

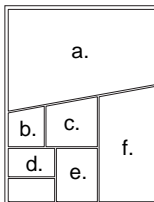
# State of Minnesota Comprehensive Annual Financial Report



**For the Year Ended June 30, 2010**

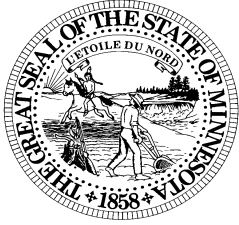


Minnesota State is defined by its connection with the Mississippi River. Headwaters for the mighty river are located in Itasca State Park. Flowing through Minneapolis, the state's largest city, and Saint Paul, the state's capital, it continues to Lake Pepin, the birthplace of water skiing and home to hundreds of bald eagles and other water fowl. Distinctive bridges spanning the river connect us with the eastern half of the nation and its stream carries our natural resources to the Gulf Coast.



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State of Minnesota

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# Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

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Prepared by Minnesota  
Management and Budget  
Steve Sviggum,  
Commissioner  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155

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State of Minnesota

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2010  
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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/>

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State of Minnesota

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# Introduction

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# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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## 2010 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Minnesota Management and Budget

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December 20, 2010



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, 2010. 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, 2010. 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, 2010. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2011.

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, 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. The state has either the ability to impose its will over these agencies or provides substantial funding.

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, or February after a gubernatorial transition, 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 and Remediation, Heritage, 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.

## **Implementation of New Accounting Standards**

During the current year, the state implemented seven new Generally Accepted Accounting Principles (GAAP), including GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This

statement also clarifies existing governmental fund type definitions, which resulted in changes to the state's fund structure. These changes primarily related to several special revenue funds no longer meeting the GAAP definition of a special revenue fund which are now being reported in the General Fund for GAAP purposes.

## **Economic Condition and Outlook**

Minnesota appears to be recovering from the Great Recession more rapidly than much of the rest of the nation. The state's June 2010 unemployment rate was 6.8 percent, eighth lowest among states, and 1.6 percentage points below the 8.4 percent rate observed a year earlier. Minnesota's unemployment rate was also 2.7 percentage points less than the national rate of 9.5 percent. Payroll employment in Minnesota began to grow in September 2009 and by the end of the fiscal year 2010, Minnesota had added 9,000 jobs over June 2009. Nationally, employment in June 2010 was 0.2 percent less than year earlier levels; in Minnesota, employment was up 0.3 percent. The growth in jobs, however, does not mean that employment in the state has recovered to its pre-recession peak. Minnesota lost nearly 154,000 jobs between December 2007 and September 2009. By the close of fiscal year 2010, Minnesota employment had grown by 34,000, leaving 120,000 fewer jobs in the state than at the end of calendar 2007.

Minnesota's employment turnaround was limited to service sector jobs. Manufacturing employment remained at year earlier levels and construction jobs continued to decline an additional 7,000 jobs from the end of fiscal 2009. Construction employment in Minnesota has fallen by nearly 28 percent since the start of the recession, and by more than one-third from its pre-recession high. Health care, leisure and hospitality, and business and professional services were the sectors with the greatest employment growth during the past fiscal year.

Personal income in Minnesota grew by 2.7 percent between the end of fiscal year 2009 and the end of fiscal year 2010, 0.5 percentage points faster than the national growth rate of 2.2 percent. Minnesota wages also grew faster than the U.S. average over the past year. At the close of the fiscal year 2010, Minnesota wages were \$123.6 billion, 1.9 percent more than at the close of the 2009 fiscal year. Over that same period, U.S. wages grew less than one half as fast, up by 0.8 percent.

The outlook for Minnesota in fiscal year 2011 is very similar to the national outlook. In Minnesota, employment is expected to increase by 16,000 jobs, 0.6 percent, in fiscal year 2011. Nationally, employment growth of 0.7 percent is projected. Minnesota wages are projected to grow by 3.4 percent in fiscal year 2011 and personal income by 3.5 percent compared to national average of 2.9 and 3.1, respectively. Manufacturing employment is projected to add 6,000 jobs, while construction is projected to decline an additional 3,000 jobs. Employment is forecasted to grow the most in the health care services sector, where an additional 12,000 jobs are expected to be added in fiscal year 2011.

## **General Fund Condition**

The 2010-2011 enacted biennial budget decreased General Fund spending on a budgetary basis by 9.8 percent compared to the 2008-2009 biennium. Two significant factors reduced 2010-2011 biennial spending on a one-time basis: funding received through the federal American Recovery and Reinvestment Act (ARRA) and the K-12 payment deferral. Without the impact of moving General Fund expenditures to the Federal Fund (special revenue fund) through ARRA grants and the K-12 payment shifts, the 2010-2011 biennial budget would have increased by 1.4 percent relative to the 2008-2009 biennial budget. The total General Fund impact of ARRA grants in fiscal years 2009-2011 was \$2.7 billion. The total impact of the K-12 payment shifts in the 2010-2011 biennium was \$1.9 billion.

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.

On a budgetary basis, the state's General Fund ended fiscal year 2010 with an undesignated fund balance of \$75 million. On a GAAP basis, the General Fund reported a deficit of \$886 million, a decrease of \$961 million from the budgetary General Fund balance. The difference between the budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, as a result of implementing GASB Statement No. 54, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of \$860 million. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was \$1.8 billion. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

### **Certificate of Achievement**

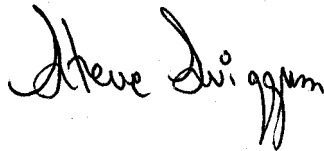
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twenty-fifth consecutive 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,

A handwritten signature in black ink that reads "Steve Sviggum". The signature is written in a cursive, flowing style.

Steve Sviggum  
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, 2009

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.



A stylized, handwritten signature in black ink.

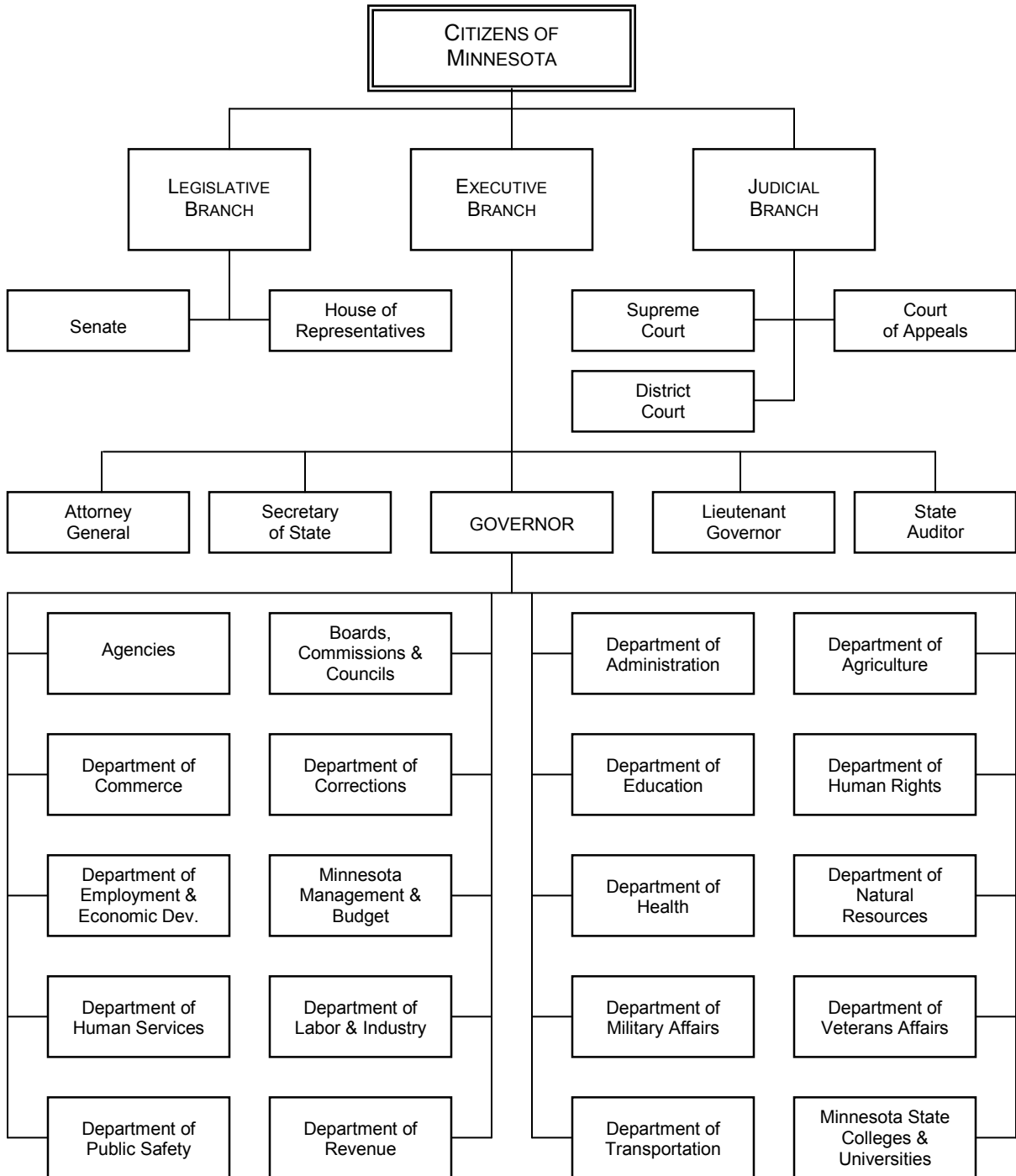
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



2010 Comprehensive Annual Financial Report  
State Organization Chart





State of Minnesota

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**2010 Comprehensive Annual Financial Report**  
**State Principal Officials**

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**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

Lorie Skjerven Gildea

# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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# Financial Section

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2010  
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Annual  
Financial Report



### Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Steve Sviggum, 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, 2010, 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, 115 percent,<sup>1</sup> and 18 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, 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. 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. The financial statements of 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*. 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, 2010, 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.

<sup>1</sup> The net assets of the Minnesota State Colleges and Universities exceed the total net assets of the state's business-type activities due to a \$266 million deficit in the Unemployment Insurance Fund.



Members of the Minnesota State Legislature  
The Honorable Tim Pawlenty, Governor  
Mr. Steve Sviggum, Commissioner, Minnesota Management and Budget  
Page 2

As discussed in Note 1 to the basic financial statements, the State of Minnesota adopted Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* for the year ended June 30, 2010.

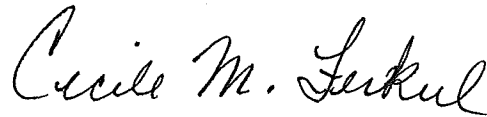
In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. 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, CISA  
Deputy Legislative Auditor

December 20, 2010

# MINNESOTA



Headwaters of the mighty Mississippi



## 2010 Comprehensive Annual Financial Report Management's Discussion and Analysis

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### 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, 2010, 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 nine 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 six 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
- 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 maintained 29 individual governmental funds. However, six of these funds were either moved to the General Fund or combined into another fund and one fund was split and a portion of the activity was moved to the General Fund as a result of implementing Governmental Accounting Standards Board

(GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." 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 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 majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget 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 21 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account 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 *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

### Change in Accounting Principles and Prior Period Adjustments

- The state implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The fiscal year 2009 Statement of Net Assets, and Changes in Net Assets have been restated to reflect these changes for comparison purposes.
- The state also restated fiscal year 2009 to reflect prior period adjustments related to capital assets. See Capital Asset section for further discussion.

### Government-wide

- The assets of the state exceeded liabilities at June 30, 2010, by \$10.9 billion (presented as *net assets*). Of this amount, a deficit of \$2.9 billion 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 \$1.2 billion (9.9 percent) during fiscal year 2010. Net assets of governmental activities decreased by \$761 million (7.5 percent), while net assets of the business-type activities showed a decrease of \$439 million (22.6 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 \$2.8 billion, a decrease of \$774 million compared to the prior year. Included in the ending fund balance is a General Fund unassigned deficit of \$1.5 billion. 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 \$1.2 billion (17.5 percent) during the current fiscal year. The increase is partially due to an increase in loans for the Unemployment Insurance Fund (enterprise fund) due to a cash advance from the U.S. Treasury for unemployment benefit payments. In addition, the state issued general obligation bonds for trunk highway projects and other various state purposes, revenue bonds for a statewide 911 emergency response communication system, and Certificates of Participation for the statewide accounting and procurement system and an integrated tax system.

## 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 \$10.9 billion at the end of 2010, compared to \$12.1 billion at the end of the previous year.

<b>Net Assets</b>						
<b>June 30, 2010 and 2009</b>						
<b>(In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current Assets	\$ 9,109,033	\$ 8,465,565	\$ 1,341,897	\$ 1,233,270	\$ 10,450,930	\$ 9,698,835
Noncurrent Assets:						
Capital Assets <sup>(2)</sup>	11,982,234	11,459,985	1,776,280	1,639,442	13,758,514	13,099,427
Other Assets	853,394	753,474	138,734	168,620	992,128	922,094
Total Assets	<u>\$ 21,944,661</u>	<u>\$ 20,679,024</u>	<u>\$ 3,256,911</u>	<u>\$ 3,041,332</u>	<u>\$ 25,201,572</u>	<u>\$ 23,720,356</u>
Current Liabilities	\$ 6,384,468	\$ 4,899,954	\$ 418,899	\$ 412,129	\$ 6,803,367	\$ 5,312,083
Noncurrent Liabilities	6,198,043	5,656,275	1,335,066	687,424	7,533,109	6,343,699
Total Liabilities	<u>\$ 12,582,511</u>	<u>\$ 10,556,229</u>	<u>\$ 1,753,965</u>	<u>\$ 1,099,553</u>	<u>\$ 14,336,476</u>	<u>\$ 11,655,782</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt <sup>(2)</sup>	\$ 8,947,341	\$ 8,488,031	\$ 1,293,856	\$ 1,243,286	\$ 10,241,197	\$ 9,731,317
Restricted <sup>(1)</sup>	3,060,905	2,737,947	509,705	737,400	3,570,610	3,475,347
Unrestricted <sup>(1)</sup>	(2,646,096)	(1,103,183)	(300,615)	(38,907)	(2,946,711)	(1,142,090)
Total Net Assets	<u>\$ 9,362,150</u>	<u>\$ 10,122,795</u>	<u>\$ 1,502,946</u>	<u>\$ 1,941,779</u>	<u>\$ 10,865,096</u>	<u>\$ 12,064,574</u>

(1) 2009 has been restated to be consistent with 2010 presentation.

(2) 2009 has been restated to reflect the change in accounting principle and prior period adjustments.

The largest portion, \$10.2 billion of \$10.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. 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 \$3.6 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. Additional information on the state's net asset restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net assets balance represents a deficit in unrestricted net assets of \$2.9 billion. 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 \$1.2 billion (9.9 percent) over the course of this fiscal year. This resulted from a \$761 million (7.5 percent) decrease in net assets of governmental activities, and a \$439 million (22.6 percent) decrease in net assets of business-type activities.

**Changes in Net Assets**  
**Fiscal Years Ended June 30, 2010 and 2009**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services <sup>(1)</sup>	\$ 1,231,253	\$ 1,189,748	\$ 2,489,629	\$ 2,263,061	\$ 3,720,882	\$ 3,452,809
Operating Grants and Contributions <sup>(1)</sup>	10,164,213	7,754,986	1,958,195	953,318	12,122,408	8,708,304
Capital Grants	206,292	272,736	1,554	4,262	207,846	276,998
<b>General Revenues:</b>						
Individual Income Taxes	6,792,510	7,203,337	-	-	6,792,510	7,203,337
Corporate Income Taxes	539,534	741,049	-	-	539,534	741,049
Sales Taxes	4,379,236	4,338,748	-	-	4,379,236	4,338,748
Property Taxes	746,685	733,899	-	-	746,685	733,899
Motor Vehicle Taxes	997,214	955,785	-	-	997,214	955,785
Fuel Taxes	826,574	758,271	-	-	826,574	758,271
Other Taxes	2,224,237	2,206,648	-	-	2,224,237	2,206,648
Tobacco Settlement	157,924	176,140	-	-	157,924	176,140
Investment/Interest Income	21,242	57,790	8,483	32,306	29,725	90,096
Other Revenues	145,608	95,316	-	630	145,608	95,946
<b>Total Revenues</b>	<b>\$ 28,432,522</b>	<b>\$ 26,484,453</b>	<b>\$ 4,457,861</b>	<b>\$ 3,253,577</b>	<b>\$ 32,890,383</b>	<b>\$ 29,738,030</b>
<b>Expenses:</b>						
Public Safety and Corrections	\$ 958,915	\$ 944,400	\$ -	\$ -	\$ 958,915	\$ 944,400
Transportation <sup>(1)</sup>	2,468,573	2,064,729	-	-	2,468,573	2,064,729
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	950,738	828,255	-	-	950,738	828,255
Economic and Workforce Development	715,085	695,314	-	-	715,085	695,314
General Education	8,042,744	7,811,723	-	-	8,042,744	7,811,723
Higher Education	981,859	912,011	-	-	981,859	912,011
Health and Human Services	11,949,235	11,248,700	-	-	11,949,235	11,248,700
General Government	762,238	800,123	-	-	762,238	800,123
Intergovernmental Aid	1,558,453	1,435,897	-	-	1,558,453	1,435,897
Interest	261,802	210,435	-	-	261,802	210,435
State Colleges and Universities	-	-	1,802,527	1,743,609	1,802,527	1,743,609
Unemployment Insurance	-	-	3,038,557	1,865,939	3,038,557	1,865,939
Lottery	-	-	377,025	363,832	377,025	363,832
Other	-	-	222,110	209,070	222,110	209,070
<b>Total Expenses</b>	<b>\$ 28,649,642</b>	<b>\$ 26,951,587</b>	<b>\$ 5,440,219</b>	<b>\$ 4,182,450</b>	<b>\$ 34,089,861</b>	<b>\$ 31,134,037</b>
<b>Excess (Deficiency) Before</b>						
Transfers	\$ (217,120)	\$ (467,134)	\$ (982,358)	\$ (928,873)	\$ (1,199,478)	\$ (1,396,007)
Transfers	(543,525)	(610,880)	543,525	610,880	-	-
<b>Change in Net Assets</b>	<b>\$ (760,645)</b>	<b>\$ (1,078,014)</b>	<b>\$ (438,833)</b>	<b>\$ (317,993)</b>	<b>\$ (1,199,478)</b>	<b>\$ (1,396,007)</b>
<b>Net Assets, Beginning <sup>(1)</sup></b>	<b>\$ 10,122,795</b>	<b>\$ 11,200,809</b>	<b>\$ 1,941,779</b>	<b>\$ 2,259,772</b>	<b>\$ 12,064,574</b>	<b>\$ 13,460,581</b>
<b>Net Assets, Ending</b>	<b>\$ 9,362,150</b>	<b>\$ 10,122,795</b>	<b>\$ 1,502,946</b>	<b>\$ 1,941,779</b>	<b>\$ 10,865,096</b>	<b>\$ 12,064,574</b>

<sup>(1)</sup> 2009 has been restated to be consistent with 2010 presentation.

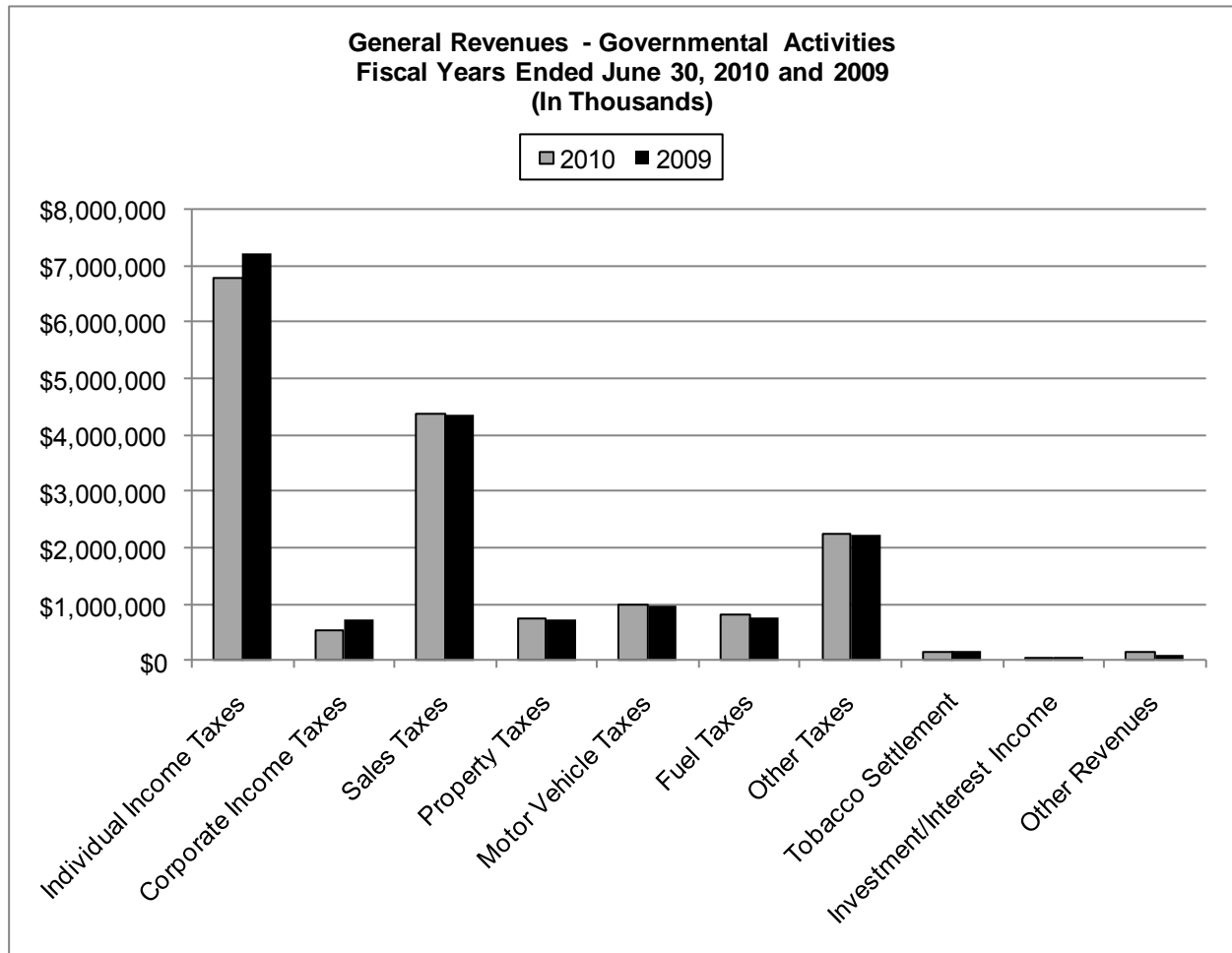
Approximately 50 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 38 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 11 percent of the total revenues. The remaining 1 percent came from other general revenues.

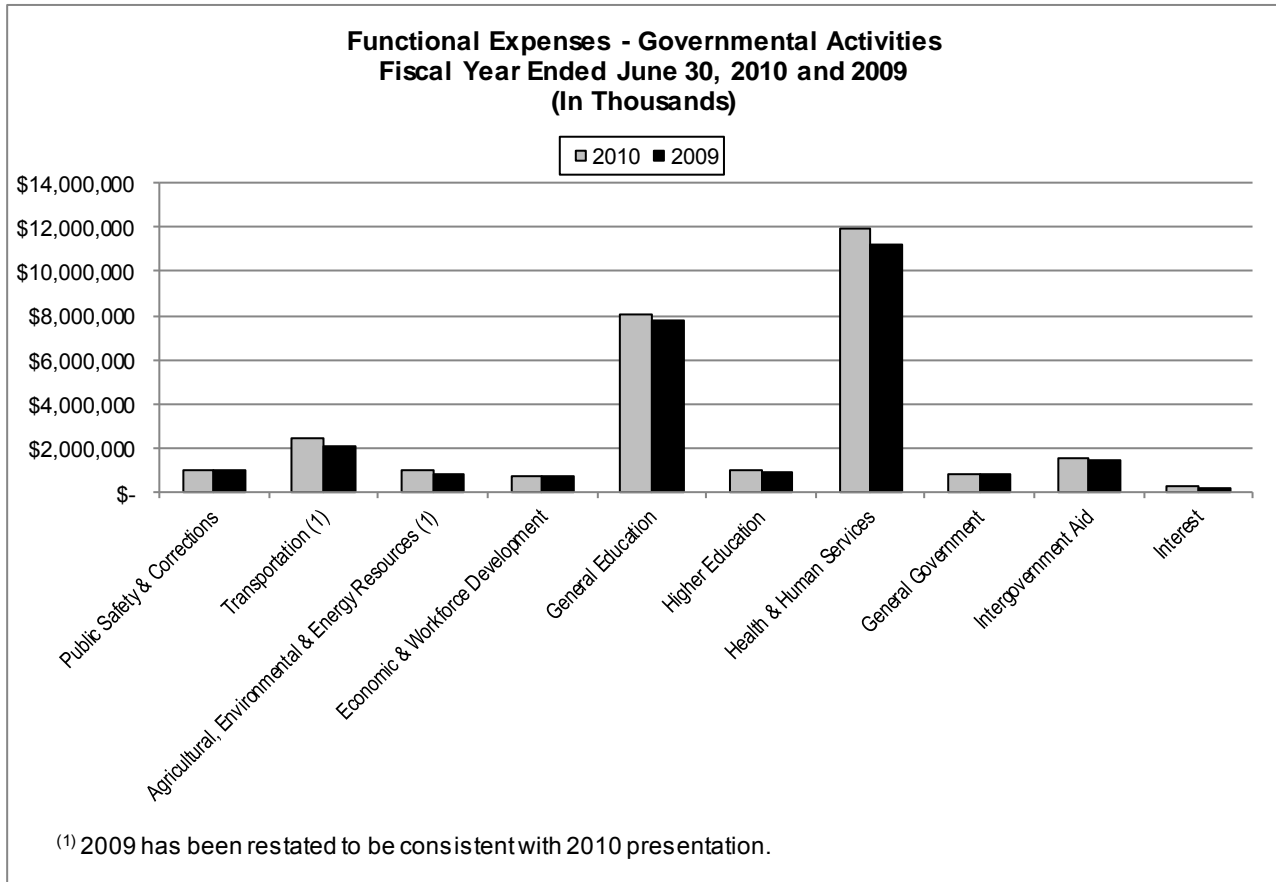
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

### Governmental Activities

Governmental activities decreased the state's net assets by \$761 million compared to a decrease of \$1.1 billion in the prior year.

Significant increases in revenues were partially offset by decreases in other revenue sources. The increase in federal revenues was primarily attributed to revenue exceeding \$2 billion related to the American Recovery and Reinvestment Act (ARRA) compared to approximately \$900 million in the prior year. ARRA was designed to provide federal spending to accelerate the nation's economic recovery and preserve and create jobs. Motor vehicle and fuel taxes increased due to tax rate increases and additional sales of vehicles attributed to a federal program, which purchased older vehicles. These increases were partially offset by a decrease in individual income taxes receipts and corporate income taxes receipts resulting from a lower tax base as a result of the deterioration in the economy. Sales tax increased due to a constitutional increase in the sales tax rate that is dedicated to restore, protect and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage. However, this increase was partially offset by the continued deterioration in the economy.

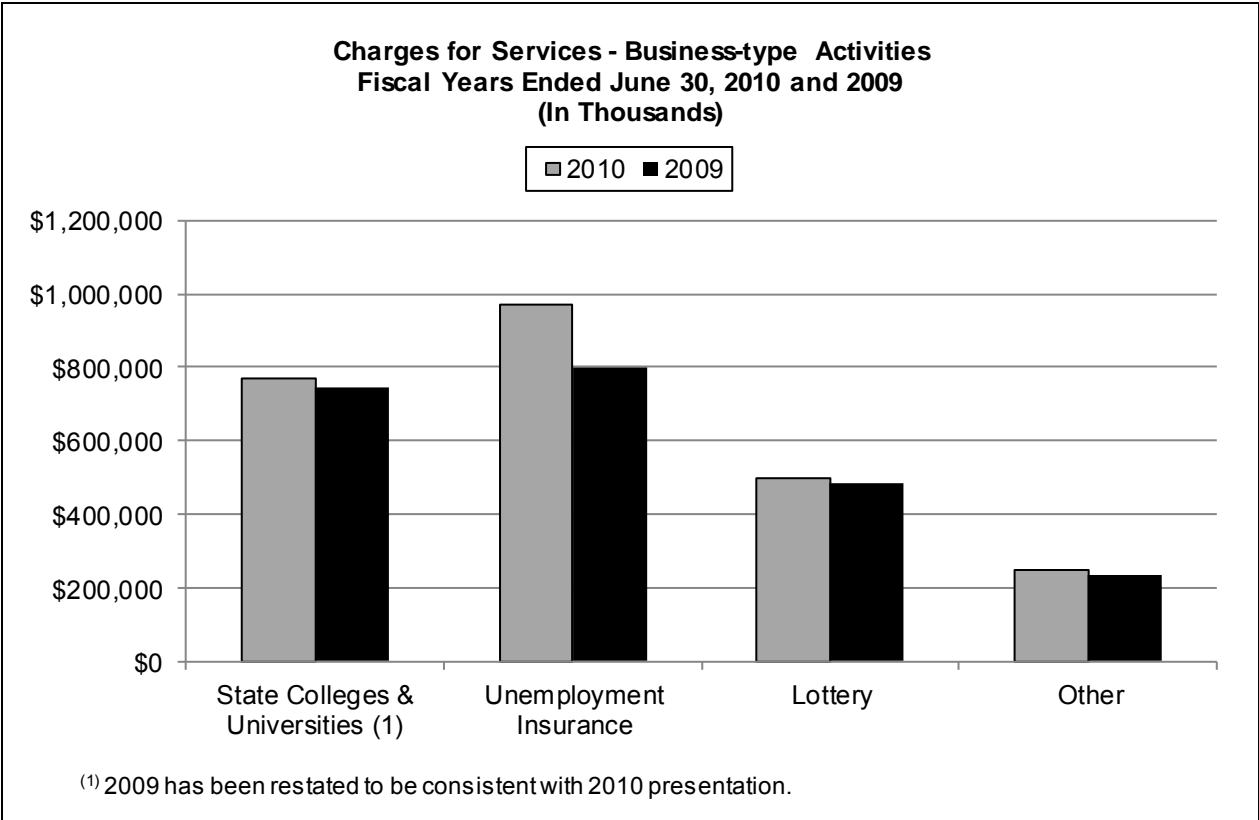




The increase in expenses resulted in increases from many functions. Transportation expenses increased due to expansion of highway construction for both state and local projects. These expenses were partially offset by federal revenue including ARRA grants. The additional Agricultural, Environmental and Energy Resources expenses relating to weatherization and energy programs expenses were almost entirely offset by additional federal revenues including ARRA grants. General Education increases related to increases in ARRA grants; thus, expenses were also offset by additional federal revenue. Higher Education grants increase was attributable to the Office of Higher Education spending a larger portion of a reimbursable grant in the first year of the grant period. Health and Human Services expenses increased due to an increase in the number of participants eligible for health care services and food stamps due to the weaker economy. This increase was offset by an increase in operating grants from the federal government. The decrease in General Government expenses related to general operating reductions to help balance the budget. Intergovernmental Aid expenses increase resulted from larger budget reductions in fiscal year 2009 than in fiscal year 2010.

### Business-type Activities

The state's proprietary funds net assets decreased by \$439 million during the current year. This primarily resulted from a \$583 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 and extended benefit periods as a result of the economic downturn causing an unrestricted net asset deficit of \$266 million. The increase in benefits was partially offset by an increase in insurance premiums and nonoperating federal revenue provided by ARRA grants and federally funded extended benefits. The decrease in net assets of the Unemployment Insurance Fund was partially offset by a \$180 million increase in net assets in the State Colleges and Universities Fund. The increase in federal grants related to an increase in student Pell Grants and funds received under ARRA. The increase in federal revenue was partially offset by an increase in student financial aid due to an increase in student eligibility and award amounts.



**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 unassigned 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 \$2.8 billion, a decrease of \$774 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of \$1.5 billion, a decrease in fund balance of an additional \$1.2 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, some of the same variances impacting Governmental Activities impacted the General Fund; however, the additional federal grants related to ARRA grants shifted expenditures from the General Fund to the Federal Fund (special revenue fund). The decreases in both General Government and Agricultural, Environmental and Energy Resources expenditures related to general operating reductions to help balance the budget. Higher Education expenditures increased due to an increase in grants to the Office of Higher Education; however, these increases were offset by a shift of General Fund grants for the University of Minnesota (component unit) to the Federal Fund and reimbursed by ARRA grants. In addition, the decreases in General Education, Health and Human Services, and Public Safety and Corrections expenditures were primarily attributed to

shifts of General Fund expenditures to the Federal Fund and reimbursed by ARRA grants. Intergovernmental Aid expenditure increases resulted from larger budget reductions in fiscal year 2009 than in fiscal year 2010.

### **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 fund's net assets decreased by \$439 million during the current year. This primarily resulted from a \$583 million decrease in net assets in the Unemployment Insurance Fund, which was offset by an increase of \$180 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 2010. These are material to understanding changes in the General Fund balance that occurred in fiscal year 2010. Both the Minnesota State Constitution (Article XI, sections 5 and 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 2010.

### **Actions Establishing the Fiscal Year 2010 Budget**

The February 2009 forecast set the baseline for the development of the 2010-2011 biennial budget. This forecast included a projected deficit of \$4.57 billion for the 2010-2011 biennium, with \$2.29 billion of that deficit projected in fiscal year 2010. The February 2009 forecast included recognition of the recently passed American Recovery and Reinvestment Act (ARRA), which at that time provided \$1.359 billion in relief to the General Fund for the 2009-2011 biennium by moving additional Medicaid expenditures to the Federal Fund (special revenue fund).

The 2009 Legislature took action to close the budget gap for the 2010-2011 biennium and passed bills, which the Governor signed, narrowing the projected deficit to \$2.7 billion for the biennium (\$1.3 billion for 2010). This Legislative action included moving an additional \$816 million in spending from the General Fund to the Federal Fund in recognition of the State Fiscal Stabilization Funds received through ARRA grants in fiscal years 2009-2011. The Legislature took additional action during the legislative session, which the Governor vetoed, that would have raised additional revenues to close the remaining budget gap. As a result, the Legislature adjourned with the \$2.7 billion gap remaining for the 2010-2011 biennium.

### **Budget Actions during Fiscal Year 2010**

In July of 2009, the Governor took action through the unallotment authority in Minnesota Statute 16A.152 to close the remaining budget gap for the 2010-2011 biennium. The Governor implemented K-12 payment deferrals totaling \$1.7 billion, and unallotments and administrative actions totaling an additional \$1 billion for a total of \$2.7 billion.

At the beginning of the 2010 legislative session, the February 2010 forecast for 2010-2011 biennium included a deficit of \$994 million. The deficit projection was based on the legislatively enacted 2010-2011 biennial budget and the Governor's subsequent executive actions. In May 2010, the Minnesota State Supreme Court ruled that the Governor's use of unallotment in July 2009 exceeded the Governor's authority. While certain administrative actions were upheld, the unallotments were reversed and the size of the deficit grew from \$994 million to \$3.4 billion.



At the end of the 2010 legislative session, the \$3.4 billion deficit was solved largely through one-time means, leaving a General Fund budgetary balance of \$5.6 million. Most of the Governor's original unallotments were adopted by the Legislature on a one-time basis. The one-time nature of the 2010-2011 biennium actions, and the scheduled repayment of K-12 shifts and payment delays in the subsequent biennium, resulted in a projected budget shortfall in the 2012-2013 biennium of \$5.8 billion.

### **Budget and GAAP Based Financial Outlook**

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.

On a budgetary basis, the state's General Fund ended fiscal year 2010 with a balance of \$74.6 million and for the 2010-2011 biennium, the General Fund is balanced on a budgetary basis. However, it is likely that the state's General Fund will continue to show deficits on a GAAP basis over the 2010-2011 biennium.

On December 2, 2010, Minnesota Management and Budget released the forecast for the 2010-2011 and the 2012-2013 bienniums. Based on the forecast, the state's financial outlook has remained consistent since the end of legislative session and the General Fund is projected to end the 2010-2011 biennium with a surplus of \$399 million. However, the 2012-2013 biennium is projecting a deficit of \$6.2 billion. Both state statutes and the state constitution require a balanced budget for the 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, 2010, was \$16.4 billion, less accumulated depreciation of \$2.6 billion, resulting in a net book value of \$13.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures and equipment. 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, 2010 and 2009**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Capital Assets not Depreciated:						
Land	\$ 2,058,634	\$ 2,073,170	\$ 85,134	\$ 81,879	\$ 2,143,768	\$ 2,155,049
Buildings, Structures, Improvements	28,081	52,799	-	-	28,081	52,799
Construction in Progress	292,833	251,943	166,444	154,867	459,277	406,810
Development in Progress	34,151	-	-	-	34,151	-
Infrastructure	7,634,894	7,323,111	-	-	7,634,894	7,323,111
Easements <sup>(1)</sup>	245,575	112,163	-	-	245,575	112,163
Art and Historical Treasures	1,989	1,989	-	-	1,989	1,989
Total Capital Assets not Depreciated	<u>\$ 10,296,157</u>	<u>\$ 9,815,175</u>	<u>\$ 251,578</u>	<u>\$ 236,746</u>	<u>\$ 10,547,735</u>	<u>\$ 10,051,921</u>
Capital Assets Depreciated:						
Buildings, Structures, Improvements <sup>(1)</sup>	\$ 2,246,617	\$ 2,217,019	\$ 2,532,752	\$ 2,335,301	\$ 4,779,369	\$ 4,552,320
Infrastructure	149,642	92,789	-	-	149,642	92,789
Internally Generated Computer Software	3,748	-	13,928	-	17,676	-
Easements <sup>(1)</sup>	4,067	4,028	-	-	4,067	4,028
Library Collections	-	-	48,078	48,526	48,078	48,526
Equipment, Furniture, Fixtures <sup>(1)</sup>	562,830	543,875	266,171	288,907	829,001	832,782
Total Capital Assets Depreciated	<u>\$ 2,966,904</u>	<u>\$ 2,857,711</u>	<u>\$ 2,860,929</u>	<u>\$ 2,672,734</u>	<u>\$ 5,827,833</u>	<u>\$ 5,530,445</u>
Less: Accumulated Depreciation <sup>(1)</sup>	1,280,827	1,212,901	1,336,227	1,270,038	2,617,054	2,482,939
Capital Assets Net of Depreciation	<u>\$ 1,686,077</u>	<u>\$ 1,644,810</u>	<u>\$ 1,524,702</u>	<u>\$ 1,402,696</u>	<u>\$ 3,210,779</u>	<u>\$ 3,047,506</u>
Total	<u>\$ 11,982,234</u>	<u>\$ 11,459,985</u>	<u>\$ 1,776,280</u>	<u>\$ 1,639,442</u>	<u>\$ 13,758,514</u>	<u>\$ 13,099,427</u>

<sup>(1)</sup> Prior year amounts have been restated for the change in accounting principle and prior period adjustment for consistent presentation.

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 2009, indicated that the average PQI for principal arterial pavement was 3.3 and 3.1 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 2009, 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 fiscal year 2010, the state implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement required retroactive reporting of certain intangible

assets. As a result, the state's beginning balances for nondepreciable easements and depreciable easements increased by \$112.2 million and \$4.0 million, net of \$374 thousand accumulated depreciation, respectively. This resulted in a net change in accounting principle of \$115,8 million.

**Prior Period Adjustment Governmental Activities:** During fiscal year 2010, depreciable buildings and equipment cost increased by \$74.3 million, net of \$41.9 million accumulated depreciation and \$126.8 million, net of \$72.0 million accumulated depreciation, respectively. This was primarily due to additional capital assets identified by the Minnesota Department of Transportation partly as a result of changing capitalization thresholds in preparation for converting capital assets into the new statewide accounting system. This resulted in a net prior period adjustment of \$87.2 million.

**Prior Period Adjustment Business-type Activities:** During fiscal year 2010, building cost in the 911 Services Fund (enterprise fund) increased by \$49.2 million, net of \$5.6 million accumulated depreciation, as a result of recording towers owned by the Minnesota Department of Transportation. This resulted in a net prior period adjustment of \$43.6 million.

During the current year, the state placed additional emphasis on bridge maintenance and repair that was not included in the original budget. In addition, there was a shift between costs associated with new roads to a greater focus on improvements to current infrastructure compared to the amounts originally budgeted.

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, and charges and monies that were pledged for repayment.

The Certificates of Participation were issued by the state to finance the statewide systems and integrated tax system.

