u>
Coverage	1.91	1.03	1.06	1.04
Giants Ridge Enterprise Fund⁽⁴⁾				
Gross Revenues ⁽¹⁾	\$ -	\$ 4,718	\$ 3,455	\$ 3,128
Less: Operating Expenses ⁽²⁾	<u>-</u>	<u>(3,982)</u>	<u>(4,070)</u>	<u>(3,876)</u>
Net Available Revenue	<u>\$ -</u>	<u>\$ 736</u>	<u>\$ (615)</u>	<u>\$ (748)</u>
Debt Service				
Principal ⁽³⁾	\$ -	\$ -	\$ 200	\$ 310
Interest	<u>-</u>	<u>1,066</u>	<u>151</u>	<u>574</u>
Total Debt Service	<u>\$ -</u>	<u>\$ 1,066</u>	<u>\$ 351</u>	<u>\$ 884</u>
Coverage	N/A	0.69	(1.75)	(0.85)

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

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

⁽³⁾ Revenue bonds were defeased in June 2001 and reissued in February 2002.

⁽⁴⁾ Revenue bonds of \$16.0 million for Giants Ridge were issued on November 1, 2000.

⁽⁵⁾ Revenue bonds of \$15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.

⁽⁶⁾ Revenue bonds of \$35.0 million and \$42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

⁽⁷⁾ Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRRA) and D.J. Johnson Economic Protection Trust Funds.

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

2004	2005	2006	2007	2008	2009
\$ 66,221	\$ 70,091	\$ 76,901	\$ 83,073	\$ 88,884	\$ 96,248
(54,221)	(53,884)	(57,496)	(60,778)	(65,166)	(69,867)
<u>\$ 12,000</u>	<u>\$ 16,207</u>	<u>\$ 19,405</u>	<u>\$ 22,295</u>	<u>\$ 23,718</u>	<u>\$ 26,381</u>
\$ 1,065	\$ 1,115	\$ 1,222	\$ 1,875	\$ 1,945	\$ 2,945
1,695	1,401	3,496	4,663	5,374	7,091
<u>\$ 2,760</u>	<u>\$ 2,516</u>	<u>\$ 4,718</u>	<u>\$ 6,538</u>	<u>\$ 7,319</u>	<u>\$ 10,036</u>
4.35	6.44	4.11	3.41	3.24	2.63
\$ 595	\$ 595	\$ 1,010	\$ 1,074	\$ 1,038	\$ 618
(332)	(385)	(660)	(567)	(675)	(346)
<u>\$ 263</u>	<u>\$ 210</u>	<u>\$ 350</u>	<u>\$ 507</u>	<u>\$ 363</u>	<u>\$ 272</u>
\$ 140	\$ 150	\$ 230	\$ 370	\$ 135	\$ 145
86	75	189	170	155	148
<u>\$ 226</u>	<u>\$ 225</u>	<u>\$ 419</u>	<u>\$ 540</u>	<u>\$ 290</u>	<u>\$ 293</u>
1.16	0.93	0.84	0.94	1.25	0.93
\$ 4,994	\$ 5,138	\$ 4,693	\$ 4,204	\$ 4,338	\$ 4,195
(4,283)	(4,532)	(5,139)	(5,293)	(5,447)	(5,796)
<u>\$ 711</u>	<u>\$ 606</u>	<u>\$ (446)</u>	<u>\$ (1,089)</u>	<u>\$ (1,109)</u>	<u>\$ (1,601)</u>
\$ 310	\$ 615	\$ 615	\$ 665	\$ 705	\$ 760
1,170	1,071	1,045	1,009	963	917
<u>\$ 1,480</u>	<u>\$ 1,686</u>	<u>\$ 1,660</u>	<u>\$ 1,674</u>	<u>\$ 1,668</u>	<u>\$ 1,677</u>
0.48	0.36	(0.27)	(0.65)	(0.66)	(0.95)

**Schedule 9 - Pledged Revenue Coverage (Cont'd.)
Last Ten Fiscal Years (In Thousands)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Iron Range Resources and Rehabilitation Agency (IRRRRA) and D.J. Johnson Economic Protection Trust Funds⁽⁵⁾				
Taconite Production Tax ⁽⁷⁾	\$ -	\$ -	\$ -	\$ -
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	N/A	N/A	N/A	N/A
911 Services Fund⁽⁶⁾				
911 Services Fees	\$ -	\$ -	\$ -	\$ -
Less: Operating Expenses ⁽²⁾	-	-	-	-
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	N/A	N/A	N/A	N/A

⁽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.

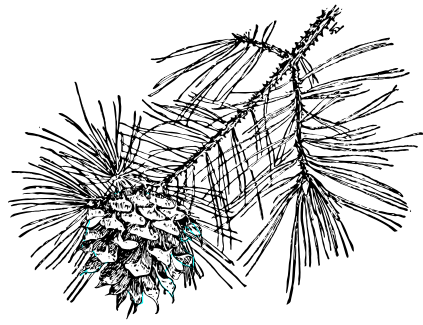
⁽⁵⁾ Revenue bonds of \$15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.