**Outstanding Bonded Debt and Unamortized Premium  
June 30, 2010 and 2009  
(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation	\$ 5,103,210	\$ 4,667,902	\$ 250,353	\$ 241,946	\$ 5,353,563	\$ 4,909,848
Revenue	12,900	13,715	320,779	278,246	333,679	291,961
Certificate of Participation	80,649	-	-	-	80,649	-
Total	<u>\$ 5,196,759</u>	<u>\$ 4,681,617</u>	<u>\$ 571,132</u>	<u>\$ 520,192</u>	<u>\$ 5,767,891</u>	<u>\$ 5,201,809</u>

During fiscal year 2010, the state issued the following bonds:

- \$635.3 million in general obligation state various purpose bonds
- \$105.0 million in general obligation state trunk highway bonds
- \$7.0 million in general obligation Rural Finance Authority bonds
- \$398.1 million in state refunding bonds
- \$28.4 million in state trunk highway refunding bonds
- \$60.5 million in revenue bonds for a statewide 911 emergency response communication system
- \$75.0 million in certificate of participation for the statewide systems and integrated tax system

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

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# Basic Financial Statements

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# MINNESOTA



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# Government-wide Financial Statements

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STATE OF MINNESOTA

STATEMENT OF NET ASSETS

JUNE 30, 2010  
(IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 4,306,485	\$ 772,491	\$ 5,078,976	\$ 1,358,129
Investments.....	1,116,158	31,123	1,147,281	836,719
Accounts Receivable.....	2,057,048	468,736	2,525,784	419,020
Due from Component Units.....	12,350	-	12,350	-
Due from Primary Government.....	-	-	-	71,120
Accrued Investment/Interest Income.....	20,167	17	20,184	42,170
Federal Aid Receivable.....	1,449,709	54,658	1,504,367	8,289
Inventories.....	29,843	20,267	50,110	46,010
Loans and Notes Receivable.....	21,263	5,880	27,143	209,557
Internal Balances.....	14,636	(14,636)	-	-
Securities Lending Collateral.....	62,156	265	62,421	2,196
Other Assets.....	19,218	3,096	22,314	117,491
Total Current Assets.....	\$ 9,109,033	\$ 1,341,897	\$ 10,450,930	\$ 3,110,701
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 111,594	\$ 111,594	\$ 259,373
Investments-Restricted.....	-	-	-	679,120
Accounts Receivable-Restricted.....	-	-	-	19,778
Due from Primary Government.....	-	-	-	47,543
Other Assets-Restricted.....	-	71	71	18,782
Due from Component Units.....	106,111	-	106,111	-
Investments.....	-	-	-	3,018,238
Accounts Receivable.....	421,267	-	421,267	523,926
Loans and Notes Receivable.....	300,427	27,069	327,496	4,711,012
Depreciable Capital Assets (Net).....	1,686,077	1,524,702	3,210,779	4,662,685
Nondepreciable Capital Assets.....	2,661,263	251,578	2,912,841	554,881
Infrastructure (Not depreciated).....	7,634,894	-	7,634,894	-
Other Assets.....	25,589	-	25,589	11,289
Deferred Loss on Interest Rate Swap Agreements.....	-	-	-	37,077
Total Noncurrent Assets.....	\$ 12,835,628	\$ 1,915,014	\$ 14,750,642	\$ 14,543,704
Total Assets.....	\$ 21,944,661	\$ 3,256,911	\$ 25,201,572	\$ 17,654,405
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ 5,053,616	\$ 275,439	\$ 5,329,055	\$ 300,300
Due to Component Units.....	36,590	-	36,590	-
Due to Primary Government.....	-	-	-	37,817
Unearned Revenue.....	577,013	68,794	645,807	113,936
Accrued Interest Payable.....	74,272	568	74,840	72,119
General Obligation Bonds Payable.....	402,265	17,790	420,055	204,584
Loans and Notes Payable.....	13,954	827	14,781	330,218
Revenue Bonds Payable.....	845	19,920	20,765	710,174
Claims Payable.....	88,090	-	88,090	84,832
Compensated Absences Payable.....	30,894	14,496	45,390	185,919
Workers' Compensation Liability.....	16,813	2,739	19,552	-
Certificates of Participation Payable.....	500	-	500	-
Capital Leases Payable.....	6,984	1,757	8,741	560
Securities Lending Liabilities.....	62,156	265	62,421	2,196
Other Liabilities.....	20,476	16,304	36,780	68,607
Total Current Liabilities.....	\$ 6,384,468	\$ 418,899	\$ 6,803,367	\$ 2,111,262
Noncurrent Liabilities:				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 114,204
Unearned Revenue-Restricted.....	-	-	-	31,977
Accrued Interest Payable-Restricted.....	-	-	-	10,440
Due to Primary Government.....	-	-	-	106,112
Unearned Revenue.....	-	-	-	5,334
General Obligation Bonds Payable.....	4,700,945	232,563	4,933,508	1,473,136
Loans and Notes Payable.....	27,365	602,193	629,558	4,332
Revenue Bonds Payable.....	12,055	300,859	312,914	3,667,871
Claims Payable.....	655,620	-	655,620	598,122
Compensated Absences Payable.....	263,393	130,479	393,872	63,512
Workers' Compensation Liability.....	88,444	3,779	92,223	-
Certificates of Participation Payable.....	80,149	-	80,149	-
Capital Leases Payable.....	151,191	16,905	168,096	11,395
Funds Held in Trust.....	-	-	-	222,622
Due to Component Units.....	18,591	-	18,591	-
Other Liabilities.....	200,290	48,288	248,578	165,973
Interest Rate Swap Agreements.....	-	-	-	37,077
Total Noncurrent Liabilities.....	\$ 6,198,043	\$ 1,335,066	\$ 7,533,109	\$ 6,512,107
Total Liabilities.....	\$ 12,582,511	\$ 1,753,965	\$ 14,336,476	\$ 8,623,369

CONTINUED



**STATE OF MINNESOTA**

**STATEMENT OF NET ASSETS (CONTINUED)**

**JUNE 30, 2010  
(IN THOUSANDS)**

NET ASSETS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Invested in Capital Assets, Net of Related Debt.....	\$ 8,947,341	\$ 1,293,856	\$ 10,241,197	\$ 3,275,519
Restricted for:				
Debt Service.....	\$ 432,459	\$ -	\$ 432,459	\$ -
Transportation.....	908,897	-	908,897	-
Public Safety.....	23,265	-	23,265	-
Environmental Resources.....	758,937	-	758,937	-
Economic and Workforce Development.....	103,660	5,878	109,538	-
Arts and Cultural Heritage.....	16,594	-	16,594	-
School Aid-Nonexpendable.....	688,891	-	688,891	-
School Aid-Expendable.....	5,561	-	5,561	-
General Education.....	79,379	-	79,379	-
Health and Human Services.....	24,831	16,297	41,128	-
State Colleges and Universities.....	-	451,277	451,277	-
General Government.....	18,431	-	18,431	-
Other Purposes.....	-	36,253	36,253	-
Component Units.....	-	-	-	4,877,004
Total Restricted.....	\$ 3,060,905	\$ 509,705	\$ 3,570,610	\$ 4,877,004
Unrestricted.....	\$ (2,646,096)	\$ (300,615)	\$ (2,946,711)	\$ 878,513
Total Net Assets.....	\$ 9,362,150	\$ 1,502,946	\$ 10,865,096	\$ 9,031,036

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**  
**(IN THOUSANDS)**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety and Corrections.....	\$ 958,915	\$ 156,139	\$ 234,203	\$ -
Transportation.....	2,468,573	25,397	754,492	205,125
Agricultural, Environmental and Energy Resources.....	950,738	358,666	386,048	1,167
Economic and Workforce Development.....	715,085	49,212	312,052	-
General Education.....	8,042,744	21,342	1,631,487	-
Higher Education.....	981,859	3	38,591	-
Health and Human Services.....	11,949,235	353,929	6,775,255	-
General Government.....	762,238	266,565	32,085	-
Intergovernment Aid.....	1,558,453	-	-	-
Interest.....	261,802	-	-	-
Total Governmental Activities.....	<u>\$ 28,649,642</u>	<u>\$ 1,231,253</u>	<u>\$ 10,164,213</u>	<u>\$ 206,292</u>
Business-type Activities:				
State Colleges and Universities.....	\$ 1,802,527	\$ 771,104	\$ 468,757	\$ 1,554
Unemployment Insurance.....	3,038,557	972,425	1,489,438	-
Lottery.....	377,025	499,271	-	-
Other.....	222,110	246,829	-	-
Total Business-type Activities.....	<u>\$ 5,440,219</u>	<u>\$ 2,489,629</u>	<u>\$ 1,958,195</u>	<u>\$ 1,554</u>
Total Primary Government.....	<u>\$ 34,089,861</u>	<u>\$ 3,720,882</u>	<u>\$ 12,122,408</u>	<u>\$ 207,846</u>
<b>Component Units:</b>				
University of Minnesota.....	\$ 3,234,440	\$ 1,476,214	\$ 954,063	\$ 184,845
Metropolitan Council.....	830,055	359,736	206,310	245,206
Housing Finance.....	467,175	180,172	243,749	-
Others.....	430,454	125,351	119,044	-
Total Component Units.....	<u>\$ 4,962,124</u>	<u>\$ 2,141,473</u>	<u>\$ 1,523,166</u>	<u>\$ 430,051</u>

**General Revenues:**

<b>Taxes:</b>	
Individual Income Taxes.....	
Corporate Income Taxes.....	
Sales Taxes.....	
Property Taxes.....	
Motor Vehicle Taxes.....	
Fuel Taxes.....	
Other Taxes.....	
Tobacco Settlement.....	
Unallocated Investment/Interest Income.....	
Other Revenues.....	
State Grants Not Restricted.....	
Transfers.....	
Total General Revenues and Transfers.....	
Change in Net Assets.....	
Net Assets, Beginning, as Reported.....	
Prior Period Adjustments.....	
Change in 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
\$ (568,573)		\$ (568,573)	
(1,483,559)		(1,483,559)	
(204,857)		(204,857)	
(353,821)		(353,821)	
(6,389,915)		(6,389,915)	
(943,265)		(943,265)	
(4,820,051)		(4,820,051)	
(463,588)		(463,588)	
(1,558,453)		(1,558,453)	
(261,802)		(261,802)	
<u>\$ (17,047,884)</u>		<u>\$ (17,047,884)</u>	
	\$ (561,112)	\$ (561,112)	
	(576,694)	(576,694)	
	122,246	122,246	
	24,719	24,719	
	<u>\$ (990,841)</u>	<u>\$ (990,841)</u>	
<u>\$ (17,047,884)</u>	<u>\$ (990,841)</u>	<u>\$ (18,038,725)</u>	
			\$ (619,318)
			(18,803)
			(43,254)
			<u>(186,059)</u>
			<u>\$ (867,434)</u>
\$ 6,792,510	\$ -	\$ 6,792,510	\$ -
539,534	-	539,534	-
4,379,236	-	4,379,236	-
746,685	-	746,685	-
997,214	-	997,214	-
826,574	-	826,574	-
2,224,237	-	2,224,237	204,256
157,924	-	157,924	-
21,242	8,483	29,725	234,498
145,608	-	145,608	62,012
-	-	-	933,848
(543,525)	543,525	-	-
<u>\$ 16,287,239</u>	<u>\$ 552,008</u>	<u>\$ 16,839,247</u>	<u>\$ 1,434,614</u>
<u>\$ (760,645)</u>	<u>\$ (438,833)</u>	<u>\$ (1,199,478)</u>	<u>\$ 567,180</u>
\$ 9,919,792	\$ 1,898,220	\$ 11,818,012	\$ 8,457,268
87,186	43,559	130,745	-
115,817	-	115,817	6,588
<u>\$ 10,122,795</u>	<u>\$ 1,941,779</u>	<u>\$ 12,064,574</u>	<u>\$ 8,463,856</u>
<u>\$ 9,362,150</u>	<u>\$ 1,502,946</u>	<u>\$ 10,865,096</u>	<u>\$ 9,031,036</u>

# MINNESOTA



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# Fund Financial Statements

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# Major Governmental Funds

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## **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.

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**STATE OF MINNESOTA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 1,013,175	\$ 11,448	\$ 2,932,772	\$ 3,957,395
Investments.....	402,698	-	692,114	1,094,812
Accounts Receivable.....	1,996,042	128,134	351,632	2,475,808
Interfund Receivables.....	191,531	22,457	219,923	433,911
Due from Component Units.....	211	-	118,250	118,461
Accrued Investment/Interest Income.....	14,722	-	5,217	19,939
Federal Aid Receivable.....	-	1,417,155	32,554	1,449,709
Inventories.....	-	-	29,578	29,578
Loans and Notes Receivable.....	274,683	-	47,007	321,690
Deferred Costs.....	-	-	17,308	17,308
Securities Lending Collateral.....	23,434	-	38,722	62,156
Investment in Land.....	-	-	16,008	16,008
<b>Total Assets .....</b>	<b>\$ 3,916,496</b>	<b>\$ 1,579,194</b>	<b>\$ 4,501,085</b>	<b>\$ 9,996,775</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 3,142,635	\$ 1,450,399	\$ 404,435	\$ 4,997,469
Interfund Payables.....	80,474	71,719	266,918	419,111
Due to Component Units.....	28,825	3,362	1,618	33,805
Deferred Revenue.....	1,522,274	53,591	149,575	1,725,440
Accrued Interest Payable.....	5,100	-	-	5,100
Securities Lending Liabilities.....	23,434	-	38,722	62,156
<b>Total Liabilities.....</b>	<b>\$ 4,802,742</b>	<b>\$ 1,579,071</b>	<b>\$ 861,268</b>	<b>\$ 7,243,081</b>
<b>Fund Balances:</b>				
Nonspendable.....	\$ 465,601	\$ -	\$ 718,469	\$ 1,184,070
Restricted.....	173,687	123	2,380,419	2,554,229
Committed.....	-	-	537,009	537,009
Assigned.....	-	-	3,920	3,920
Unassigned.....	(1,525,534)	-	-	(1,525,534)
<b>Total Fund Balances.....</b>	<b>\$ (886,246)</b>	<b>\$ 123</b>	<b>\$ 3,639,817</b>	<b>\$ 2,753,694</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 3,916,496</b>	<b>\$ 1,579,194</b>	<b>\$ 4,501,085</b>	<b>\$ 9,996,775</b>

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, 2010  
(IN THOUSANDS)**

**Total Fund Balance for Governmental Funds**..... \$ 2,753,694

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.....	\$ 7,634,894	
Nondepreciable Capital Assets.....	2,645,255	
Depreciable Capital Assets.....	2,883,032	
Accumulated Depreciation.....	<u>(1,228,810)</u>	
<b>Total Capital Assets.....</b>		<b>11,934,371</b>

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..... 1,155,495

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..... 24,960

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..... 320,436

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.....	\$ (4,722,504)	
Bond Premium Payable.....	(380,706)	
Revenue Bonds Payable.....	(12,900)	
Certificate of Participation Payable.....	(73,980)	
Certificate of Participation Premium Payable.....	(6,669)	
Accrued Interest Payable on Bonds.....	(69,172)	
Loans and Notes Payable.....	(23,982)	
Claims Payable.....	(743,710)	
Workers' Compensation Liability.....	(105,257)	
Capital Leases Payable.....	(158,175)	
Compensated Absences Payable.....	(288,155)	
Net Pension Obligation.....	(58,689)	
Net Other Post-Employment Benefits Obligation.....	(110,404)	
Pollution Remediation.....	(51,127)	
Due to Component Units.....	<u>(21,376)</u>	
<b>Total Liabilities.....</b>		<b>(6,826,806)</b>

**Net Assets of Governmental Activities**..... \$ 9,362,150

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, 2010  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>Net Revenues:</b>				
Individual Income Taxes.....	\$ 6,729,244	\$ -	\$ -	\$ 6,729,244
Corporate Income Taxes.....	540,504	-	-	540,504
Sales Taxes.....	4,181,319	-	229,958	4,411,277
Property Taxes.....	766,830	-	-	766,830
Motor Vehicle Taxes.....	235,756	-	761,458	997,214
Fuel Taxes.....	-	-	825,341	825,341
Other Taxes.....	1,438,940	-	759,858	2,198,798
Tobacco Settlement.....	164,786	-	-	164,786
Federal Revenues.....	401	9,437,176	582,879	10,020,456
Licenses and Fees.....	256,278	846	309,523	566,647
Departmental Services.....	111,798	11,511	147,291	270,600
Investment/Interest Income.....	63,127	287	115,058	178,472
Securities Lending Income.....	183	-	242	425
Other Revenues.....	334,724	60,769	299,172	694,665
<b>Net Revenues.....</b>	<b>\$ 14,823,890</b>	<b>\$ 9,510,589</b>	<b>\$ 4,030,780</b>	<b>\$ 28,365,259</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety and Corrections.....	\$ 540,876	\$ 177,101	\$ 184,006	\$ 901,983
Transportation.....	283,228	368,191	1,764,914	2,416,333
Agricultural, Environmental and Energy Resources.....	205,116	290,186	423,108	918,410
Economic and Workforce Development.....	156,781	308,379	290,177	755,337
General Education.....	6,444,487	1,534,835	59,125	8,038,447
Higher Education.....	841,752	38,591	101,525	981,868
Health and Human Services.....	4,384,540	6,663,993	881,025	11,929,558
General Government.....	633,298	22,163	74,630	730,091
Intergovernment Aid.....	1,549,199	-	254	1,549,453
Securities Lending Rebates and Fees.....	56	-	76	132
<b>Total Current Expenditures.....</b>	<b>\$ 15,039,333</b>	<b>\$ 9,403,439</b>	<b>\$ 3,778,840</b>	<b>\$ 28,221,612</b>
Capital Outlay.....	30,972	54,085	558,679	643,736
Debt Service.....	45,841	584	631,394	677,819
<b>Total Expenditures.....</b>	<b>\$ 15,116,146</b>	<b>\$ 9,458,108</b>	<b>\$ 4,968,913</b>	<b>\$ 29,543,167</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ (292,256)</b>	<b>\$ 52,481</b>	<b>\$ (938,133)</b>	<b>\$ (1,177,908)</b>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ 722,904	\$ 722,904
Certificates of Participation Issuance.....	-	-	74,980	74,980
Loan Proceeds.....	5,729	-	-	5,729
Proceeds from Refunding Bonds.....	-	-	426,505	426,505
Payment to Refunded Bonds Escrow Agent.....	-	-	(426,505)	(426,505)
Bond Issue Premium.....	-	-	108,704	108,704
Certificates of Participation Premium.....	-	-	7,411	7,411
Transfers-In.....	378,042	5,237	758,098	1,141,377
Transfers-Out.....	(1,187,744)	(57,748)	(419,061)	(1,664,553)
Capital Leases.....	-	-	3,356	3,356
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (803,973)</b>	<b>\$ (52,511)</b>	<b>\$ 1,256,392</b>	<b>\$ 399,908</b>
<b>Net Change in Fund Balances.....</b>	<b>\$ (1,096,229)</b>	<b>\$ (30)</b>	<b>\$ 318,259</b>	<b>\$ (778,000)</b>
Fund Balances, Beginning, as Reported.....	\$ (641,308)	\$ 153	\$ 4,168,473	\$ 3,527,318
Change in Fund Structure.....	851,291	-	(851,291)	-
Fund Balances, Beginning, as Restated.....	\$ 209,983	\$ 153	\$ 3,317,182	\$ 3,527,318
Change in Inventory.....	-	-	4,376	4,376
<b>Fund Balances, Ending.....</b>	<b>\$ (886,246)</b>	<b>\$ 123</b>	<b>\$ 3,639,817</b>	<b>\$ 2,753,694</b>

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, 2010  
(IN THOUSANDS)

**Net Change in Fund Balances for Governmental Funds**..... \$ (778,000)

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 \$100,465 in the current period.....	543,271
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.....	(22,072)
Governmental funds do not report net transfers of capital assets between governmental funds and business-type funds.....	(723)
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.....	40,360
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.....	4,376
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....	17,281
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.....	(1,346,233)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is reported as a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability increase.....	(3,356)
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.....	821,550
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.....	(37,099)

**Change in Net Assets of Governmental Activities**..... \$ (760,645)

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, 2010**

**(IN THOUSANDS)**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Net Revenues:</b>			
Individual Income Taxes.....	\$ 7,042,465	\$ 6,720,020	\$ 6,530,958
Corporate Income Taxes.....	447,790	631,300	663,505
Sales Taxes.....	4,156,973	4,154,834	4,151,036
Property Taxes.....	769,470	758,740	766,831
Motor Vehicle Taxes.....	207,796	236,069	236,400
Other Taxes.....	1,186,968	1,156,905	1,165,582
Departmental Earnings/Licenses and Fees.....	290,079	287,750	295,590
Investment/Interest Income.....	10,000	7,700	4,867
Tobacco Settlement.....	175,189	164,786	164,786
Other Revenues.....	446,984	395,848	435,106
Net Revenues.....	<u>\$ 14,733,714</u>	<u>\$ 14,513,952</u>	<u>\$ 14,414,661</u>
<b>Expenditures:</b>			
Public Safety and Corrections.....	\$ 551,736	\$ 548,086	\$ 529,727
Transportation.....	235,143	250,301	249,825
Agricultural, Environmental and Energy Resources.....	184,525	192,566	179,772
Economic and Workforce Development.....	70,637	68,563	61,695
General Education.....	6,551,715	5,443,722	5,437,754
Higher Education.....	849,976	851,036	841,609
Health and Human Services.....	4,412,729	4,169,855	3,995,079
General Government.....	1,131,199	684,488	641,046
Intergovernment Aid.....	1,678,019	1,581,050	1,581,042
Total Expenditures.....	<u>\$ 15,665,679</u>	<u>\$ 13,789,667</u>	<u>\$ 13,517,549</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (931,965)</u>	<u>\$ 724,285</u>	<u>\$ 897,112</u>
<b>Other Financing Sources (Uses):</b>			
Transfers-In.....	\$ 303,138	\$ 358,000	\$ 387,360
Transfers-Out.....	(897,408)	(1,320,781)	(1,320,781)
Net Other Financing Sources (Uses).....	<u>\$ (594,270)</u>	<u>\$ (962,781)</u>	<u>\$ (933,421)</u>
Net Change in Fund Balances.....	<u>\$ (1,526,235)</u>	<u>\$ (238,496)</u>	<u>\$ (36,309)</u>
Fund Balances, Beginning, as Reported .....	\$ 498,006	\$ 498,006	\$ 498,006
Prior Period Adjustments.....	-	-	39,944
Fund Balances, Beginning, as Restated.....	<u>\$ 498,006</u>	<u>\$ 498,006</u>	<u>\$ 537,950</u>
Budgetary Fund Balances, Ending.....	\$ (1,028,229)	\$ 259,510	\$ 501,641
Less: Appropriation Carryover.....	-	-	121,566
Less: Reserved for Long-Term Receivables.....	-	-	39,509
Less: Budgetary Reserve.....	-	-	266,000
Undesignated Fund Balances, Ending.....	<u>\$ (1,028,229)</u>	<u>\$ 259,510</u>	<u>\$ 74,566</u>

The notes are an integral part of the financial statements.



State of Minnesota

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2010  
Comprehensive  
Annual  
Financial Report

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# Major Proprietary Funds

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## **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.

STATE OF MINNESOTA

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2010  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents.....	\$ 655,380	\$ 23	\$ 117,088	\$ 772,491	\$ 349,090
Investments.....	31,123	-	-	31,123	21,346
Accounts Receivable.....	48,109	394,119	26,508	468,736	28,069
Interfund Receivables.....	25,382	-	2,355	27,737	-
Accrued Investment/Interest Income.....	-	-	17	17	228
Federal Aid Receivable.....	19,382	35,276	-	54,658	-
Inventories.....	13,411	-	6,856	20,267	265
Deferred Costs.....	725	-	453	1,178	1,910
Loans and Notes Receivable.....	5,880	-	-	5,880	-
Securities Lending Collateral.....	265	-	-	265	-
Other Assets.....	-	-	1,918	1,918	-
Total Current Assets.....	<u>\$ 799,657</u>	<u>\$ 429,418</u>	<u>\$ 155,195</u>	<u>\$ 1,384,270</u>	<u>\$ 400,908</u>
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 109,994	\$ -	\$ 1,600	\$ 111,594	\$ -
Other Assets-Restricted.....	71	-	-	71	-
Deferred Costs.....	-	-	-	-	629
Loans and Notes Receivable.....	27,069	-	-	27,069	-
Depreciable Capital Assets (Net).....	1,439,136	-	85,566	1,524,702	31,855
Nondepreciable Capital Assets.....	248,400	-	3,178	251,578	-
Total Noncurrent Assets.....	<u>\$ 1,824,670</u>	<u>\$ -</u>	<u>\$ 90,344</u>	<u>\$ 1,915,014</u>	<u>\$ 32,484</u>
Total Assets.....	<u>\$ 2,624,327</u>	<u>\$ 429,418</u>	<u>\$ 245,539</u>	<u>\$ 3,299,284</u>	<u>\$ 433,392</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable.....	\$ 178,436	\$ 65,955	\$ 31,048	\$ 275,439	\$ 81,709
Interfund Payables.....	-	25,829	16,544	42,373	164
Unearned Revenue.....	62,377	4,976	1,441	68,794	7,068
Accrued Bond Interest Payable.....	-	-	568	568	-
General Obligation Bonds Payable.....	17,495	-	295	17,790	-
Loans and Notes Payable.....	827	-	-	827	5,332
Revenue Bonds Payable.....	6,995	-	12,925	19,920	-
Workers' Compensation Liability.....	2,739	-	-	2,739	-
Capital Leases.....	1,617	-	140	1,757	-
Compensated Absences Payable.....	13,173	-	1,323	14,496	514
Securities Lending Liabilities.....	265	-	-	265	-
Other Liabilities.....	16,257	-	47	16,304	-
Total Current Liabilities.....	<u>\$ 300,181</u>	<u>\$ 96,760</u>	<u>\$ 64,331</u>	<u>\$ 461,272</u>	<u>\$ 94,787</u>
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	\$ 230,505	\$ -	\$ 2,058	\$ 232,563	\$ -
Loans and Notes Payable.....	3,400	598,793	-	602,193	12,005
Revenue Bonds Payable.....	179,142	-	121,717	300,859	-
Workers' Compensation Liability.....	3,779	-	-	3,779	-
Capital Leases.....	16,372	-	533	16,905	-
Compensated Absences Payable.....	120,045	-	10,434	130,479	5,618
Other Liabilities.....	47,137	-	1,151	48,288	546
Total Noncurrent Liabilities.....	<u>\$ 600,380</u>	<u>\$ 598,793</u>	<u>\$ 135,893</u>	<u>\$ 1,335,066</u>	<u>\$ 18,169</u>
Total Liabilities.....	<u>\$ 900,561</u>	<u>\$ 695,553</u>	<u>\$ 200,224</u>	<u>\$ 1,796,338</u>	<u>\$ 112,956</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt.....					
	<u>\$ 1,272,489</u>	<u>\$ -</u>	<u>\$ 21,367</u>	<u>\$ 1,293,856</u>	<u>\$ 14,589</u>
Restricted for:					
Bond Covenants.....	\$ 57,183	\$ -	\$ -	\$ 57,183	\$ -
Debt Service.....	25,382	-	-	25,382	-
Capital Projects.....	25,854	-	-	25,854	-
Economic and Workforce Development.....	-	-	5,878	5,878	-
Health and Human Services.....	-	-	16,297	16,297	-
Other Purposes.....	342,858	-	36,253	379,111	-
Total Restricted.....	<u>\$ 451,277</u>	<u>\$ -</u>	<u>\$ 58,428</u>	<u>\$ 509,705</u>	<u>\$ -</u>
Unrestricted.....	<u>\$ -</u>	<u>\$ (266,135)</u>	<u>\$ (34,480)</u>	<u>\$ (300,615)</u>	<u>\$ 305,847</u>
Total Net Assets.....	<u>\$ 1,723,766</u>	<u>\$ (266,135)</u>	<u>\$ 45,315</u>	<u>\$ 1,502,946</u>	<u>\$ 320,436</u>

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, 2010  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 659,596	\$ -	\$ -	\$ 659,596	\$ -
Restricted Student Payments, Net.....	96,695	-	-	96,695	-
Net Sales.....	-	-	541,129	541,129	13,938
Rental and Service Fees.....	-	-	176,736	176,736	164,175
Insurance Premiums.....	-	965,875	24,611	990,486	678,263
Other Income.....	14,813	6,550	3,624	24,987	10,769
Total Operating Revenues.....	\$ 771,104	\$ 972,425	\$ 746,100	\$ 2,489,629	\$ 867,145
Less: Cost of Goods Sold.....	-	-	368,196	368,196	2,320
Gross Margin.....	\$ 771,104	\$ 972,425	\$ 377,904	\$ 2,121,433	\$ 864,825
Operating Expenses:					
Purchased Services.....	\$ 207,292	\$ -	\$ 35,662	\$ 242,954	\$ 150,325
Salaries and Fringe Benefits.....	1,237,709	-	119,267	1,356,976	53,865
Student Financial Aid.....	65,313	-	-	65,313	-
Unemployment Benefits.....	-	3,036,515	-	3,036,515	-
Claims.....	-	-	18,564	18,564	573,531
Depreciation.....	88,440	-	10,013	98,453	9,647
Amortization.....	-	-	71	71	609
Supplies and Materials.....	92,202	-	5,944	98,146	6,316
Repairs and Maintenance.....	34,811	-	-	34,811	-
Indirect Costs.....	-	-	6,640	6,640	1,569
Other Expenses.....	44,544	-	8,081	52,625	2,791
Total Operating Expenses.....	\$ 1,770,311	\$ 3,036,515	\$ 204,242	\$ 5,011,068	\$ 798,653
Operating Income (Loss).....	\$ (999,207)	\$ (2,064,090)	\$ 173,662	\$ (2,889,635)	\$ 66,172
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 7,487	\$ 546	\$ 1,040	\$ 9,073	\$ 3,649
Federal Grants Revenues.....	360,482	-	-	360,482	-
State Grants and Contributions.....	87,266	-	-	87,266	-
Private Grants.....	21,009	-	-	21,009	-
Grants and Subsidies.....	1,554	1,489,438	-	1,490,992	-
Other Nonoperating Revenues.....	-	-	34	34	-
Interest and Financing Costs.....	(20,142)	-	(5,271)	(25,413)	(480)
Grants, Aids and Subsidies.....	(12,074)	(2,042)	(14,700)	(28,816)	-
Other Nonoperating Expenses.....	-	-	(6,726)	(6,726)	(752)
Gain (Loss) on Disposal of Capital Assets.....	(677)	-	53	(624)	397
Total Nonoperating Revenues (Expenses).....	\$ 444,905	\$ 1,487,942	\$ (25,570)	\$ 1,907,277	\$ 2,814
Income (Loss) Before Transfers and Contributions.....	\$ (554,302)	\$ (576,148)	\$ 148,092	\$ (982,358)	\$ 68,986
Capital Contributions.....	119,774	-	751	120,525	-
Transfers-In.....	614,169	-	5,974	620,143	-
Transfers-Out.....	-	(7,205)	(189,938)	(197,143)	(28,626)
Change in Net Assets.....	\$ 179,641	\$ (583,353)	\$ (35,121)	\$ (438,833)	\$ 40,360
Net Assets, Beginning, as Reported.....	\$ 1,544,125	\$ 317,218	\$ 36,877	\$ 1,898,220	\$ 280,076
Prior Period Adjustment.....	-	-	43,559	43,559	-
Net Assets, Beginning, as Restated.....	\$ 1,544,125	\$ 317,218	\$ 80,436	\$ 1,941,779	\$ 280,076
Net Assets, Ending.....	\$ 1,723,766	\$ (266,135)	\$ 45,315	\$ 1,502,946	\$ 320,436

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers.....	\$ 851,332	\$ 902,076	\$ 747,813	\$ 2,501,221	\$ 862,693
Receipts from Other Revenues.....	-	-	3,037	3,037	11,806
Receipts from Repayment of Program Loans.....	3,572	-	-	3,572	-
Financial Aid Disbursements.....	(65,635)	-	-	(65,635)	-
Payments to Claimants.....	-	(3,043,669)	(323,840)	(3,367,509)	(566,064)
Payments to Suppliers.....	(436,891)	-	(88,202)	(525,093)	(120,506)
Payments to Employees.....	(1,228,897)	-	(117,522)	(1,346,419)	(53,585)
Payments to Others.....	-	-	(36,749)	(36,749)	(52,463)
Payments of Program Loans.....	(3,254)	-	-	(3,254)	-
Net Cash Flows from Operating Activities.....	\$ (879,773)	\$ (2,141,593)	\$ 184,537	\$ (2,836,829)	\$ 81,881
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grant Receipts.....	\$ 464,277	\$ 1,483,460	\$ -	\$ 1,947,737	\$ -
Grant Disbursements.....	(12,450)	(1,911)	(15,671)	(30,032)	-
Transfers-In.....	614,169	-	5,982	620,151	-
Transfers-Out.....	-	(6,701)	(189,199)	(195,900)	(28,447)
Advances from Other Funds.....	-	1,144,457	-	1,144,457	-
Repayments of Advances to Other Funds.....	-	-	-	-	(458)
Repayments of Advances from Other Funds.....	-	(545,664)	-	(545,664)	(1,125)
Proceeds from Bonds.....	-	-	66,277	66,277	-
Repayment of Bond Principal.....	-	-	(13,375)	(13,375)	-
Interest Paid.....	-	-	(4,642)	(4,642)	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 1,065,996	\$ 2,073,641	\$ (150,628)	\$ 2,989,009	\$ (30,030)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions.....	\$ 141,413	\$ -	\$ -	\$ 141,413	\$ -
Investment in Capital Assets.....	(223,012)	-	(20,126)	(243,138)	(14,591)
Proceeds from Disposal of Capital Assets.....	334	-	89	423	1,581
Proceeds from Capital Debt.....	26,686	-	-	26,686	-
Proceeds from Loans.....	-	-	-	-	8,449
Capital Lease Payments.....	(2,484)	-	(70)	(2,554)	-
Repayment of Loan Principal.....	(1,355)	-	-	(1,355)	(8,964)
Repayment of Bond Principal.....	(27,804)	-	(1,096)	(28,900)	-
Interest Paid.....	(21,348)	-	(1,061)	(22,409)	(488)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (107,570)	\$ -	\$ (22,264)	\$ (129,834)	\$ (14,013)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sales and Maturities of Investments.....	\$ 10,978	\$ -	\$ -	\$ 10,978	\$ 7,500
Purchase of Investments.....	(14,024)	-	-	(14,024)	(7,498)
Investment Earnings.....	5,969	547	1,012	7,528	3,652
Net Cash Flows from Investing Activities.....	\$ 2,923	\$ 547	\$ 1,012	\$ 4,482	\$ 3,654
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 81,576	\$ (67,405)	\$ 12,657	\$ 26,828	\$ 41,492
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 683,798	\$ 67,428	\$ 106,031	\$ 857,257	\$ 307,598
Cash and Cash Equivalents, Ending.....	\$ 765,374	\$ 23	\$ 118,688	\$ 884,085	\$ 349,090



STATE OF MINNESOTA

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>					
Operating Income (Loss).....	\$ (999,207)	\$ (2,064,090)	\$ 173,662	\$ (2,889,635)	\$ 66,172
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>					
Depreciation.....	\$ 88,440	\$ -	\$ 10,013	\$ 98,453	\$ 9,647
Amortization.....	-	-	71	71	609
Miscellaneous Nonoperating Expenses.....	(419)	-	(5,847)	(6,266)	(605)
Loan Principal Repayments.....	3,572	-	-	3,572	-
Loans Issued.....	(3,254)	-	-	(3,254)	-
Provision for Loan Defaults.....	(50)	-	-	(50)	-
Loans Forgiven.....	638	-	-	638	-
Change in Valuation of Assets.....	812	-	-	812	-
<b>Change in Assets and Liabilities:</b>					
Accounts Receivable.....	11,366	(58,749)	5,023	(42,360)	(2,327)
Inventories.....	915	-	174	1,089	377
Other Assets.....	-	-	244	244	(215)
Accounts Payable.....	6,639	(4,480)	1,774	3,933	57
Compensated Absences Payable.....	7,412	-	(723)	6,689	94
Unearned Revenues.....	4,072	(14,278)	(145)	(10,351)	2,339
Other Liabilities.....	(709)	4	291	(414)	5,733
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 119,434	\$ (77,503)	\$ 10,875	\$ 52,806	\$ 15,709
Net Cash Flows from Operating Activities.....	\$ (879,773)	\$ (2,141,593)	\$ 184,537	\$ (2,836,829)	\$ 81,881
<b>Noncash Investing, Capital and Financing Activities:</b>					
Transferred/Donated Assets.....	\$ 742	\$ -	\$ -	\$ 742	\$ -
Change in Fair Value of Investments.....	735	-	-	735	-
Capital Assets Purchased on Account.....	22,834	-	-	22,834	-
Investment Earnings on Account.....	321	-	-	321	133
Trade-in Allowance for Investment in Capital Assets.....	-	-	-	-	82
Bond Premium Amortization.....	1,267	-	-	1,267	-

The notes are an integral part of the financial statements.

# MINNESOTA



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State of Minnesota

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# Fiduciary Funds

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## **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.

**STATE OF MINNESOTA**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2010  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 17,897	\$ -	\$ 102,071
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 2,623,586	\$ 72,444	\$ -
Investments:			
Guaranteed Investment Account.....	\$ 1,251,695	\$ -	\$ -
Debt Securities.....	9,961,257	147,067	-
Equity Securities.....	29,486,524	268,765	-
Mutual Funds.....	3,148,919	-	-
Total Investments.....	\$ 43,848,395	\$ 415,832	\$ -
Accrued Interest and Dividends.....	\$ 114,943	\$ 1,953	\$ -
Securities Trades Receivables (Payables).....	(914,378)	(7,443)	-
Total Investment Pool Participation.....	\$ 45,672,546	\$ 482,786	\$ -
Receivables:			
Accounts Receivable.....	\$ -	\$ -	\$ 22,149
Interfund Receivables.....	8,356	-	-
Other Receivables.....	83,667	-	-
Accrued Interest and Dividends.....	95	-	-
Total Receivables.....	\$ 92,118	\$ -	\$ 22,149
Securities Lending Collateral.....	\$ 3,705,733	\$ 37,705	\$ -
Depreciable Capital Assets (Net).....	25,195	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	\$ 49,513,918	\$ 520,491	\$ 124,220
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 26,577	\$ 72	\$ 124,220
Interfund Payables.....	8,356	-	-
Accrued Expense.....	1	-	-
Revenue Bonds Payable.....	24,350	-	-
Bond Interest.....	45	-	-
Compensated Absences Payable.....	2,521	-	-
Securities Lending Liabilities.....	3,705,733	37,705	-
Total Liabilities.....	\$ 3,767,583	\$ 37,777	\$ 124,220
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 45,746,335	\$ 482,714	\$ -

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, 2010 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 893,583	\$ -
Member.....	1,098,755	-
Contributions From Other Sources.....	26,436	-
Participating Plans.....	-	107,551
Total Contributions.....	<u>\$ 2,018,774</u>	<u>\$ 107,551</u>
Net Investment Income:		
Investment Income.....	\$ 6,041,203	\$ 21,891
Less: Investment Expense.....	<u>(58,624)</u>	<u>(316)</u>
Net Investment Income.....	<u>\$ 5,982,579</u>	<u>\$ 21,575</u>
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 33,282	\$ 354
Borrower Rebates.....	(6,106)	(107)
Management Fees.....	<u>(4,074)</u>	<u>(21)</u>
Net Securities Lending Revenue.....	<u>\$ 23,102</u>	<u>\$ 226</u>
Total Investment Income.....	<u>\$ 6,005,681</u>	<u>\$ 21,801</u>
Transfers From Other Funds.....	\$ 23,932	\$ -
Other Additions.....	6,586	-
Total Additions.....	<u>\$ 8,054,973</u>	<u>\$ 129,352</u>
Deductions:		
Benefits.....	\$ 3,487,322	\$ -
Refunds/Withdrawals.....	179,355	98,517
Administrative Expenses.....	36,676	-
Transfers to Other Funds.....	<u>14,932</u>	<u>-</u>
Total Deductions.....	<u>\$ 3,718,285</u>	<u>\$ 98,517</u>
Net Increase (Decrease).....	<u>\$ 4,336,688</u>	<u>\$ 30,835</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....		
	<u>\$ 40,555,480</u>	<u>\$ 1,292,172</u>
Change in Reporting Entity.....	13,874	-
Change in Fund Structure.....	<u>840,293</u>	<u>(840,293)</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....		
	<u>\$ 41,409,647</u>	<u>\$ 451,879</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....		
	<u>\$ 45,746,335</u>	<u>\$ 482,714</u>

The notes are an integral part of the financial statements.

# MINNESOTA



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State of Minnesota

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# Major Component Unit Funds

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## **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, 2009 and JUNE 30, 2010  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents.....	\$ 521,321	\$ 155,069	\$ 308,164	\$ 373,575	\$ 1,358,129
Investments.....	202,014	245,767	73,410	315,528	836,719
Accounts Receivable.....	12,397	22,798	348,721	35,104	419,020
Due from Other Governmental Units.....	-	24,646	-	-	24,646
Due from Primary Government.....	-	63,866	4,469	2,785	71,120
Accrued Investment/Interest Income.....	18,838	1,651	1,636	20,045	42,170
Federal Aid Receivable.....	6,414	-	-	1,875	8,289
Inventories.....	-	23,512	22,451	47	46,010
Deferred Costs.....	12,927	-	-	3,734	16,661
Loans and Notes Receivable.....	-	-	10,513	199,044	209,557
Securities Lending Collateral.....	-	-	2,196	-	2,196
Other Assets.....	24,026	4,279	44,297	3,582	76,184
<b>Total Current Assets.....</b>	<b>\$ 797,937</b>	<b>\$ 541,588</b>	<b>\$ 815,857</b>	<b>\$ 955,319</b>	<b>\$ 3,110,701</b>
<b>Noncurrent Assets:</b>					
Cash and Cash Equivalents-Restricted.....	\$ 125,385	\$ 54,909	\$ 30,903	\$ 48,176	\$ 259,373
Investments-Restricted.....	555,003	-	102,210	21,907	679,120
Accounts Receivable-Restricted.....	-	16,900	-	2,878	19,778
Due from Primary Government-Restricted.....	-	28,952	-	18,591	47,543
Other Assets-Restricted.....	-	18,782	-	-	18,782
Investments.....	-	-	2,918,375	99,863	3,018,238
Accounts Receivable.....	-	-	151,833	372,093	523,926
Loans and Notes Receivable.....	2,268,115	48,126	56,096	2,338,675	4,711,012
Depreciable Capital Assets (Net).....	1,631	2,367,406	2,291,750	1,898	4,662,685
Nondepreciable Capital Assets.....	-	280,963	273,139	779	554,881
Other Assets.....	-	-	5,154	6,135	11,289
Deferred Loss on Interest Swap Agreements.....	37,077	-	-	-	37,077
<b>Total Noncurrent Assets.....</b>	<b>\$ 2,987,211</b>	<b>\$ 2,816,038</b>	<b>\$ 5,829,460</b>	<b>\$ 2,910,995</b>	<b>\$ 14,543,704</b>
<b>Total Assets.....</b>	<b>\$ 3,785,148</b>	<b>\$ 3,357,626</b>	<b>\$ 6,645,317</b>	<b>\$ 3,866,314</b>	<b>\$ 17,654,405</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....	\$ 19,550	\$ 87,250	\$ 183,223	\$ 9,984	\$ 300,007
Payable to Other Governmental Units.....	-	293	-	-	293
Due to Primary Government.....	-	1,214	5,639	30,964	37,817
Unearned Revenue.....	-	10,581	75,206	28,149	113,936
Accrued Bond Interest Payable.....	48,211	3,447	6,276	14,185	72,119
General Obligation Bonds Payable.....	-	114,563	90,021	-	204,584
Loans and Notes Payable.....	56,000	-	273,850	368	330,218
Revenue Bonds Payable.....	653,690	1,185	5,669	49,630	710,174
Claims Payable.....	-	5,318	27,700	51,814	84,832
Compensated Absences Payable.....	174	3,003	182,643	99	185,919
Securities Lending Liabilities.....	-	-	2,196	-	2,196
Other Liabilities.....	-	560	66,556	2,051	69,167
<b>Total Current Liabilities.....</b>	<b>\$ 777,625</b>	<b>\$ 227,414</b>	<b>\$ 918,979</b>	<b>\$ 187,244</b>	<b>\$ 2,111,262</b>
<b>Noncurrent Liabilities:</b>					
Accounts Payable-Restricted.....	\$ -	\$ 58,148	\$ 56,056	\$ -	\$ 114,204
Unearned Revenue-Restricted.....	-	31,977	-	-	31,977
Accrued Bond Interest Payable-Restricted.....	-	10,058	-	382	10,440
Due to Primary Government.....	-	-	34,827	71,285	106,112
Unearned Revenue.....	1,298	-	4,036	-	5,334
General Obligation Bonds Payable.....	-	1,079,484	393,652	-	1,473,136
Loans and Notes Payable.....	-	1,405	-	2,927	4,332
Revenue Bonds Payable.....	1,994,817	3,949	133,568	1,535,537	3,667,871
Claims Payable.....	-	10,491	11,445	576,186	598,122
Compensated Absences Payable.....	1,707	5,443	55,335	1,027	63,512
Funds Held in Trust.....	87,425	-	135,197	-	222,622
Other Liabilities.....	151	56,956	116,872	3,389	177,368
Interest Rate Swap Agreements.....	37,077	-	-	-	37,077
<b>Total Noncurrent Liabilities.....</b>	<b>\$ 2,122,475</b>	<b>\$ 1,257,911</b>	<b>\$ 940,988</b>	<b>\$ 2,190,733</b>	<b>\$ 6,512,107</b>
<b>Total Liabilities.....</b>	<b>\$ 2,900,100</b>	<b>\$ 1,485,325</b>	<b>\$ 1,859,967</b>	<b>\$ 2,377,977</b>	<b>\$ 8,623,369</b>
<b>NET ASSETS</b>					
<b>Invested in Capital Assets,</b>					
Net of Related Debt.....	\$ 1,631	\$ 1,631,372	\$ 1,639,839	\$ 2,677	\$ 3,275,519
Restricted-Expendable.....	883,417	167,019	1,421,163	1,429,545	3,901,144
Restricted-Nonexpendable.....	-	-	975,860	-	975,860
Unrestricted.....	-	73,910	748,488	56,115	878,513
<b>Total Net Assets.....</b>	<b>\$ 885,048</b>	<b>\$ 1,872,301</b>	<b>\$ 4,785,350</b>	<b>\$ 1,488,337</b>	<b>\$ 9,031,036</b>

The notes are an integral part of the financial statements.



**STATE OF MINNESOTA**

**COMPONENT UNIT FUNDS  
STATEMENT OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2009 AND JUNE 30, 2010  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 467,175	\$ 830,055	\$ 3,234,440	\$ 430,454	\$ 4,962,124
Program Revenues:					
Charges for Services.....	\$ 180,172	\$ 359,736	\$ 1,476,214	\$ 125,351	\$ 2,141,473
Operating Grants and Contributions.....	243,749	206,310	954,063	119,044	1,523,166
Capital Grants and Contributions.....	-	245,206	184,845	-	430,051
Net (Expense) Revenue.....	\$ (43,254)	\$ (18,803)	\$ (619,318)	\$ (186,059)	\$ (867,434)
General Revenues:					
Taxes.....	\$ -	\$ 204,256	\$ -	\$ -	\$ 204,256
Investment Income.....	-	22,164	171,673	40,661	234,498
Other Revenues.....	1,849	97	59,073	993	62,012
Total General Revenues before Grants.....	\$ 1,849	\$ 226,517	\$ 230,746	\$ 41,654	\$ 500,766
State Grants Not Restricted.....	40,734	-	651,350	241,764	933,848
Total General Revenues.....	\$ 42,583	\$ 226,517	\$ 882,096	\$ 283,418	\$ 1,434,614
Change in Net Assets.....	\$ (671)	\$ 207,714	\$ 262,778	\$ 97,359	\$ 567,180
Net Assets, Beginning, as Reported.....	\$ 885,719	\$ 1,664,587	\$ 4,515,984	\$ 1,390,978	\$ 8,457,268
Change in Accounting Principle.....	-	-	6,588	-	6,588
Net Assets, Beginning, as Restated.....	\$ 885,719	\$ 1,664,587	\$ 4,522,572	\$ 1,390,978	\$ 8,463,856
Net Assets, Ending.....	\$ 885,048	\$ 1,872,301	\$ 4,785,350	\$ 1,488,337	\$ 9,031,036

The notes are an integral part of the financial statements.

# MINNESOTA



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# MINNESOTA



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## 2010 Comprehensive Annual Financial Report

### Notes to the Financial Statements

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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 seven GASB statements for the fiscal year ended June 30, 2010.

GASB Statement No. 51 “Accounting and Financial Reporting for Intangible Assets” was issued in June 2007. The statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Additional information on the impact of implementing this statement is located in Note 6 – Capital Assets.

GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments” was issued in June 2008. The statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Additional information on the impact of implementing this statement is located in Note 2 – Cash, Investments, and Derivative Instruments.

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” was issued in February 2009. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement changed the definitions of some governmental fund types as well. As a result of implementing this statement, there were significant changes in the state’s fund structure. Funds that did not meet the new special revenue fund definition were moved to the General Fund. This movement included the Environment and Natural Resources, Iron Range Resources and Rehabilitation, Maximum Effort School Loan, Health Impact, and Medical Education and Research funds as well as certain activities within the Miscellaneous Special Revenue Fund. In addition, the Environmental and Remediation funds were combined into one fund called the “Environmental and Remediation Fund.” The statement also requires that restricted or committed revenues that are the foundation for a special revenue fund that are initially received in another fund and subsequently distributed to a special revenue fund be recognized as revenue in the special revenue fund expending the revenues. Therefore, transfers from the Highway User Tax Distribution Fund to the Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, and Natural Resources funds were recognized as revenue in the fund expending the revenues, rather than as transfers-in as in prior years. The Highway User Tax Distribution Fund no longer reports the revenue or transfers-out.

GASB Statement No. 55 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” was issued in March 2009. This statement incorporates the hierarchy of GAAP for state and local governments into GASB’s authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards” was issued in March 2009. This statement incorporates certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statement on Auditing Standards into GASB’s authoritative literature. This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events.

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” was issued in December 2009. The statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agency multiple-employer other post-employment benefit (OPEB) plans. This statement had no impact on the state.

GASB Statement No. 58 “Accounting and Financial Reporting for Chapter 9 Bankruptcies” was issued in December 2009. The statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This statement had no impact on the state.

### **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. Component units 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. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. 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 state has the ability to significantly influence the projects and levels of services provided by MC. 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. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- 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 55101-1998	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108-5227
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55455	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Building, Suite E200 332 Minnesota Street St. Paul, Minnesota 55101-1351
National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 8300 Norman Center Drive, Suite 1000 Minneapolis, Minnesota 55437
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	

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 <sup>th</sup> Street St. Paul, Minnesota 55101

The financial reports, 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 not accounted for and reported in another fund.
- Special revenue funds which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Capital project funds which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- 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 is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

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 services, central stores, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. 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. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

## **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 (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, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

### **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, Fuel Taxes, 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, infrastructure, and intangible assets, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally 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 generally based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 20-50 years for easements, 8-12 years for internally generated computer software, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach, land, construction in progress, permanent easements with indefinite useful lives, 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 and Fund Balance Classification Policies and Procedures**

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.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state legislature are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the state legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state’s intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by state officials to whom the state has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state’s policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state’s policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **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 the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, 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 was one instance in fiscal year 2010 where expenditures exceeded the authorized limits at the legal level of budgetary control. The Tax Court overspent its budget authority by \$2,547. The Tax Court plans to seek legislative action to approve the additional expenditures. 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 Adjustments**

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

### **Minneapolis Employees Retirement Fund**

The Laws of Minnesota, Chapter 359, Article 11, transferred the administration of the Minneapolis Employees Retirement Fund (MERF) to the Public Employees Retirement Association board of directors effective June 30, 2010. During fiscal year 2009, investment activity of MERF was presented in the state's Investment Trust Fund (fiduciary fund). Investment balances as of July 1, 2009, were transferred from the Investment Trust Fund to a pension trust fund (Minneapolis Employees Retirement) managed by the Public Employees Retirement Association board of directors and were reported as a change in fund structure. The additional July 1, 2009, assets and liabilities were reported as a change in reporting entity in the Minneapolis Employees Retirement Fund (pension trust).

## **Note 2 – Cash, Investments, and Derivative Instruments**

### **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.

## Investment Derivative Instruments

Minnesota Statutes, Section 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange traded. The purpose of the SBI derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to off-set current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2010, fair value of investment derivatives are reported as investments.

*Synthetic Guaranteed Investment Contract (SGIC):* SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the Pension Trust and Investment Trust Funds portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2010, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$747,887,000 that is \$37,692,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of \$214,955,000 and \$326,545,000, respectively.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2010:

<b>Primary Government Derivative Activity for the Year Ended June 30, 2010 By Derivative Type (In Thousands)</b>			
	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	\$ 23,370	\$ 113	\$ -
Fiduciary Activities:			
Futures	\$ 15,272	\$ (42,397)	\$ -
Futures Options Bought	(5)	164	420
Futures Options Written	3,820	(4,338)	(2,433)
FX Forwards	4,633	-	641
TBA Transactions	56,042	906,900	7,332 <sup>(1)</sup>
Stock Rights/Warrants	2,374	2,615	2,248
	<u>\$ 82,136</u>	<u>\$ 862,944</u>	<u>\$ 8,208</u>

<sup>(1)</sup> Shown at net unrealized gain.

*Credit Risk:* Minnesota is exposed to credit risk through the counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter party, Royal Bank of Scotland, PLC, exposes the state to a maximum loss of \$1,526,000 and five others combined expose the state to a maximum loss of \$773,000 should these counter parties fail to perform. These counter parties have S&P credit ratings of AA- or better.

*Foreign Currency Risk:* Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the investment Foreign Currency Risk schedule of this note.

*Component Unit Derivative Activity:* Derivative activity of the state's component units is disclosed in the last section of this note.

#### 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 include guidelines or limitations regarding credit risk.

The primary government's investments, excluding pension trust and investment trust funds, as of June 30, 2010, 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, 2010  
(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
<b>Debt Securities:</b>						
U.S. Treasury	\$ 318,125	0.06	100%	-	-	-
U.S. Agencies	438,765	3.51	100%	-	-	-
Mortgage-backed Securities	261,219	21.42	89%	9%	1%	1%
State or Local Government Bonds	59,713	9.06	95%	4%	-	1%
Corporate Bonds	1,140,652	1.60	31%	68%	1%	-
Commercial Paper	2,508,560	0.14	33%	67%	-	-
Repurchase Agreements	501,614	0.01	-	1%	-	99%
Certificates of Deposit	494,115	0.09	69%	31%	-	-
<b>Total Debt Securities</b>	<b>\$ 5,722,763</b>					
<b>Equity Investments:</b>						
Corporate Stock	\$ 588,029					
Alternative Equities	8,055					
<b>Total Equity Investments</b>	<b>\$ 596,084</b>					
<b>Other Investments:</b>						
Escheat Property	\$ 9,961					
Money Market Accounts	4,621					
<b>Total Other Investments</b>	<b>\$ 14,582</b>					
<b>Total Investments</b>	<b>\$ 6,333,429</b>					

<sup>(1)</sup>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:

<b>Primary Government Pension Trust and Investment Trust Funds Investments and Cash Equivalent Investments As of June 30, 2010 (In Thousands)</b>						
	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Lower of S &amp; P or Moody S &amp; P Equivalent Rating</u>			
			<u>AA or Better</u>	<u>BBB to A</u>	<u>BB or Lower</u>	<u>Not Rated</u>
<b>Debt Securities:</b>						
U.S. Treasury	\$ 1,971,083	10.19	100%	-	-	-
U.S. Agencies	647,365	9.34	99%	-	-	1%
Mortgage-backed Securities	3,017,023	24.75	79%	8%	9%	4%
TBA Mortgage-backed Securities	959,437	N/A	83%	-	-	17%
State or Local Government Bonds	126,046	21.48	34%	56%	-	10%
Corporate Bonds	3,427,714	9.28	23%	68%	7%	2%
Foreign Country Bonds	20,285	8.59	45%	51%	-	4%
Commercial Paper	1,202,770	0.19	94%	6%	-	-
Asset-backed Securities	389,938	10.74	69%	18%	4%	9%
Certificates of Deposit	224,426	0.12	59%	-	-	41%
Repurchase Agreements	580,836	0.01	10%	66%	-	24%
Futures Options	(2,013)	N/A	-	-	-	100%
<b>Total Debt Securities</b>	<b><u>\$ 12,564,910</u></b>					
<b>Other Investments:</b>						
<b>Guaranteed Investment Account</b>						
Guaranteed Investment Contract (GIC)	\$ 326,545					
Synthetic GIC	710,195					
Short Term Investments Pool	214,955					
<b>Total Guaranteed Investment Account</b>	<b><u>\$ 1,251,695</u></b>					
State Street Global Investment Pools	257,341					
Mutual Funds	3,148,919					
<b>Total Other Investments</b>	<b><u>\$ 4,657,955</u></b>					
<b>Equity Investments:</b>						
Corporate Stock	\$ 23,349,018					
Alternative Equities	6,404,023					
Stock Rights/Warrants	2,248					
<b>Total Equity Investments</b>	<b><u>\$ 29,755,289</u></b>					
<b>Total Investments</b>	<b><u>\$ 46,978,154</u></b>					(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 did not have concentration of credit risk over 5% as of June 30, 2010.

## 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, 2010.

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

<b>Pension Trust and Investment Trust Funds</b>			
<b>Foreign Currency Risk</b>			
<b>International Investment Securities at Fair Value</b>			
<b>As of June 30, 2010</b>			
<b>(In Thousands)</b>			
<u>Currency</u>	<u>Cash</u>	<u>Debt</u>	<u>Equity</u>
Australian Dollar	\$ 1,710	\$ -	\$ 319,313
Brazilian Real	199	-	95,813
Canadian Dollar	1,852	2,268	450,337
Euro Currency	5,548	-	1,295,668
Hong Kong Dollar	1,913	-	388,752
Indian Rupee	615	-	158,348
Japanese Yen	8,797	-	1,043,484
New Taiwan Dollar	1,980	-	100,441
Pound Sterling	6,724	18,551	905,712
Singapore Dollar	690	-	83,474
South African Rand	126	-	73,833
South Korean Won	190	-	171,596
Swedish Krona	819	-	106,007
Swiss Franc	528	-	348,488
Other	1,627	-	385,247
Total	<u>\$ 33,318</u>	<u>\$ 20,819</u>	<u>\$ 5,926,513</u>

#### Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, 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 a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2010, such investment had an average duration of 8.03 days and an average weighted maturity of 43.2 days for USD collateral.

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, 2010, 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.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2010, were \$3,845,017,000 and \$3,720,274,000 respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

### **Component Units**

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

#### **Housing Finance Agency**

As of June 30, 2010, Housing Finance Agency (HFA) had \$1,403,723,000 of cash, cash equivalents, and investments. As of June 30, 2010, \$475,564,000 of deposits and \$802,982,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 2.6 – 24.1 years (U.S. Agencies).

HFA cash equivalents included \$171,142,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2010, 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 \$757,017,000 as of June 30, 2010. Included in these investments were \$10,683,000 in U. S. Treasuries (not rated), plus \$332,355,000 in Certificates of Deposit and \$366,221,000 in U.S. Agencies having a Standard & Poor's rating of 'AAA' and Moody's Investors Services rating of 'Aaa'. An additional \$36,970,000 in municipal debt investments had a Standard & Poor's rating of 'AA' and Moody's Investors Services rating of 'Aa'.

HFA had investments in single issuers as of June 30, 2010, excluding investments issued or explicitly guaranteed by the U.S. Government, that were five percent or more of total investments. These investments amounted to \$593,446,000 and involved Federal Home Loan Banks and Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA's cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA's consultant and are reported at fair value as of June 30, 2010, as Interest Rate Swap Agreements noncurrent liability. The change in fair value for fiscal year 2010 is reported in Deferred Loss on Interest Rate Swap Agreements noncurrent asset.



As of June 30, 2010, HFA had six, six, and two interest rate swap agreements with counterparties USB, AG; Royal Bank of Canada; and Citibank, N.A. for total notional amounts of \$146,205,000; \$205,390,000; and \$80,485,000 having fair values of (\$11,199,000), (\$20,284,000), and (\$5,594,000), respectively. For these counterparties, respectively, the increase (decrease) in fair values for fiscal year ended June 30, 2010, were (\$3,806,000), (\$4,317,000) and (\$1,748,000).

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, UBS, AG; Royal Bank of Canada; and Citibank, N.A. have been rated by Moody's as 'Aa3,' 'Aaa,' and 'A1,' respectively, and by Standard & Poors as 'A+,' 'AA-', and 'A+', respectively.

All swaps are pay-fixed with initial notional amounts that matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the cumulative right, generally based upon a 300% PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default there under. The swap contracts may also be terminated by the counterparties but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one month, taxable LIBOR rate or the SIMFA index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

#### Metropolitan Council

As of December 31, 2009, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of \$455,745,000. Of this amount, \$432,676,000 was subject to rating. Using the Moody's Investors Services rating scale, \$260,384,000 of these investments were rated 'Aaa' and \$97,993,000 were rated 'Aa3,' while \$74,299,000 were 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 \$82,931,000 U.S. Treasury and agency investments, MC has a custodial credit risk exposure of \$2,502,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted a 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, 2009. The investment portfolio has an average yield of 1.7 percent, modified duration of 2.9 years, effective duration of 2.2 years, and convexity of -.03.

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

<b>Major Component Unit Metropolitan Council Fair Value of Investments As of December 31, 2009 (In Thousands)</b>	
	<u>Estimated Fair Value</u>
	\$ 439,341
Fair Value of Portfolio After Basis	
Point Increase of:	
50 Points	\$ 434,315
100 Points	\$ 429,650
150 Points	\$ 425,092
200 Points	\$ 420,663

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100% of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption and since 2006 its natural gas consumption. The hedging transactions are separate from fuel purchase transactions. For 2009, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2009, MC had 329 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.8 million gallons) acquired from September 29, 2008, through December 14, 2009, to terminate on dates from January 29, 2010, through November 30, 2011. MC also had 70 natural gas futures contracts acquired from September 22, 2008, through October 20, 2009, to terminate on dates from January 27, 2010, through September 28, 2011.

As of December 31, 2009, the heating oil and natural gas futures contracts had a fair value of (\$733,388) and (\$959,803), respectively. These values are reported in "Other Assets – Current" and offset in "Accounts Payable – Current."

By using NYMEX heating oil futures to hedge diesel fuel, MC has a risk that the prices will significantly deviate from each other. Historically, there has been a strong historical correlation between the two products.

#### University of Minnesota

As of June 30, 2010, University of Minnesota (U of M), including its discretely presented component units, had \$339,067,000 of cash and cash equivalents and \$3,093,995,000 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 \$290,580,000 and investments of \$1,388,586,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2010, \$2,917,000 of U of M's bank balance of \$3,167,000 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, 2010, \$695,948,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$684,486,000 was rated AAA
- \$10,101,000 was rated BBB
- \$1,361,000 was not rated

The securities subject to interest rate risk were comprised of:

- \$365,591,000 in government agencies with an average duration of 1.95 years
- \$10,101,000 in corporate bonds with an average duration of 0.99 years
- \$25,215,000 in mortgage backed securities with an average duration of 2.33 years
- \$275,555,000 in cash and cash equivalents with an average duration of 0.04 year
- \$19,486,000 in other types of securities (primarily mutual funds) with an average duration of 0.73 years

As of June 30, 2010, U of M had \$40,862,000 of equity investments subject to foreign currency risk. The three largest components of this amount are \$5,284,000 in Japanese Yen; \$17,471,000 in Euro Currency; and \$2,683,000 in Pound Sterling.

U of M has entered into six separate pay-fixed, receive-variable interest rate swaps to hedge against the variability of cash flows for budgeting purposes.

Upon implementation of GASB 53, three of the contracts were determined to be ineffective hedges and were terminated effective November 1, 2009, in a restructuring that modified the fixed pay rate and the variable pay reference rates. Termination of the ineffective contracts resulted in retirement of long-term debt of \$18,479,000 and recognition of new long-term debt of \$13,960,000 for a net gain of \$4,519,000.

The three contracts with the new terms are effective hedges with a total notional amount of \$301,150,000 and total fair value of (\$9,749,000) at June 30, 2010. U of M's exposure to credit risk is measured by the fair value. The contracts have terms requiring the counter parties to post collateral if the fair value reaches a minimum threshold. These counterparties are rated 'Aa3,' 'Aa1,' and 'A1' by Moody's Investors Service.

The U of M is exposed to interest rate risk, termination risk (upon default of the other party), and basis risk.

The other three swaps are considered ineffective. At June 30, 2010, their total a fair value was (\$20,840,000) and changes in fair value were reported as investment income.

## Nonmajor Component Units

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

<b>Nonmajor Component Units</b>		
<b>Cash, Cash Equivalents, and Investments</b>		
<b>As of December 31, 2009, or June 30, 2010, as applicable</b>		
<b>(In Thousands)</b>		
<u>Component Unit</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Agricultural and Economic Development Board	\$ 3,415	\$ 21,907
National Sports Center Foundation	88	-
Office of Higher Education	241,553	-
Public Facilities Authority	139,748	109,851
Rural Finance Authority	25,678	-
Workers' Compensation Assigned Risk Plan	11,269	305,540
Total	<u>\$ 421,751</u>	<u>\$ 437,298</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, 2010:

<b>Primary Government Components of Net Receivables Government-wide As of June 30, 2010 (In Thousands)</b>				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	
Taxes:				
Corporate and Individual	\$ 671,321	\$ -	\$ -	\$ 671,321
Sales and Use	360,782	-	-	360,782
Property	372,604	-	-	372,604
Health Care Provider	209,730	-	97,068	306,798
Highway Users	-	-	79,784	79,784
Child Support	70,907	78,925	-	149,832
Workers' Compensation	-	-	110,798	110,798
Other	310,698	49,209	66,489	426,396
Net Receivables	\$ 1,996,042	\$ 128,134	\$ 354,139	\$ 2,478,315
Business-type Activities				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	\$ -	\$ 394,119	\$ -	\$ 394,119
Tuition and Fees	48,109	-	-	48,109
Other	-	-	26,508	26,508
Net Receivables	\$ 48,109	\$ 394,119	\$ 26,508	\$ 468,736
Total Government-wide Net Receivables				\$ 2,947,051

<sup>(1)</sup>Includes \$2,507 Internal Service Funds.

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

- Corporate and Individual Taxes \$149,986,000
- Sales and Use Taxes \$47,844,000
- Child Support \$309,141,000
- Other Receivables \$50,976,000

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

- Corporate and Individual Taxes \$117,816,000
- Sales and Use Taxes \$53,919,000
- Child Support \$142,668,000
- Health Care Provider \$89,374,000
- Other Receivables \$17,490,000

## Note 4 – Loans and Notes Receivable

The following tables show loans and notes receivable, net of allowances for possible losses, as of June 30, 2010:

<b>Primary Government Loans and Notes Receivable As of June 30, 2010 (In Thousands)</b>				
	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>State Colleges and Universities Fund</u>
Student Loan Program	\$ -	\$ -	\$ -	\$ 32,949
Economic Development	71,333	43,474	-	-
School Districts	111,375	-	-	-
Agricultural, Environmental and Energy Resources	73,581	932	-	-
Transportation	14,359	2,339	217	-
Other	4,035	-	45	-
Total	<u>\$ 274,683</u>	<u>\$ 46,745</u>	<u>\$ 262</u>	<u>\$ 32,949</u>

<b>Component Units Loans and Notes Receivable As of June 30, 2010 (In Thousands)</b>	
Housing Finance Authority	\$ 2,268,115
Metropolitan Council	48,126
University of Minnesota	66,609
Agricultural and Economic Development Board	2,644
Office of Higher Education	733,910
Public Facilities Authority	1,744,034
Rural Finance Authority	57,131
Total	<u>\$ 4,920,569</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.

<b>Primary Government</b> <b>Interfund Receivables and Payables</b> <b>As of June 30, 2010</b> <b>(In Thousands)</b>	
Due to the General Fund From:	
Federal Fund	\$ 70,484
Nonmajor Governmental Funds	106,751
Nonmajor Enterprise Funds	14,132
Internal Service Funds	164
Total Due to General Fund From Other Funds	<u>\$ 191,531</u>
Due to the Federal Fund From:	
General Fund	\$ 18,003
Nonmajor Governmental Funds	4,401
Unemployment Insurance Fund	53
Total Due to Federal Fund From Other Funds	<u>\$ 22,457</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 25,382
Total Due to State Colleges and Universities From Other Funds	<u>\$ 25,382</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	\$ 8,356
Total Due to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 8,356</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 62,471
Federal Fund	1,235
Unemployment Insurance Fund	25,776
Nonmajor Governmental Funds	130,384
Nonmajor Enterprise Funds	57
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 219,923</u>



**Primary Government  
Interfund Transfers  
Year Ended June 30, 2010  
(In Thousands)**

Transfers to the General Fund From:	
Federal Fund	\$ 50,255
Nonmajor Governmental Funds	199,862
Nonmajor Enterprise Funds	100,631
Internal Service Funds	27,294
Total Transfers to General Fund From Other Funds	<u>\$ 378,042</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	\$ 68
Nonmajor Governmental Funds	5,169
Total Transfers to Federal Fund From Other Funds	<u>\$ 5,237</u>
Transfers to the State Colleges and Universities Fund From:	
General Fund	\$ 614,169
Nonmajor Governmental Funds – Capital Contributions	119,774
Total Transfers to State Colleges and Universities From Other Funds	<u>\$ 733,943</u>
Transfers to Fiduciary Funds From:	
General Fund	\$ 9,000
Fiduciary Funds	14,932
Total Transfers to Fiduciary Funds From Other Funds	<u>\$ 23,932</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 559,237
Federal Fund	6,857
Unemployment Insurance Fund	7,137
Nonmajor Governmental Funds	94,256
Nonmajor Enterprise Funds	89,307
Internal Service Funds	1,304
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 758,098</u>
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:	
General Fund	\$ 5,338
Federal Fund	636
Government-wide Capital Assets	751
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	<u>\$ 6,725</u>
Transfers to Government-wide Capital Assets From:	
Internal Service Funds	\$ 28
Total Transfers to Government-wide Capital Assets	<u>\$ 28</u>

## Component Units

The following table presents receivables and payables as of June 30, 2010, between the primary government and component units:

<b>Primary Government and Component Units</b>		
<b>Receivables and Payables</b>		
<b>As of June 30, 2010</b>		
<b>(In Thousands)</b>		
	<u>Due From</u> <u>Primary Government</u>	<u>Due To</u> <u>Primary Government</u>
<b>Component Units</b>		
Major Component Units:		
Metropolitan Council	\$ 92,818	\$ 1,214
University of Minnesota	4,469	40,466
Total Major Component Units	<u>\$ 97,287</u>	<u>\$ 41,680</u>
Nonmajor Component Units	<u>\$ 21,376</u>	<u>\$ 102,249</u>
Total Component Units	<u><u>\$ 118,663</u></u>	<u><u>\$ 143,929</u></u>
	<u>Due From</u> <u>Component Units</u>	<u>Due To</u> <u>Component Units</u>
<b>Primary Government</b>		
Major Governmental Funds:		
General Fund	\$ 211	\$ 28,825
Federal Fund	-	3,362
Total Major Governmental Funds	<u>\$ 211</u>	<u>\$ 32,187</u>
Nonmajor Governmental Funds	<u>\$ 118,250</u>	<u>\$ 1,618</u>
Total Primary Government	<u><u>\$ 118,461</u></u>	<u><u>\$ 33,805</u></u> <sup>(1)</sup>

(1) Due to component units on the Government-wide Statement of Net Assets totals \$55,181 and includes \$21,376 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 \$25,468,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The \$84,858,000 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 \$21,376,000 loans payable disclosed above.

## Note 6 – Capital Assets

### Primary Government

The following table shows capital asset activity for the primary government:

<b>Primary Government Capital Asset Activity Government-wide Governmental Activities Year Ended June 30, 2010 (In Thousands)</b>				
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>Governmental Activities</b>				
<b>Capital Assets not Depreciated:</b>				
Land	\$ 2,073,170	\$ 114,113	\$ (128,649)	\$ 2,058,634
Buildings, Structures, Improvements	52,799	11	(24,729)	28,081
Construction in Progress	251,943	103,168	(62,278)	292,833
Development in Progress	-	34,151	-	34,151
Infrastructure	7,323,111	331,676	(19,893)	7,634,894
Easements <sup>(1)</sup>	112,163	133,412	-	245,575
Art and Historical Treasures	1,989	-	-	1,989
<b>Total Capital Assets not Depreciated</b>	<u>\$ 9,815,175</u>	<u>\$ 716,531</u>	<u>\$ (235,549)</u>	<u>\$ 10,296,157</u>
<b>Capital Assets Depreciated:</b>				
Buildings, Structures, Improvements <sup>(1)</sup>	\$ 2,217,019	\$ 88,507	\$ (58,909)	\$ 2,246,617
Infrastructure	92,789	65,111	(8,258)	149,642
Internally Generated Computer	-	3,751	(3)	3,748
Easements	4,028	39	-	4,067
Equipment, Furniture, Fixtures <sup>(1)</sup>	543,875	50,119	(31,164)	562,830
<b>Total Capital Assets Depreciated</b>	<u>\$ 2,857,711</u>	<u>\$ 207,527</u>	<u>\$ (98,334)</u>	<u>\$ 2,966,904</u>
<b>Accumulated Depreciation for:</b>				
Buildings, Structures, Improvements <sup>(1)</sup>	\$ (859,533)	\$ (59,405)	\$ 25,345	\$ (893,593)
Infrastructure	(17,603)	(24,937)	-	(42,540)
Easements <sup>(1)</sup>	(374)	(95)	-	(469)
Internally Generated Computer	-	(1,658)	-	(1,658)
Equipment, Furniture, Fixtures <sup>(1)</sup>	(335,391)	(47,276)	40,100	(342,567)
<b>Total Accumulated Depreciation</b>	<u>\$ (1,212,901)</u>	<u>\$ (133,371)</u>	<u>\$ 65,445</u>	<u>\$ (1,280,827)</u>
<b>Total Capital Assets Depreciated, Net</b>	<u>\$ 1,644,810</u>	<u>\$ 74,156</u>	<u>\$ (32,889)</u>	<u>\$ 1,686,077</u>
<b>Governmental Act. Capital Assets, Net</b>	<u>\$ 11,459,985</u>	<u>\$ 790,687</u>	<u>\$ (268,438)</u>	<u>\$ 11,982,234</u>

<sup>(1)</sup> Prior year amounts have been restated for the change in accounting principle and prior period adjustment.

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

Change in accounting principle: During fiscal year 2010, the state implemented GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets." This statement required retroactive reporting of certain intangible assets. As a result, the state's beginning balances for nondepreciable easements increased by \$112,163,000 and depreciable easements increased by \$4,028,000 with corresponding accumulated depreciation of \$374,000. This resulted in a net change in accounting principle of \$115,817,000.

Prior Period Adjustment Governmental Activities: During fiscal year 2010, depreciable buildings cost increased by \$74,333,000 with corresponding accumulated depreciation of \$41,890,000 and equipment cost increased \$126,831,000 with corresponding accumulated depreciation \$72,088,000 accumulated depreciation. This was primarily due to additional capital assets identified by the Minnesota Department of Transportation partly as a result of changing capital asset capitalization thresholds from statewide thresholds to agency thresholds in preparation for converting capital assets into the new statewide accounting system, which is currently being developed. This resulted in a net prior period adjustment of \$87,186,000. These changes have been reflected as an adjustment to beginning balances.

Capital outlay expenditures in the governmental funds totaled \$643,736,000 for fiscal year 2010. Donations of general capital assets received during fiscal year 2010 were valued at \$1,167,000. Transfers of \$262,246,000 were primarily from construction in progress for completed projects, equipment relating to internally generated computer software, and land relating to easements. Permanent School Fund additions were \$1,000. The internal service funds additions were \$16,908,000, which included both assets purchased and transfers between asset categories for internally generated computer software. Accumulated depreciation related to the transfers is also included as an addition to the accumulated depreciation.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2010, consisted of equipment with a cost of \$11,989,000 and buildings with a cost of \$180,005,000.

**Primary Government  
Capital Asset Activity  
Government-wide Business-type Activities and Fiduciary Funds  
Year Ended June 30, 2010  
(In Thousands)**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>Business-type Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 81,879	\$ 3,255	\$ -	\$ 85,134
Construction in Progress	154,867	192,236	(180,659)	166,444
Total Capital Assets not Depreciated	<u>\$ 236,746</u>	<u>\$ 195,491</u>	<u>\$ (180,659)</u>	<u>\$ 251,578</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements <sup>(1)</sup>	\$ 2,335,301	\$ 197,881	\$ (430)	\$ 2,532,752
Library Collections	48,526	6,354	(6,802)	48,078
Internally Generated Computer Equipment, Furniture, Fixtures	-	13,932	(4)	13,928
	288,907	13,259	(35,995)	266,171
Total Capital Assets Depreciated	<u>\$ 2,672,734</u>	<u>\$ 231,426</u>	<u>\$ (43,231)</u>	<u>\$ 2,860,929</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements <sup>(1)</sup>	\$ (1,035,843)	\$ (70,528)	\$ 266	\$ (1,106,105)
Library Collections	(27,771)	(6,868)	6,802	(27,837)
Internally Generated Computer Equipment, Furniture, Fixtures	-	(6,141)	4	(6,137)
	(206,424)	(18,863)	29,139	(196,148)
Total Accumulated Depreciation	<u>\$ (1,270,038)</u>	<u>\$ (102,400)</u>	<u>\$ 36,211</u>	<u>\$ (1,336,227)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,402,696</u>	<u>\$ 129,026</u>	<u>\$ (7,020)</u>	<u>\$ 1,524,702</u>
Business-type Act. Capital Assets, Net	<u>\$ 1,639,442</u>	<u>\$ 324,517</u>	<u>\$ (187,679)</u>	<u>\$ 1,776,280</u>
<b>Fiduciary Funds</b>				
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	\$ 29,737	\$ 26	\$ -	\$ 29,763
Equipment, Furniture, Fixtures	5,512	1,275	(589)	6,198
Total Capital Assets Depreciated	<u>\$ 35,249</u>	<u>\$ 1,301</u>	<u>\$ (589)</u>	<u>\$ 35,961</u>
Accumulated Depreciation for:				
Buildings	\$ (5,922)	\$ (760)	\$ -	\$ (6,682)
Equipment, Furniture, Fixtures	(4,331)	(338)	585	(4,084)
Total Accumulated Depreciation	<u>\$ (10,253)</u>	<u>\$ (1,098)</u>	<u>\$ 585</u>	<u>\$ (10,766)</u>
Total Capital Assets Depreciated, Net	<u>\$ 24,996</u>	<u>\$ 203</u>	<u>\$ (4)</u>	<u>\$ 25,195</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 25,425</u>	<u>\$ 203</u>	<u>\$ (4)</u>	<u>\$ 25,624</u>

<sup>(1)</sup> Prior year amounts have been restated for the prior period adjustment.

Prior Period Adjustment Business-type Activities: During fiscal year 2010, building cost in the 911 Services Fund (enterprise fund) increased by \$49,215,000, net of \$5,656,000 accumulated depreciation, as a result of recording towers owned by the Minnesota Department of Transportation. This resulted in a net prior period adjustment of \$43,559,000. These changes have been reflected as an adjustment to beginning balances.

Internally generated computer software and corresponding accumulated depreciation transferred from equipment during the fiscal year ended June 30, 2010.

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

<b>Primary Government Depreciation Expense Year Ended June 30, 2010 (In Thousands)</b>		
Governmental Activities:		
Public Safety and Corrections	\$	19,976
Transportation		29,130
Agricultural, Environmental & Energy Resources		9,733
Economic and Workforce Development		1,569
General Education		4,684
Higher Education		7
Health and Human Services		14,592
General Government		20,774
Internal Service Funds		10,256
Total Governmental Activities	<u>\$</u>	<u>110,721</u>
Business-type Activities:		
State Colleges and Universities	\$	88,440
Lottery		740
Other		9,344
Total Business-type Activities	<u>\$</u>	<u>98,524</u>

Authorizations and commitments as of June 30, 2010, for the largest construction in progress projects consisted of the following:

<b>Primary Government Project Authorizations and Commitments As of June 30, 2010 (In Thousands)</b>		
	<u>Administration</u>	<u>Transportation</u>
Authorization	\$ 132,344	\$ 874,956
Expended through June 30, 2010	84,904	516,087
Unexpended Commitment	<u>2,722</u>	<u>290,209</u>
Available Authorization	<u>\$ 44,718</u>	<u>\$ 68,660</u>

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. These acres totaled 2,520,972 on June 30, 2010.

## Component Units

Component unit capital assets consisted of the following as of December 31, 2009, or June 30, 2010, as applicable:

<b>Component Units Capital Assets As of December 31, 2009 or June 30, 2010, as applicable (In Thousands)</b>					
	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Land and Improvements	\$ -	\$ 102,294	\$ 85,218	\$ 779	\$ 188,291
Construction in Progress	-	178,669	140,347	-	319,016
Museums and Collections	-	-	47,572	-	47,572
Permanent Easement	-	-	2	-	2
Buildings and Improvements	-	3,126,013	3,064,218	2,407	6,192,638
Equipment	7,950	722,340	785,236	1,872	1,517,398
Capitalized Software	-	-	93,029	-	93,029
Other Intangible Assets	-	-	7,586	-	7,586
Infrastructure	-	-	407,299	-	407,299
Total	<u>\$ 7,950</u>	<u>\$ 4,129,316</u>	<u>\$ 4,630,507</u>	<u>\$ 5,058</u>	<u>\$ 8,772,831</u>
Less: Accumulated Depreciation	<u>\$ 6,319</u>	<u>\$ 1,480,947</u>	<u>\$ 2,098,644</u>	<u>\$ 2,381</u>	<u>\$ 3,588,291</u>
Net Total	<u><u>\$ 1,631</u></u>	<u><u>\$ 2,648,369</u></u>	<u><u>\$ 2,531,863</u></u> <sup>(1)</sup>	<u><u>\$ 2,677</u></u>	<u><u>\$ 5,184,540</u></u>

<sup>(1)</sup> In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of \$33,026 as of June 30, 2010.

## 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, 2010:

<b>Primary Government Components of Accounts Payable Government-wide As of June 30, 2010 (In Thousands)</b>				
<u>Governmental Activities</u>				
	<u>General Fund</u>	<u>Federal Fund</u>	<u>Nonmajor Governmental Funds<sup>(1)</sup></u>	<u>Total</u>
School Aid Programs	\$ 1,754,067	\$ 540,424	\$ 248	\$ 2,294,739
Tax Refunds	696,223	-	-	696,223
Medical Care Programs	332,249	668,824	96,111	1,097,184
Grants	166,276	160,743	125,228	452,247
Salaries and Benefits	83,785	20,766	57,406	161,957
Vendors/Service Providers	57,748	55,377	172,729	285,854
Other	52,287	4,265	8,860	65,412
Net Payables	<u>\$ 3,142,635</u>	<u>\$ 1,450,399</u>	<u>\$ 460,582</u>	<u>\$ 5,053,616</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	\$ 122,922	\$ -	\$ 7,208	\$ 130,130
Vendors/Service Providers	47,950	-	5,174	\$ 53,124
Other	7,564	65,955	18,666	\$ 92,185
Net Payables	<u>\$ 178,436</u>	<u>\$ 65,955</u>	<u>\$ 31,048</u>	<u>\$ 275,439</u>
Total Government-wide Net Payables				<u><u>\$ 5,329,055</u></u>

<sup>(1)</sup>Includes \$56,147 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 Minneapolis Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement 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, 2010, 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. Twenty-seven 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 by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding. 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 by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. 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 by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. 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 by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Minneapolis Employees Retirement Fund (MERF) participating employers primarily include the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. MERF was closed to new members as of July 1, 1978. MERF was reported as a component of the Investment Trust Fund (investment trust fund) as of June 30 2009, but legislation was passed to transfer the administration of the fund to PERA. The Actuarial Accrued Liability is 56% funded according to the latest actuarial evaluation. The normal retirement age is 60. The annuity formula for participants is 2.0 percent for each of the first 10 years of service and 2.5 percent each year thereafter of average salary. Annual benefits increase by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. The plan was closed to new entrants June 30, 1978. The state is funding a portion of the unfunded actuarial liability, which is set in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The state is not an employer of 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. Approximately 575 employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for 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 2.5 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 increases will not occur until January 1, 2013, when they will be at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- Multiple employer, agent plan:

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid. Members do not contribute to the plan. Employer contributions are determined annually. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from 20 possible levels ranging from \$500 per year of service to \$7,500 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single employer (state of Minnesota) plans:

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service. Annual benefits increase by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

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 by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

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 by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

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 by at least 1.5 percent or 2.5 percent if the plan is funded at least 90% of full funding.