⁽⁶⁾ Revenue bonds of \$35.0 million and \$42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

⁽⁷⁾ Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRRA) and D.J. Johnson Economic Protection Trust Funds.

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

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ 36,189	\$ 37,975	\$ 50,326
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,189</u>	<u>\$ 37,975</u>	<u>\$ 50,326</u>
\$ -	\$ -	\$ -	\$ -	\$ 644	\$ 786
-	-	-	529	640	610
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529</u>	<u>\$ 1,284</u>	<u>\$ 1,396</u>
N/A	N/A	N/A	68.41	29.58	36.05
\$ -	\$ -	\$ -	\$ 49,527	\$ 52,271	\$ 52,677
-	-	-	(15,052)	(25,812)	(23,225)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,475</u>	<u>\$ 26,459</u>	<u>\$ 29,452</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,590	\$ 5,365
-	-	-	976	1,672	2,453
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976</u>	<u>\$ 4,262</u>	<u>\$ 7,818</u>
N/A	N/A	N/A	35.32	6.21	3.77



**Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years**

Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
1999	4,873,481	\$ 148,941,855	\$ 30,562	35.5	2.8%
2000	4,933,787	\$ 160,833,329	\$ 32,598	35.4	3.1%
2001	4,982,339	\$ 166,136,104	\$ 33,345	35.7	3.8%
2002	5,016,643	\$ 170,949,207	\$ 34,076	36.0	4.5%
2003	5,046,708	\$ 178,095,101	\$ 35,289	36.2	4.9%
2004	5,078,014	\$ 188,285,153	\$ 37,079	36.4	4.6%
2005	5,104,890	\$ 193,937,634	\$ 37,991	36.7	4.2%
2006	5,143,134	\$ 205,803,390	\$ 40,015	36.9	4.1%
2007	5,182,360	\$ 216,436,388	\$ 41,764	37.1	4.6%
2008	5,220,393	\$ 224,670,738	\$ 43,037	37.3	5.4%

Sources: U.S. Census Bureau
Bureau of Economic Analysis, U.S. Department of Commerce
Minnesota Department of Employment and Economic Development

**Schedule 11 - Principal Employers
Current Year and Nine Years Ago**

Employer	2000			2009		
	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	53,371	1	1.99%	53,729	1	2.02%
Mayo Foundation	32,531	4	1.21%	37,000	2	1.39%
United States Government	34,806	3	1.30%	33,000	3	1.24%
Target Corp.	35,047	2	1.31%	29,000	4	1.09%
Allina Health System	22,534	6	-	23,818	5	0.89%
Fairview Health Services	18,254	8	0.68%	21,507	6	0.81%
Wells Fargo and Company	14,087	10	0.52%	20,613	7	0.77%
Wal-Mart Stores Inc.	-	-	-	20,230	8	0.76%
University of Minnesota	31,740	5	-	19,718	9	0.74%
3M Company	18,179	9	0.68%	15,000	10	0.56%
Northwest Airlines Corp.	21,395	7	0.80%	-	-	-
Total	<u>281,944</u>			<u>273,615</u>		
Total State Employment	<u>2,684,900</u>			<u>2,662,400</u>		

Sources: Minneapolis/St. Paul Business Journal Book of Lists
Minnesota Department of Employment and Economic Development

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Primary Government:				
Public Safety and Corrections	5,670	5,792	5,750	5,807
Transportation	5,397	5,461	5,288	5,223
Agricultural, Environmental and Energy Resources ⁽¹⁾	4,759	4,806	4,645	4,539
Economic & Workforce Development ⁽¹⁾	2,670	2,696	2,654	2,669
General Education	910	943	911	880
Higher Education	13,345	13,714	13,704	14,094
Health and Human Services	9,183	9,155	9,039	9,118
General Government	<u>5,014</u>	<u>5,404</u>	<u>5,498</u>	<u>5,470</u>
Total	<u><u>46,948</u></u>	<u><u>47,971</u></u>	<u><u>47,489</u></u>	<u><u>47,800</u></u>

⁽¹⁾ Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
5,705	5,752	6,245	6,198	6,447	6,517
4,788	4,849	4,710	4,435	4,544	4,713
4,400	4,389	4,019	4,322	4,465	4,515
4,257	4,136	3,976	3,486	2,379	2,499
857	864	964	935	897	882
14,006	14,407	14,150	14,437	14,841	15,592
7,415	7,570	7,827	8,042	9,587	8,257
<u>5,761</u>	<u>6,050</u>	<u>6,520</u>	<u>6,559</u>	<u>7,393</u>	<u>8,393</u>
<u><u>47,189</u></u>	<u><u>48,017</u></u>	<u><u>48,411</u></u>	<u><u>48,414</u></u>	<u><u>50,553</u></u>	<u><u>51,368</u></u>