<b>Statutory Contribution Rates Year Ended June 30, 2010</b>							
	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	7.70%	N/A	8.00%	9.00%	10.40%	4.75%	5.50%
Employer(s)	11.10%	N/A	20.50%	N/A	15.60%	4.75%	5.50%

<b>Multiple Employer Plan Required Contributions (In Thousands)</b>			
		SERF	TRF
Required Contributions:			
Employee	2010	\$ 113,716	\$ 214,909
	2009	\$ 108,866	\$ 212,043
	2008	\$ 99,280	\$ 209,592
Employer <sup>(1)</sup>	2010	\$ 115,181	\$ 220,538
	2009	\$ 107,211	\$ 220,268
	2008	\$ 96,746	\$ 209,717

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

**Single Employer Plan Disclosures  
As of June 30, 2010  
(In Thousands)**

	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Required Contributions (ARC) <sup>(1)</sup>	\$ 47,825	\$ 12,335	\$ 7,752	\$ 24,136
Interest on Net Pension Obligation (NPO) <sup>(1)</sup>	3,983	(678)	(442)	(2,078)
Amortization Adjustment to ARC <sup>(1)</sup>	<u>(2,720)</u>	<u>489</u>	<u>682</u>	<u>1,478</u>
Annual Pension Cost (APC)	\$ 49,088	\$ 12,146	\$ 7,992	\$ 23,536
Contributions	<u>(37,255)</u>	<u>(11,271)</u>	<u>(2,146)</u>	<u>(16,830)</u>
Increase (Decrease) in NPO	<u>\$ 11,833</u>	<u>\$ 875</u>	<u>\$ 5,846</u>	<u>\$ 6,706</u>
NPO, Beginning Balance	<u>\$ 46,856</u>	<u>\$ (8,732)</u>	<u>\$ (5,204)</u>	<u>\$ (24,451)</u>
NPO, Ending (Asset)	<u><u>\$ 58,689</u></u>	<u><u>\$ (7,857)</u></u>	<u><u>\$ 642</u></u>	<u><u>\$ (17,745)</u></u>

<sup>(1)</sup>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)	2010	\$ 49,088	\$ 12,146	\$ 7,992	\$ 23,536
	2009	\$ 46,729	\$ 9,999	\$ 4,900	\$ 20,454
	2008	\$ 45,815	\$ 11,769	\$ 3,475	\$ 16,799
Percentage of APC Contributed	2010	76%	99%	27%	72%
	2009	73%	112%	31%	75%
	2008	69%	92%	69%	83%
Net Pension Obligation (NPO) (End of Year)	2010	\$ 58,689	\$ (7,857)	\$ 642	\$ (17,745)
	2009	\$ 46,856	\$ (8,732)	\$ (5,204)	\$ (24,451)
	2008	\$ 34,285	\$ (7,535)	\$ (8,587)	\$ (29,511)

<b>Schedule of Funding Status (In Thousands)</b>				
	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Actual Valuation Date <sup>(1)</sup>	7/1/2009	7/1/2009	7/1/2009	7/1/2009
Actuarial Value of Plan Assets	\$ 590,339	\$ 147,120	\$ 28,663	\$ 584,501
Actuarial Accrued Liability	\$ 821,250	\$ 241,815	\$ 90,431	\$ 725,334
Total Unfunded Actuarial Liability	\$ 230,911	\$ 94,695	\$ 61,768	\$ 140,833
Funded Ratio	72%	61%	32%	81%
Annual Covered Payroll	\$ 193,445	\$ 39,444	\$ 1,963	\$ 61,511
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	119%	240%	3147%	229%

<sup>(1)</sup> The July 1, 2009, 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, 2009.
- 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, 2009, less: 80 percent UAR for fiscal year 2009; 60 percent UAR for fiscal year 2008; 40 percent UAR for fiscal year 2007; and 20 percent UAR for fiscal year 2006.
- 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 (HCSRF), 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, 2009, there were 2,054 members in the plan for Hennepin County.

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, 2009, there were 58,050 members in the plan for 215 employers.

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 4.75 percent for employee and 6.00 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, 2009, there were 3,261 members in the plan from 12 employers.

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. As of June 30, 2009, there were 7,182 members in the plan from approximately 1,000 units of government.

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 11,700.

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.

<b>Defined Contribution Plans Contributions Year Ended June 30, 2010 (In Thousands)</b>					
	<u>HCSRF</u>	<u>PHCBF</u>	<u>UERF</u>	<u>DCF</u>	<u>CURF</u>
Employee Contributions	\$ 514	\$ 90,445	\$ 4,472	\$ 1,480	\$ 34,047
Employer Contributions	\$ 515	N/A	\$ 6,333	\$ 1,582	\$ 40,341

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 87,003 participants from approximately 500 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. As of July 1, 2009, the investments of the Minneapolis Employees Retirement Plan were transferred from the Investment Trust Fund (investment trust fund) to MERF defined benefit plan under the administration of PERA. Additional information on the transfer is located in Note 1 – Summary of Significant Accounting and Reporting Policies.

**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. In addition, Minnesota Statutes, Section 136F.481, authorized MnSCU to implement an early separation incentive program in fiscal year 2010. Approximately 250 former faculty members and staff currently receive this benefit. The cost of the benefits was \$4,330,000 during fiscal year ended June 30, 2010, with a remaining liability as of June 30, 2010, of \$6,819,000.

### **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, Section 43A.27, Subdivision 3 and Section 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, 2010, the state contributed \$33.1 million to the plan. Plan members receiving benefits through the implicit rate subsidy contributed \$17.1 million through their average required contribution of \$447 per month for retiree-only coverage and \$1,315 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 No. 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, 2010, the state's ARC is \$75,483,000.

The following table shows the components of the state's annual OPEB cost, the amount contributed to the plan, and the changes to the state's net OPEB obligation:

<b>OPEB Disclosures As of June 30, 2010 (In Thousands)</b>	
Annual Required Contributions (ARC) <sup>(1)</sup>	\$ 75,483
Interest on Net OPEB Obligation (NOO) <sup>(1)</sup>	4,058
Amortization Adjustment to ARC <sup>(1)</sup>	<u>(3,229)</u>
Annual OPEB Cost (Expense)	\$ 76,312
Contributions	<u>(33,096)</u>
Increase in NOO	<u>\$ 43,216</u>
NOO, Beginning Balance	<u>\$ 83,363</u>
NOO, Ending <sup>(2)</sup>	<u><u>\$ 126,579</u></u>
<sup>(1)</sup> Components of annual OPEB cost.	
<sup>(2)</sup> Governmental Activities and Business-type Activities include \$110,950 and \$15,482, respectively. Remaining amounts are included in Fiduciary Funds.	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2009, and 2008 are as follows:

<b>OPEB Disclosures (In Thousands)</b>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 76,312	43%	\$ 126,579
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 8.41 percent initially, reduced by increments to an ultimate rate of 5.0 percent after approximately 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 \$70.8 million as of December 31, 2009, for this purpose. The annual required contribution for 2009 was \$29.8 million or 11.3 percent of annual covered payroll. As of December 31, 2009, 2008 and 2007, the net OPEB obligation was \$44.4 million, \$29.6 million and \$14.5 million respectively. The actuarial accrued liability (AAL) for benefits was \$311.9 million as of December 31, 2009, all of which was unfunded. The covered payroll was \$263.1 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 118.5 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, 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, 2010, was \$19.7 million or 1.7 percent of annual covered payroll. As of June 30, 2010, the net OPEB obligation was \$33.5 million. The actuarial accrued liability (AAL) for benefits was \$88.9 million as of June 30, 2010, 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 7.5 percent.

## Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2010, were as follows:

<b>Primary Government Encumbrances As of June 30, 2010 (In Thousands)</b>			
	General Fund	Other Funds	Total
<b>Restricted for:</b>			
Arts and Cultural Heritage	\$ -	\$ 2,899	\$ 2,899
Public Safety	-	1,723	1,723
Transportation	-	572,369	572,369
Environmental	12,233	79,723	91,956
Economic and Workforce Development	16,831	10,238	27,069
Health and Human Services	-	2,140	2,140
General Education	-	332	332
General Government	-	1,653	1,653
Capital Projects	-	825,462	825,462
<b>Committed to:</b>			
Public Safety	-	1,005	1,005
Transportation	-	5	5
Environmental	-	6,430	6,430
Economic and Workforce Development	-	2,175	2,175
Health and Human Services	-	2,828	2,828
General Education	-	32	32
General Government	-	133	133
<b>Assigned to:</b>			
Public Safety	15,363	-	15,363
Transportation	4,655	-	4,655
Environmental	25,037	-	25,037
Economic and Workforce Development	18,098	-	18,098
Health and Human Services	32,971	-	32,971
General Education	3,021	-	3,021
Higher Education	1,359	-	1,359
General Government	4,307	-	4,307
Intergovernment Aid	10,215	-	10,215
Capital Projects	-	1,715	1,715
Total Primary Government	<u>\$ 144,090</u>	<u>\$ 1,510,862</u>	<u>\$ 1,654,952</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 October 2010, the Petrofund has reimbursed eligible applicants approximately \$406,000,000 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 \$425,000,000 and \$465,000,000 for investigative and cleanup costs.

## **Environmental and Remediation Fund**

The Remediation Account was established in the state treasury as part of the Environmental and Remediation Fund (special revenue fund) to provide a reliable source of public money for response and corrective actions to address releases of hazardous substances, pollutants, contaminants, agricultural chemicals, and petroleum, and for environmental response actions at qualified closed landfills for which the state has assumed responsibility. Money in the general portion of the fund may be spent for actions related to releases of hazardous substances, pollutants, or containments and to provide technical and other assistance. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative, enforcement, and cost recovery actions.

In addition to the general portion of the fund, two dedicated accounts are held within the fund. The first account is the dry cleaner environmental response and reimbursement account. Money in the account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The second account, the metropolitan landfill contingency action trust account, consists of revenue deposited from twenty-five percent of the metropolitan solid waste landfill fee. 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 Pollution Control Agency.

The Closed Landfill Investment Account consists of money credited to the fund plus interest and other earnings. Money in the fund may be spent only after fiscal year 2020 on environmental response actions at qualified closed mixed municipal solid waste disposal facilities.

## **Minnesota State Colleges and Universities**

The Minnesota State Colleges and Universities had commitments of \$124,138,000 for construction and renovation of college and university facilities.

## **Component Units**

As of June 30, 2010, the Housing Finance Agency (HFA) had committed approximately \$417,000,000 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, 2009, unpaid commitments for Metro Transit Bus services were approximately \$127,000,000. Future commitments for Metro Transit Light Rail were approximately \$19,600,000, while future commitments for Metro Transit Commuter Rail were approximately \$13,500,000. Finally, future commitments for Regional Transit and Environmental Services were approximately \$97,700,000 and \$107,900,000, respectively.

University of Minnesota (U of M) has construction projects in progress with an estimated completion cost of \$190,000,000. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2010, Public Facilities Authority (PFA) had committed approximately \$314,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$24,000,000 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, 2010, totaled approximately \$84,985,031 and \$20,499,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2009, totaled approximately \$612,000 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
2011	\$ 79,339	2011	\$ 13,265	2010	\$ 1,194
2012	71,199	2012	14,852	2011	1,045
2013	61,916	2013	10,843	2012	817
2014	46,449	2014	8,167	2013	790
2015	34,752	2015	3,665	2014	446
2016-2020	58,013	2016-2020	13,203	2015-2019	322
2021-2025	8,246	2021-2025	2,830	2020-2024	143
2026-2030	5,265	2026-2030	-	2025-2029	143
2031-2035	86	2031-2035	-	2030-2034	143
2036-2040	-	2036-2040	-	2035-2039	90
Total	<u>\$ 365,265</u>	Total	<u>\$ 66,825</u>	Total	<u>\$ 5,133</u>

## Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2010, and the changes during fiscal year 2010:

<b>Primary Government Long-Term Liabilities Year Ended June 30, 2010 (In Thousands)</b>					
	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	\$ 4,667,902	\$ 1,258,113	\$ 822,805	\$ 5,103,210	\$ 402,265
Loans	53,658	8,449	20,788	41,319	13,954
Revenue Bonds	13,715	-	815	12,900	845
Claims	764,977	75,167	96,434	743,710	88,090
Pollution Remediation	38,641	21,326	8,840	51,127	20,476
Compensated Absences	287,463	244,476	237,652	294,287	30,894
Workers' Compensation	95,172	28,262	18,177	105,257	16,813
Certificates of Participation	-	82,391	1,742	80,649	500
Capital Leases	161,629	3,356	6,810	158,175	6,984
Net Pension Obligation	46,856	49,088	37,255	58,689	-
Net Other Postemployment Obligation	72,114	66,356	27,520	110,950	-
Due to Component Unit	19,465	5,729	3,818	21,376	2,785
Total	<u>\$ 6,221,592</u>	<u>\$ 1,842,713</u>	<u>\$ 1,282,656</u>	<u>\$ 6,781,649</u>	<u>\$ 583,606</u>
Business-type Activities					
Liabilities For:					
General Obligation Bonds	\$ 241,946	\$ 26,686	\$ 18,279	\$ 250,353	\$ 17,790
Loans	5,582	1,144,457	547,019	603,020	827
Revenue Bonds	278,246	66,277	23,744	320,779	19,920
Compensated Absences	144,113	29,399	28,537	144,975	14,496
Workers' Compensation	5,164	4,051	2,697	6,518	2,739
Capital Leases	20,324	892	2,554	18,662	1,757
Net Other Postemployment Obligation	11,249	9,701	5,468	15,482	-
Total	<u>\$ 706,624</u>	<u>\$ 1,281,463</u>	<u>\$ 628,298</u>	<u>\$ 1,359,789</u>	<u>\$ 57,529</u>



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

<b>Primary Government Resources for Repayment of Long-Term Liabilities (In Thousands)</b>						
	Governmental Activities				Business- type Activities	Total
	General Fund	Special Revenue Funds	Internal Service Funds			
Liabilities For:						
General Obligation Bonds	\$ 4,450,285	\$ 652,925	\$ -	\$ 250,353	\$ 5,353,563	
Loans	-	23,982	17,337	603,020	644,339	
Revenue Bonds	-	12,900	-	320,779	333,679	
Claims	16,469	727,241	-	-	743,710	
Pollution Remediation	-	51,127	-	-	51,127	
Compensated Absences	119,566	168,589	6,132	144,975	439,262	
Workers' Compensation	84,914	20,343	-	6,518	111,775	
Certificates of Participation	80,649	-	-	-	80,649	
Capital Leases	154,619	3,556	-	18,662	176,837	
Net Pension Obligation	58,689	-	-	-	58,689	
Net Other Postemployment Benefit Obligation	110,404	-	546	15,482	126,432	
Due to Component Unit	-	21,376	-	-	21,376	
<b>Total</b>	<b>\$ 5,075,595</b>	<b>\$ 1,682,039</b>	<b>\$ 24,015</b>	<b>\$ 1,359,789</b>	<b>\$ 8,141,438</b>	

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for pollution remediation, claims, compensated absences, workers' compensation, net pension obligation, and net other postemployment benefit obligation.

<b>Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)</b>						
Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 402,265	\$ 217,895	\$ 17,790	\$ 11,267	\$ 420,055	\$ 229,162
2012	394,828	199,191	17,817	10,424	412,645	209,615
2013	403,206	180,317	17,009	9,578	420,215	189,895
2014	371,923	161,487	16,927	8,749	388,850	170,236
2015	361,648	144,030	16,512	7,927	378,160	151,957
2016-2020	1,435,708	495,812	74,402	28,113	1,510,110	523,925
2021-2025	964,838	202,530	55,752	11,766	1,020,590	214,296
2026-2030	388,088	33,448	23,162	1,897	411,250	35,345
<b>Total</b>	<b>\$ 4,722,504</b>	<b>\$ 1,634,710</b>	<b>\$ 239,371</b>	<b>\$ 89,721</b>	<b>\$ 4,961,875</b>	<b>\$ 1,724,431</b>
Bond Premium	380,706	-	10,982	-	391,688	-
<b>Total</b>	<b>\$ 5,103,210</b>	<b>\$ 1,634,710</b>	<b>\$ 250,353</b>	<b>\$ 89,721</b>	<b>\$ 5,353,563</b>	<b>\$ 1,724,431</b>

**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
2011	\$ 845	\$ 546	\$ 19,920	\$ 14,179	\$ 20,765	\$ 14,725
2012	880	511	16,135	13,458	17,015	13,969
2013	915	475	17,200	12,833	18,115	13,308
2014	955	438	17,825	12,068	18,780	12,506
2015	995	396	18,570	11,269	19,565	11,665
2016-2020	5,670	1,254	94,050	43,065	99,720	44,319
2021-2025	2,640	120	83,645	21,434	86,285	21,554
2026-2030	-	-	38,895	5,549	38,895	5,549
2031-2035	-	-	6,393	501	6,393	501
Total	\$ 12,900	\$ 3,740	\$ 312,633	\$ 134,356	\$ 325,533	\$ 138,096
Bond Premium	-	-	8,146	-	8,146	-
Total	<u>\$ 12,900</u>	<u>\$ 3,740</u>	<u>\$ 320,779</u>	<u>\$ 134,356</u>	<u>\$ 333,679</u>	<u>\$ 138,096</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 <sup>(1)</sup>		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 16,739	\$ 2,906	\$ 827	\$ 205	17,566	3,111
2012	14,312	768	576	161	14,888	929
2013	8,826	580	454	125	9,280	705
2014	10,757	441	404	99	11,161	540
2015	2,335	344	323	83	2,658	427
2016-2020	6,076	874	1,214	226	7,290	1,100
2021-2025	2,119	392	429	29	2,548	421
2026-2030	1,531	111	-	-	1,531	111
Total	<u>\$ 62,695</u>	<u>\$ 6,416</u>	<u>\$ 4,227</u>	<u>\$ 928</u>	<u>\$ 66,922</u>	<u>\$ 7,344</u>

<sup>(1)</sup> Loan to the Unemployment Insurance Enterprise Fund of \$598,793 is not included.

**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
2011	\$ 6,984	\$ 7,807	\$ 1,757	\$ 944	\$ 8,741	\$ 8,751
2012	6,840	7,536	1,697	916	8,537	8,452
2013	7,029	7,240	1,349	795	8,378	8,035
2014	7,313	6,930	1,386	734	8,699	7,664
2015	7,147	6,582	1,320	664	8,467	7,246
2016-2020	41,321	26,994	6,670	2,365	47,991	29,359
2021-2025	51,766	15,450	3,043	781	54,809	16,231
2026-2030	29,775	2,571	1,079	246	30,854	2,817
2031-2035	-	-	361	14	361	14
Total	<u>\$ 158,175</u>	<u>\$ 81,110</u>	<u>\$ 18,662</u>	<u>\$ 7,459</u>	<u>\$ 176,837</u>	<u>\$ 88,569</u>

**Primary Government  
Certificates of Participation  
Principal and Interest Payments  
(In Thousands)**

Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 500	\$ 3,311
2012	7,925	3,291
2013	8,245	2,974
2014	8,575	2,644
2015	8,920	2,301
2016 - 2020	39,815	5,049
Total	<u>\$ 73,980</u>	<u>\$ 19,570</u>
Premium on Certificates of Participation	6,669	-
Total	<u>\$ 80,649</u>	<u>\$ 19,570</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 2010, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

<b>Primary Government Transfers to Debt Service Fund Year Ended June 30, 2010 (In Thousands)</b>	
General Fund	\$ 435,434
Special Revenue Funds:	
Trunk Highway Fund	\$ 70,542
Natural Resources Fund	9
Miscellaneous Special Revenue Fund	<u>318</u>
Total Special Revenue Funds	\$ 70,869
Capital Projects Funds:	
Building Fund	\$ 2,831
Transportation	<u>204</u>
Total Capital Project Funds	<u>\$ 3,035</u>
Total Transfers to Debt Service Fund	<u><u>\$ 509,338</u></u>

## General Obligation Bond Issues

On August 26, 2009, the state issued \$598,385,000 general obligation bonds, Series 2009D through Series 2009G:

- Series 2009D for \$192,275,000 in state various purpose bonds and Series 2009E for \$80,000,000 state trunk highway bonds were issued at true interest rates of 3.40 percent and 3.41 percent, respectively.
- Series 2009F for \$297,750,000 in state various purpose refunding bonds were issued at a true interest rate of 2.53 percent. Proceeds were used for a current refunding of \$27,475,000 general obligation bonds and to advance refund \$262,250,000 general obligation bonds. The state decreased its debt service cash flows by \$14,405,000 and realized net present value savings and economic gain of \$27,343,000.

- Series 2009G for \$28,360,000 in state trunk highway refunding bonds were issued at a true interest rate of 2.52 percent. Proceeds were used to advance refund \$27,500,000 general obligation bonds. The state decreased its debt service cash flows by \$2,809,000 and realized net present value savings and an economic gain of \$2,712,000.

On October 22, 2009, the state issued \$575,395,000 general obligation bonds, Series 2009H through Series 2009K:

- Series 2009H for \$443,000,000 in state various purpose bonds and Series 2009I for \$25,000,000 state trunk highway bonds were issued at a true interest rate of 3.24 percent and 3.35 percent, respectively.
- Series 2009J for \$7,000,000 in taxable state bonds were issued at a true interest rate of 3.02 percent.
- Series 2009K for \$100,395,000 in state various purpose refunding bonds were issued at a true interest rate of 3.29 percent to advance refund \$92,225,000 general obligation bonds. The state increased its debt service cash flows by \$7,248,000, but realized a net present value savings and economic gain of \$4,567,000.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

<b>Primary Government General Obligation Bonds Outstanding Defeased Debt (In Thousands)</b>				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2010 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
August 26, 2009	\$ 140,580	\$ 136,750	\$ 136,750	November 1, 2010
August 26, 2009	157,285	153,000	153,000	October 1, 2011
October 23, 2009	100,395	92,225	92,225	November 1, 2012
	<u>\$ 398,260</u>	<u>\$ 381,975</u>	<u>\$ 381,975</u>	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2010. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

<b>Primary Government General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding As of June 30, 2010 (In Thousands)</b>			
Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	\$ 698	\$ 65,300	5.00 - 5.62
State Operated Community Services	-	2,353	5.00
State Transportation	22,560	194,133	5.00 - 5.62
Waste Management	-	145	5.00 - 5.50
Water Pollution Control	-	4,975	5.00 - 5.62
Maximum Effort School Loan	-	65,770	5.00 - 5.25
Rural Finance Authority	23,500	66,500	5.00 - 5.60
Refunding Bonds	-	1,058,355	4.00 - 5.00
Municipal Energy Building	-	75	5.00
Trunk Highway	1,771,838	652,925	3.25 - 5.25
Various Purpose	1,643,920	2,851,344	5.00 - 5.62
Total	<u>\$ 3,462,516</u>	<u>\$ 4,961,875</u>	

#### Certificates of Participation

On August 18, 2009, the state issued \$74,980,000 of certificates of participation (C.O.P.s) at a true interest rate of 2.88 percent to finance the acquisition of computer software development intangible assets. The proceeds are funding the development of the statewide financial and procurement system and the state's integrated tax accounting system. The C.O.P.s were issued under a trust agreement with U.S. Bank, NA., trustee, who will collect rental payments according to the principal and interest schedule pursuant to the Technology Systems Lease Purchase Agreement for remittance to the investors. The C.O.P.s are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of either or both projects and take whatever action at law which may appear necessary to collect rental payment(s).

## 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 \$23,982,000 were from local government entities to finance certain trunk highway projects. In addition, \$21,376,000 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 include unpaid cash advances of \$598,793,000 by the U.S. Treasury for unemployment benefit payments of the Unemployment Insurance Fund (enterprise fund). These cash advances are interest-free through December 31, 2010, and authorized by Section 1201 of the Social Security Act. Repayments will be funded by future Unemployment Insurance benefit premiums. The advance will continue to increase until the insurance benefit premiums exceed the benefits paid. The remaining 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 account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling \$22,809,000 for fiscal year 2010, 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 2010, principal and interest paid by the Iron Range Resources and Rehabilitation Agency on the bonds was \$1,394,000. The total principal and interest remaining to be paid as of June 30, 2010, is \$16,640,000, 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. On October 22, 2009, \$60,510,000 in revenue bonds were issued at a true interest rate of 3.17 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 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2010, is \$154,529,000, payable through June 2025. Principal and interest paid during fiscal year 2010 and total 911 fee revenues were \$18,017,000 and \$60,229,000, 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 \$300,000,000 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 2.00 to 6.50 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 16 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$269,707,000. Principal and interest paid during fiscal year 2010 and total customer net revenues were \$16,941,000 and \$101,311,000, 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 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,492,000. Principal and interest paid and total customer net revenues during fiscal year 2010 were \$204,000 and \$400,000, 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 \$253,000. Principal and interest paid and total customer net revenues during fiscal year 2010 were \$82,000 and \$228,000, respectively. These revenue bonds have a fixed interest rate of 6.00 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 green 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, 2010, is \$19,008,000, payable through November 2025. Principal and interest paid during fiscal year 2010 and net Giants Ridge Fund available revenues were \$1,673,000 and \$4,184,000, respectively.



**Giants Ridge  
Outstanding Defeased Debt  
(In Thousands)**

<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2010 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
November 1, 2000	\$ 3,710	\$ 3,710	\$ 2,475	November 1, 2025

**Pollution Remediation**

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, 2010, were \$51,127,000. Of this total, \$33,592,000 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 Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

**Claims**

Municipal solid waste landfill liability of \$220,310,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility 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 postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. Funding for the state's ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include 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.

Claims of \$39,600,000 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 \$483,800,000 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 2036 for second injuries.

#### Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$294,287,000 and \$144,975,000, 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 \$105,257,000 and \$6,518,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2010, 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 2010, 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 2010, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was \$2,071,000. The total principal and interest remaining to be paid as of June 30, 2010, is \$ 42,104,000, payable through 2030.

**Long-Term Debt Repayment Schedule  
Fiduciary Funds  
Revenue Bonds – SERF, TRF, and PERF  
(In Thousands)**

Year Ended June 30	Principal	Interest
2011	\$ 675	\$ 1,412
2012	700	1,376
2013	750	1,338
2014	775	1,297
2015	825	1,254
2016-2020	4,925	5,509
2021-2025	6,725	3,891
2026-2030	8,975	1,677
Total	<u>\$ 24,350</u>	<u>\$ 17,754</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, 2010, net of unamortized premium, was \$2,648,507,000. On June 30, 2010, HFA owed \$56,000,000 against an advance from a line of credit.

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 \$1,194,047,000 in general obligation bonds outstanding, net of unamortized premium, and \$5,134,000 of revenue bonds outstanding on December 31, 2009.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2010, the principal amount of revenue bonds outstanding was \$139,237,000 and the principal amount of general obligation bonds outstanding was \$483,673,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2010, the principal amount of revenue bonds outstanding was \$7,360,000.

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, 2010, the outstanding principal of revenue bonds was \$590,100,000.

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, 2010, net of unamortized premium, was \$987,707,000.

<b>Component Units General Obligation Bonds Major Component Units (In Thousands)</b>				
<u>Year Ended</u>	<u>MC<sup>(1)</sup></u>		<u>U of M</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 114,563	\$ 41,692	\$ 90,021	\$ 46,526
2012	94,216	38,262	228,316	21,763
2013	73,285	35,075	6,526	8,217
2014	67,624	32,380	6,776	7,972
2015	68,859	29,915	7,046	7,700
2016-2020	383,495	110,177	38,841	34,381
2021-2025	284,246	45,234	46,443	24,325
2026-2030	88,945	6,760	49,216	9,947
2031-2035	-	-	10,488	1,347
	<u>\$ 1,175,233</u>	<u>\$ 339,495</u>	<u>\$ 483,673</u>	<u>\$ 162,178</u>
Unamortized Discounts/Premiums and Issuance Costs	<u>18,814</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 1,194,047</u></u>	<u><u>\$ 339,495</u></u>	<u><u>\$ 483,673</u></u>	<u><u>\$ 162,178</u></u>

<sup>(1)</sup>MC fiscal year ends December 31.

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

Year Ended	HFA		MC <sup>(1)</sup>		U of M <sup>(2)</sup>	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 653,690	\$ 81,005	\$1,185	\$199	\$ 5,669	\$ 6,341
2012	49,215	78,283	1,245	138	5,564	6,086
2013	59,690	76,105	1,305	81	5,769	5,840
2014	53,715	73,873	1,365	27	5,789	5,590
2015	51,255	71,736	-	-	5,389	5,331
2016-2020	278,190	326,000	-	-	30,954	22,659
2021-2025	304,910	267,454	-	-	39,064	14,546
2026-2030	401,885	198,973	-	-	41,039	4,323
2031-2035	442,920	117,859	-	-	-	-
2036-2040	319,895	34,973	-	-	-	-
2041-2045	18,465	2,804	-	-	-	-
2046-2050	13,025	528	-	-	-	-
	<u>\$2,646,855</u>	<u>\$ 1,329,593</u>	<u>\$ 5,100</u>	<u>\$ 445</u>	<u>\$139,237</u>	<u>\$ 70,716</u>
Unamortized Discounts/Premiums and Issuance Costs	<u>1,652</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$2,648,507</u></u>	<u><u>\$ 1,329,593</u></u>	<u><u>\$ 5,134</u></u>	<u><u>\$ 445</u></u>	<u><u>\$139,237</u></u>	<u><u>\$ 70,716</u></u>

<sup>(1)</sup>MC fiscal year ends December 31.

<sup>(2)</sup>Does not include foundation issued bonds.

**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
2011	\$ 795	\$ 393	\$ -	\$ 4,668	\$ 48,835	\$ 44,875
2012	835	352	-	4,668	59,465	44,016
2013	885	307	-	4,668	59,705	41,182
2014	925	261	-	4,668	62,710	38,224
2015	970	210	-	4,667	66,180	35,116
2016-2020	2,665	459	-	23,338	352,320	124,199
2021-2025	285	10	-	23,338	244,815	43,759
2026-2030	-	-	-	23,338	51,475	4,625
2031-2035	-	-	53,500	23,338	-	-
2036-2040	-	-	366,600	13,948	-	-
2041-2045	-	-	170,000	1,743	-	-
	<u>\$ 7,360</u>	<u>\$ 1,992</u>	<u>\$ 590,100</u>	<u>\$ 132,382</u>	<u>\$ 945,505</u>	<u>\$ 375,996</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	-	-	42,202	-
Total	<u>\$ 7,360</u>	<u>\$ 1,992</u>	<u>\$ 590,100</u>	<u>\$ 132,382</u>	<u>\$ 987,707</u>	<u>\$ 375,996</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, receive-variable interest rate swaps which are intended to change U of M's variable interest rate bonds to synthetic fixed-rate bonds. See Note 2 – Cash, Investments, and Derivative Instruments.

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 semi-annually, respectively. No principal payments are required until final maturity.

### **Bond Defeasances**

On December 1, 2009, Housing Finance Agency issued \$157,910,000 of Residential Housing Finance Bonds, 2009 Series DEF, a portion of which defeased \$52,910,000 of HFA's outstanding Single Family Mortgage Bonds, 1995 Series M, 1996 Series JK, 1997 Series ABC, 1997 Series IJKL, 1998 Series AB, 1998 Series CDE, 1999 Series BCD, 2000 Series ABC, and 2000 Series IJ. The trust account assets and the liability for the defeased bonds were not included in HFA's financial statements as of June 30, 2010.

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 \$166,600,000 outstanding as of June 30, 2010. 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, 2010.

Public Facilities Authority had \$345,500,000 of various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2010.

### **Pollution Remediation Obligations**

For the fiscal year ended June 30, 2010, the U of M's pollution remediation liability totaled \$2,712,000.

## Note 14 – Segment Information

<b>Primary Government</b> <b>Segment Information Financial Data</b> <b>Year Ended June 30, 2010</b> <b>(In Thousands)</b>					
<b>Minnesota State Colleges and Universities</b>					
	Revenue Fund	Vermilion Modular Housing	Itasca Residence Halls	Giants Ridge	911 Services
<b>Condensed Statement of Net Assets</b>					
Assets:					
Current Assets	\$ 65,732	\$ 153	\$ (4)	\$ 6,626	\$ 41,028
Restricted Assets	107,519	141	273	1,600	-
Notes Receivable	2,400	-	-	-	-
Capital Assets	204,855	830	3,546	21,265	54,530
Total Assets	<u>\$ 380,506</u>	<u>\$ 1,124</u>	<u>\$ 3,815</u>	<u>\$ 29,491</u>	<u>\$ 95,558</u>
Liabilities:					
Current Liabilities	\$ 21,157	\$ 187	\$ 101	\$ 1,577	\$ 13,951
Noncurrent Liabilities	185,327	155	2,027	10,788	111,639
Total Liabilities	<u>\$ 206,484</u>	<u>\$ 342</u>	<u>\$ 2,128</u>	<u>\$ 12,365</u>	<u>\$ 125,590</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	\$ 91,306	\$ 675	\$ 1,433	\$ 11,248	\$ -
Restricted	82,716	64	273	-	-
Unrestricted	-	43	(19)	5,878	(30,032)
Total Net Assets	<u>\$ 174,022</u>	<u>\$ 782</u>	<u>\$ 1,687</u>	<u>\$ 17,126</u>	<u>\$ (30,032)</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets</b>					
Operating Revenues - Customer Charges	\$ 101,311	\$ 228	\$ 400	\$ 4,083	\$ 60,229
Depreciation Expense	(10,755)	(36)	(119)	(1,159)	(5,707)
Other Operating Expenses	(71,426)	(123)	(215)	(5,889)	(7,290)
Operating Income (Loss)	<u>\$ 19,130</u>	<u>\$ 69</u>	<u>\$ 66</u>	<u>\$ (2,965)</u>	<u>\$ 47,232</u>
Nonoperating Revenues (Expenses):					
Interest Income	\$ 865	\$ -	\$ 9	\$ 101	\$ 274
Private Grants	657	-	-	-	-
Interest Expense	(7,723)	(16)	(124)	(856)	(4,227)
Other	(13)	-	-	(29)	(14,700)
Transfers-In (Out)	-	-	-	4,547	(65,075)
Change in Net Assets	\$ 12,916	\$ 53	\$ (49)	\$ 798	\$ (36,496)
Beginning Net Assets	161,106	729	1,736	16,328	(37,095)
Prior Period Adjustment	-	-	-	-	43,559
Ending Net Assets	<u>\$ 174,022</u>	<u>\$ 782</u>	<u>\$ 1,687</u>	<u>\$ 17,126</u>	<u>\$ (30,032)</u>
<b>Condensed Statement of Cash Flows</b>					
Net Cash Provided (Used) By:					
Operating Activities	\$ 25,845	\$ 101	\$ 147	\$ (1,931)	\$ 52,931
Net Cash Provided Conc Capital Activities	657	-	-	-	-
Noncapital Financing Activities	-	-	-	4,547	(33,286)
Capital and Related Financing Activities	(62,092)	(82)	(204)	(3,017)	(15,859)
Investing Activities	1,276	-	9	72	274
Net Increase (Decrease)	<u>\$ (34,314)</u>	<u>\$ 19</u>	<u>\$ (48)</u>	<u>\$ (329)</u>	<u>\$ 4,060</u>
Beginning Cash and Cash Equivalents	\$ 165,932	\$ 140	\$ 291	\$ 6,702	\$ 31,889
Ending Cash and Cash Equivalents	<u>\$ 131,618</u>	<u>\$ 159</u>	<u>\$ 243</u>	<u>\$ 6,373</u>	<u>\$ 35,949</u>



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 segment 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 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 15 – 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):

<b>Primary Government Contingent Liabilities (In Thousands)</b>		
Fund	Liability as of	Unfunded Liability
St. Paul Teachers Retirement Fund	June 30, 2009	\$ 404,360
Duluth Teachers Retirement Fund	June 30, 2009	\$ 85,556
Local Police and Fire Fund <sup>(1)</sup>	December 31, 2009	\$ 193,120

<sup>(1)</sup>The Local Police and Fire Fund consists of five 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, 2009, was approximately \$3 million.

## Note 16 – Equity

### Restricted Net Assets – Government-wide Statement of Net Assets

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

<b>Primary Government Restricted Net Asset Balances As of June 30, 2010 (In Thousands)</b>				
	<u>Restricted by Constitution</u>	<u>Restricted by Enabling Legislation</u>	<u>Restricted by Other</u>	<u>Total</u>
Restricted For:				
Debt Service	\$ 432,459	\$ -	\$ -	\$ 432,459
Public Safety	-	23,179	86	23,265
Transportation	871,241	37,656	-	908,897
Environmental Resources	134,594	613,228	11,115	758,937
Economic and Workforce Development	-	103,284	6,254	109,538
Arts and Cultural Heritage	16,594	-	-	16,594
School Aid - Nonexpendable	688,891	-	-	688,891
School Aid - Expendable	5,561	-	-	5,561
General Education	-	76,695	2,684	79,379
Health & Human Services	-	23,493	17,635	41,128
State Colleges and Universities	-	-	451,277	451,277
General Government	-	17,869	562	18,431
Other Purposes	-	-	36,253	36,253
Total Restricted Net Assets	<u>\$ 2,149,340</u>	<u>\$ 895,404</u>	<u>\$ 525,866</u>	<u>\$ 3,570,610</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, 2010  
(In Thousands)**

	General Fund	Major Special Revenue Fund Federal Fund	Other Funds	Total
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ -	\$ -	\$ 29,578	\$ 29,578
Trust Fund Principal	465,601	-	-	465,601
Permanent Fund Principal	-		688,891	688,891
<b>Restricted for:</b>				
Arts and Cultural Heritage	-		16,594	16,594
Public Safety	-		23,182	23,182
Transportation	-		920,055	920,055
Environmental	35,288	123	339,640	375,051
Economic and Workforce Development	66,842		62,011	128,853
Health and Human Services	-		21,630	21,630
General Education	71,557		7,787	79,344
General Government			18,430	18,430
Debt Service			764,447	764,447
Capital Projects			201,082	201,082
Permanent Fund			5,561	5,561
<b>Committed to:</b>				
Public Safety			40,966	40,966
Transportation			591	591
Environmental			55,736	55,736
Economic and Workforce Development			172,434	172,434
Health and Human Services			257,490	257,490
General Education			365	365
General Government			9,427	9,427
<b>Assigned to:</b>				
Capital Projects			3,920	3,920
<b>Unassigned:</b>				
	(1,525,534)			(1,525,534)
Total Fund Balances	<u>\$ (886,246)</u>	<u>\$ 123</u>	<u>\$ 3,639,817</u>	<u>\$ 2,753,694</u>

**Deficit Equity Balances**

A \$30,032,000 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.

A \$944,000 deficit total net asset balance in the Behavioral Services Fund (enterprise fund) occurred during fiscal year ended June 30, 2010. This fund's operations are currently being evaluated to determine future options.

## **Note 17 – 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-funding 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 \$500,000 bodily injury and property damage per person, and \$1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides \$10,000,000 excess of a \$1,000,000 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.

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**

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 \$1,800,000.

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 \$912,018 greater than coverage during the fiscal year ended June 30, 2010.

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, 2010, was 3,258 members and their dependents. The members of the pool include 21 school districts, 32 cities/townships, 2 counties, and 12 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, 2009, and 2010:

<b>Primary Government Self-Insured Claim Liabilities (In Thousands)</b>					
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>	
<b>Risk Management Fund</b>					
Fiscal Year Ended 6/30/09	\$ 9,001	\$ 5,896	\$ 5,556	\$ 9,341	
Fiscal Year Ended 6/30/10	\$ 9,341	\$ 8,185	\$ 2,877	\$ 14,649	
<b>Tort Claims</b>					
Fiscal Year Ended 6/30/09	\$ -	\$ 1,111	\$ 1,111	\$ -	
Fiscal Year Ended 6/30/10	\$ -	\$ 375	\$ 375	\$ -	
<b>Workers' Compensation</b>					
Fiscal Year Ended 6/30/09	\$ 101,151	\$ 17,842	\$ 18,653	\$ 100,340	
Fiscal Year Ended 6/30/10	\$ 100,340	\$ 32,787	\$ 21,355	\$ 111,772	
<b>State Employee Insurance Plans</b>					
Fiscal Year Ended 6/30/09	\$ 41,280	\$ 533,762	\$ 529,652	\$ 45,390	
Fiscal Year Ended 6/30/10	\$ 45,390	\$ 568,346	\$ 568,920	\$ 44,816	

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

	Year Ended June 30	
	2010	2009
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 895	\$ 975
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	\$ 18,788	\$ 8,806
Increases (Decreases) in Provision for Insured Events of Prior Years	(316)	(15)
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 18,472</u>	<u>\$ 8,791</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 16,848	\$ 7,921
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	559	950
Total Payments	<u>\$ 17,407</u>	<u>\$ 8,871</u>
Total Unpaid Claims and Claim Adjustment Expenses, Ending	<u>\$ 1,960</u>	<u>\$ 895</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 above. 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 \$500,000 per claim and \$1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are \$400,000 per claim and \$1,200,000 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 4.64 percent. The self-insurance retention limit for workers' compensation is \$1,800,000 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 1.5 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 is a self-insured program. Under the plan, 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 for medical claims, including incurred but not reported claims, is recorded.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2008, and 2009, or June 30, 2009, and 2010, as applicable:

<b>Component Units Claims Liabilities (In Thousands)</b>					
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>	
<b>Metropolitan Council - Workers' Compensation</b>					
Fiscal Year Ended 12/31/08	\$ 15,931	\$ 6,180	\$ 6,793	\$ 15,318	
Fiscal Year Ended 12/31/09	\$ 15,318	\$ 7,842	\$ 7,351	\$ 15,809	
<b>University of Minnesota – RUMINCO, Ltd.</b>					
Fiscal Year Ended 6/30/09	\$ 9,757	\$ 1,011	\$ 2,848	\$ 7,920	
Fiscal Year Ended 6/30/10	\$ 7,920	\$ 2,185	\$ 2,287	\$ 7,818	
<b>University of Minnesota – Workers' Compensation</b>					
Fiscal Year Ended 6/30/09	\$ 7,374	\$ 10,633	\$ 3,875	\$ 14,132	
Fiscal Year Ended 6/30/10	\$ 14,132	\$ 2,978	\$ 4,427	\$ 12,683	
<b>University of Minnesota – Medical/Dental</b>					
Fiscal Year Ended 6/30/09	\$ 16,162	\$ 219,327	\$ 217,232	\$ 18,257	
Fiscal Year Ended 6/30/10	\$ 18,257	\$ 239,781	\$ 239,394	\$ 18,644	

## Note 18 – 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 transactions, and loan classifications, 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.

<b>General Fund</b> <b>Reconciliation of GAAP Basis Fund Balance</b> <b>to Budgetary Fund Balance</b> <b>As of June 30, 2010</b> <b>(In Thousands)</b>	
GAAP Basis Fund Balance:	\$ (886,246)
Less: Encumbrances	(86,864)
Unassigned Fund Balance	<u>\$ (973,110)</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (405,000)
Tax Refunds Payable	658,842
Human Services Receivable	(30,214)
Unearned Revenue	10,357
Escheat Asset	(9,961)
Other Receivables	(26,028)
Permanent School Fund Reimbursement	(3,748)
Investments at Market	8,659
Expenditure Accruals/Adjustments:	
Medical Care Programs	322,033
Human Services Grants Payable	56,177
Education Aids	1,707,584
Police and Fire Aid	79,491
Other Payables	753
Other Financial Sources (Uses):	
Transfers-In	(41,291)
Fund Structure Differences:	
Terminally Funded Pension Plans	7,536
Perspective Differences:	
Account with no Legally Adopted Budget	(860,439)
Long-Term Receivables	(39,509)
Appropriation Carryover	(121,566)
Budgetary Reserve	<u>\$ (266,000)</u>
Budgetary Basis:	
Undesignated Fund Balance	<u>\$ 74,566</u>

## Note 19 – 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, 2010, and June 30, 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, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is \$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) *35W Bridge Collapse*. On August 1, 2007, the 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 and 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 35W bridge. The Minnesota Legislature enacted a Compensation Fund codified in Minnesota Statutes, Section 3.7391 et seq., and appropriated \$36,640,000 for payments to representatives of decedents and claimants who were on the 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. The state’s claim against the company which had performed inspections and analysis of the bridge has been settled for \$5 million. The state is pursuing a claim against the company that designed the bridge. The Minnesota Supreme Court is reviewing lower court rulings that would permit the state’s claim to proceed.
- 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 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 meruit and unjust enrichment. On October 21, 2010, argument was held on ACS’s motion for summary judgment on DHS’s counter claim. At the present time, the motion is under advisement. The court has set the case on for trial during a three week block beginning on March 14, 2011.
- c) *Alliance Pipeline, L.P. v. Commissioner of Revenue, et al.* (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 appeals below. Alliance challenges the assessment asserting that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8. Alliance also challenges Minnesota 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) *Electric Cooperative Assessment Cases* (Minnesota Tax Court). This series of separate appeals filed against the Commissioner of Revenue in Tax Court currently involves 15 electric coops (with likely 7 more to be filed soon for a total of 22 cases). Each electric cooperative has appealed the Commissioner’s assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year’s end, if the cooperative has charged members in excess of the actual costs, it issues patronage adjustments in the form of “capital credits” to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department initially paid the refunds to each appellant but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to patron’s capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant’s administrative appeal. The state filed Returns and Answers in 13 of these files on August 9, 2010, with the rest due soon. There are an estimated 44 electric coops in the state who are similarly situated to the 15 (soon to be 22) electric coops who have filed appeals in Tax Court. The total financial potential impact to the state of the Commissioner losing the legal issue in these cases is approximately \$20.9 million in one-time refunds with an on-going annual impact of \$4.2 million

- 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 stating that Home is not entitled to reimbursement under the law. Home claims it is entitled to \$21 million in past and future reimbursements. Summary judgment motions of both parties were heard in May 2010. Defendants asked to have Plaintiffs’ complaint dismissed. The district court granted partial summary judgment in favor of the plaintiff in the amount of \$7,265,246, and denied summary judgment as premature as to future payments on qualifying claims. The state is considering options, including appeal.
- f) *Jensen, et al. v. METO, et al.* (U.S District Court). Parents/guardians of several patients/former patients of the Minnesota Extended Treatment Options (“METO”) program allege violations of various state and federal constitutional and statutory rights because of alleged misuse of restraints and seclusion of people committed in part because of developmental disabilities and seek class action status, money damages and injunctive relief. A tentative settlement on monetary issues was reached (with the state contributing \$2.8 million) but a settlement has not been finalized.
- g) *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation’s real, personal and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008, 2009, and 2010 are consolidated. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minnesota Statutes, Section 272.03, Subdivision 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 Minnesota Statutes, Section 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. A new rule governs calculation for the 2009 tax year. 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.
- h) *R.J. Reynolds Tobacco Co. v. Comm’r of Revenue* (Minnesota Tax Court). This is a corporate franchise case where the taxpayer originally reported a \$2.9 billion sale from the sale of certain international business operations as business income apportionable to Minnesota which increased its sales factor denominator by the gain amount. The Commissioner excluded gain from the company’s sales factor and made no adjustment to the taxable income. The taxpayer objected, arguing that the business income must be represented in the apportionment factors to avoid distortion, or in the alternative, the gain must be deemed non-business income because the taxpayer did not conduct a unitary business with its international operations. The Commissioner rejected both arguments and also allowed only an 80% deduction for dividends received from a foreign subsidiary, rather than a 100% deduction. The Commissioner denied the taxpayer’s refund claim asserting that the gain from the sale of trademark assets (\$2.6 billion) was non-business income. The amount at issue with this particular taxpayer is \$3.2 million plus \$1.2 million in a denied refund claim. If the Commissioner’s decision is not upheld, the Commissioner estimates that the outcome of this litigation will affect similarly situated taxpayers resulting in a prospective loss of \$8 million per year starting in FY 2011, and a retroactive effect of \$24 million for FY 2011.

- i) *Swanson, et al. v. State, Public Employees Retirement Association, Minnesota State Retirement System, Teachers Retirement Association (PERA, MSRS, TRA ), et al,* (Ramsey County District Court). A class action lawsuit was filed in May 2010 against the state's pension funds. Plaintiffs are challenging 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. Plaintiffs seek a judicial determination that the legislation violates the contract clause of both the state and federal constitution; that the legislation violates the taking clause of the federal constitution, that the legislation is arbitrary and capricious and violates substantive due process, and that the named individual defendants violated 42 USC. The state Defendants moved for summary judgment with argument scheduled for March 2011.

## **Note 20 – Subsequent Events**

### **Primary Government**

On August 19, 2010, the state sold \$635,000,000 of general obligation state various purpose bonds Series 2010A, \$225,000,000 of general obligation state trunk highway bonds Series 2010B at a true interest rate of 3.12 percent, and \$5,000,000 of general obligation taxable state bonds Series 2010C at a true interest rate of 1.86 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On September 22, 2010, the state secured a line of credit in the maximum amount of \$600,000,000 to increase liquidity and assist in managing the fluctuations of forecasted state receipts and disbursements. The extent to which the line of credit is actually utilized to meet cash flow needs will be determined by the variance between estimated and actual receipts and the timing of major payments during any given month. The state has not accessed this line of credit, which expires on June 30, 2011.

On September 29, 2010, the state sold \$687,115,000 of general obligation state various purpose refunding bonds Series 2010D at a true interest rate of 2.21 percent, and \$220,670,000 of general obligation state trunk highway refunding bonds Series 2010E at a true interest rate of 2.24 percent. These bonds are backed by the full faith and credit and taxing power of the state.

In October 2010, a second special legislative session was held to provide disaster assistance of \$80,206,000 for flood and tornado relief.

On November 1, 2010, the Commissioner of Iron Range Resources and Rehabilitation called and redeemed all of the Giants Ridge Recreation Area Series 2000 Bonds in the outstanding principal amount of \$10,485,000. In November 2000, the \$16,000,000, 25-year revenue bonds were issued to finance the construction of a second golf course and to retire \$4,250,000 of the 15-year revenue bonds that had been issued in 1996 to finance a portion of the costs of the first golf course. The early redemption ends any liability that Iron Range Resources might otherwise have for payments in regard to the bonds.

# MINNESOTA



Headwaters of the mighty Mississippi





State of Minnesota

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# Required Supplementary Information

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2010  
Comprehensive  
Annual  
Financial Report

# MINNESOTA



Headwaters of the mighty Mississippi



## 2010 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>
2009	3.25	3.12
2008	3.28	3.15
2007	3.34	3.16

## 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 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:

<u>Rating</u>	<u>Description</u>
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

<u>Principal Arterial</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Fair to Good	94.0%	93.5%	97.6%

<u>All Other Systems</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Fair to Good	90.4%	90.2%	93.2%

#### Budgeted and Estimated Costs to Maintain

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

		<u>Costs to be Capitalized</u>			<u>Maintenance of System</u>			Total Construction Program
		<u>Bridges</u>	<u>Pavement</u>	<u>Total Costs</u>	<u>Bridges</u>	<u>Pavement</u>	<u>Total Costs</u>	
Budget	2010	\$ 128,668	\$ 391,274	\$ 519,942	\$ 14,172	\$ 328,573	\$ 342,745	\$ 862,687
	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 <sup>(1)</sup>			773,735			301,852	1,075,587
Actual	2010	\$ 142,295	\$ 188,096	\$ 330,391	\$ 71,361	\$ 531,980	\$ 603,341	\$ 933,732
	2009	175,274	257,489	432,763	37,994	408,090	446,084	878,847
	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 <sup>(1)</sup>			451,935			360,835	812,770

<sup>(1)</sup> Due to system limitations, bridge and pavement costs are combined for the year ended June 30, 2006.

## **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 former active employees have retired, terminated, or elected coverage under another plan.

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

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

**Required Supplementary Information  
Schedule of Funding Progress  
(In Thousands)**

		CERF	JRF	LRF	SPRF
Actuarial Valuation Date	2009 <sup>(1)</sup>	7/1/2009	7/1/2009	7/1/2009	7/1/2009
	2008	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
Actuarial Value of Plan Assets	2009	\$ 590,339	\$ 147,120	\$ 28,663	\$ 584,501
	2008	\$ 572,719	\$ 147,542	\$ 39,209	\$ 595,082
	2007	\$ 559,852	\$ 153,562	\$ 44,869	\$ 617,901
Actuarial Accrued Liability	2009	\$ 821,250	\$ 241,815	\$ 90,431	\$ 725,334
	2008	\$ 760,363	\$ 231,623	\$ 86,131	\$ 693,686
	2007	\$ 708,292	\$ 214,297	\$ 86,449	\$ 673,444
Total Unfunded Actuarial Liability	2009	\$ 230,911	\$ 94,695	\$ 61,768	\$ 140,833
	2008	\$ 187,644	\$ 84,081	\$ 46,922	\$ 98,604
	2007	\$ 148,440	\$ 60,735	\$ 41,580	\$ 55,543
Funded Ratio <sup>(2)</sup>	2009	72%	61%	32%	81%
	2008	75%	64%	46%	86%
	2007	79%	72%	52%	92%
Annual Covered Payroll	2009	\$ 193,445	\$ 39,444	\$ 1,963	\$ 61,511
	2008	\$ 194,391	\$ 38,296	\$ 1,993	\$ 60,029
	2007	\$ 167,727	\$ 36,195	\$ 2,380	\$ 61,498
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2009	119%	240%	3147%	229%
	2008	97%	220%	2354%	164%
	2007	89%	168%	1747%	90%

<sup>(1)</sup>The July 1, 2009, Annual Valuation Report is the most recently issued report available.

<sup>(2)</sup>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.

<b>Required Supplementary Information Schedule of Funding Progress (In Thousands)</b>		
Actuarial Valuation Date	2010 <sup>(1)</sup>	7/1/2008
	2009	7/1/2008
	2008	7/1/2006
Actuarial Value of Plan Assets	2010	\$ -
	2009	\$ -
	2008	\$ -
Actuarial Accrued Liability	2010	\$ 754,801
	2009	\$ 754,801
	2008	\$ 659,044
Total Unfunded Actuarial Liability	2010	\$ 754,801
	2009	\$ 754,801
	2008	\$ 659,044
Funded Ratio <sup>(2)</sup>	2010	0%
	2009	0%
	2008	0%
Annual Covered Payroll	2010	\$ 2,785,335
	2009	\$ 2,785,335
	2008	\$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2010	27%
	2009	27%
	2008	23%
<sup>(1)</sup> The July 1, 2008, Annual Valuation Report is the most recently issued report available.		
<sup>(2)</sup> 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)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Required Contribution and Investment Revenue:										
Earned	\$ 18,005	\$ 22,149	\$ 23,458	\$ 22,764	\$ 19,177	\$ 14,942	\$ 13,219	\$ 13,439	\$ 12,286	\$ 25,031
Ceded	1,972	2,243	2,321	2,231	1,736	1,491	1,347	1,298	1,218	2,684
Net Earned	\$ 16,033	\$ 19,906	\$ 21,137	\$ 20,533	\$ 17,441	\$ 13,451	\$ 11,872	\$ 12,141	\$ 11,068	\$ 22,347
2. Unallocated Expenses	\$ 2,535	\$ 2,715	\$ 2,528	\$ 2,296	\$ 1,904	\$ 1,638	\$ 1,547	\$ 1,505	\$ 1,534	\$ 2,037
3. Estimated claims and Expenses End of Policy Year:										
Incurred	\$ 16,550	\$ 21,055	\$ 19,715	\$ 19,466	\$ 16,499	\$ 12,551	\$ 11,206	\$ 10,748	\$ 9,473	\$ 19,350
Ceded	760	2,513	1,570	1,980	1,913	1,382	1,782	380	667	562
Net Incurred	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788
4. Net Paid (Cumulative) as of:										
End of Policy Year	\$ 13,228	\$ 15,824	\$ 15,847	\$ 15,699	\$ 12,909	\$ 10,055	\$ 8,226	\$ 9,403	\$ 7,921	\$ 16,848
One Year Latter	15,908	18,091	17,572	17,367	14,141	11,282	9,352	10,415	8,482	
Two Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358	10,413		
Three Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358			
Four Years Latter	15,963	18,034	17,579	17,764	14,139	11,301				
Five Years Latter	15,963	18,034	17,579	17,696	14,139					
Six Years Latter	15,963	18,034	17,579	17,696						
Seven Years Latter	15,963	18,034	17,579							
Eight Years Latter	15,963	18,034								
Nine Years Latter	15,963									
5. Re-estimated Ceded Claims and Expenses	\$ 760	\$ 2,513	\$ 1,570	\$ 1,980	\$ 1,913	\$ 1,382	\$ 1,782	\$ 380	\$ 667	\$ 562
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788
One Year Latter	15,935	18,114	17,595	17,385	14,152	11,294	9,362	10,425	8,502	
Two Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358	10,413		
Three Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358			
Four Years Latter	15,963	18,034	17,579	17,764	14,139	11,301				
Five Years Latter	15,963	18,034	17,579	17,696	14,139					
Six Years Latter	15,963	18,034	17,579	17,696						
Seven Years Latter	15,963	18,034	17,579							
Eight Years Latter	15,963	18,034								
Nine Years Latter	15,963									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	\$ 173	\$ (508)	\$ (566)	\$ 210	\$ (447)	\$ 132	\$ (66)	\$ 45	\$ (304)	\$ -

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

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# Combining and Individual Fund Statements – Nonmajor Funds

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

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## **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 as well as lease-purchase financing for technology improvement.

### **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, 2010**  
**(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 1,971,900	\$ 611,485	\$ 111,755	\$ 237,632	\$ 2,932,772
Investments.....	66,814	59,713	565,587	-	692,114
Accounts Receivable.....	346,267	-	5,365	-	351,632
Interfund Receivables.....	219,903	-	20	-	219,923
Due from Component Units.....	-	118,250	-	-	118,250
Accrued Investment/Interest Income.....	542	381	4,294	-	5,217
Federal Aid Receivable.....	32,554	-	-	-	32,554
Inventories.....	29,578	-	-	-	29,578
Loans and Notes Receivable.....	46,745	-	-	262	47,007
Deferred Costs.....	1,453	-	-	15,855	17,308
Securities Lending Collateral.....	4,105	-	34,617	-	38,722
Investment in Land.....	-	-	16,008	-	16,008
Total Assets.....	<u>\$ 2,719,861</u>	<u>\$ 789,829</u>	<u>\$ 737,646</u>	<u>\$ 253,749</u>	<u>\$ 4,501,085</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 361,323	\$ -	\$ 6	\$ 43,106	\$ 404,435
Interfund Payables.....	227,324	25,382	8,571	5,641	266,918
Due to Component Units.....	1,618	-	-	-	1,618
Deferred Revenue.....	149,575	-	-	-	149,575
Securities Lending Liabilities.....	4,105	-	34,617	-	38,722
Total Liabilities.....	<u>\$ 743,945</u>	<u>\$ 25,382</u>	<u>\$ 43,194</u>	<u>\$ 48,747</u>	<u>\$ 861,268</u>
<b>Fund Balances:</b>					
Nonspendable.....	\$ 29,578	\$ -	\$ 688,891	\$ -	\$ 718,469
Restricted.....	1,409,329	764,447	5,561	201,082	2,380,419
Committed.....	537,009	-	-	-	537,009
Assigned.....	-	-	-	3,920	3,920
Total Fund Balances .....	<u>\$ 1,975,916</u>	<u>\$ 764,447</u>	<u>\$ 694,452</u>	<u>\$ 205,002</u>	<u>\$ 3,639,817</u>
Total Liabilities and Fund Balances .....	<u>\$ 2,719,861</u>	<u>\$ 789,829</u>	<u>\$ 737,646</u>	<u>\$ 253,749</u>	<u>\$ 4,501,085</u>

**STATE OF MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>Net Revenues:</b>					
Sales Taxes.....	\$ 229,958	\$ -	\$ -	\$ -	\$ 229,958
Motor Vehicle Taxes.....	761,458	-	-	-	761,458
Fuel Taxes.....	825,341	-	-	-	825,341
Other Taxes.....	759,858	-	-	-	759,858
Federal Revenues.....	582,879	-	-	-	582,879
Licenses and Fees.....	308,649	-	874	-	309,523
Departmental Services.....	124,459	-	22,832	-	147,291
Investment/Interest Income.....	26,638	13,163	75,243	14	115,058
Penalties and Fines.....	17,288	-	38	-	17,326
Securities Lending Income.....	24	-	218	-	242
Other Revenues.....	280,196	1,215	235	200	281,846
Net Revenues.....	<u>\$ 3,916,748</u>	<u>\$ 14,378</u>	<u>\$ 99,440</u>	<u>\$ 214</u>	<u>\$ 4,030,780</u>
<b>Expenditures:</b>					
Current:					
Public Safety and Corrections.....	\$ 179,115	\$ -	\$ -	\$ 4,891	\$ 184,006
Transportation.....	1,575,423	-	-	189,491	1,764,914
Agricultural, Environmental and Energy Resources.....	357,172	-	9,639	56,297	423,108
Economic and Workforce Development.....	193,174	-	-	97,003	290,177
General Education.....	29,539	-	22,865	6,721	59,125
Higher Education.....	23,400	-	-	78,125	101,525
Health and Human Services.....	880,141	-	-	884	881,025
General Government.....	65,437	83	-	9,110	74,630
Intergovernment Aid.....	254	-	-	-	254
Securities Lending Rebates and Fees.....	8	-	68	-	76
Total Current Expenditures.....	<u>\$ 3,303,663</u>	<u>\$ 83</u>	<u>\$ 32,572</u>	<u>\$ 442,522</u>	<u>\$ 3,778,840</u>
Capital Outlay.....	377,461	-	-	181,218	558,679
Debt Service.....	6,430	624,959	-	5	631,394
Total Expenditures.....	<u>\$ 3,687,554</u>	<u>\$ 625,042</u>	<u>\$ 32,572</u>	<u>\$ 623,745</u>	<u>\$ 4,968,913</u>
Excess of Revenues Over (Under)					
Expenditures.....	<u>\$ 229,194</u>	<u>\$ (610,664)</u>	<u>\$ 66,868</u>	<u>\$ (623,531)</u>	<u>\$ (938,133)</u>
<b>Other Financing Sources (Uses):</b>					
General Obligation Bond Issuance.....	\$ -	\$ 15,000	\$ -	\$ 707,904	\$ 722,904
Certificates of Participation Issuance.....	-	-	-	74,980	74,980
Refunding Bonds Sale.....	-	426,505	-	-	426,505
Payment to Refunded Bonds Escrow Agent.....	-	(426,505)	-	-	(426,505)
Bond Issue Premium.....	-	108,704	-	-	108,704
Certificates of Participation Premium.....	-	-	-	7,411	7,411
Transfers-In.....	183,605	509,338	20	65,135	758,098
Transfers-Out.....	(293,242)	-	(2,659)	(123,160)	(419,061)
Capital Leases.....	3,356	-	-	-	3,356
Net Other Financing Sources (Uses).....	<u>\$ (106,281)</u>	<u>\$ 633,042</u>	<u>\$ (2,639)</u>	<u>\$ 732,270</u>	<u>\$ 1,256,392</u>
Net Change in Fund Balances.....	<u>\$ 122,913</u>	<u>\$ 22,378</u>	<u>\$ 64,229</u>	<u>\$ 108,739</u>	<u>\$ 318,259</u>
Fund Balances, Beginning, as Reported.....	\$ 2,699,918	\$ 742,069	\$ 630,223	\$ 96,263	\$ 4,168,473
Change in Fund Structure.....	(851,291)	-	-	-	(851,291)
Fund Balances, Beginning, as Restated.....	\$ 1,848,627	\$ 742,069	\$ 630,223	\$ 96,263	\$ 3,317,182
Change in Inventory.....	4,376	-	-	-	4,376
Fund Balances, Ending.....	<u>\$ 1,975,916</u>	<u>\$ 764,447</u>	<u>\$ 694,452</u>	<u>\$ 205,002</u>	<u>\$ 3,639,817</u>



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# Nonmajor Special Revenue Funds

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## **Trunk Highway Fund**

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels and federal grants to plan, design, construct, and maintain the state trunk highway system.

## **Highway User Tax Distribution Fund**

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels to administer vehicle licensing services.

## **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 a portion of the revenue from taxes on motor vehicles and motor fuels primarily for distribution to municipalities for improvement of streets.

## **County State-Aid Highway Fund**

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels 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.



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# Nonmajor Special Revenue Funds – Cont'd.

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## **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

## **Environmental and Remediation Fund**

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

## **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.

## **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

## **Workforce Development Fund**

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

## **Heritage Fund**

The fund receives a portion of sales and use taxes to restore, protect, and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage.

## **Miscellaneous Special Revenue Fund**

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

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2010  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 369,321	\$ 19,094	\$ 18,561	\$ 131,988	\$ 396,632
Investments.....	-	-	-	-	-
Accounts Receivable.....	16,296	79,784	716	442	1,850
Interfund Receivables.....	62,914	25,214	-	8,611	32,786
Accrued Investment/Interest Income.....	-	-	-	-	-
Federal Aid Receivable.....	30,552	-	-	-	-
Inventories.....	29,578	-	-	-	-
Loans and Notes Receivable.....	-	-	2,339	-	-
Deferred Costs.....	-	-	-	-	-
Securities Lending Collateral.....	-	-	-	-	-
<b>Total Assets.....</b>	<b>\$ 508,661</b>	<b>\$ 124,092</b>	<b>\$ 21,616</b>	<b>\$ 141,041</b>	<b>\$ 431,268</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 79,847	\$ 1,407	\$ 2,573	\$ 17,962	\$ 62,385
Interfund Payables.....	-	116,466	-	-	-
Due to Component Units.....	-	-	-	-	-
Deferred Revenue.....	5,241	5,834	-	2	-
Securities Lending Liabilities.....	-	-	-	-	-
<b>Total Liabilities.....</b>	<b>\$ 85,088</b>	<b>\$ 123,707</b>	<b>\$ 2,573</b>	<b>\$ 17,964</b>	<b>\$ 62,385</b>
<b>Fund Balances:</b>					
Nonspendable.....	\$ 29,578	\$ -	\$ -	\$ -	\$ -
Restricted.....	393,995	385	19,043	123,077	368,883
Committed.....	-	-	-	-	-
<b>Total Fund Balances.....</b>	<b>\$ 423,573</b>	<b>\$ 385</b>	<b>\$ 19,043</b>	<b>\$ 123,077</b>	<b>\$ 368,883</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 508,661</b>	<b>\$ 124,092</b>	<b>\$ 21,616</b>	<b>\$ 141,041</b>	<b>\$ 431,268</b>

PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL	REMEDIATION	ENVIRONMENTAL AND REMEDIATION
\$ 18,473	\$ 38,156	\$ 36,356	\$ -	\$ -	\$ -	\$ 75,443
-	-	5,778	-	-	-	530
-	2,988	380	-	-	-	12,969
6,697	15,368	953	-	-	-	12,309
-	-	31	-	-	-	-
-	-	2,002	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	932
-	-	-	-	-	-	-
-	-	345	-	-	-	30
<u>\$ 25,170</u>	<u>\$ 56,512</u>	<u>\$ 45,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,213</u>
\$ 3,209	\$ 4,622	\$ 8,193	\$ -	\$ -	\$ -	\$ 6,990
1,330	20	384	-	-	-	-
-	432	4	-	-	-	-
1	1,096	51	-	-	-	7,295
-	-	345	-	-	-	30
<u>\$ 4,540</u>	<u>\$ 6,170</u>	<u>\$ 8,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,315</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20,630	-	36,868	-	-	-	87,898
-	50,342	-	-	-	-	-
<u>\$ 20,630</u>	<u>\$ 50,342</u>	<u>\$ 36,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,898</u>
<u>\$ 25,170</u>	<u>\$ 56,512</u>	<u>\$ 45,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,213</u>

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 COMBINING BALANCE SHEET  
 JUNE 30, 2010  
 (IN THOUSANDS)**

	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ -	\$ 64,414	\$ 137,591	\$ 15,697	\$ -
Investments.....	-	59,555	-	951	-
Accounts Receivable.....	-	2,152	62	287	-
Interfund Receivables.....	-	-	22,161	-	-
Accrued Investment/Interest Income.....	-	505	-	6	-
Federal Aid Receivable.....	-	-	-	-	-
Inventories.....	-	-	-	-	-
Loans and Notes Receivable.....	-	43,474	-	-	-
Deferred Costs.....	-	-	1,453	-	-
Securities Lending Collateral.....	-	3,681	-	49	-
Total Assets.....	<u>\$ -</u>	<u>\$ 173,781</u>	<u>\$ 161,267</u>	<u>\$ 16,990</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ -	\$ 579	\$ 9,739	\$ 750	\$ -
Interfund Payables.....	-	-	-	30	-
Due to Component Units.....	-	-	340	-	-
Deferred Revenue.....	-	-	-	-	-
Securities Lending Liabilities.....	-	3,681	-	49	-
Total Liabilities.....	<u>\$ -</u>	<u>\$ 4,260</u>	<u>\$ 10,079</u>	<u>\$ 829</u>	<u>\$ -</u>
<b>Fund Balances:</b>					
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	-	-	151,188	16,161	-
Committed.....	-	169,521	-	-	-
Total Fund Balances.....	<u>\$ -</u>	<u>\$ 169,521</u>	<u>\$ 151,188</u>	<u>\$ 16,161</u>	<u>\$ -</u>
Total Liabilities and Fund Balances.....	<u>\$ -</u>	<u>\$ 173,781</u>	<u>\$ 161,267</u>	<u>\$ 16,990</u>	<u>\$ -</u>

SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 30,129	\$ 287,988	\$ -	\$ 15,930	\$ 316,127	\$ 1,971,900
-	-	-	-	-	66,814
110,798	97,068	-	15,392	5,083	346,267
-	-	-	23	32,867	219,903
-	-	-	-	-	542
-	-	-	-	-	32,554
-	-	-	-	-	29,578
-	-	-	-	-	46,745
-	-	-	-	-	1,453
-	-	-	-	-	4,105
<u>\$ 140,927</u>	<u>\$ 385,056</u>	<u>\$ -</u>	<u>\$ 31,345</u>	<u>\$ 354,077</u>	<u>\$ 2,719,861</u>
\$ 9,646	\$ 83,888	\$ -	\$ 3,286	\$ 66,247	\$ 361,323
-	52,647	-	-	56,447	227,324
-	40	-	-	802	1,618
111,834	4,766	-	558	12,897	149,575
-	-	-	-	-	4,105
<u>\$ 121,480</u>	<u>\$ 141,341</u>	<u>\$ -</u>	<u>\$ 3,844</u>	<u>\$ 136,393</u>	<u>\$ 743,945</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,578
19,447	-	-	27,501	144,253	1,409,329
-	243,715	-	-	73,431	537,009
<u>\$ 19,447</u>	<u>\$ 243,715</u>	<u>\$ -</u>	<u>\$ 27,501</u>	<u>\$ 217,684</u>	<u>\$ 1,975,916</u>
<u>\$ 140,927</u>	<u>\$ 385,056</u>	<u>\$ -</u>	<u>\$ 31,345</u>	<u>\$ 354,077</u>	<u>\$ 2,719,861</u>

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
Net Revenues:					
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	437,191	5,356	13,842	63,463	241,606
Fuel Taxes.....	471,928	2,003	3,329	68,505	260,802
Other Taxes.....	-	-	-	-	-
Federal Revenues.....	542,828	-	-	256	432
Licenses and Fees.....	3,298	4,247	652	-	-
Departmental Services.....	1,686	-	-	-	-
Investment/Interest Income.....	2,632	164	143	1,124	3,186
Penalties and Fines.....	6	419	-	-	-
Securities Lending Income.....	-	-	-	-	-
Other Revenues.....	22,366	439	-	-	-
Net Revenues.....	\$ 1,481,935	\$ 12,628	\$ 17,966	\$ 133,348	\$ 506,026
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ 84,670	\$ 8,002	\$ -	\$ -	\$ -
Transportation.....	935,803	23	15,273	134,744	457,975
Agricultural, Environmental and Energy Resources....	-	-	-	-	-
Economic and Workforce Development.....	-	-	-	-	-
General Education.....	-	-	-	-	-
Higher Education.....	-	-	-	-	-
Health and Human Services.....	-	-	-	-	-
General Government.....	393	2,058	-	-	-
Intergovernment Aid.....	-	-	-	-	-
Securities Lending Rebates and Fees.....	-	-	-	-	-
Total Current Expenditures.....	\$ 1,020,866	\$ 10,083	\$ 15,273	\$ 134,744	\$ 457,975
Capital Outlay.....	357,383	-	-	-	-
Debt Service.....	4,097	30	-	-	-
Total Expenditures.....	\$ 1,382,346	\$ 10,113	\$ 15,273	\$ 134,744	\$ 457,975
Excess of Revenues Over (Under) Expenditures.....	\$ 99,589	\$ 2,515	\$ 2,693	\$ (1,396)	\$ 48,051
Other Financing Sources (Uses):					
Transfers-In.....	\$ 9,034	\$ -	\$ -	\$ -	\$ 1
Transfers-Out.....	(70,594)	(2,205)	-	-	-
Capital Leases.....	2,253	-	-	-	-
Net Other Financing Sources (Uses).....	\$ (59,307)	\$ (2,205)	\$ -	\$ -	\$ 1
Net Change in Fund Balances.....	\$ 40,282	\$ 310	\$ 2,693	\$ (1,396)	\$ 48,052
Fund Balances, Beginning, as Reported.....	\$ 378,915	\$ 75	\$ 16,350	\$ 124,473	\$ 320,831
Change in Fund Structure.....	-	-	-	-	-
Fund Balances, Beginning, as Restated.....	\$ 378,915	\$ 75	\$ 16,350	\$ 124,473	\$ 320,831
Change in Inventory.....	4,376	-	-	-	-
Fund Balances, Ending.....	\$ 423,573	\$ 385	\$ 19,043	\$ 123,077	\$ 368,883

PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL	REMEDIATION	ENVIRONMENTAL AND REMEDIATION
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	18,774	-	-	-	-	-
-	-	-	-	-	-	48,465
-	238	26,213	-	-	-	-
13,094	20,408	56,704	-	-	-	33,151
-	20,975	2,053	-	-	-	93
229	124	969	-	-	-	6,173
-	88	267	-	-	-	2,369
-	-	3	-	-	-	-
85	3,035	234	-	-	-	14,551
<u>\$ 13,408</u>	<u>\$ 63,642</u>	<u>\$ 86,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,802</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69
-	4,804	-	-	-	-	-
4,951	66,235	94,258	-	-	-	99,435
4,529	-	-	-	-	-	1,114
-	160	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	266
-	-	-	-	-	-	488
-	-	-	-	-	-	-
-	-	1	-	-	-	-
<u>\$ 9,480</u>	<u>\$ 71,199</u>	<u>\$ 94,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,372</u>
-	1,025	4,042	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,480</u>	<u>\$ 72,224</u>	<u>\$ 98,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,372</u>
<u>\$ 3,928</u>	<u>\$ (8,582)</u>	<u>\$ (11,858)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,430</u>
\$ 920	\$ 14,698	\$ 12,630	\$ -	\$ -	\$ -	\$ 7,559
(12,024)	(29)	(1,801)	-	-	-	(920)
-	-	-	-	-	-	-
<u>\$ (11,104)</u>	<u>\$ 14,669</u>	<u>\$ 10,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,639</u>
<u>\$ (7,176)</u>	<u>\$ 6,087</u>	<u>\$ (1,029)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,069</u>
<u>\$ 27,806</u>	<u>\$ 44,255</u>	<u>\$ 37,897</u>	<u>\$ 436,124</u>	<u>\$ 19,240</u>	<u>\$ 58,589</u>	<u>\$ -</u>
-	-	-	(436,124)	(19,240)	(58,589)	77,829
<u>\$ 27,806</u>	<u>\$ 44,255</u>	<u>\$ 37,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,829</u>
-	-	-	-	-	-	-
<u>\$ 20,630</u>	<u>\$ 50,342</u>	<u>\$ 36,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,898</u>

CONTINUED

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2010  
 (IN THOUSANDS)**

	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Net Revenues:					
Sales Taxes.....	\$ -	\$ -	\$ 229,958	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-	-
Fuel Taxes.....	-	-	-	-	-
Other Taxes.....	-	4,260	-	-	-
Federal Revenues.....	-	-	-	-	-
Licenses and Fees.....	-	-	-	-	-
Departmental Services.....	-	140	-	-	-
Investment/Interest Income.....	-	8,178	348	192	-
Penalties and Fines.....	-	-	-	-	-
Securities Lending Income.....	-	21	-	-	-
Other Revenues.....	-	63	-	11,607	-
Net Revenues.....	\$ -	\$ 12,662	\$ 230,306	\$ 11,799	\$ -
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ 170	\$ -
Transportation.....	-	-	898	-	-
Agricultural, Environmental and Energy Resources....	-	-	39,667	4,932	-
Economic and Workforce Development.....	-	3,934	2,202	1,441	-
General Education.....	-	-	8,385	1,399	-
Higher Education.....	-	-	1,150	-	-
Health and Human Services.....	-	-	361	408	-
General Government.....	-	-	20,952	486	-
Intergovernment Aid.....	-	-	-	-	-
Securities Lending Rebates and Fees.....	-	7	-	-	-
Total Current Expenditures.....	\$ -	\$ 3,941	\$ 73,615	\$ 8,836	\$ -
Capital Outlay.....	-	-	3,553	3,976	-
Debt Service.....	-	697	-	-	-
Total Expenditures.....	\$ -	\$ 4,638	\$ 77,168	\$ 12,812	\$ -
Excess of Revenues Over (Under) Expenditures.....	\$ -	\$ 8,024	\$ 153,138	\$ (1,013)	\$ -
Other Financing Sources (Uses):					
Transfers-In.....	\$ -	\$ 1,145	\$ -	\$ -	\$ -
Transfers-Out.....	-	-	(1,950)	(30)	-
Capital Leases.....	-	-	-	-	-
Net Other Financing Sources (Uses).....	\$ -	\$ 1,145	\$ (1,950)	\$ (30)	\$ -
Net Change in Fund Balances.....	\$ -	\$ 9,169	\$ 151,188	\$ (1,043)	\$ -
Fund Balances, Beginning, as Reported.....	\$ 74,336	\$ 160,352	\$ -	\$ 17,204	\$ 72,651
Change in Fund Structure.....	(74,336)	-	-	-	(72,651)
Fund Balances, Beginning, as Restated.....	\$ -	\$ 160,352	\$ -	\$ 17,204	\$ -
Change in Inventory.....	-	-	-	-	-
Fund Balances, Ending.....	\$ -	\$ 169,521	\$ 151,188	\$ 16,161	\$ -



SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 229,958
-	-	-	-	-	761,458
-	-	-	-	-	825,341
91,304	534,495	-	50,071	31,263	759,858
-	-	-	-	12,912	582,879
73	-	-	-	177,022	308,649
859	806	-	-	97,847	124,459
256	2,048	-	176	696	26,638
5,077	-	-	-	9,062	17,288
-	-	-	-	-	24
1,337	7,161	-	50	219,268	280,196
<u>\$ 98,906</u>	<u>\$ 544,510</u>	<u>\$ -</u>	<u>\$ 50,297</u>	<u>\$ 548,070</u>	<u>\$ 3,916,748</u>
\$ -	\$ -	\$ -	\$ -	\$ 86,204	\$ 179,115
-	-	-	-	25,903	1,575,423
-	-	-	-	47,694	357,172
95,304	2	-	52,204	32,444	193,174
-	-	-	-	19,595	29,539
-	-	-	-	22,250	23,400
-	541,121	-	-	337,985	880,141
6,768	1,784	-	-	32,508	65,437
-	-	-	-	254	254
-	-	-	-	-	8
<u>\$ 102,072</u>	<u>\$ 542,907</u>	<u>\$ -</u>	<u>\$ 52,204</u>	<u>\$ 604,837</u>	<u>\$ 3,303,663</u>
-	-	-	-	7,482	377,461
-	623	-	-	983	6,430
<u>\$ 102,072</u>	<u>\$ 543,530</u>	<u>\$ -</u>	<u>\$ 52,204</u>	<u>\$ 613,302</u>	<u>\$ 3,687,554</u>
<u>\$ (3,166)</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ (1,907)</u>	<u>\$ (65,232)</u>	<u>\$ 229,194</u>
\$ -	\$ -	\$ -	\$ 1,450	\$ 136,168	\$ 183,605
(1,425)	(89,083)	-	(4,100)	(109,081)	(293,242)
-	-	-	-	1,103	3,356
<u>\$ (1,425)</u>	<u>\$ (89,083)</u>	<u>\$ -</u>	<u>\$ (2,650)</u>	<u>\$ 28,190</u>	<u>\$ (106,281)</u>
<u>\$ (4,591)</u>	<u>\$ (88,103)</u>	<u>\$ -</u>	<u>\$ (4,557)</u>	<u>\$ (37,042)</u>	<u>\$ 122,913</u>
\$ 24,038	\$ 331,818	\$ 24,009	\$ 32,058	\$ 498,897	\$ 2,699,918
-	-	(24,009)	-	(244,171)	(851,291)
<u>\$ 24,038</u>	<u>\$ 331,818</u>	<u>\$ -</u>	<u>\$ 32,058</u>	<u>\$ 254,726</u>	<u>\$ 1,848,627</u>
-	-	-	-	-	4,376
<u>\$ 19,447</u>	<u>\$ 243,715</u>	<u>\$ -</u>	<u>\$ 27,501</u>	<u>\$ 217,684</u>	<u>\$ 1,975,916</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, 2010  
(IN THOUSANDS)**