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

	2000	2001	2002	2003
Public Safety and Corrections				
Incarcerated Inmates	5,927	6,187	6,583	7,073
Offenders on Supervision	15,321	16,535	15,797	16,753
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,669,806	2,677,848	2,677,848	2,700,603
Crashes Investigated By State Patrol	25,467	24,083	22,827	22,939
Transportation				
Miles of Highways	N/A	N/A	29,024	29,078
Trunk Highway Bridges	N/A	N/A	2,855	2,784
Acres of Right-of-Way	N/A	N/A	247,019	250,243
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,601,457	1,521,753	1,513,303	1,513,018
Watercraft Licenses Issued/Calendar Year	812,247	826,173	834,974	845,379
Acres of State Land Managed by Forestry/Fiscal Year	3,858,000	3,857,000	3,856,000	3,853,000
Farms/Calendar Year	81,000	81,000	80,900	80,000
Acres of Farmland/Calendar Year (1,000 Acres)	27,900	27,800	27,800	27,700
Agricultural Production-Crops/Calendar Year (In Thousands)	\$ 3,580,125	\$ 3,186,925	\$ 4,351,693	\$ 4,391,532
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$ 3,912,711	\$ 4,300,453	\$ 3,615,553	\$ 4,089,925
Economic and Workforce Development				
Unemployment Claims Filed	203,480	302,676	316,572	323,050
Workplace Injuries Reported	60,141	56,681	50,470	44,983
General Education				
Kindergarten Through Grade 12 Students ⁽¹⁾	843,449	842,764	839,424	835,227
School Districts	343	343	343	343
Charter Schools	53	64	67	78
Special Education Age 0-21 Childcount	110,720	112,833	113,930	115,802
Higher Education				
Full Year Equivalents	114,199	118,861	126,215	132,586
Number of Students Graduated	25,166	24,907	26,680	29,438
Buildings - Square Footage	23,393,591	23,815,342	24,310,545	24,509,182
Health and Human Services				
Average Monthly Cash Recipients	173,150	170,546	179,905	184,848
Average Monthly Health Care Enrollees	506,457	532,722	579,388	636,228
Health Care Providers	4,952	5,050	5,250	5,517
General Government				
Individual Income Tax Payers/Calendar Year	2,396,305	2,442,043	2,415,039	2,416,197
Corporate Income Tax Returns/Calendar Year	41,036	44,220	50,498	37,522
Sales Tax Permit Holders/Calendar Year	248,000	250,000	234,000	226,000

Note: N/A = Information not available.

⁽¹⁾ Fiscal year 1997-2003 average daily membership is adjusted to current law which requires that each student can be counted as no more than one.

⁽²⁾ Certificates of Titles prior to FY 2006 were based on the number of transactions. Beginning in FY 2006, Certificates of Titles were based on number of applications.

⁽³⁾ Estimate.

Source: Applicable State Agencies

2004	2005	2006	2007	2008	2009
7,795	7,978	8,874	8,900	9,270	9,217
19,061	18,106	19,977	18,979	20,132	20,974
10	10	10	10	10	10
2,363,013	2,344,311	1,542,648 ⁽²⁾	1,402,284	1,436,622	1,268,416
18,789	23,429	23,777	20,975	20,198	20,224
29,153	29,130	29,100	29,200	29,191	29,228
2,831	2,876	2,907	2,924	2,981	3,021
252,205	252,433	253,852	254,087	254,074	254,269
1,490,110	1,478,219	1,499,482	1,386,087	1,326,087	N/A
854,110	853,999	863,434	866,971	870,736	N/A
3,853,000	3,853,000	3,853,000	3,852,000	3,847,000	3,922,744
79,600	79,600	79,300	81,000	81,000	N/A
27,400	27,200	27,000	26,900	26,900	N/A
\$ 5,147,314	\$ 4,866,126	\$ 5,180,420	\$ 6,839,308	10,221,264	N/A
\$ 4,972,675	\$ 4,972,130	\$ 4,865,893	\$5,851,692	6,080,949	N/A
284,948	283,975	281,171	274,581	311,726	350,000 ⁽³⁾
43,871	42,002	39,919	39,827	38,178	35,416
829,832	825,843	826,543	827,197	823,755	823,093 ⁽³⁾
343	343	343	340	340	340
88	106	125	131	143	153
117,666	118,501	119,720	121,511	123,269	124,592
135,819	135,494	134,220	135,839	139,885	143,427 ⁽³⁾
32,480	32,638	33,860	33,796	33,328	33,616
25,263,803	25,559,289	25,725,125	26,007,169	26,065,364	26,672,956
182,645	171,738	164,632	159,390	158,556	163,355
649,032	663,529	667,182	661,265	667,086	702,624
5,491	5,726	6,276	6,710	7,120	8,368
2,415,563	2,501,144	2,563,373	2,602,439	2,715,679	2,685,165
51,803	39,334	43,304	38,339	40,900	37,253
229,000	219,000	197,000	256,000	277,000	277,000

Note: Of the \$12.9 billion in capital assets owned by the state, \$9.0 billion (69.8 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining \$3.9 billion in capital assets is allocated to other functions.