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	752,471	752,471
Fuel Taxes.....	-	-	823,386	823,386
Other Taxes.....	-	-	-	-
Federal Revenues.....	507,316	472,788	-	-
Departmental Services/Licenses and Fees.....	10,224	11,036	-	-
Investment/Interest Income.....	2,800	2,421	500	382
Other Revenues.....	58,933	26,769	1,039	1,000
Net Revenues.....	\$ 579,273	\$ 513,014	\$ 1,577,396	\$ 1,577,239
Expenditures:				
Public Safety and Corrections.....	\$ 88,115	\$ 83,817	\$ 8,087	\$ 7,987
Transportation.....	1,388,312	1,226,363	511	511
Agricultural, Environmental and Energy Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	800	311	2,308	2,038
Intergovernment Aid.....	-	-	30	30
Total Expenditures.....	\$ 1,477,227	\$ 1,310,491	\$ 10,936	\$ 10,566
Excess of Revenues Over (Under)				
Expenditures.....	\$ (897,954)	\$ (797,477)	\$ 1,566,460	\$ 1,566,673
Other Financing Sources (Uses):				
Transfers-In.....	\$ 907,076	\$ 916,332	\$ -	\$ -
Transfers-Out.....	(70,594)	(70,594)	(1,566,265)	(1,566,265)
Net Other Financing Sources (Uses).....	\$ 836,482	\$ 845,738	\$ (1,566,265)	\$ (1,566,265)
Net Change in Fund Balances.....	\$ (61,472)	\$ 48,261	\$ 195	\$ 408
Fund Balances, Beginning, as Reported.....	\$ 90,355	\$ 90,355	\$ 281	\$ 281
Prior Period Adjustments.....	-	16,816	-	3
Fund Balances, Beginning, as Restated.....	\$ 90,355	\$ 107,171	\$ 281	\$ 284
Fund Balances, Ending.....	\$ 28,883	\$ 155,432	\$ 476	\$ 692
Less Appropriation Carryover.....	-	137,546	-	370
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	\$ 28,883	\$ 17,886	\$ 476	\$ 322

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,100	3,375	-	-	-	-
14,005	13,843	-	-	11,765	11,722
-	-	-	-	873	238
510	655	20,006	13,093	40,065	41,295
180	143	900	230	238	124
300	294	73	89	1,732	1,418
<u>\$ 18,095</u>	<u>\$ 18,310</u>	<u>\$ 20,979</u>	<u>\$ 13,412</u>	<u>\$ 54,673</u>	<u>\$ 54,797</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,727	21,598	-	-	5,070	5,070
-	-	7,951	7,547	84,110	74,648
-	-	2,768	2,768	-	-
-	-	-	-	-	-
-	-	-	-	160	160
-	-	-	-	-	-
229	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 22,956</u>	<u>\$ 21,598</u>	<u>\$ 10,719</u>	<u>\$ 10,315</u>	<u>\$ 89,340</u>	<u>\$ 79,878</u>
\$ (4,861)	\$ (3,288)	\$ 10,260	\$ 3,097	\$ (34,667)	\$ (25,081)
\$ -	\$ -	\$ 920	\$ 920	\$ 28,731	\$ 28,894
-	-	(12,024)	(12,024)	(2,731)	(2,731)
\$ -	\$ -	\$ (11,104)	\$ (11,104)	\$ 26,000	\$ 26,163
\$ (4,861)	\$ (3,288)	\$ (844)	\$ (8,007)	\$ (8,667)	\$ 1,082
\$ 10,252	\$ 10,252	\$ 22,398	\$ 22,398	\$ 26,400	\$ 26,400
-	378	-	4,371	-	1,806
<u>\$ 10,252</u>	<u>\$ 10,630</u>	<u>\$ 22,398</u>	<u>\$ 26,769</u>	<u>\$ 26,400</u>	<u>\$ 28,206</u>
\$ 5,391	\$ 7,342	\$ 21,554	\$ 18,762	\$ 17,733	\$ 29,288
-	3,161	-	8,021	-	13,738
-	2,339	-	-	-	-
<u>\$ 5,391</u>	<u>\$ 1,842</u>	<u>\$ 21,554</u>	<u>\$ 10,741</u>	<u>\$ 17,733</u>	<u>\$ 15,550</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, 2010  
(IN THOUSANDS)**

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-
Fuel Taxes.....	-	-	-	-
Other Taxes.....	11,764	11,722	46,949	48,189
Federal Revenues.....	28,325	26,213	-	-
Departmental Services/Licenses and Fees.....	56,692	58,909	36,103	33,498
Investment/Interest Income.....	417	262	434	285
Other Revenues.....	403	460	17,041	16,944
Net Revenues.....	\$ 97,601	\$ 97,566	\$ 100,527	\$ 98,916
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 69	\$ 69
Transportation.....	-	-	-	-
Agricultural, Environmental and Energy Resources.....	100,875	93,766	105,683	102,269
Economic and Workforce Development.....	-	-	700	700
Higher Education.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	385	266
General Government.....	-	-	698	435
Intergovernment Aid.....	-	-	109	-
Total Expenditures.....	\$ 100,875	\$ 93,766	\$ 107,644	\$ 103,739
Excess of Revenues Over (Under)				
Expenditures.....	\$ (3,274)	\$ 3,800	\$ (7,117)	\$ (4,823)
Other Financing Sources (Uses):				
Transfers-In.....	\$ 885	\$ 885	\$ 9,420	\$ 7,559
Transfers-Out.....	(1,808)	(1,808)	(3,924)	(3,924)
Net Other Financing Sources (Uses).....	\$ (923)	\$ (923)	\$ 5,496	\$ 3,635
Net Change in Fund Balances.....	\$ (4,197)	\$ 2,877	\$ (1,621)	\$ (1,188)
Fund Balances, Beginning, as Reported.....	\$ 28,591	\$ 28,591	\$ 26,121	\$ 26,121
Prior Period Adjustments.....	-	539	-	2,927
Fund Balances, Beginning, as Restated.....	\$ 28,591	\$ 29,130	\$ 26,121	\$ 29,048
Fund Balances, Ending.....	\$ 24,394	\$ 32,007	\$ 24,500	\$ 27,860
Less Appropriation Carryover.....	-	8,327	-	20,042
Less Long-term Receivables.....	-	-	-	932
Undesignated Fund Balances, Ending.....	\$ 24,394	\$ 23,680	\$ 24,500	\$ 6,886

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ 227,280	\$ 229,957	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	97,094	94,772	531,000	523,640
-	-	-	-	-	-
-	-	846	4,171	-	-
170	348	2,927	448	2,101	2,047
-	-	-	-	7,901	8,681
<u>\$ 227,450</u>	<u>\$ 230,305</u>	<u>\$ 100,867</u>	<u>\$ 99,391</u>	<u>\$ 541,002</u>	<u>\$ 534,368</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,041	1,061	-	-	-	-
136,898	102,916	751	610	-	-
13,441	4,701	96,527	95,137	1,000	2
1,150	1,150	-	-	-	-
14,311	9,271	-	-	-	-
1,645	362	-	-	645,716	513,763
30,762	25,229	7,350	6,914	49,939	49,733
-	-	-	-	622	622
<u>\$ 211,248</u>	<u>\$ 144,690</u>	<u>\$ 104,628</u>	<u>\$ 102,661</u>	<u>\$ 697,277</u>	<u>\$ 564,120</u>
\$ 16,202	\$ 85,615	\$ (3,761)	\$ (3,270)	\$ (156,275)	\$ (29,752)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(1,950)	(1,950)	(1,425)	(1,425)	(39,672)	(39,672)
<u>\$ (1,950)</u>	<u>\$ (1,950)</u>	<u>\$ (1,425)</u>	<u>\$ (1,425)</u>	<u>\$ (39,672)</u>	<u>\$ (39,672)</u>
\$ 14,252	\$ 83,665	\$ (5,186)	\$ (4,695)	\$ (195,947)	\$ (69,424)
\$ -	\$ -	\$ 26,509	\$ 26,509	\$ 291,896	\$ 291,896
-	-	-	169	-	248
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,509</u>	<u>\$ 26,678</u>	<u>\$ 291,896</u>	<u>\$ 292,144</u>
\$ 14,252	\$ 83,665	\$ 21,323	\$ 21,983	\$ 95,949	\$ 222,720
-	64,167	-	3,859	-	25,751
-	-	-	-	-	-
<u>\$ 14,252</u>	<u>\$ 19,498</u>	<u>\$ 21,323</u>	<u>\$ 18,124</u>	<u>\$ 95,949</u>	<u>\$ 196,969</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, 2010  
(IN THOUSANDS)**

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ 227,280	\$ 229,957
Motor Vehicle Taxes.....	-	-	752,471	752,471
Fuel Taxes.....	-	-	826,486	826,761
Other Taxes.....	47,472	45,540	760,049	749,428
Federal Revenues.....	-	-	536,514	499,239
Departmental Services/Licenses and Fees.....	-	-	164,446	162,657
Investment/Interest Income.....	800	176	11,467	6,866
Other Revenues.....	-	-	87,422	55,655
Net Revenues.....	\$ 48,272	\$ 45,716	\$ 3,366,135	\$ 3,283,034
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 96,271	\$ 91,873
Transportation.....	-	-	1,429,661	1,254,603
Agricultural and Environmental Resources.....	-	-	436,268	381,756
Economic and Workforce Development.....	47,806	47,141	162,242	150,449
Higher Education.....	-	-	1,150	1,150
General Education.....	-	-	14,471	9,431
Health and Human Services.....	-	-	647,746	514,391
General Government.....	-	-	92,086	84,660
Intergovernment Aid.....	-	-	761	652
Total Expenditures.....	\$ 47,806	\$ 47,141	\$ 2,880,656	\$ 2,488,965
Excess of Revenues Over (Under)				
Expenditures.....	\$ 466	\$ (1,425)	\$ 485,479	\$ 794,069
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,450	\$ 1,450	\$ 948,482	\$ 956,040
Transfers-Out.....	(2,500)	(2,500)	(1,702,893)	(1,702,893)
Net Other Financing Sources (Uses).....	\$ (1,050)	\$ (1,050)	\$ (754,411)	\$ (746,853)
Net Change in Fund Balances.....	\$ (584)	\$ (2,475)	\$ (268,932)	\$ 47,216
Fund Balances, Beginning, as Reported.....	\$ 677	\$ 677	\$ 523,480	\$ 523,480
Prior Period Adjustments.....	-	5,102	-	32,359
Fund Balances, Beginning, as Restated.....	\$ 677	\$ 5,779	\$ 523,480	\$ 555,839
Fund Balances, Ending.....	\$ 93	\$ 3,304	\$ 254,548	\$ 603,055
Less Appropriation Carryover.....	-	3,304	-	288,286
Less Long-term Receivables.....	-	-	-	3,271
Undesignated Fund Balances, Ending.....	\$ 93	\$ -	\$ 254,548	\$ 311,498

**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, 2010  
(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	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	\$ 423,573	\$ 385	\$ 19,043	\$ 20,630	\$ 50,342	\$ 36,868	\$ 87,898	\$ 151,188	\$ 19,447	\$ 243,715	\$ 27,501
Less: Nonspendable Inventory	29,578	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	393,995	38	12,005	3,236	6,013	3,780	6,163	65,888	429	2,719	9,389
Undesignated Fund Balances	\$ -	\$ 347	\$ 7,038	\$ 17,394	\$ 44,329	\$ 33,088	\$ 81,735	\$ 85,300	\$ 19,018	\$ 240,996	\$ 18,112
<b>Basis of Accounting Differences</b>											
<b>Revenue Accruals/Adjustments:</b>											
Taxes Receivable	\$ -	\$ (57,418)	\$ (390)	\$ -	\$ -	\$ -	\$ (5,536)	\$ -	\$ (91,768)	\$ (95,134)	\$ (15,366)
Human Services Receivable	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	5,241	5,834	-	1	1,096	51	7,295	-	111,834	4,766	558
Other Receivables	(40,399)	(286)	-	(1)	(2,242)	(314)	(7,037)	(1,635)	(18,664)	(180)	-
Investments at Market	-	-	-	-	-	(818)	-	-	-	-	-
<b>Expenditure Accruals/Adjustments:</b>											
Health and Human Services	-	-	-	-	-	-	-	-	-	70,629	-
Other Payables	-	963	694	1,368	-	-	-	-	1,563	488	-
<b>Other Financing Sources (Uses):</b>											
Transfers-In	(38,902)	(24,725)	-	-	(13,895)	-	-	-	-	-	-
Transfers-Out	-	75,977	-	-	-	-	-	-	-	1,155	-
<b>Perspective Differences:</b>											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(48,597)	-	-	-	-
Long-Term Receivables	-	-	(2,339)	-	-	-	(932)	-	-	-	-
Long-Term Commitments	229,492	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(137,546)	(370)	(3,161)	(8,021)	(13,738)	(8,327)	(20,042)	(64,167)	(3,859)	(25,751)	(3,304)
Budgetary Basis Undesignated Fund Balances	\$ 17,886	\$ 322	\$ 1,842	\$ 10,741	\$ 15,550	\$ 23,680	\$ 6,886	\$ 19,498	\$ 18,124	\$ 196,969	\$ -

# MINNESOTA



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# Nonmajor Capital Projects Funds

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## **Building Fund**

The fund receives revenue from the sale of certificates of participation and state bonds to finance technology development and to provide funds for the acquisition, maintenance, and betterment of state and local lands 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, 2010  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 202,946	\$ 4,182	\$ 30,504	\$ 237,632
Loans and Notes Receivable.....	262	-	-	262
Deferred Costs.....	15,855	-	-	15,855
Total Assets .....	<u>\$ 219,063</u>	<u>\$ 4,182</u>	<u>\$ 30,504</u>	<u>\$ 253,749</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable.....	\$ 27,505	\$ 262	\$ 15,339	\$ 43,106
Interfund Payables.....	2,214	-	3,427	5,641
Total Liabilities.....	<u>\$ 29,719</u>	<u>\$ 262</u>	<u>\$ 18,766</u>	<u>\$ 48,747</u>
Fund Balances:				
Restricted for Capital Projects.....	\$ 189,344	\$ -	\$ 11,738	\$ 201,082
Assigned for Capital Projects.....	-	3,920	-	3,920
Total Fund Balances .....	<u>\$ 189,344</u>	<u>\$ 3,920</u>	<u>\$ 11,738</u>	<u>\$ 205,002</u>
Total Liabilities and Fund Balances .....	<u>\$ 219,063</u>	<u>\$ 4,182</u>	<u>\$ 30,504</u>	<u>\$ 253,749</u>

**STATE OF MINNESOTA**

**NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 14	\$ -	\$ -	\$ 14
Other Revenues.....	200	-	-	200
Net Revenues.....	<u>\$ 214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214</u>
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 4,891	\$ -	\$ -	\$ 4,891
Transportation.....	85,434	106	103,951	189,491
Agricultural, Environmental and Energy Resources.....	51,246	5,051	-	56,297
Economic and Workforce Development.....	96,982	21	-	97,003
General Education.....	6,721	-	-	6,721
Higher Education.....	78,125	-	-	78,125
Health and Human Services.....	884	-	-	884
General Government.....	9,090	12	8	9,110
Total Current Expenditures.....	<u>\$ 333,373</u>	<u>\$ 5,190</u>	<u>\$ 103,959</u>	<u>\$ 442,522</u>
Capital Outlay.....	117,998	-	63,220	181,218
Debt Service.....	5	-	-	5
Total Expenditures.....	<u>\$ 451,376</u>	<u>\$ 5,190</u>	<u>\$ 167,179</u>	<u>\$ 623,745</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (451,162)</u>	<u>\$ (5,190)</u>	<u>\$ (167,179)</u>	<u>\$ (623,531)</u>
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ 579,904	\$ -	\$ 128,000	\$ 707,904
Certificates of Participation Issuance.....	74,980	-	-	74,980
Certificates of Participation Premium.....	7,411	-	-	7,411
Transfers-In.....	65,135	-	-	65,135
Transfers-Out.....	(122,605)	(351)	(204)	(123,160)
Net Other Financing Sources (Uses).....	<u>\$ 604,825</u>	<u>\$ (351)</u>	<u>\$ 127,796</u>	<u>\$ 732,270</u>
Net Change in Fund Balances.....	<u>\$ 153,663</u>	<u>\$ (5,541)</u>	<u>\$ (39,383)</u>	<u>\$ 108,739</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 35,681</u>	<u>\$ 9,461</u>	<u>\$ 51,121</u>	<u>\$ 96,263</u>
Fund Balances, Ending.....	<u><u>\$ 189,344</u></u>	<u><u>\$ 3,920</u></u>	<u><u>\$ 11,738</u></u>	<u><u>\$ 205,002</u></u>

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# Nonmajor Enterprise Funds

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## **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, 2010  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 1,924	\$ 10,614	\$ 4,773	\$ 17,507
Accounts Receivable.....	4,304	2,713	202	3,170
Interfund Receivables.....	-	-	-	-
Accrued Investment/Interest Income.....	-	-	17	-
Inventories.....	-	700	207	4,573
Deferred Costs.....	-	2	-	-
Other Assets.....	-	-	1,427	341
Total Current Assets.....	<u>\$ 6,228</u>	<u>\$ 14,029</u>	<u>\$ 6,626</u>	<u>\$ 25,591</u>
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 1,600	\$ -
Depreciable Capital Assets (Net).....	1,238	1,062	19,776	4,591
Nondepreciable Capital Assets.....	-	3	1,489	-
Total Noncurrent Assets.....	<u>\$ 1,238</u>	<u>\$ 1,065</u>	<u>\$ 22,865</u>	<u>\$ 4,591</u>
Total Assets.....	<u>\$ 7,466</u>	<u>\$ 15,094</u>	<u>\$ 29,491</u>	<u>\$ 30,182</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ 3,849	\$ 7,329	\$ 468	\$ 1,428
Interfund Payables.....	2,355	-	-	-
Unearned Revenue.....	-	16	54	-
Accrued Bond Interest Payable.....	-	-	139	-
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	825	-
Capital Leases.....	-	-	63	-
Compensated Absences Payable.....	271	42	28	76
Other Liabilities.....	-	-	-	47
Total Current Liabilities.....	<u>\$ 6,475</u>	<u>\$ 7,387</u>	<u>\$ 1,577</u>	<u>\$ 1,551</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable.....	-	-	10,485	-
Capital Leases.....	-	-	133	-
Compensated Absences Payable.....	1,684	476	170	738
Other Liabilities.....	251	54	-	29
Total Noncurrent Liabilities.....	<u>\$ 1,935</u>	<u>\$ 530</u>	<u>\$ 10,788</u>	<u>\$ 767</u>
Total Liabilities.....	<u>\$ 8,410</u>	<u>\$ 7,917</u>	<u>\$ 12,365</u>	<u>\$ 2,318</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ 1,238	\$ 1,065	\$ 11,248	\$ 4,591
Restricted for:				
Health and Human Services.....	\$ -	\$ -	\$ -	\$ -
Economic and Workforce Development.....	-	-	5,878	-
Other Purposes.....	-	6,112	-	23,273
Total Restricted.....	<u>\$ -</u>	<u>\$ 6,112</u>	<u>\$ 5,878</u>	<u>\$ 23,273</u>
Unrestricted.....	(2,182)	-	-	-
Total Net Assets.....	<u>\$ (944)</u>	<u>\$ 7,177</u>	<u>\$ 17,126</u>	<u>\$ 27,864</u>

<u>911 SERVICES</u>	<u>PUBLIC EMPLOYEES INSURANCE</u>	<u>STATE LOTTERY</u>	<u>STATE OPERATED COMMUNITY SERVICES</u>	<u>TOTAL</u>
\$ 35,949	\$ 9,933	\$ 13,994	\$ 22,394	\$ 117,088
5,079	499	7,556	2,985	26,508
-	-	-	2,355	2,355
-	-	-	-	17
-	-	1,376	-	6,856
-	-	451	-	453
-	-	-	150	1,918
<u>\$ 41,028</u>	<u>\$ 10,432</u>	<u>\$ 23,377</u>	<u>\$ 27,884</u>	<u>\$ 155,195</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,600
53,630	-	2,266	3,003	85,566
900	-	-	786	3,178
<u>\$ 54,530</u>	<u>\$ -</u>	<u>\$ 2,266</u>	<u>\$ 3,789</u>	<u>\$ 90,344</u>
<u>\$ 95,558</u>	<u>\$ 10,432</u>	<u>\$ 25,643</u>	<u>\$ 31,673</u>	<u>\$ 245,539</u>
\$ 1,304	\$ 2,454	\$ 9,671	\$ 4,545	\$ 31,048
57	-	14,132	-	16,544
-	1,070	301	-	1,441
429	-	-	-	568
-	-	-	295	295
12,100	-	-	-	12,925
-	-	-	77	140
61	4	147	694	1,323
-	-	-	-	47
<u>\$ 13,951</u>	<u>\$ 3,528</u>	<u>\$ 24,251</u>	<u>\$ 5,611</u>	<u>\$ 64,331</u>
\$ -	\$ -	\$ -	\$ 2,058	\$ 2,058
111,232	-	-	-	121,717
-	-	-	400	533
407	34	1,286	5,639	10,434
-	2	106	709	1,151
<u>\$ 111,639</u>	<u>\$ 36</u>	<u>\$ 1,392</u>	<u>\$ 8,806</u>	<u>\$ 135,893</u>
<u>\$ 125,590</u>	<u>\$ 3,564</u>	<u>\$ 25,643</u>	<u>\$ 14,417</u>	<u>\$ 200,224</u>
\$ -	\$ -	\$ 2,266	\$ 959	\$ 21,367
\$ -	\$ -	\$ -	\$ 16,297	\$ 16,297
-	-	-	-	5,878
-	6,868	-	-	36,253
<u>\$ -</u>	<u>\$ 6,868</u>	<u>\$ -</u>	<u>\$ 16,297</u>	<u>\$ 58,428</u>
<u>(30,032)</u>	<u>-</u>	<u>(2,266)</u>	<u>-</u>	<u>(34,480)</u>
<u><u>\$ (30,032)</u></u>	<u><u>\$ 6,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,256</u></u>	<u><u>\$ 45,315</u></u>

**STATE OF MINNESOTA**

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ -	\$ 2,643	\$ 3,725	\$ 35,490
Rental and Service Fees.....	22,525	12,471	130	-
Insurance Premiums.....	-	-	-	-
Other Income.....	4	-	228	1,927
Total Operating Revenues.....	\$ 22,529	\$ 15,114	\$ 4,083	\$ 37,417
Less: Cost of Goods Sold.....	-	1,188	-	15,537
Gross Margin.....	\$ 22,529	\$ 13,926	\$ 4,083	\$ 21,880
Operating Expenses:				
Purchased Services.....	\$ 3,409	\$ 2,078	\$ 2,571	\$ 4,696
Salaries and Fringe Benefits.....	19,365	4,975	2,816	9,418
Claims.....	-	-	-	-
Depreciation.....	173	135	1,159	819
Amortization.....	-	-	71	-
Supplies and Materials.....	261	173	247	843
Indirect Costs.....	2,022	194	-	837
Other Expenses.....	2,080	-	184	3,316
Total Operating Expenses.....	\$ 27,310	\$ 7,555	\$ 7,048	\$ 19,929
Operating Income (Loss).....	\$ (4,781)	\$ 6,371	\$ (2,965)	\$ 1,951
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 10	\$ -	\$ 101	\$ 155
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	-	-	(856)	-
Grants, Aids and Subsidies.....	-	-	-	-
Other Nonoperating Expenses.....	-	(6,697)	(29)	-
Gain (Loss) on Disposal of Capital Assets.....	-	11	-	17
Total Nonoperating Revenues (Expenses).....	\$ 10	\$ (6,686)	\$ (784)	\$ 172
Income (Loss) Before Transfers & Contributions.....	\$ (4,771)	\$ (315)	\$ (3,749)	\$ 2,123
Capital Contributions.....	-	8	-	-
Transfers-In.....	-	1,427	4,547	-
Transfers-Out.....	-	-	-	(1,574)
Change in Net Assets.....	\$ (4,771)	\$ 1,120	\$ 798	\$ 549
Net Assets, Beginning, as Reported.....	\$ 3,827	\$ 6,057	\$ 16,328	\$ 27,315
Prior Period Adjustment.....	-	-	-	-
Net Assets, Beginning, as Restated.....	\$ 3,827	\$ 6,057	\$ 16,328	\$ 27,315
Net Assets, Ending.....	\$ (944)	\$ 7,177	\$ 17,126	\$ 27,864



911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ -	\$ 499,271	\$ -	\$ 541,129
60,229	-	-	81,381	176,736
-	24,611	-	-	24,611
-	443	-	1,022	3,624
<u>\$ 60,229</u>	<u>\$ 25,054</u>	<u>\$ 499,271</u>	<u>\$ 82,403</u>	<u>\$ 746,100</u>
-	-	351,471	-	368,196
<u>\$ 60,229</u>	<u>\$ 25,054</u>	<u>\$ 147,800</u>	<u>\$ 82,403</u>	<u>\$ 377,904</u>
\$ 949	\$ 4,537	\$ 12,426	\$ 4,996	\$ 35,662
4,549	153	10,974	67,017	119,267
-	18,564	-	-	18,564
5,707	-	740	1,280	10,013
-	-	-	-	71
1,748	-	875	1,797	5,944
44	1	-	3,542	6,640
-	29	539	1,933	8,081
<u>\$ 12,997</u>	<u>\$ 23,284</u>	<u>\$ 25,554</u>	<u>\$ 80,565</u>	<u>\$ 204,242</u>
<u>\$ 47,232</u>	<u>\$ 1,770</u>	<u>\$ 122,246</u>	<u>\$ 1,838</u>	<u>\$ 173,662</u>
\$ 274	\$ 68	\$ 266	\$ 166	\$ 1,040
-	-	34	-	34
(4,227)	-	-	(188)	(5,271)
(14,700)	-	-	-	(14,700)
-	-	-	-	(6,726)
-	-	-	25	53
<u>\$ (18,653)</u>	<u>\$ 68</u>	<u>\$ 300</u>	<u>\$ 3</u>	<u>\$ (25,570)</u>
\$ 28,579	\$ 1,838	\$ 122,546	\$ 1,841	\$ 148,092
743	-	-	-	751
-	-	-	-	5,974
(65,818)	-	(122,546)	-	(189,938)
<u>\$ (36,496)</u>	<u>\$ 1,838</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ (35,121)</u>
<u>\$ (37,095)</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ 15,415</u>	<u>\$ 36,877</u>
43,559	-	-	-	43,559
6,464	5,030	-	15,415	80,436
<u>\$ (30,032)</u>	<u>\$ 6,868</u>	<u>\$ -</u>	<u>\$ 17,256</u>	<u>\$ 45,315</u>

**STATE OF MINNESOTA**

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers.....	\$ 29,009	\$ 14,815	\$ 4,001	\$ 36,727
Receipts from Other Revenues.....	4	1	-	1,927
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(8,104)	(2,788)	(3,186)	(26,909)
Payments to Employees.....	(20,433)	(4,920)	(2,746)	(7,561)
Payments to Others.....	-	(6,682)	-	-
Net Cash Flows from Operating Activities.....	\$ 476	\$ 426	\$ (1,931)	\$ 4,184
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grant Disbursements.....	\$ -	\$ -	\$ -	\$ -
Transfers-In.....	-	1,435	4,547	-
Transfers-Out.....	-	-	-	(1,574)
Proceeds from Bonds.....	-	-	-	-
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	-	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ -	\$ 1,435	\$ 4,547	\$ (1,574)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Investment in Capital Assets.....	\$ -	\$ (56)	\$ (1,340)	\$ (968)
Proceeds from Disposal of Capital Assets.....	-	12	-	18
Capital Lease Payments.....	-	-	-	-
Repayment of Bond Principal.....	-	-	(815)	-
Interest Paid.....	-	-	(862)	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ -	\$ (44)	\$ (3,017)	\$ (950)
<b>Cash Flows from Investing Activities:</b>				
Investment Earnings.....	\$ 10	\$ -	\$ 72	\$ 155
Net Cash Flows from Investing Activities.....	\$ 10	\$ -	\$ 72	\$ 155
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 486	\$ 1,817	\$ (329)	\$ 1,815
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 1,438	\$ 8,797	\$ 6,702	\$ 15,692
Cash and Cash Equivalents, Ending.....	\$ 1,924	\$ 10,614	\$ 6,373	\$ 17,507
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss).....	\$ (4,781)	\$ 6,371	\$ (2,965)	\$ 1,951
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>				
Depreciation.....	\$ 173	\$ 135	\$ 1,159	\$ 819
Amortization.....	-	-	71	-
Miscellaneous Nonoperating Expenses.....	-	(5,847)	-	-
<b>Change in Assets and Liabilities:</b>				
Accounts Receivable.....	6,484	(223)	(91)	1,237
Inventories.....	-	(76)	(12)	179
Other Assets.....	-	4	-	103
Accounts Payable.....	(332)	37	(103)	(39)
Compensated Absences Payable.....	(1,068)	(2)	1	(94)
Unearned Revenues.....	-	2	9	-
Other Liabilities.....	-	25	-	28
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 5,257	\$ (5,945)	\$ 1,034	\$ 2,233
Net Cash Flows from Operating Activities.....	\$ 476	\$ 426	\$ (1,931)	\$ 4,184

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 59,462	\$ 25,192	\$ 497,287	\$ 81,320	\$ 747,813
-	-	83	1,022	3,037
-	(17,341)	(306,499)	-	(323,840)
(1,862)	(4,473)	(28,557)	(12,323)	(88,202)
(4,294)	(147)	(10,757)	(66,664)	(117,522)
(375)	(36)	(29,656)	-	(36,749)
<u>\$ 52,931</u>	<u>\$ 3,195</u>	<u>\$ 121,901</u>	<u>\$ 3,355</u>	<u>\$ 184,537</u>
\$ (15,671)	\$ -	\$ -	\$ -	\$ (15,671)
-	-	-	-	5,982
(65,875)	-	(121,750)	-	(189,199)
66,277	-	-	-	66,277
(13,375)	-	-	-	(13,375)
(4,642)	-	-	-	(4,642)
<u>\$ (33,286)</u>	<u>\$ -</u>	<u>\$ (121,750)</u>	<u>\$ -</u>	<u>\$ (150,628)</u>
\$ (15,859)	\$ -	\$ (1,198)	\$ (705)	\$ (20,126)
-	-	34	25	89
-	-	-	(70)	(70)
-	-	-	(281)	(1,096)
-	-	-	(199)	(1,061)
<u>\$ (15,859)</u>	<u>\$ -</u>	<u>\$ (1,164)</u>	<u>\$ (1,230)</u>	<u>\$ (22,264)</u>
\$ 274	\$ 69	\$ 266	\$ 166	\$ 1,012
<u>\$ 274</u>	<u>\$ 69</u>	<u>\$ 266</u>	<u>\$ 166</u>	<u>\$ 1,012</u>
\$ 4,060	\$ 3,264	\$ (747)	\$ 2,291	\$ 12,657
<u>\$ 31,889</u>	<u>\$ 6,669</u>	<u>\$ 14,741</u>	<u>\$ 20,103</u>	<u>\$ 106,031</u>
<u>\$ 35,949</u>	<u>\$ 9,933</u>	<u>\$ 13,994</u>	<u>\$ 22,394</u>	<u>\$ 118,688</u>
\$ 47,232	\$ 1,770	\$ 122,246	\$ 1,838	\$ 173,662
\$ 5,707	\$ -	\$ 740	\$ 1,280	\$ 10,013
-	-	-	-	71
-	-	-	-	(5,847)
(767)	(219)	(1,337)	(61)	5,023
-	-	83	-	174
-	-	137	-	244
596	1,410	199	6	1,774
163	4	217	56	(723)
-	228	(384)	-	(145)
-	2	-	236	291
<u>\$ 5,699</u>	<u>\$ 1,425</u>	<u>\$ (345)</u>	<u>\$ 1,517</u>	<u>\$ 10,875</u>
<u>\$ 52,931</u>	<u>\$ 3,195</u>	<u>\$ 121,901</u>	<u>\$ 3,355</u>	<u>\$ 184,537</u>

# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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# Internal Service Funds

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## **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, 2010  
(IN THOUSANDS)**

ASSETS	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
<b>Current Assets:</b>				
Cash and Cash Equivalents.....	\$ 2,205	\$ 954	\$ 1,257	\$ 291,678
Investments.....	-	-	-	21,346
Accounts Receivable.....	1,705	1,557	15	7,570
Accrued Investment/Interest Income.....	-	-	-	228
Inventories.....	-	5	-	-
Deferred Costs.....	-	544	-	-
Total Current Assets.....	<u>\$ 3,910</u>	<u>\$ 3,060</u>	<u>\$ 1,272</u>	<u>\$ 320,822</u>
<b>Noncurrent Assets:</b>				
Deferred Costs.....	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets (Net).....	17,731	74	-	-
Total Noncurrent Assets.....	<u>\$ 17,731</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets.....	<u>\$ 21,641</u>	<u>\$ 3,134</u>	<u>\$ 1,272</u>	<u>\$ 320,822</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable.....	\$ 313	\$ 326	\$ 8	\$ 57,729
Interfund Payables.....	-	-	164	-
Unearned Revenue.....	-	-	-	4,737
Loans Payable.....	2,295	-	-	-
Compensated Absences Payable.....	9	34	2	37
Total Current Liabilities.....	<u>\$ 2,617</u>	<u>\$ 360</u>	<u>\$ 174</u>	<u>\$ 62,503</u>
<b>Noncurrent Liabilities:</b>				
Loans Payable.....	\$ 8,809	\$ -	\$ -	\$ -
Compensated Absences Payable.....	89	405	18	485
Other Liabilities.....	7	79	-	34
Total Noncurrent Liabilities.....	<u>\$ 8,905</u>	<u>\$ 484</u>	<u>\$ 18</u>	<u>\$ 519</u>
Total Liabilities.....	<u>\$ 11,522</u>	<u>\$ 844</u>	<u>\$ 192</u>	<u>\$ 63,022</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ 6,627	\$ 74	\$ -	\$ -
Unrestricted .....	3,492	2,216	1,080	257,800
Total Net Assets.....	<u>\$ 10,119</u>	<u>\$ 2,290</u>	<u>\$ 1,080</u>	<u>\$ 257,800</u>

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 15,115	\$ 19,730	\$ 18,151	\$ 349,090
-	-	-	21,346
13,716	485	3,021	28,069
-	-	-	228
-	260	-	265
1,345	-	21	1,910
<u>\$ 30,176</u>	<u>\$ 20,475</u>	<u>\$ 21,193</u>	<u>\$ 400,908</u>
\$ 629	\$ -	\$ -	\$ 629
8,571	4,885	594	31,855
<u>\$ 9,200</u>	<u>\$ 4,885</u>	<u>\$ 594</u>	<u>\$ 32,484</u>
<u>\$ 39,376</u>	<u>\$ 25,360</u>	<u>\$ 21,787</u>	<u>\$ 433,392</u>
\$ 6,161	\$ 2,326	\$ 14,846	\$ 81,709
-	-	-	164
2,140	-	191	7,068
3,037	-	-	5,332
273	154	5	514
<u>\$ 11,611</u>	<u>\$ 2,480</u>	<u>\$ 15,042</u>	<u>\$ 94,787</u>
\$ 3,196	\$ -	\$ -	\$ 12,005
3,134	1,405	82	5,618
239	178	9	546
<u>\$ 6,569</u>	<u>\$ 1,583</u>	<u>\$ 91</u>	<u>\$ 18,169</u>
<u>\$ 18,180</u>	<u>\$ 4,063</u>	<u>\$ 15,133</u>	<u>\$ 112,956</u>
\$ 2,474	\$ 4,854	\$ 560	\$ 14,589
18,722	16,443	6,094	305,847
<u>\$ 21,196</u>	<u>\$ 21,297</u>	<u>\$ 6,654</u>	<u>\$ 320,436</u>

**STATE OF MINNESOTA**

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales.....	\$ -	\$ 11,108	\$ 2,830	\$ -
Rental and Service Fees.....	13,814	2,094	-	-
Insurance Premiums.....	-	-	-	666,209
Other Income.....	2	-	-	10,076
Total Operating Revenues.....	<u>\$ 13,816</u>	<u>\$ 13,202</u>	<u>\$ 2,830</u>	<u>\$ 676,285</u>
Less: Cost of Goods Sold.....	-	-	2,320	-
Gross Margin.....	<u>\$ 13,816</u>	<u>\$ 13,202</u>	<u>\$ 510</u>	<u>\$ 676,285</u>
Operating Expenses:				
Purchased Services.....	\$ 3,457	\$ 9,746	\$ 250	\$ 76,633
Salaries and Fringe Benefits.....	640	3,406	296	3,721
Claims.....	-	-	-	568,346
Depreciation.....	4,898	24	1	1
Amortization.....	-	-	-	-
Supplies and Materials.....	3,316	67	6	86
Indirect Costs.....	331	121	155	88
Other Expenses.....	-	123	-	1,428
Total Operating Expenses.....	<u>\$ 12,642</u>	<u>\$ 13,487</u>	<u>\$ 708</u>	<u>\$ 650,303</u>
Operating Income (Loss).....	<u>\$ 1,174</u>	<u>\$ (285)</u>	<u>\$ (198)</u>	<u>\$ 25,982</u>
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 83	\$ -	\$ -	\$ 3,374
Interest and Financing Costs.....	(251)	-	-	-
Other Nonoperating Expenses.....	-	-	(147)	-
Gain (Loss) on Disposal of Capital Assets.....	282	-	-	-
Total Nonoperating Revenues (Expenses).....	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ (147)</u>	<u>\$ 3,374</u>
Income (Loss) Before Transfers & Contributions.....	<u>\$ 1,288</u>	<u>\$ (285)</u>	<u>\$ (345)</u>	<u>\$ 29,356</u>
Transfers-Out.....	-	-	(371)	(9)
Change in Net Assets.....	<u>\$ 1,288</u>	<u>\$ (285)</u>	<u>\$ (716)</u>	<u>\$ 29,347</u>
Net Assets, Beginning, as Reported.....	<u>\$ 8,831</u>	<u>\$ 2,575</u>	<u>\$ 1,796</u>	<u>\$ 228,453</u>
Net Assets, Ending.....	<u><u>\$ 10,119</u></u>	<u><u>\$ 2,290</u></u>	<u><u>\$ 1,080</u></u>	<u><u>\$ 257,800</u></u>



ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ -	\$ -	\$ -	\$ 13,938
83,521	64,746	-	164,175
-	-	12,054	678,263
582	-	109	10,769
<u>\$ 84,103</u>	<u>\$ 64,746</u>	<u>\$ 12,163</u>	<u>\$ 867,145</u>
-	-	-	2,320
<u>\$ 84,103</u>	<u>\$ 64,746</u>	<u>\$ 12,163</u>	<u>\$ 864,825</u>
\$ 46,580	\$ 8,420	\$ 5,239	\$ 150,325
30,232	14,722	848	53,865
-	-	5,185	573,531
4,188	535	-	9,647
609	-	-	609
945	1,887	9	6,316
136	674	64	1,569
1,233	-	7	2,791
<u>\$ 83,923</u>	<u>\$ 26,238</u>	<u>\$ 11,352</u>	<u>\$ 798,653</u>
<u>\$ 180</u>	<u>\$ 38,508</u>	<u>\$ 811</u>	<u>\$ 66,172</u>
\$ 43	\$ -	\$ 149	\$ 3,649
(229)	-	-	(480)
-	-	(605)	(752)
110	5	-	397
<u>\$ (76)</u>	<u>\$ 5</u>	<u>\$ (456)</u>	<u>\$ 2,814</u>
\$ 104	\$ 38,513	\$ 355	\$ 68,986
(28)	(28,218)	-	(28,626)
<u>\$ 76</u>	<u>\$ 10,295</u>	<u>\$ 355</u>	<u>\$ 40,360</u>
\$ 21,120	\$ 11,002	\$ 6,299	\$ 280,076
<u>\$ 21,196</u>	<u>\$ 21,297</u>	<u>\$ 6,654</u>	<u>\$ 320,436</u>

**STATE OF MINNESOTA**

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers.....	\$ 13,368	\$ 14,071	\$ 3,416	\$ 666,731
Receipts from Other Revenues.....	2	-	-	10,047
Payments to Claimants.....	-	-	-	(563,358)
Payments to Suppliers.....	(7,325)	(10,204)	(2,821)	(79,166)
Payments to Employees.....	(668)	(3,420)	(366)	(3,622)
Payments to Others.....	-	(25)	-	(1,811)
Net Cash Flows from Operating Activities.....	\$ 5,377	\$ 422	\$ 229	\$ 28,821
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers-Out.....	\$ -	\$ -	\$ (209)	\$ (20)
Repayments of Advances to Other Funds.....	-	(458)	-	-
Repayments of Advances from Other Funds.....	(1,125)	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ (1,125)	\$ (458)	\$ (209)	\$ (20)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Investment in Capital Assets.....	\$ (6,828)	\$ -	\$ -	\$ -
Proceeds from Disposal of Capital Assets.....	1,576	-	-	-
Proceeds from Loans.....	5,715	-	-	-
Repayment of Loan Principal.....	(5,310)	-	-	-
Interest Paid.....	(253)	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (5,100)	\$ -	\$ -	\$ -
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ 7,500
Purchase of Investments.....	-	-	-	(7,498)
Investment Earnings.....	83	-	-	3,377
Net Cash Flows from Investing Activities.....	\$ 83	\$ -	\$ -	\$ 3,379
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (765)	\$ (36)	\$ 20	\$ 32,180
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 2,970	\$ 990	\$ 1,237	\$ 259,498
Cash and Cash Equivalents, Ending.....	\$ 2,205	\$ 954	\$ 1,257	\$ 291,678
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss).....	\$ 1,174	\$ (285)	\$ (198)	\$ 25,982
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>				
Depreciation.....	\$ 4,898	\$ 24	\$ 1	\$ 1
Amortization.....	-	-	-	-
Miscellaneous Nonoperating Expenses.....	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable.....	(446)	936	586	(32)
Inventories.....	1	5	303	-
Other Assets.....	2	(375)	-	-
Accounts Payable.....	(247)	98	(409)	2,576
Compensated Absences Payable.....	(7)	(3)	(50)	61
Unearned Revenues.....	-	-	-	195
Other Liabilities.....	2	22	(4)	38
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 4,203	\$ 707	\$ 427	\$ 2,839
Net Cash Flows from Operating Activities.....	\$ 5,377	\$ 422	\$ 229	\$ 28,821
<b>Noncash Investing, Capital and Financing Activities:</b>				
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
\$ 83,897	\$ 69,134	\$ 12,076	\$ 862,693
581	1,176	-	11,806
-	-	(2,706)	(566,064)
-	(15,832)	(5,158)	(120,506)
(30,010)	(14,627)	(872)	(53,585)
(50,022)	-	(605)	(52,463)
<u>\$ 4,446</u>	<u>\$ 39,851</u>	<u>\$ 2,735</u>	<u>\$ 81,881</u>
\$ -	\$ (28,218)	\$ -	\$ (28,447)
-	-	-	(458)
-	-	-	(1,125)
<u>\$ -</u>	<u>\$ (28,218)</u>	<u>\$ -</u>	<u>\$ (30,030)</u>
\$ (2,608)	\$ (4,846)	\$ (309)	\$ (14,591)
-	5	-	1,581
2,734	-	-	8,449
(3,654)	-	-	(8,964)
(235)	-	-	(488)
<u>\$ (3,763)</u>	<u>\$ (4,841)</u>	<u>\$ (309)</u>	<u>\$ (14,013)</u>
\$ -	\$ -	\$ -	\$ 7,500
-	-	-	(7,498)
43	-	149	3,652
<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 3,654</u>
\$ 726	\$ 6,792	\$ 2,575	\$ 41,492
\$ 14,389	\$ 12,938	\$ 15,576	\$ 307,598
<u>\$ 15,115</u>	<u>\$ 19,730</u>	<u>\$ 18,151</u>	<u>\$ 349,090</u>
<u>\$ 180</u>	<u>\$ 38,508</u>	<u>\$ 811</u>	<u>\$ 66,172</u>
\$ 4,188	\$ 535	\$ -	\$ 9,647
609	-	-	609
-	-	(605)	(605)
(2,030)	1,482	(2,823)	(2,327)
-	68	-	377
-	-	158	(215)
(6,444)	(827)	5,310	57
83	36	(26)	94
2,140	-	4	2,339
5,720	49	(94)	5,733
<u>\$ 4,266</u>	<u>\$ 1,343</u>	<u>\$ 1,924</u>	<u>\$ 15,709</u>
<u>\$ 4,446</u>	<u>\$ 39,851</u>	<u>\$ 2,735</u>	<u>\$ 81,881</u>
\$ 133	\$ -	\$ -	\$ 133
82	-	-	82
<u>\$ 133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133</u>



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# Pension Trust Funds

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## **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.

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# Pension Trust Funds – Cont'd.

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## **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.

### **Minneapolis Employees Retirement Fund**

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of the City of Minneapolis.

### **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.

## **Volunteer Firefighter Retirement Fund**

The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

## **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, 2010  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 1	\$ -	\$ 13	\$ 18
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 31,061	\$ -	\$ 19,401	\$ 7,747
Investments:				
Guaranteed Investment Account.....	\$ -	\$ -	\$ -	\$ -
Debt Securities.....	125,653	-	28,121	30,150
Equity Securities.....	377,025	-	62,650	90,451
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 502,678	\$ -	\$ 90,771	\$ 120,601
Accrued Interest and Dividends.....	\$ 1,449	\$ -	\$ 334	\$ 349
Securities Trades Receivables (Payables).....	(11,616)	-	(989)	(2,788)
Total Investment Pool Participation.....	\$ 523,572	\$ -	\$ 109,517	\$ 125,909
Receivables:				
Interfund Receivables.....	\$ -	\$ -	\$ -	\$ -
Receivables.....	2,269	215	32	351
Accrued Interest and Dividends.....	6	-	-	1
Total Receivables.....	\$ 2,275	\$ 215	\$ 32	\$ 352
Securities Lending Collateral.....	\$ 47,031	\$ -	\$ 9,070	\$ 11,284
Depreciable Capital Assets (Net).....	-	-	-	-
Nondepreciable Capital Assets.....	-	-	-	-
Total Assets.....	\$ 572,879	\$ 215	\$ 118,632	\$ 137,563
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 153	\$ -	\$ 8	\$ 39
Interfund Payables.....	450	1	6	39
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	-
Securities Lending Liabilities.....	47,031	-	9,070	11,284
Total Liabilities.....	\$ 47,634	\$ 1	\$ 9,084	\$ 11,362
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 525,245	\$ 214	\$ 109,548	\$ 126,201

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ 5	\$ 888	\$ 9,826	\$ 6	\$ 1	\$ 109
\$ 1,056	\$ 137,669	\$ 83,909	\$ 435,176	\$ 27,799	\$ 17,719
\$ -	\$ 85,421	\$ 1,129,598	\$ -	\$ -	\$ 33,493
4,713	28,834	-	1,847,660	117,428	52,517
14,142	66,825	-	5,544,014	352,347	150,281
-	-	2,262,520	-	-	-
\$ 18,855	\$ 181,080	\$ 3,392,118	\$ 7,391,674	\$ 469,775	\$ 236,291
\$ 54	\$ 372	\$ 12	\$ 21,316	\$ 1,355	\$ 692
(435)	(1,901)	-	(170,820)	(10,856)	(1,741)
\$ 19,530	\$ 317,220	\$ 3,476,039	\$ 7,677,346	\$ 488,073	\$ 252,961
\$ -	\$ -	\$ -	\$ 4,938	\$ -	\$ -
7,321	5,605	12,111	14,022	1,051	483
-	-	-	83	5	-
\$ 7,321	\$ 5,605	\$ 12,111	\$ 19,043	\$ 1,056	\$ 483
\$ 1,763	\$ 9,814	\$ -	\$ 691,454	\$ 43,947	\$ 20,157
-	-	-	5,811	-	-
-	-	-	88	-	-
\$ 28,619	\$ 333,527	\$ 3,497,976	\$ 8,393,748	\$ 533,077	\$ 273,710
\$ 7	\$ 125	\$ 272	\$ 3,046	\$ 141	\$ 6
28	2,410	1,726	-	119	159
-	-	-	-	-	-
-	-	-	6,001	-	-
-	-	-	-	-	-
-	-	-	716	-	-
1,763	9,814	-	691,454	43,947	20,157
\$ 1,798	\$ 12,349	\$ 1,998	\$ 701,217	\$ 44,207	\$ 20,322
\$ 26,821	\$ 321,178	\$ 3,495,978	\$ 7,692,531	\$ 488,870	\$ 253,388

CONTINUED

**STATE OF MINNESOTA**

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

**JUNE 30, 2010  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
ASSETS	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Cash and Cash Equivalents.....	\$ 232	\$ 25	\$ 1,000
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 2,880	\$ 65,184	\$ 256,835
Investments:			
Guaranteed Investment Account.....	\$ 3,183	\$ -	\$ -
Debt Securities.....	7,395	279,252	1,072,294
Equity Securities.....	18,561	509,619	3,214,693
Mutual Funds.....	-	-	-
Total Investments.....	\$ 29,139	\$ 788,871	\$ 4,286,987
Accrued Interest and Dividends.....	\$ 93	\$ 3,009	\$ 12,362
Securities Trades Receivables (Payables).....	(249)	(25,843)	(99,050)
Total Investment Pool Participation.....	\$ 31,863	\$ 831,221	\$ 4,457,134
Receivables:			
Interfund Receivables.....	\$ -	\$ -	\$ 4
Receivables.....	69	12,788	2,134
Accrued Interest and Dividends.....	-	-	-
Total Receivables.....	\$ 69	\$ 12,788	\$ 2,138
Securities Lending Collateral.....	\$ 2,598	\$ 87,592	\$ 400,888
Depreciable Capital Assets (Net).....	-	-	-
Nondepreciable Capital Assets.....	-	-	-
Total Assets.....	\$ 34,762	\$ 931,626	\$ 4,861,160
LIABILITIES			
Accounts Payable.....	\$ 1	\$ 1	\$ 3,826
Interfund Payables.....	224	-	2,709
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	-	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	-	-	-
Securities Lending Liabilities.....	2,598	87,592	400,888
Total Liabilities.....	\$ 2,823	\$ 87,593	\$ 407,423
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 31,939	\$ 844,033	\$ 4,453,737



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 280	\$ 1,300	\$ 6	\$ 4,187	\$ -	\$ 17,897
\$ 13,708	\$ 666,262	\$ 60	\$ 857,120	\$ -	\$ 2,623,586
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,251,695
50,472	2,723,089	370	3,593,309	-	9,961,257
151,037	8,161,325	359	10,773,195	-	29,486,524
-	-	-	-	886,399	3,148,919
\$ 201,509	\$ 10,884,414	\$ 729	\$ 14,366,504	\$ 886,399	\$ 43,848,395
\$ 581	\$ 31,384	\$ 3	\$ 41,578	\$ -	\$ 114,943
(4,654)	(251,463)	(34)	(331,939)	-	(914,378)
\$ 211,144	\$ 11,330,597	\$ 758	\$ 14,933,263	\$ 886,399	\$ 45,672,546
\$ 32	\$ 3,382	\$ -	\$ -	\$ -	\$ 8,356
411	10,843	-	13,962	-	83,667
-	-	-	-	-	95
\$ 443	\$ 14,225	\$ -	\$ 13,962	\$ -	\$ 92,118
\$ 18,835	\$ 1,017,756	\$ 76	\$ 1,343,468	\$ -	\$ 3,705,733
-	9,213	-	10,171	-	25,195
-	170	-	171	-	429
\$ 230,702	\$ 12,373,261	\$ 840	\$ 16,305,222	\$ 886,399	\$ 49,513,918
\$ 50	\$ 6,722	\$ -	\$ 12,180	\$ -	\$ 26,577
449	36	-	-	-	8,356
-	-	-	1	-	1
-	9,172	-	9,177	-	24,350
-	-	-	45	-	45
-	993	-	812	-	2,521
18,835	1,017,756	76	1,343,468	-	3,705,733
\$ 19,334	\$ 1,034,679	\$ 76	\$ 1,365,683	\$ -	\$ 3,767,583
\$ 211,368	\$ 11,338,582	\$ 764	\$ 14,939,539	\$ 886,399	\$ 45,746,335

**STATE OF MINNESOTA**

**PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES  
IN NET ASSETS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 21,988	\$ -	\$ 515	\$ 8,283
Member.....	15,267	-	514	2,988
Contributions From Other Sources.....	-	453	-	-
Total Contributions.....	<u>\$ 37,255</u>	<u>\$ 453</u>	<u>\$ 1,029</u>	<u>\$ 11,271</u>
Net Investment Income:				
Investment Income.....	\$ 69,324	\$ -	\$ 12,230	\$ 17,446
Less: Investment Expense.....	(737)	-	-	(177)
Net Investment Income.....	<u>\$ 68,587</u>	<u>\$ -</u>	<u>\$ 12,230</u>	<u>\$ 17,269</u>
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 422	\$ -	\$ 82	\$ 101
Borrower Rebates.....	(77)	-	(14)	(19)
Management Fees.....	(49)	-	(10)	(12)
Net Securities Lending Revenue.....	<u>\$ 296</u>	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 70</u>
Total Investment Income.....	<u>\$ 68,883</u>	<u>\$ -</u>	<u>\$ 12,288</u>	<u>\$ 17,339</u>
Transfers From Other Funds.....	\$ 27	\$ -	\$ -	\$ -
Other Additions.....	-	-	48	1
Total Additions.....	<u>\$ 106,165</u>	<u>\$ 453</u>	<u>\$ 13,365</u>	<u>\$ 28,611</u>
Deductions:				
Benefits.....	\$ 36,078	\$ 451	\$ 3,514	\$ 17,058
Refunds/Withdrawals.....	1,170	-	2,244	-
Administrative Expenses.....	455	1	52	42
Transfers to Other Funds.....	-	-	-	-
Total Deductions.....	<u>\$ 37,703</u>	<u>\$ 452</u>	<u>\$ 5,810</u>	<u>\$ 17,100</u>
Net Increase (Decrease).....	<u>\$ 68,462</u>	<u>\$ 1</u>	<u>\$ 7,555</u>	<u>\$ 11,511</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....				
	<u>\$ 456,783</u>	<u>\$ 213</u>	<u>\$ 101,993</u>	<u>\$ 114,690</u>
Change in Reporting Entity.....	-	-	-	-
Change in Fund Structure.....	-	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....				
	<u>\$ 456,783</u>	<u>\$ 213</u>	<u>\$ 101,993</u>	<u>\$ 114,690</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....				
	<u><u>\$ 525,245</u></u>	<u><u>\$ 214</u></u>	<u><u>\$ 109,548</u></u>	<u><u>\$ 126,201</u></u>

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ -	\$ -	\$ 115,181	\$ 10,104	\$ 6,333
171	90,445	228,190	113,716	6,726	4,472
1,975	-	-	-	-	-
<u>\$ 2,146</u>	<u>\$ 90,445</u>	<u>\$ 228,190</u>	<u>\$ 228,897</u>	<u>\$ 16,830</u>	<u>\$ 10,805</u>
\$ 3,219	\$ 12,965	\$ 308,697	\$ 1,047,553	\$ 68,619	\$ 28,722
(31)	-	-	(10,990)	(709)	-
<u>\$ 3,188</u>	<u>\$ 12,965</u>	<u>\$ 308,697</u>	<u>\$ 1,036,563</u>	<u>\$ 67,910</u>	<u>\$ 28,722</u>
\$ 16	\$ 95	\$ -	\$ 6,210	\$ 395	\$ 194
(3)	(16)	-	(1,140)	(73)	(31)
(2)	(12)	-	(760)	(48)	(25)
<u>\$ 11</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 4,310</u>	<u>\$ 274</u>	<u>\$ 138</u>
<u>\$ 3,199</u>	<u>\$ 13,032</u>	<u>\$ 308,697</u>	<u>\$ 1,040,873</u>	<u>\$ 68,184</u>	<u>\$ 28,860</u>
\$ -	\$ -	\$ -	\$ 14,618	\$ 28	\$ 259
-	63	2,305	321	13	-
<u>\$ 5,345</u>	<u>\$ 103,540</u>	<u>\$ 539,192</u>	<u>\$ 1,284,709</u>	<u>\$ 85,055</u>	<u>\$ 39,924</u>
\$ 7,159	\$ 35,613	\$ 30,353	\$ 473,447	\$ 46,119	\$ -
-	-	114,889	9,733	3	5,691
28	2,131	4,441	5,802	123	198
-	-	-	314	-	14,618
<u>\$ 7,187</u>	<u>\$ 37,744</u>	<u>\$ 149,683</u>	<u>\$ 489,296</u>	<u>\$ 46,245</u>	<u>\$ 20,507</u>
<u>\$ (1,842)</u>	<u>\$ 65,796</u>	<u>\$ 389,509</u>	<u>\$ 795,413</u>	<u>\$ 38,810</u>	<u>\$ 19,417</u>
\$ 28,663	\$ 255,382	\$ 3,106,469	\$ 6,897,118	\$ 450,060	\$ 233,971
-	-	-	-	-	-
-	-	-	-	-	-
<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>
<u>\$ 26,821</u>	<u>\$ 321,178</u>	<u>\$ 3,495,978</u>	<u>\$ 7,692,531</u>	<u>\$ 488,870</u>	<u>\$ 253,388</u>

CONTINUED

**STATE OF MINNESOTA**

**PENSION TRUST FUNDS (CONTINUED)  
COMBINING STATEMENT OF CHANGES  
IN NET ASSETS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer.....	\$ 1,582	\$ 4,798	\$ 107,065
Member.....	1,480	1,081	71,736
Contributions From Other Sources.....	-	-	-
Total Contributions.....	<u>\$ 3,062</u>	<u>\$ 5,879</u>	<u>\$ 178,801</u>
Net Investment Income:			
Investment Income.....	\$ 3,693	\$ 126,667	\$ 606,036
Less: Investment Expense.....	-	(1,486)	(6,358)
Net Investment Income.....	<u>\$ 3,693</u>	<u>\$ 125,181</u>	<u>\$ 599,678</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 24	\$ 769	\$ 3,600
Borrower Rebates.....	(4)	(147)	(660)
Management Fees.....	(3)	(93)	(441)
Net Securities Lending Revenue.....	<u>\$ 17</u>	<u>\$ 529</u>	<u>\$ 2,499</u>
Total Investment Income.....	<u>\$ 3,710</u>	<u>\$ 125,710</u>	<u>\$ 602,177</u>
Transfers From Other Funds.....	\$ -	\$ 9,000	\$ -
Other Additions.....	1	-	-
Total Additions.....	<u>\$ 6,773</u>	<u>\$ 140,589</u>	<u>\$ 780,978</u>
Deductions:			
Benefits.....	\$ -	\$ 147,099	\$ 326,041
Refunds/Withdrawals.....	1,817	27	1,493
Administrative Expenses.....	211	2,806	753
Transfers to Other Funds.....	-	-	-
Total Deductions.....	<u>\$ 2,028</u>	<u>\$ 149,932</u>	<u>\$ 328,287</u>
Net Increase (Decrease).....	<u>\$ 4,745</u>	<u>\$ (9,343)</u>	<u>\$ 452,691</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....			
	\$ 27,194	\$ -	\$ 4,001,046
Change in Reporting Entity.....	-	13,083	-
Change in Fund Structure.....	-	840,293	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	<u>\$ 27,194</u>	<u>\$ 853,376</u>	<u>\$ 4,001,046</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 31,939</u>	<u>\$ 844,033</u>	<u>\$ 4,453,737</u>

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 14,170	\$ 342,678	\$ 7	\$ 220,538	\$ 40,341	\$ 893,583
9,442	303,571	-	214,909	34,047	1,098,755
-	-	-	22,807	1,201	26,436
<u>\$ 23,612</u>	<u>\$ 646,249</u>	<u>\$ 7</u>	<u>\$ 458,254</u>	<u>\$ 75,589</u>	<u>\$ 2,018,774</u>
\$ 24,909	\$ 1,529,582	\$ (8)	\$ 2,100,983	\$ 80,566	\$ 6,041,203
(281)	(16,139)	-	(21,716)	-	(58,624)
<u>\$ 24,628</u>	<u>\$ 1,513,443</u>	<u>\$ (8)</u>	<u>\$ 2,079,267</u>	<u>\$ 80,566</u>	<u>\$ 5,982,579</u>
\$ 169	\$ 9,140	\$ -	\$ 12,065	\$ -	\$ 33,282
(31)	(1,677)	-	(2,214)	-	(6,106)
(21)	(1,120)	-	(1,478)	-	(4,074)
<u>\$ 117</u>	<u>\$ 6,343</u>	<u>\$ -</u>	<u>\$ 8,373</u>	<u>\$ -</u>	<u>\$ 23,102</u>
\$ 24,745	\$ 1,519,786	\$ (8)	\$ 2,087,640	\$ 80,566	\$ 6,005,681
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,932
-	241	-	3,593	-	6,586
<u>\$ 48,357</u>	<u>\$ 2,166,276</u>	<u>\$ (1)</u>	<u>\$ 2,549,487</u>	<u>\$ 156,155</u>	<u>\$ 8,054,973</u>
\$ 3,353	\$ 906,300	\$ 25	\$ 1,421,382	\$ 33,330	\$ 3,487,322
714	28,770	-	12,804	-	179,355
222	9,476	1	9,611	323	36,676
-	-	-	-	-	14,932
<u>\$ 4,289</u>	<u>\$ 944,546</u>	<u>\$ 26</u>	<u>\$ 1,443,797</u>	<u>\$ 33,653</u>	<u>\$ 3,718,285</u>
\$ 44,068	\$ 1,221,730	\$ (27)	\$ 1,105,690	\$ 122,502	\$ 4,336,688
\$ 167,300	\$ 10,116,852	\$ -	\$ 13,833,849	\$ 763,897	\$ 40,555,480
-	-	791	-	-	13,874
-	-	-	-	-	840,293
<u>\$ 167,300</u>	<u>\$ 10,116,852</u>	<u>\$ 791</u>	<u>\$ 13,833,849</u>	<u>\$ 763,897</u>	<u>\$ 41,409,647</u>
\$ 211,368	\$ 11,338,582	\$ 764	\$ 14,939,539	\$ 886,399	\$ 45,746,335

# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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# Investment Trust Funds

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## **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 funds authorized to be invested by the state.

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**STATE OF MINNESOTA**

**INVESTMENT TRUST FUNDS  
STATEMENT OF PLAN NET ASSETS  
JUNE 30, 2010  
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
<b>ASSETS</b>			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 18,756	\$ 53,688	\$ 72,444
Investments:			
Debt Securities.....	\$ 87,234	\$ 59,833	\$ 147,067
Equity Securities.....	216,046	52,719	268,765
Total Investments.....	\$ 303,280	\$ 112,552	\$ 415,832
Accrued Interest and Dividends.....	\$ 1,052	\$ 901	\$ 1,953
Securities Trades Receivables (Payables).....	(6,805)	(638)	(7,443)
Total Investment Pool Participation.....	\$ 316,283	\$ 166,503	\$ 482,786
Securities Lending Collateral.....	\$ 30,843	\$ 6,862	\$ 37,705
Total Assets.....	\$ 347,126	\$ 173,365	\$ 520,491
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 72	\$ -	\$ 72
Securities Lending Liabilities.....	30,843	6,862	37,705
Total Liabilities.....	\$ 30,915	\$ 6,862	\$ 37,777
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 316,211	\$ 166,503	\$ 482,714



**STATE OF MINNESOTA**

**INVESTMENT TRUST FUNDS  
STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 60,148	\$ 47,403	\$ 107,551
Total Contributions.....	<u>\$ 60,148</u>	<u>\$ 47,403</u>	<u>\$ 107,551</u>
Net Investment Income:			
Investment Income.....	\$ 13,086	\$ 8,805	\$ 21,891
Less: Investment Expense.....	(316)	-	(316)
Net Investment Income.....	<u>\$ 12,770</u>	<u>\$ 8,805</u>	<u>\$ 21,575</u>
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 312	\$ 42	\$ 354
Borrower Rebates.....	(93)	(14)	(107)
Management Fees.....	-	(21)	(21)
Net Securities Lending Revenue.....	<u>\$ 219</u>	<u>\$ 7</u>	<u>\$ 226</u>
Total Investment Income.....	<u>\$ 12,989</u>	<u>\$ 8,812</u>	<u>\$ 21,801</u>
Total Additions.....	<u>\$ 73,137</u>	<u>\$ 56,215</u>	<u>\$ 129,352</u>
Deductions:			
Refunds/Withdrawals.....	\$ 80,490	\$ 18,027	\$ 98,517
Total Deductions.....	<u>\$ 80,490</u>	<u>\$ 18,027</u>	<u>\$ 98,517</u>
Net Increase (Decrease).....	<u>\$ (7,353)</u>	<u>\$ 38,188</u>	<u>\$ 30,835</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 323,564</u>	<u>\$ 968,608</u>	<u>\$ 1,292,172</u>
Change in Fund Structure.....	<u>-</u>	<u>(840,293)</u>	<u>(840,293)</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	<u>\$ 323,564</u>	<u>\$ 128,315</u>	<u>\$ 451,879</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u><u>\$ 316,211</u></u>	<u><u>\$ 166,503</u></u>	<u><u>\$ 482,714</u></u>

# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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# Agency Fund

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## **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, 2010  
(IN THOUSANDS)**

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	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>MISCELLANEOUS AGENCY</b>				
ASSETS				
Cash and Cash Equivalents.....	\$ 131,015	\$ 1,254,691	\$ 1,283,635	\$ 102,071
Accounts Receivable.....	19,627	22,149	19,627	22,149
Total Assets.....	<u>\$ 150,642</u>	<u>\$ 1,276,840</u>	<u>\$ 1,303,262</u>	<u>\$ 124,220</u>
LIABILITIES				
Accounts Payable.....	\$ 150,642	\$ 1,276,840	\$ 1,303,262	\$ 124,220
Total Liabilities.....	<u>\$ 150,642</u>	<u>\$ 1,276,840</u>	<u>\$ 1,303,262</u>	<u>\$ 124,220</u>



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# Nonmajor Component Unit Funds

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## **Agricultural and Economic Development Board**

The board administers programs for agricultural and economic development.

## **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, 2009 and JUNE 30, 2010  
(IN THOUSANDS)**

ASSETS	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
<b>Current Assets:</b>			
Cash and Cash Equivalents.....	\$ 3,415	\$ 88	\$ 193,377
Investments.....	-	-	-
Accounts Receivable.....	-	754	5,494
Due from Primary Government.....	-	-	-
Accrued Investment/Interest Income.....	148	-	-
Federal Aid Receivable.....	-	-	-
Inventories.....	-	47	-
Deferred Costs.....	-	48	215
Loans and Notes Receivable.....	978	-	89,271
Other Assets.....	3,500	-	-
<b>Total Current Assets.....</b>	<b>\$ 8,041</b>	<b>\$ 937</b>	<b>\$ 288,357</b>
<b>Noncurrent Assets:</b>			
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 48,176
Investments-Restricted.....	21,907	-	-
Accounts Receivable-Restricted.....	-	2,878	-
Due from Primary Government.....	-	-	-
Investments.....	-	-	-
Accounts Receivable.....	-	-	-
Loans and Notes Receivable.....	1,666	-	644,639
Depreciable Capital Assets (Net).....	-	1,876	22
Nondepreciable Capital Assets.....	-	779	-
Other Assets.....	-	-	3,665
<b>Total Noncurrent Assets.....</b>	<b>\$ 23,573</b>	<b>\$ 5,533</b>	<b>\$ 696,502</b>
<b>Total Assets.....</b>	<b>\$ 31,614</b>	<b>\$ 6,470</b>	<b>\$ 984,859</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	\$ 13	\$ 1,211	\$ 3,506
Due to Primary Government.....	-	-	211
Unearned Revenue.....	-	868	8,481
Accrued Bond Interest Payable.....	172	-	-
Loans and Notes Payable.....	-	368	-
Revenue Bonds Payable.....	795	-	-
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	59
Other Liabilities.....	-	-	-
<b>Total Current Liabilities.....</b>	<b>\$ 980</b>	<b>\$ 2,447</b>	<b>\$ 12,257</b>
<b>Noncurrent Liabilities:</b>			
Accrued Bond Interest Payable-Restricted.....	\$ -	\$ -	\$ 382
Due to Primary Government.....	-	-	-
Loans and Notes Payable.....	-	2,927	-
Revenue Bonds Payable.....	6,565	-	590,100
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	647
Other Liabilities.....	-	-	3,316
<b>Total Noncurrent Liabilities.....</b>	<b>\$ 6,565</b>	<b>\$ 2,927</b>	<b>\$ 594,445</b>
<b>Total Liabilities.....</b>	<b>\$ 7,545</b>	<b>\$ 5,374</b>	<b>\$ 606,702</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt.....	\$ -	\$ 2,655	\$ 22
Restricted.....	21,383	-	377,806
Unrestricted.....	2,686	(1,559)	329
<b>Total Net Assets.....</b>	<b>\$ 24,069</b>	<b>\$ 1,096</b>	<b>\$ 378,157</b>

<u>PUBLIC FACILITIES AUTHORITY</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>TOTAL</u>
\$ 139,748	\$ 25,678	\$ 11,269	\$ 373,575
9,988	-	305,540	315,528
-	4	28,852	35,104
2,785	-	-	2,785
18,077	-	1,820	20,045
1,875	-	-	1,875
-	-	-	47
-	-	3,471	3,734
101,728	7,067	-	199,044
-	-	82	3,582
<u>\$ 274,201</u>	<u>\$ 32,749</u>	<u>\$ 351,034</u>	<u>\$ 955,319</u>
\$ -	\$ -	\$ -	\$ 48,176
-	-	-	21,907
-	-	-	2,878
18,591	-	-	18,591
99,863	-	-	99,863
-	-	372,093	372,093
1,642,306	50,064	-	2,338,675
-	-	-	1,898
-	-	-	779
2,470	-	-	6,135
<u>\$ 1,763,230</u>	<u>\$ 50,064</u>	<u>\$ 372,093</u>	<u>\$ 2,910,995</u>
<u>\$ 2,037,431</u>	<u>\$ 82,813</u>	<u>\$ 723,127</u>	<u>\$ 3,866,314</u>
\$ 3,180	\$ -	\$ 2,074	\$ 9,984
-	6,500	24,253	30,964
-	-	18,800	28,149
14,013	-	-	14,185
-	-	-	368
48,835	-	-	49,630
-	-	51,814	51,814
40	-	-	99
2,051	-	-	2,051
<u>\$ 68,119</u>	<u>\$ 6,500</u>	<u>\$ 96,941</u>	<u>\$ 187,244</u>
\$ -	\$ -	\$ -	\$ 382
-	71,285	-	71,285
-	-	-	2,927
938,872	-	-	1,535,537
-	-	576,186	576,186
380	-	-	1,027
73	-	-	3,389
<u>\$ 939,325</u>	<u>\$ 71,285</u>	<u>\$ 576,186</u>	<u>\$ 2,190,733</u>
<u>\$ 1,007,444</u>	<u>\$ 77,785</u>	<u>\$ 673,127</u>	<u>\$ 2,377,977</u>
\$ -	\$ -	\$ -	\$ 2,677
1,027,180	-	3,176	1,429,545
2,807	5,028	46,824	56,115
<u>\$ 1,029,987</u>	<u>\$ 5,028</u>	<u>\$ 50,000</u>	<u>\$ 1,488,337</u>

**STATE OF MINNESOTA**

**NONMAJOR COMPONENT UNIT FUNDS  
COMBINING STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2009 AND JUNE 30, 2010  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses.....	\$ 1,868	\$ 10,310	\$ 239,929
Program Revenues:			
Charges for Services.....	\$ 379	\$ 9,841	\$ 35,994
Operating Grants and Contributions.....	-	-	5,890
Net (Expense) Revenue.....	\$ (1,489)	\$ (469)	\$ (198,045)
General Revenues:			
Investment Income.....	\$ 813	\$ -	\$ -
Other Revenues.....	-	993	-
Total General Revenues before Grants.....	\$ 813	\$ 993	\$ -
State Grants Not Restricted.....	-	-	215,532
Total General Revenues.....	\$ 813	\$ 993	\$ 215,532
Change in Net Assets.....	\$ (676)	\$ 524	\$ 17,487
Net Assets, Beginning, as Reported.....	\$ 24,745	\$ 572	\$ 360,670
Net Assets, Ending.....	\$ 24,069	\$ 1,096	\$ 378,157



<u>PUBLIC FACILITIES AUTHORITY</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>TOTAL</u>
\$ 117,988	\$ 1,729	\$ 58,630	\$ 430,454
\$ 44,762	\$ 3,067	\$ 31,308	\$ 125,351
113,154	-	-	119,044
\$ 39,928	\$ 1,338	\$ (27,322)	\$ (186,059)
\$ -	\$ -	\$ 39,848	\$ 40,661
-	-	-	993
\$ -	\$ -	\$ 39,848	\$ 41,654
26,232	-	-	241,764
\$ 26,232	\$ -	\$ 39,848	\$ 283,418
\$ 66,160	\$ 1,338	\$ 12,526	\$ 97,359
\$ 963,827	\$ 3,690	\$ 37,474	\$ 1,390,978
\$ 1,029,987	\$ 5,028	\$ 50,000	\$ 1,488,337

**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, 2010  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 328	\$ 3,066	\$ 3,394
Rental and Service Fees.....	-	1	1
Other Income.....	51	-	51
Total Operating Revenues.....	<u>\$ 379</u>	<u>\$ 3,067</u>	<u>\$ 3,446</u>
Operating Expenses:			
Economic and Manpower Development.....	\$ 1,442	\$ 1,729	\$ 3,171
Total Operating Expenses.....	<u>\$ 1,442</u>	<u>\$ 1,729</u>	<u>\$ 3,171</u>
Operating Income (Loss).....	<u>\$ (1,063)</u>	<u>\$ 1,338</u>	<u>\$ 275</u>
Nonoperating Revenues (Expenses):			
Bond Interest Expense.....	\$ (426)	\$ -	\$ (426)
Investment/Interest Income.....	813	-	813
Total Nonoperating Revenues (Expenses).....	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ 387</u>
Change in Net Assets.....	<u>\$ (676)</u>	<u>\$ 1,338</u>	<u>\$ 662</u>
Net Assets, Beginning, as Reported.....	<u>\$ 24,745</u>	<u>\$ 3,690</u>	<u>\$ 28,435</u>
Net Assets, Ending.....	<u><u>\$ 24,069</u></u>	<u><u>\$ 5,028</u></u>	<u><u>\$ 29,097</u></u>

**STATE OF MINNESOTA**

**NONMAJOR COMPONENT UNITS  
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers.....	\$ 1,066	\$ 10,936	\$ 12,002
Receipts from Other Revenues.....	1,514	15,074	16,588
Payments to Customers.....	-	(10,075)	(10,075)
Payments to Suppliers.....	(764)	-	(764)
Payments to Others.....	-	(11,183)	(11,183)
Net Cash Flows from Operating Activities.....	<u>\$ 1,816</u>	<u>\$ 4,752</u>	<u>\$ 6,568</u>
<b>Cash Flows from Non-Capital Financing:</b>			
Payment of Bond Interest.....	\$ (493)	\$ -	\$ (493)
Repayment of Bond Principal.....	(2,525)	-	(2,525)
Loan Issuances.....	(400)	-	(400)
Net Cash Flows from Non-Capital Financing Activities.....	<u>\$ (3,418)</u>	<u>\$ -</u>	<u>\$ (3,418)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales and Maturities of Investments.....	\$ 5,391	\$ -	\$ 5,391
Purchase of Investments.....	(4,821)	-	(4,821)
Investment Interest.....	779	-	779
Net Cash Flows from Investing Activities.....	<u>\$ 1,349</u>	<u>\$ -</u>	<u>\$ 1,349</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (253)</u>	<u>\$ 4,752</u>	<u>\$ 4,499</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 3,668</u>	<u>\$ 20,926</u>	<u>\$ 24,594</u>
Cash and Cash Equivalents, Ending.....	<u><u>\$ 3,415</u></u>	<u><u>\$ 25,678</u></u>	<u><u>\$ 29,093</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>			
Operating Income (Loss).....	\$ (1,063)	\$ 1,338	\$ 275
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>			
Loans Receivable.....	\$ 2,879	\$ (2,126)	\$ 753
Due to Primary Government.....	-	5,540	5,540
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 2,879</u>	<u>\$ 3,414</u>	<u>\$ 6,293</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ 1,816</u></u>	<u><u>\$ 4,752</u></u>	<u><u>\$ 6,568</u></u>

# MINNESOTA



Headwaters of the mighty Mississippi



State of Minnesota

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# General Obligation Debt Schedule

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2010  
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**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED**  
**June 30, 2010**  
(In Thousands)

<u>Purpose of Issue</u>	<u>Law Authorizing</u>	<u>Total Authorization</u>	<u>Previously Issued</u>	<u>Remaining Authorization</u>
Building <sup>17, 18, 19, 20</sup>	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ 3.1
Building <sup>10, 14, 16, 18</sup>	1994, Ch. 643	523,874.5	523,849.0	25.5
Building <sup>8, 9, 10, 14</sup>	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building <sup>10, 11, 14, 15</sup>	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose <sup>3, 8, 9, 10, 13</sup>	2000, Ch. 492	527,684.7	518,170.0	9,514.7
Various Purpose <sup>3, 8, 10, 12</sup>	X2001, Ch. 12	116,758.7	115,425.0	1,333.7
Various Purpose <sup>2, 3, 8</sup>	2002, Ch. 374	74,017.0	74,017.0	0.0
Various Purpose <sup>2, 3, 6, 8, 10, 11</sup>	2002, Ch. 393	600,831.8	598,605.0	2,226.8
Various Purpose <sup>3, 8</sup>	X2002, Ch. 1	15,273.0	15,055.0	218.0
Trunk Highway <sup>2, 3</sup>	X2003, Ch. 19, Art.3	400,191.5	399,990.0	201.5
Trunk Highway <sup>2, 3</sup>	X2003, Ch. 19, Art.4	106,026.5	105,700.0	326.5
Various Purpose <sup>2, 6</sup>	2005, Ch. 20	941,297.4	905,079.0	36,218.4
Various Purpose <sup>2, 6, 7</sup>	2006, Ch. 258	1,002,855.2	928,975.0	73,880.2
Various Purpose <sup>2</sup>	X2007, Ch. 2	53,971.7	22,845.0	31,126.7
Trunk Highway <sup>2</sup>	X2007, Ch. 2	20,020.0	19,085.0	935.0
Trunk Highway	2008, Ch. 152	1,783,300.0	180,975.0	1,602,325.0
Transportation	2008, Ch. 152	60,060.0	37,500.0	22,560.0
Various Purpose <sup>2, 4</sup>	2008, Ch. 179	800,869.3	562,298.0	238,571.3
Various Purpose	2008, Ch. 365	105,500.0	58,400.0	47,100.0
Trunk Highway	2009, Ch. 36	40,000.0	5,000.0	35,000.0
Various Purpose <sup>2, 3</sup>	2009, Ch. 93	258,865.0	106,500.0	152,365.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	5.0
Various Purpose <sup>1</sup>	2010, Ch. 189	1,074,865.0	0.0	1,074,865.0
Trunk Highway <sup>1</sup>	2010, Ch. 189	32,945.0	0.0	32,945.0
Trunk Highway	2010, Ch. 388	100,100.0	0.0	100,100.0
Totals		<u>\$ 9,389,009.5</u>	<u>\$ 5,926,494.0</u>	<u>\$ 3,462,515.5</u>

- (1) The Governor vetoed \$361,460,000 of appropriations for Various Purpose capital projects and \$6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor will request that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session.
- (2) Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 374 by \$553,774; Laws 2002, Chapter 393 by \$280,914; Laws 2005, Chapter 20 by \$1,682,567; Laws 2006, Chapter 258 by \$7,770; Special Session Laws 2007, Chapter 2 by \$2,283,263; Laws 2008, Chapter 179 by \$152,660; and Laws 2009, Chapter 93 by \$3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by \$18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by \$85,155,000.
- (3) Minnesota Statutes 16A.642, required that on January 1, 2009 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, 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; and Special Session Laws 2002, Chapter 1 by \$178,656. 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.
- (4) Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by \$223,588,000.
- (5) Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$17,262,000; Laws 2005, Chapter 20 by \$2,000,000; and Laws 2006, Chapter 258 by \$3,767,000.
- (6) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by \$150,000.

- (7) 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: 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 Transportation Bonds authorized by Laws 2002, Chapter 374 by \$590,000.
- (8) 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: Special Session Laws 1997, Chapter 2 by 763,514; 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.
- (9) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by \$2,631,376; Special Session Laws 1997, Chapter 2 by \$18; and Laws 1999, Chapter 240 by \$24,887,000. Laws 2005, Chapter 20 also reduced Municipal Energy Building Bonds authorized by Laws 1994, Chapter 643 by \$25,000; 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.
- (10) 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 13 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.
- (11) 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.
- (12) 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.
- (13) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,964,000; Special Session Laws 1997, Chapter 2 by \$10,000,000; 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.
- (14) 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.
- (15) 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.
- (16) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$9,260,000. 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.
- (17) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$580,000; and Laws 1994, Chapter 643 by \$1,245,000.
- (18) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$115,000.
- (19) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$2,500,000.
- (20) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$2,500,000.

# MINNESOTA



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State of Minnesota

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# Statistical Section

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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.

# MINNESOTA



Headwaters of the mighty Mississippi



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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 3,516,294	\$ 4,998,667	\$ 5,525,157	\$ 5,943,503
Restricted	2,300,180	2,280,661	2,387,732	2,452,423
Unrestricted	<u>2,364,102</u>	<u>(526,251)</u>	<u>(987,312)</u>	<u>(673,695)</u>
<b>Total Governmental Activities Net Assets</b>	<b><u>\$ 8,180,576</u></b>	<b><u>\$ 6,753,077</u></b>	<b><u>\$ 6,925,577</u></b>	<b><u>\$ 7,722,231</u></b>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 776,233	\$ 812,780	\$ 872,804	\$ 884,486
Restricted	431,695	151,812	86,291	520,745
Unrestricted	<u>157,403</u>	<u>179,009</u>	<u>218,797</u>	<u>(1,096)</u>
<b>Total Business-type Activities Net Assets</b>	<b><u>\$ 1,365,331</u></b>	<b><u>\$ 1,143,601</u></b>	<b><u>\$ 1,177,892</u></b>	<b><u>\$ 1,404,135</u></b>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,292,527	\$ 5,811,447	\$ 6,397,961	\$ 6,827,989
Restricted	2,731,875	2,432,473	2,474,023	2,973,168
Unrestricted	<u>2,521,505</u>	<u>(347,242)</u>	<u>(768,515)</u>	<u>(674,791)</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$ 9,545,907</u></b>	<b><u>\$ 7,896,678</u></b>	<b><u>\$ 8,103,469</u></b>	<b><u>\$ 9,126,366</u></b>

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>	<u>2010</u>
\$ 6,468,103	\$ 6,781,966	\$ 7,775,939	\$ 8,285,028	\$ 8,947,341
2,482,626	2,703,598	2,693,756	2,552,659	3,060,905
<u>649,481</u>	<u>1,317,416</u>	<u>489,661</u>	<u>(917,895)</u>	<u>(2,646,096)</u>
<u>\$ 9,600,210</u>	<u>\$ 10,802,980</u>	<u>\$ 10,959,356</u>	<u>\$ 9,919,792</u>	<u>\$ 9,362,150</u>
\$ 931,297	\$ 1,016,955	\$ 1,108,136	\$ 1,199,727	\$ 1,293,856
852,943	1,058,032	1,140,070	737,400	509,705
<u>(1,089)</u>	<u>(1,403)</u>	<u>(5,900)</u>	<u>(38,907)</u>	<u>(300,615)</u>
<u>\$ 1,783,151</u>	<u>\$ 2,073,584</u>	<u>\$ 2,242,306</u>	<u>\$ 1,898,220</u>	<u>\$ 1,502,946</u>
\$ 7,399,400	\$ 7,798,921	\$ 8,884,075	\$ 9,484,755	\$ 10,241,197
3,335,569	3,761,630	3,833,826	3,290,059	3,570,610
<u>648,392</u>	<u>1,316,013</u>	<u>483,761</u>	<u>(956,802)</u>	<u>(2,946,711)</u>
<u>\$ 11,383,361</u>	<u>\$ 12,876,564</u>	<u>\$ 13,201,662</u>	<u>\$ 11,818,012</u>	<u>\$ 10,865,096</u>

**Schedule 2 - Changes in Net Assets  
Last Nine 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 <sup>(1)</sup>	179,838	179,037	187,779	196,047
Economic and Workforce Development <sup>(1)</sup>	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 <sup>(1)</sup>	609,199	541,828	557,414	612,566
Economic and Workforce Development <sup>(1)</sup>	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>

<sup>(1)</sup> 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	2010
\$ 174,807	\$ 130,830	\$ 143,073	\$ 159,155	\$ 156,139
19,226	18,796	21,474	45,385	25,397
218,376	335,670	360,056	339,523	358,666
214,650	44,551	52,400	47,377	49,212
38,808	42,943	54,662	42,192	21,342
-	-	-	-	3
447,404	265,853	330,570	285,963	353,929
245,015	278,846	240,331	270,153	266,565
4,187,909	4,609,077	4,909,527	5,996,063	6,775,255
1,506,094	1,891,362	1,767,796	1,758,923	3,388,958
452,197	236,700	449,765	272,736	206,292
<u>\$ 7,504,486</u>	<u>\$ 7,854,628</u>	<u>\$ 8,329,654</u>	<u>\$ 9,217,470</u>	<u>\$ 11,601,758</u>
\$ 694,053	\$ 750,742	\$ 794,091	\$ 827,997	\$ 771,104
1,054,227	946,269	835,725	800,590	972,425
449,761	422,570	461,565	482,738	499,271
178,764	230,657	233,944	232,570	246,829
176,023	187,530	217,224	872,484	1,958,195
1,963	1,839	1,142	4,262	1,554
<u>\$ 2,554,791</u>	<u>\$ 2,539,607</u>	<u>\$ 2,543,691</u>	<u>\$ 3,220,641</u>	<u>\$ 4,449,378</u>
<u>\$ 10,059,277</u>	<u>\$ 10,394,235</u>	<u>\$ 10,873,345</u>	<u>\$ 12,438,111</u>	<u>\$ 16,051,136</u>
\$ 818,192	\$ 855,328	\$ 901,641	\$ 944,400	\$ 958,915
1,791,316	1,795,056	2,047,500	2,068,880	2,468,573
525,251	762,549	825,842	834,458	950,738
273,510	568,064	704,501	695,314	715,085
7,336,455	7,323,406	7,675,567	7,811,723	8,042,744
786,563	921,339	981,943	912,011	981,859
8,823,115	9,596,061	10,296,359	11,248,700	11,949,235
718,996	771,733	816,111	800,123	762,238
1,400,479	1,489,439	1,511,715	1,435,897	1,558,453
172,612	208,719	221,162	210,435	261,802
<u>\$ 22,646,489</u>	<u>\$ 24,291,694</u>	<u>\$ 25,982,341</u>	<u>\$ 26,961,941</u>	<u>\$ 28,649,642</u>
\$ 1,479,519	\$ 1,550,936	\$ 1,675,051	\$ 1,743,609	\$ 1,802,527
690,713	735,987	828,857	1,865,939	3,038,557
332,031	311,893	346,834	363,832	377,025
183,043	215,005	228,361	235,163	222,110
<u>\$ 2,685,306</u>	<u>\$ 2,813,821</u>	<u>\$ 3,079,103</u>	<u>\$ 4,208,543</u>	<u>\$ 5,440,219</u>
<u>\$ 25,331,795</u>	<u>\$ 27,105,515</u>	<u>\$ 29,061,444</u>	<u>\$ 31,170,484</u>	<u>\$ 34,089,861</u>

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

	2002	2003	2004	2005
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:	\$ (397,380)	\$ (1,381,939)	\$ 88,267	\$ 834,503
Prior Period Adjustments	-	(41,919)	84,233	(37,849)
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	(3,641)	-	-
Change in Inventory	2,441	-	-	-
Business-type Activities:	(161,441)	(225,371)	34,291	226,243
Prior Period Adjustments	-	-	-	-
Change in Accounting Principle	-	-	-	-
Change 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>

<sup>(1)</sup> Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic A27 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	2010
\$ (15,142,003)	\$ (16,437,066)	\$ (17,652,687)	\$ (17,744,471)	\$ (17,047,884)
(130,515)	(274,214)	(535,412)	(987,902)	(990,841)
<u>\$ (15,272,518)</u>	<u>\$ (16,711,280)</u>	<u>\$ (18,188,099)</u>	<u>\$ (18,732,373)</u>	<u>\$ (18,038,725)</u>
\$ 7,069,242	\$ 7,463,959	\$ 7,929,096	\$ 7,203,337	\$ 6,792,510
1,189,328	1,160,380	1,039,843	741,049	539,534
4,439,667	4,600,984	4,474,576	4,338,748	4,379,236
633,288	667,395	703,972	733,899	746,685
539,468	1,025,820	1,011,494	955,785	997,214
659,980	647,168	651,988	758,271	826,574
2,663,939	2,154,689	2,149,162	2,206,648	2,224,237
184,139	184,924	186,425	176,140	157,924
101,803	155,016	121,638	57,790	21,242
28,447	91,867	103,416	95,316	145,608
-	-	-	-	-
(474,090)	(510,578)	(654,359)	(610,880)	(543,525)
<u>\$ 17,035,211</u>	<u>\$ 17,641,624</u>	<u>\$ 17,717,251</u>	<u>\$ 16,656,103</u>	<u>\$ 16,287,239</u>
\$ 18,300	\$ 26,786	\$ 48,126	\$ 32,306	\$ 8,483
17,141	17,811	1,649	630	-
474,090	510,578	654,359	610,880	543,525
<u>\$ 509,531</u>	<u>\$ 555,175</u>	<u>\$ 704,134</u>	<u>\$ 643,816</u>	<u>\$ 552,008</u>
<u>\$ 17,544,742</u>	<u>\$ 18,196,799</u>	<u>\$ 18,421,385</u>	<u>\$ 17,299,919</u>	<u>\$ 16,839,247</u>
\$ 1,893,208	\$ 1,204,558	\$ 64,564	\$ (1,088,368)	\$ (760,645)
(15,229)	7,684	-	94,658	87,186
-	-	91,812	(45,854)	115,817
-	(9,472)	-	-	-
-	-	-	-	-
379,016	280,961	168,722	(344,086)	(438,833)
-	-	-	-	43,559
-	-	-	-	-
-	9,472	-	-	-
<u>\$ 2,256,995</u>	<u>\$ 1,493,203</u>	<u>\$ 325,098</u>	<u>\$ (1,383,650)</u>	<u>\$ (952,916)</u>

**Schedule 3 - Fund Balances - Governmental Funds**  
**Last Nine 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><u>\$ 5,698,586</u></u>	<u><u>\$ 3,850,776</u></u>	<u><u>\$ 2,995,655</u></u>	<u><u>\$ 3,556,256</u></u>

Notes: 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.

The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Fiscal year 2010 fund balance classifications are not comparable to prior years' classifications.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 228,640	\$ 155,985	\$ 153,150	\$ 111,182	\$ -
610,167	1,124,122	689,476	-	-
-	-	-	(752,490)	-
<u>\$ 838,807</u>	<u>\$ 1,280,107</u>	<u>\$ 842,626</u>	<u>\$ (641,308)</u>	<u>\$ -</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>-</u>
<u>\$ 3,711,999</u>	<u>\$ 4,129,469</u>	<u>\$ 4,242,057</u>	<u>\$ 4,168,626</u>	<u>\$ -</u>
<u>\$ 4,550,806</u>	<u>\$ 5,409,576</u>	<u>\$ 5,084,683</u>	<u>\$ 3,527,318</u>	<u>\$ -</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes: 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.

The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Fiscal year 2010 fund balance classifications are not comparable to prior years' classifications.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ 465,601
-	-	-	-	173,687
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(1,525,534)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (886,246)</u>
\$ -	\$ -	\$ -	\$ -	\$ 718,469
-	-	-	-	2,380,542
-	-	-	-	537,009
-	-	-	-	3,920
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,639,940</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,753,694</u></u>

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

	2002	2003	2004	2005
<b>Revenues:</b>				
Individual Income Taxes	\$ 5,439,186	\$ 5,477,799	\$ 5,836,790	\$ 6,534,422
Corporate Income Taxes	454,318	572,689	648,837	711,136
Sales Taxes	3,795,942	3,822,453	3,959,236	4,281,391
Property Taxes	305,573	585,416	599,622	610,809
Motor Vehicle Taxes	1,111,953	1,109,090	1,096,890	1,067,444
Fuel Taxes	611,886	645,886	651,261	655,162
Federal Revenues	4,650,483	5,265,603	5,550,606	5,606,553
Other Taxes and Revenues	3,121,250	3,212,677	3,396,171	3,591,776
<b>Total Revenues</b>	<b>\$ 19,490,591</b>	<b>\$ 20,691,613</b>	<b>\$ 21,739,413</b>	<b>\$ 23,058,693</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety and Corrections	\$ 695,305	\$ 748,482	\$ 711,888	\$ 753,260
Transportation	1,610,669	1,724,106	1,647,447	1,644,500
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	637,139	594,696	575,363	578,000
Economic and Workforce Development <sup>(1)</sup>	776,484	750,463	649,090	617,247
General Education	5,460,622	6,929,529	6,512,633	6,820,292
Higher Education	864,395	785,887	745,406	764,072
Health and Human Services	7,118,313	8,091,315	8,229,553	8,465,547
General Government	712,474	604,481	617,052	622,177
Intergovernment Aid	1,287,768	1,480,533	1,355,683	1,284,576
Securities Lending Rebates and Fees	25,408	6,968	3,854	9,030
Capital Outlay	500,458	572,534	701,372	703,777
<b>Debt Service:</b>				
Principal	241,855	275,718	253,127	260,930
Interest	142,567	144,940	184,833	184,191
<b>Total Expenditures</b>	<b>\$ 20,073,457</b>	<b>\$ 22,709,652</b>	<b>\$ 22,187,301</b>	<b>\$ 22,707,599</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (582,866)</b>	<b>\$ (2,018,039)</b>	<b>\$ (447,888)</b>	<b>\$ 351,094</b>
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	\$ 602,613	\$ 256,362	\$ 417,937	\$ 507,294
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	-	14,897	-	17,885
Proceeds from Refunding Bonds	37,405	391,680	20,855	171,880
Payment of Refunding Bonds	(37,405)	-	(425,715)	(171,880)
Bond Issue Premium	35,476	58,252	33,455	61,662
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(601,319)	(523,318)	(456,971)	(387,029)
Capital Leases	3,326	3,134	1,774	8,387
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 40,096</b>	<b>\$ 201,007</b>	<b>\$ (408,665)</b>	<b>\$ 208,199</b>
Changes in Inventory	2,441	(321)	1,432	1,308
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	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 1,876,587</b>	<b>\$ (1,847,810)</b>	<b>\$ (855,121)</b>	<b>\$ 560,601</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.0%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.0%</b>

<sup>(1)</sup> 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	2010
\$ 7,068,712	\$ 7,412,381	\$ 7,932,036	\$ 7,162,974	\$ 6,729,244
1,189,915	1,163,095	1,024,040	727,928	540,504
4,473,275	4,513,452	4,499,550	4,279,178	4,411,277
631,279	665,746	704,246	729,373	766,830
1,037,593	1,025,820	1,011,494	955,785	997,214
659,647	648,078	651,860	756,381	825,341
5,864,373	6,333,686	6,858,191	7,887,945	10,020,456
4,080,518	4,027,767	4,005,067	3,810,907	4,074,393
<u>\$ 25,005,312</u>	<u>\$ 25,790,025</u>	<u>\$ 26,686,484</u>	<u>\$ 26,310,471</u>	<u>\$ 28,365,259</u>
\$ 793,202	\$ 813,636	\$ 858,385	\$ 891,480	\$ 901,983
1,776,980	1,765,410	2,029,762	2,040,334	2,416,333
537,220	755,168	782,381	866,963	918,410
703,108	605,784	719,801	704,736	755,337
7,337,888	7,320,491	7,673,220	7,808,279	8,038,447
786,606	922,772	983,319	913,292	981,868
8,820,143	9,581,606	10,298,462	11,238,043	11,929,558
690,753	699,585	772,835	753,882	730,091
1,400,479	1,489,439	1,511,715	1,435,897	1,549,453
18,049	29,929	21,534	1,237	132
854,612	693,041	818,701	746,955	643,736
288,932	349,941	373,619	389,371	381,845
183,240	222,175	220,957	230,645	295,974
<u>\$ 24,191,212</u>	<u>\$ 25,248,977</u>	<u>\$ 27,064,691</u>	<u>\$ 28,021,114</u>	<u>\$ 29,543,167</u>
<u>\$ 814,100</u>	<u>\$ 541,048</u>	<u>\$ (378,207)</u>	<u>\$ (1,710,643)</u>	<u>\$ (1,177,908)</u>
\$ 377,949	\$ 720,445	\$ 637,744	\$ 675,810	\$ 722,904
-	-	-	-	74,980
24,388	24,610	414	549	5,729
160,960	264,050	-	155,415	426,505
(160,960)	(264,050)	-	(155,415)	(426,505)
45,141	57,918	34,016	56,112	108,704
-	-	-	-	7,411
(449,246)	(479,598)	(622,455)	(580,540)	(523,176)
180,005	1,090	1,308	-	3,356
<u>\$ 178,237</u>	<u>\$ 324,465</u>	<u>\$ 51,027</u>	<u>\$ 151,931</u>	<u>\$ 399,908</u>
-	2,845	2,287	1,347	4,376
-	(9,588)	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 992,337</u>	<u>\$ 858,770</u>	<u>\$ (324,893)</u>	<u>\$ (1,557,365)</u>	<u>\$ (773,624)</u>
2.0%	2.3%	2.3%	2.3%	2.3%

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

	2001	2002	2003
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>\$ 131,842,391</u>	<u>\$ 136,423,455</u>	<u>\$ 142,386,159</u>
Derivation of Personal Income:			
Earnings By Place of Work	\$ 131,842,391	\$ 136,423,455	\$ 142,386,159
Other Personal Income <sup>(1)</sup>	<u>34,324,879</u>	<u>34,574,578</u>	<u>35,760,502</u>
Personal income	<u>\$ 166,167,270</u>	<u>\$ 170,998,033</u>	<u>\$ 178,146,661</u>

<sup>(1)</sup> 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 September 20, 2010.

Note 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 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, the 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	2009
\$	2,466,520	\$ 3,089,441	\$ 2,680,438	\$ 2,611,808	\$ 4,437,239	\$ 3,055,131
\$	301,315	\$ 301,845	\$ 322,520	\$ 326,460	\$ 334,601	\$ 343,486
	430,736	453,720	510,529	496,748	635,598	482,940
	1,273,103	1,248,361	1,359,490	1,341,738	1,486,868	1,515,451
	10,377,189	10,574,558	10,519,155	10,156,740	9,508,248	8,019,344
	14,703,033	14,903,048	15,139,874	15,484,077	15,516,229	14,102,116
	7,284,143	7,260,833	7,557,310	7,582,545	7,735,234	7,338,273
	9,500,469	10,025,738	10,539,400	11,077,061	11,523,055	10,760,403
	9,590,980	9,571,126	9,640,300	9,774,633	9,498,383	9,077,948
	5,433,112	5,583,772	5,294,729	5,539,557	5,749,921	5,170,534
	4,091,623	4,142,205	4,179,078	4,417,478	4,467,624	4,294,343
	12,187,514	12,647,381	13,391,232	14,040,372	13,405,787	13,092,848
	2,914,275	2,970,362	2,983,106	2,651,231	2,712,748	2,619,612
	10,825,901	11,440,141	12,375,438	13,449,811	14,365,535	13,778,816
	6,926,319	6,719,458	7,217,755	8,291,781	9,430,065	7,755,681
	4,333,128	4,611,705	4,902,735	5,080,034	5,112,934	4,655,383
	1,739,372	1,781,380	1,938,994	2,110,834	2,260,907	2,366,580
	15,988,253	16,675,293	18,059,007	19,245,134	20,244,583	21,238,553
	1,502,810	1,523,561	1,731,523	1,780,233	1,826,320	1,749,050
	3,587,470	3,677,062	3,795,917	4,026,521	3,950,264	3,826,791
	5,453,478	5,693,557	5,824,217	5,964,706	5,905,855	5,763,550
\$	128,444,223	\$ 131,805,106	\$ 137,282,309	\$ 142,837,694	\$ 145,670,759	\$ 137,951,702
\$	2,757,741	\$ 2,832,440	\$ 2,995,599	\$ 3,059,076	\$ 3,177,572	\$ 3,260,605
	745,144	966,040	896,525	971,403	960,408	1,058,107
	16,567,688	17,138,227	17,962,127	18,750,648	19,761,405	20,210,589
\$	20,070,573	\$ 20,936,707	\$ 21,854,251	\$ 22,781,127	\$ 23,899,385	\$ 24,529,301
	148,514,796	152,741,813	159,136,560	165,618,821	169,570,144	162,481,003
\$	150,981,316	\$ 155,831,254	\$ 161,816,998	\$ 168,230,629	\$ 174,007,383	\$ 165,536,134
\$	150,981,316	\$ 155,831,254	\$ 161,816,998	\$ 168,230,629	\$ 174,007,383	\$ 165,536,134
	37,348,629	38,158,390	44,040,406	48,447,030	52,151,340	54,901,449
\$	188,329,945	\$ 193,989,644	\$ 205,857,404	\$ 216,677,659	\$ 226,158,723	\$ 220,437,583

**Schedule 6 - Revenue Rates**  
**Tax Rates and Taxable Income Brackets for 2001 Through 2010**

**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

**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

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 2001 Through 2010 - (Cont'd.)**

**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

**Tax Year 2010**

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 33,280	\$33,281 - \$132,220	\$ 132,220
Married Separate	\$ 16,640	\$16,641 - \$ 66,110	\$ 66,110
Single	\$ 22,770	\$22,771 - \$ 74,780	\$ 74,780
Head of Household	\$ 28,030	\$28,031 - \$112,620	\$ 112,620

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

# MINNESOTA



Headwaters of the mighty Mississippi

**Schedule 7 - Principal Tax Payers**  
**Personal Income Tax Filers and Liability By Income Level**  
**Calendar Years 1999 and 2008**

**Calendar Year 1999**

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability <sup>(1)</sup>	Percent of Total
\$ 0 – 4,999	249,889	10.43%	\$ 3,722,673	0.07%
\$ 5,000 – 9,999	224,446	9.37%	18,901,496	0.35%
\$ 10,000 – 19,999	384,467	16.04%	111,000,783	2.07%
\$ 20,000 – 29,999	323,167	13.49%	242,409,164	4.53%
\$ 30,000 – 39,999	265,534	11.08%	340,144,594	6.35%
\$ 40,000 – 49,999	197,140	8.23%	342,045,948	6.39%
\$ 50,000 – 99,999	550,327	22.97%	1,670,868,392	31.21%
\$ 100,000 – 249,999	162,360	6.78%	1,193,241,339	22.29%
\$ 250,000 – 499,999	23,883	1.00%	465,182,828	8.69%
\$ 500,000 & Over	15,091	0.63%	966,627,525	18.05%
	<u>2,396,304</u>	<u>100.00%</u>	<u>\$5,354,144,742</u>	<u>100.00%</u>

**Calendar Year 2008**

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability <sup>(1)</sup>	Percent of Total
\$ 0 – 4,999	233,988	9.19%	\$ 3,588,683	0.05%
\$ 5,000 – 9,999	201,728	7.92%	6,797,920	0.09%
\$ 10,000 – 19,999	324,131	12.73%	66,515,188	0.93%
\$ 20,000 – 29,999	301,465	11.84%	173,397,454	2.41%
\$ 30,000 – 39,999	253,703	9.96%	260,376,454	3.63%
\$ 40,000 – 49,999	207,963	8.17%	322,014,928	4.48%
\$ 50,000 – 99,999	645,261	25.34%	1,847,773,404	25.73%
\$ 100,000 – 249,999	317,385	12.46%	2,183,190,792	30.40%
\$ 250,000 – 499,999	39,304	1.54%	744,386,446	10.37%
\$ 500,000 & Over	21,726	0.85%	1,572,896,921	21.90%
	<u>2,546,654</u>	<u>100.00%</u>	<u>\$ 7,180,938,190</u>	<u>100.00%</u>

<sup>(1)</sup>Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2008 is the most recent year available.

Source: Minnesota Department of Revenue, 1999 and 2008 Individual Income Tax Sample.

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

	2001	2002	2003	2004
<b>Governmental Activities:</b>				
General Obligation Bonds	\$ 2,588,155	\$ 2,923,221	\$ 3,295,545	\$ 3,055,496
Bond Premium <sup>(1)</sup>	-	-	92,387	117,619
Loans	36,643	39,618	24,198	19,653
Revenue Bonds	16,100	-	-	-
Capital Leases	26,357	18,027	8,846	9,085
<b>Total</b>	<b>\$ 2,667,255</b>	<b>\$ 2,980,866</b>	<b>\$ 3,420,976</b>	<b>\$ 3,201,853</b>
<b>Business-type Activities:</b>				
General Obligation Bonds	\$ 4,440	\$ 108,874	\$ 125,950	\$ 141,859
Bond Premium <sup>(1)</sup>	-	-	1,694	3,242
Loans	1,965	4,498	135,486	275,703
Revenue Bonds	1,410	53,365	52,925	51,410
Capital Leases	-	8,578	12,483	14,868
<b>Total</b>	<b>\$ 7,815</b>	<b>\$ 175,315</b>	<b>\$ 328,538</b>	<b>\$ 487,082</b>
<b>Total Debt to the Primary Government</b>	<b>\$ 2,675,070</b>	<b>\$ 3,156,181</b>	<b>\$ 3,749,514</b>	<b>\$ 3,688,935</b>
<b>Less: Set Aside to Repay General Debt</b>	<b>\$ (257,534)</b>	<b>\$ (243,830)</b>	<b>\$ (263,810)</b>	<b>\$ (258,925)</b>
<b>Net Debt to the Primary Government</b>	<b>\$ 2,417,536</b>	<b>\$ 2,912,351</b>	<b>\$ 3,485,704</b>	<b>\$ 3,430,010</b>
<b>Total Personal Income</b>	<b>\$ 160,833,329</b>	<b>\$ 166,167,270</b>	<b>\$ 170,998,033</b>	<b>\$ 178,146,661</b>
Ratio of Total Debt to Personal Income	1.66%	1.90%	2.19%	2.07%
Per Capita Total Outstanding Debt (Actual Dollars)	\$ 537	\$ 628	\$ 741	\$ 724
Ratio of Net General Obligation Debt to Personal Income	1.45%	1.68%	1.85%	1.65%
Per Capita Net General Obligation Debt (Actual Dollars)	\$ 468	\$ 555	\$ 624	\$ 577

<sup>(1)</sup> Bond Premium information not available prior to 2003.

<sup>(2)</sup> Estimate.

<sup>(3)</sup> Based on projected 2010 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

2005	2006	2007	2008	2009	2010
\$ 3,315,282	\$ 3,414,239	\$ 3,791,494	\$ 4,330,291	\$ 4,667,902	\$ 5,103,210
168,574	201,142	245,209	-	-	-
17,130	45,918	60,494	59,889	53,658	41,319
-	-	15,145	14,500	13,715	12,900
11,037	182,930	172,732	167,877	161,629	158,175
<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>	<u>\$ 5,315,604</u>
\$ 145,028	\$ 156,896	\$ 188,096	\$ 224,090	\$ 241,946	\$ 250,353
4,420	7,735	11,594	-	-	-
87,376	5,832	5,419	5,829	5,582	603,020
52,475	95,780	170,941	209,719	278,246	320,779
26,497	26,520	25,382	22,647	20,324	18,662
<u>\$ 315,796</u>	<u>\$ 292,763</u>	<u>\$ 401,432</u>	<u>\$ 462,285</u>	<u>\$ 546,098</u>	<u>\$ 1,192,814</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>\$ 6,508,418</u>
<u>\$ (286,535)</u>	<u>\$ (313,324)</u>	<u>\$ (372,510)</u>	<u>\$ (368,800)</u>	<u>\$ (406,310)</u>	<u>\$ (420,055)</u>
<u>\$ 3,541,284</u>	<u>\$ 3,823,668</u>	<u>\$ 4,313,996</u>	<u>\$ 4,666,042</u>	<u>\$ 5,036,692</u>	<u>\$ 6,088,363</u>
\$ 188,329,945	\$ 193,989,644	\$ 205,857,404	\$ 216,677,659	\$ 226,158,723	\$ 220,437,583 <sup>(2)</sup>
2.03%	2.13%	2.28%	2.32%	2.41%	2.95%
\$ 747	\$ 801	\$ 902	\$ 969	\$ 1,043	\$ 1,236 <sup>(3)</sup>
1.69%	1.68%	1.75%	1.93%	1.99%	2.24%
\$ 619	\$ 631	\$ 694	\$ 805	\$ 863	\$ 937

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

	2001	2002	2003	2004
<b>State University Board Revenue</b>				
<b>- Segment of College and University Enterprise Fund</b>				
Gross Revenues <sup>(1)</sup>	\$ 54,385	\$ 55,964	\$ 60,606	\$ 66,221
Less: Operating Expenses <sup>(2)</sup>	(42,343)	(47,830)	(47,599)	(54,221)
Net Available Revenue	<u>\$ 12,042</u>	<u>\$ 8,134</u>	<u>\$ 13,007</u>	<u>\$ 12,000</u>
Debt Service				
Principal	\$ 27,390	\$ -	\$ -	\$ 1,065
Interest	2,933	-	2,247	1,695
Total Debt Service	<u>\$ 30,323</u>	<u>\$ -</u>	<u>\$ 2,247</u>	<u>\$ 2,760</u>
Coverage	0.40	N/A	5.79	4.35
<b>Vermilion Community College and Itasca Community College Student Housing</b>				
<b>- Segments of College and University Enterprise Fund</b>				
Gross Revenues <sup>(1)</sup>	\$ 555	\$ 544	\$ 570	\$ 595
Less: Operating Expenses <sup>(2)</sup>	(329)	(309)	(335)	(332)
Net Available Revenue	<u>\$ 226</u>	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 263</u>
Debt Service				
Principal	\$ 110	\$ 120	\$ 130	\$ 140
Interest	110	101	96	86
Total Debt Service	<u>\$ 220</u>	<u>\$ 221</u>	<u>\$ 226</u>	<u>\$ 226</u>
Coverage	1.03	1.06	1.04	1.16
<b>Giants Ridge Enterprise Fund<sup>(4)</sup></b>				
Gross Revenues <sup>(1)</sup>	\$ 4,718	\$ 3,455	\$ 3,128	\$ 4,994
Less: Operating Expenses <sup>(2)</sup>	(3,982)	(4,070)	(3,876)	(4,283)
Net Available Revenue	<u>\$ 736</u>	<u>\$ (615)</u>	<u>\$ (748)</u>	<u>\$ 711</u>
Debt Service				
Principal <sup>(3)</sup>	\$ -	\$ 200	\$ 310	\$ 310
Interest	1,066	151	574	1,170
Total Debt Service	<u>\$ 1,066</u>	<u>\$ 351</u>	<u>\$ 884</u>	<u>\$ 1,480</u>
Coverage	0.69	(1.75)	(0.85)	0.48

<sup>(1)</sup> Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

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

<sup>(3)</sup> Revenue bonds were defeased in June 2001 and reissued in February 2002.

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

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

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

<sup>(7)</sup> 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.

<sup>(8)</sup> With the implementation of GASB Statement Number 54, the Iron Range Resources and Rehabilitation Fund moved to the General Fund. Beginning with Fiscal Year 2010, it is shown separately from the D.J. Johnson Economic Protection Trust Fund.

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



2005	2006	2007	2008	2009	2010
\$ 70,091	\$ 76,901	\$ 83,073	\$ 88,884	\$ 96,248	\$ 101,311
(53,884)	(57,496)	(60,778)	(65,166)	(69,867)	(71,426)
<u>\$ 16,207</u>	<u>\$ 19,405</u>	<u>\$ 22,295</u>	<u>\$ 23,718</u>	<u>\$ 26,381</u>	<u>\$ 29,885</u>
\$ 1,115	\$ 1,222	\$ 1,875	\$ 1,945	\$ 2,945	\$ 6,125
1,401	3,496	4,663	5,374	7,091	10,816
<u>\$ 2,516</u>	<u>\$ 4,718</u>	<u>\$ 6,538</u>	<u>\$ 7,319</u>	<u>\$ 10,036</u>	<u>\$ 16,941</u>
6.44	4.11	3.41	3.24	2.63	1.76
\$ 595	\$ 1,010	\$ 1,074	\$ 1,038	\$ 618	\$ 628
(385)	(660)	(567)	(675)	(346)	(338)
<u>\$ 210</u>	<u>\$ 350</u>	<u>\$ 507</u>	<u>\$ 363</u>	<u>\$ 272</u>	<u>\$ 290</u>
\$ 150	\$ 230	\$ 370	\$ 135	\$ 145	\$ 145
75	189	170	155	148	141
<u>\$ 225</u>	<u>\$ 419</u>	<u>\$ 540</u>	<u>\$ 290</u>	<u>\$ 293</u>	<u>\$ 286</u>
0.93	0.84	0.94	1.25	0.93	1.01
\$ 5,138	\$ 4,693	\$ 4,204	\$ 4,338	\$ 4,195	\$ 4,184
(4,532)	(5,139)	(5,293)	(5,447)	(5,796)	(5,889)
<u>\$ 606</u>	<u>\$ (446)</u>	<u>\$ (1,089)</u>	<u>\$ (1,109)</u>	<u>\$ (1,601)</u>	<u>\$ (1,705)</u>
\$ 615	\$ 615	\$ 665	\$ 705	\$ 760	\$ 815
1,071	1,045	1,009	963	917	858
<u>\$ 1,686</u>	<u>\$ 1,660</u>	<u>\$ 1,674</u>	<u>\$ 1,668</u>	<u>\$ 1,677</u>	<u>\$ 1,673</u>
0.36	(0.27)	(0.65)	(0.66)	(0.95)	(1.02)

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

	2001	2002	2003	2004
<b>Iron Range Resources and Rehabilitation Agency (IRRA) and D.J. Johnson Economic Protection Trust Funds<sup>(5) (8)</sup></b>				
Taconite Production Tax <sup>(7)</sup>	\$ -	\$ -	\$ -	\$ -
Net Available Revenue	\$ -	\$ -	\$ -	\$ -
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	\$ -	\$ -	\$ -	\$ -
Coverage	N/A	N/A	N/A	N/A
<b>Iron Range Resources and Rehabilitation Agency (IRRA)<sup>(8)</sup></b>				
Taconite Production Tax <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -
Net Available Revenue	\$ -	\$ -	\$ -	\$ -
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	\$ -	\$ -	\$ -	\$ -
Coverage	N/A	N/A	N/A	N/A
<b>911 Services Fund<sup>(6)</sup></b>				
911 Services Fees	\$ -	\$ -	\$ -	\$ -
Less: Operating Expenses <sup>(2)</sup>	-	-	-	-
Net Available Revenue	\$ -	\$ -	\$ -	\$ -
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	\$ -	\$ -	\$ -	\$ -
Coverage	N/A	N/A	N/A	N/A

<sup>(1)</sup> Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

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

<sup>(3)</sup> Revenue bonds were defeased in June 2001 and reissued in February 2002.

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

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

<sup>(6)</sup> Revenue bonds of \$35.0 million and \$42.2 were issued on November 1, 2006, and November 13, 2008,

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

<sup>(8)</sup> With the implementation of GASB Statement Number 54, the Iron Range Resources and Rehabilitation Fund moved to the General Fund. Beginning with Fiscal Year 2010, it is shown separately from the D.J. Johnson Economic Protection Trust Fund.

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

2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ 36,189	\$ 37,975	\$ 50,326	\$ 3,197
\$ -	\$ -	\$ 36,189	\$ 37,975	\$ 50,326	\$ 3,197
\$ -	\$ -	\$ -	\$ 644	\$ 786	\$ 408
-	-	529	640	610	289
\$ -	\$ -	\$ 529	\$ 1,284	\$ 1,396	\$ 697
N/A	N/A	68.41	29.58	36.05	4.59
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,612
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,612
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408
-	-	-	-	-	289
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697
N/A	N/A	N/A	N/A	N/A	28.14
\$ -	\$ -	\$ 49,527	\$ 52,271	\$ 52,677	\$ 60,229
-	-	(15,052)	(25,812)	(23,225)	(7,290)
\$ -	\$ -	\$ 34,475	\$ 26,459	\$ 29,452	\$ 52,939
\$ -	\$ -	\$ -	\$ 2,590	\$ 5,365	\$ 13,375
-	-	976	1,672	2,453	4,642
\$ -	\$ -	\$ 976	\$ 4,262	\$ 7,818	\$ 18,017
N/A	N/A	35.32	6.21	3.77	2.94

# MINNESOTA



Headwaters of the mighty Mississippi

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

<u>Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2000	4,933,958	\$ 160,833,329	\$ 32,597	35.4	3.1%
2001	4,982,813	\$ 166,167,270	\$ 33,348	35.7	3.8%
2002	5,017,458	\$ 170,998,033	\$ 34,081	35.9	4.5%
2003	5,047,862	\$ 178,146,661	\$ 35,292	36.1	4.9%
2004	5,079,344	\$ 188,329,945	\$ 37,078	36.3	4.6%
2005	5,106,560	\$ 193,989,644	\$ 37,988	36.5	4.2%
2006	5,148,346	\$ 205,857,404	\$ 39,985	36.7	4.1%
2007	5,191,206	\$ 216,677,659	\$ 41,739	36.9	4.6%
2008	5,230,567	\$ 226,158,723	\$ 43,238	37.2	5.4%
2009	5,266,214	\$ 220,437,583	\$ 41,859	37.3	8.0%

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**

<u>Employer</u>	<u>2001</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>
State of Minnesota	56,320	1	2.09%	53,729	1	2.04%
Mayo Foundation	24,587	5	0.91%	37,000	2	1.40%
United States Government	34,806	2	1.29%	33,000	3	1.25%
Target Corporation	31,731	3	1.18%	29,000	4	1.10%
Allina Health System	22,261	6	0.83%	23,818	5	0.90%
Fairview Health Services	18,495	8	0.69%	21,507	6	0.81%
Wells Fargo and Company	15,259	10	0.57%	20,613	7	0.78%
Wal-Mart Stores Inc.	-	-	-	20,230	8	0.77%
University of Minnesota	30,823	4	1.15%	19,718	9	0.75%
3M Company	18,606	7	0.69%	15,000	10	0.57%
Northwest Airlines Corp.	18,270	9	0.68%	-	-	-
Total	<u>271,158</u>			<u>273,615</u>		
Total State Employment	<u>2,689,351</u>			<u>2,639,716</u>		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published October 26, 2001, and March 6, 2009.  
Minnesota Department of Employment and Economic Development

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Primary Government:				
Public Safety and Corrections	5,792	5,750	5,807	5,705
Transportation	5,461	5,288	5,223	4,788
Agricultural, Environmental and Energy Resources <sup>(1)</sup>	4,806	4,645	4,539	4,400
Economic & Workforce Development <sup>(1)</sup>	2,696	2,654	2,669	4,257
General Education	943	911	880	857
Higher Education	13,714	13,704	14,094	14,006
Health and Human Services	9,155	9,039	9,118	7,415
General Government	<u>5,404</u>	<u>5,498</u>	<u>5,470</u>	<u>5,761</u>
Total	<u><u>47,971</u></u>	<u><u>47,489</u></u>	<u><u>47,800</u></u>	<u><u>47,189</u></u>

<sup>(1)</sup> 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
5,752	6,245	6,198	6,447	6,517	6,553
4,849	4,710	4,435	4,544	4,713	4,969
4,389	4,019	4,322	4,465	4,515	4,467
4,136	3,976	3,486	2,379	2,499	2,661
864	964	935	897	882	880
14,407	14,150	14,437	14,841	15,592	15,766
7,570	7,827	8,042	9,587	8,257	9,167
<u>6,050</u>	<u>6,520</u>	<u>6,559</u>	<u>7,393</u>	<u>8,393</u>	<u>6,868</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>	<u><u>51,331</u></u>

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

	2001	2002	2003	2004
<b>Public Safety and Corrections</b>				
Incarcerated Inmates	6,187	6,583	7,073	7,795
Offenders on Supervision	16,535	15,797	16,753	19,061
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,677,848	2,677,848	2,700,603	2,363,013
Crashes Investigated By State Patrol	24,083	22,827	22,939	18,789
<b>Transportation</b>				
Miles of Highways	N/A	29,024	29,078	29,153
Trunk Highway Bridges	N/A	2,855	2,784	2,831
Acres of Right-of-Way	N/A	247,019	250,243	252,205
<b>Agricultural, Environmental and Energy Resources</b>				
Recreational Fishing Licenses Issued/License Year	1,521,753	1,513,303	1,513,018	1,490,110
Watercraft Licenses Issued/Calendar Year	826,173	834,974	845,379	854,110
Acres of State Land Managed by Forestry/Fiscal Year	3,857,000	3,856,000	3,853,000	3,853,000
Farms/Calendar Year	81,000	80,900	80,000	79,600
Acres of Farmland/Calendar Year (1,000 Acres)	27,800	27,800	27,600	27,400
Agricultural Production-Crops/Calendar Year (In Thousands)	\$ 3,186,925	\$ 4,351,693	\$ 4,391,532	\$ 5,147,314
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$ 4,300,453	\$ 3,615,553	\$ 4,089,925	\$ 4,974,098
<b>Economic and Workforce Development</b>				
Unemployment Claims Filed	252,655	319,647	323,262	299,630
Workplace Injuries Reported	56,681	50,470	44,983	43,871
<b>General Education</b>				
Kindergarten Through Grade 12 Students <sup>(1)</sup>	842,764	839,424	835,227	829,832
School Districts	343	343	343	343
Charter Schools	64	67	78	88
Special Education Age 0-21 Childcount	112,833	113,930	115,802	117,666
<b>Higher Education</b>				
Full Year Equivalents	118,861	126,215	132,586	135,819
Number of Students Graduated	24,907	26,680	29,438	32,480
Buildings - Square Footage	23,815,342	24,310,545	24,509,182	25,263,803
<b>Health and Human Services</b>				
Average Monthly Cash Recipients	170,546	179,905	184,848	182,645
Average Monthly Health Care Enrollees	532,722	579,388	636,228	649,032
Health Care Providers	5,050	5,250	5,517	5,491
<b>General Government</b>				
Individual Income Tax Payers/Calendar Year	2,442,043	2,415,039	2,416,197	2,415,563
Corporate Income Tax Returns/Calendar Year	44,220	50,498	37,522	51,803
Sales Tax Permit Holders/Calendar Year	250,000	234,000	226,000	229,000

Note: N/A = Information not available.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Estimate.

Source: Applicable State Agencies



2005	2006	2007	2008	2009	2010
7,978	8,874	8,900	9,270	9,217	9,619
18,106	19,977	18,979	20,132	20,974	20,559
10	10	10	10	10	10
2,344,311	1,542,648 <sup>(2)</sup>	1,402,284	1,436,622	1,268,416	1,277,295
23,429	23,777	20,975	20,198	20,297	20,324
29,130	29,100	29,200	29,191	29,228	29,228
2,876	2,907	2,924	2,981	3,021	2,988
252,433	253,852	254,087	254,074	254,269	254,880
1,478,219	1,499,482	1,386,087	1,326,087	1,363,841	N/A
853,999	863,434	866,971	870,736	873,986	N/A
3,853,000	3,853,000	3,852,000	3,847,000	3,922,744	3,915,225
79,600	79,300	81,000	81,000	81,000	N/A
27,200	27,000	26,900	26,900	26,900	N/A
\$ 4,866,387	\$ 5,183,498	\$ 6,848,553	\$ 10,259,164	\$ 8,714,657	N/A
\$ 4,970,842	\$ 4,864,539	\$5,849,694	\$ 6,095,540	\$ 4,914,117	N/A
285,669	276,381	228,664	189,419	332,320	275,048 <sup>(3)</sup>
42,002	39,919	39,827	38,178	35,416	32,828
825,843	826,543	827,197	823,755	821,021	821,823 <sup>(3)</sup>
343	343	340	340	340	337
106	125	131	143	153	154
118,501	119,720	121,511	123,269	124,592	126,108
135,494	134,220	135,839	139,885	143,924	154,249 <sup>(3)</sup>
32,638	33,860	33,796	33,328	35,026	35,026
25,559,289	25,725,125	26,007,169	26,065,364	26,672,956	26,792,759
171,738	164,632	159,390	158,556	164,293	174,372
663,529	667,182	661,265	667,086	707,006	776,430
5,726	6,276	6,710	7,120	8,368	7,971
2,501,144	2,563,373	2,602,439	2,715,679	2,687,864	2,695,214
39,334	43,304	38,339	40,900	33,822	32,115
219,000	197,000	256,000	277,000	277,000	284,000

Note: Of the \$13.8 billion in capital assets owned by the state, \$9.3 billion (67.4 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining \$4.5 billion in capital assets is allocated to other functions.