State of Minnesota

Comprehensive Annual Financial Report

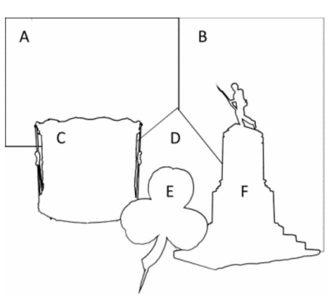
For the Year Ended June 30, 2013

2013 marks the 150th commemoration of the Battle of Gettysburg, Pennsylvania. Here on July 2, 1863, the heroic action of a small regiment of Minnesota volunteers, the 1st Minnesota, has been considered by some historians as a turning point for the battle, and by extension, the entire Civil War.

The story of the 1st Minnesota began in April 1861. When war between the Northern states of the Union and the Southern states of the Confederacy was threatened, Minnesota was the first state to offer volunteers to President Abraham Lincoln and the 1st Minnesota was formed. In the course of the war, the organization sustained high degrees of casualties at the Battles of First Bull Run (20%) and Antietam (28%) before the path took them to Gettysburg.

At Gettysburg, the two armies of Generals George Meade and Robert E. Lee converged and a three day battle ensued. On the second day of the battle, the 1st Minnesota, numbering less than 300, found themselves at the middle of a broken Union line. Seeing the break, field General Winfield Scott Hancock yelled to the regiment's commander, "My God, is this all there are of you?", then immediately ordered them to charge forward to stop the 1700 Confederates rushing to crash through the blue line. The 1st moved forward in the face of certain death to hold the line just long enough for Hancock to bring up reinforcements, pushing the Confederate forces back and ultimately ending Lee’s plan of Northern invasion. All but 43 of the brave Minnesotans were killed or wounded, making their casualty count of 83%, the greatest proportionately in the battle, and one of the greatest losses of any regiment in the war.

Speaking about the 1st Minnesota after the war, U.S. President Calvin Coolidge praised their gallantry for the famed attack, noting “…those eight companies of the 1st Minnesota are entitled to rank as the saviors of their country."



A. Officers of the 1st Minnesota. Their fate is tantamount to the whole of the regiment: two were killed and one wounded at Gettysburg, two died of wounds sustained in other battles and only one survived the Civil War unscathed.
B. *Attack of the 1st Minnesota at Gettysburg* painting by Don Troiani. Courtesy of the National Guard.
C. Drum used by the 1st Minnesota.
D. Typical discharge paper issued to the Union soldiers at the end of the war (1865).
E. United States Army infantry corps badge worn during the Civil War by members of the 1st Minnesota Volunteer Infantry Regiment, Company C.
F. Monument to the 1st Minnesota on the battlefield at Gettysburg.

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

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

State of Minnesota

2013 Comprehensive Annual Financial Report

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

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

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

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

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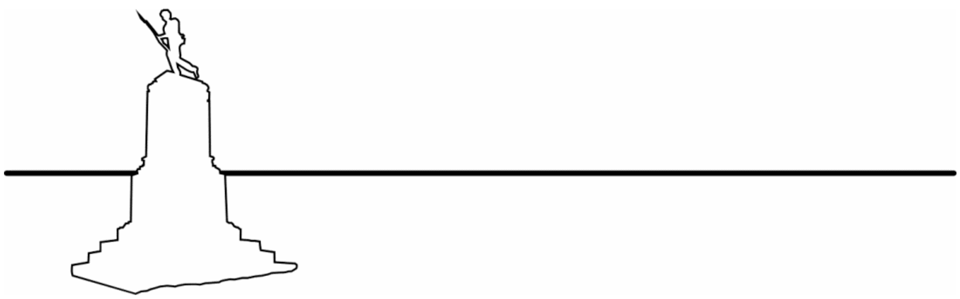


State of Minnesota

2013 Comprehensive Annual Financial Report

Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 18, 2013

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 Mark Dayton, 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, 2013. 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, management's discussion and analysis, basic financial statements, 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, 2013. 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, 2013. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2014.

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 blended and discretely presented 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. Component units meeting this criteria are considered discretely presented unless the boards are substantially the same as the state or the component unit provides services or benefits entirely, or almost entirely, to the state.

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, Workers' Compensation Assigned Risk Plan, and Minnesota Sports Facilities Authority are component units reported discretely. The state has the ability to either impose its will over these agencies or provides or will provide substantial funding.

The Tobacco Securitization Authority is a blended component unit as it exists exclusively to benefit the state.

Minnesota Management and Budget is responsible for the Statewide Integrated Financial Tools (SWIFT), an Oracle PeopleSoft Enterprise Resource Planning System, which replaced a previous accounting system on July 1, 2011. The majority of the information related to these financial statements was prepared from information provided by SWIFT. SWIFT maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting basis for the financial statements. As SWIFT does not maintain all accrual information, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. The second ledger tracks information on a budgetary basis and recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. 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 SWIFT. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

Economic Condition and Outlook

Minnesota's economy continues to make solid gains. The Bureau of Economic Analysis (BEA) reports the state's real GDP rose 3.5 percent in calendar 2012, ranking among the six fastest-growing state economies during that year. Minnesota ended fiscal year 2013 with a seasonally adjusted unemployment rate of 5.2 percent, 2.2 percentage points below the national rate. Minnesota's unemployment rate fell to 4.8 percent in October, the lowest level since the recession began in December 2007. First time claims for jobless benefits have fallen to levels not observed in more than a decade. Leading indicators, such as temporary help employment, average hours worked, job vacancies, and the number of unemployed, remain strong. Preliminary income tax withholding collections suggest that Minnesota's wage and salary income grew 4.4 percent during fiscal year 2013, outperforming both previous expectations and the national growth rate of 3.2 percent.

Non-farm employment payrolls have increased by an average of 3,800 jobs each month during the first four months of fiscal year 2014, about the same modest pace as the last two years. Gains are occurring across every major industry, with the exception of manufacturing and federal government employment. That diverse economic revival has helped Minnesota recover from recession faster than the nation. As of August 2013, the state has now recovered all of the approximately 150,000 jobs lost during the Great Recession that began in December 2007. Nationally, about 82 percent of the 8 million jobs lost during the recession have been recovered.

Minnesota's housing market continues to show widespread improvement. Home sales lost some momentum before the end of fiscal year 2013, but stronger fundamentals and a pickup in household formation are releasing demand built up during the recession and weak recovery. New buyers are taking advantage of historically low mortgage rates and more homes are selling. In the Twin Cities area, for example, the Minneapolis Area Association of Realtors (MAAR) reports closed sales are up 11 percent during the first 10 months of calendar 2013 relative to the same period a year earlier. Stronger demand is rapidly absorbing excess units created during the housing boom, leaving inventories near record lows, which along with a falloff in distressed sales, are fuelling more competition among buyers.

Employment and income growth are expected to grow modestly in fiscal year 2014, reflecting stronger consumer and business fundamentals in the broader U.S. economy, rising demand for new home construction, and improving global growth.

Minnesota total non-farm employment rose 1.4 percent in fiscal 2013, after a 1.5 percent increase in fiscal year 2012. Employment growth is forecast to accelerate to 1.7 percent growth in fiscal year 2014 and maintain that same pace in fiscal year 2015.

Minnesota personal income grew 2.2 percent in fiscal year 2013, following growth of 4.6 percent in fiscal year 2012. Income growth is expected to pick up to 4.5 percent in fiscal year 2014 and maintain a similar pace of 4.6 percent in fiscal year 2015.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2013 with an unassigned fund balance of $651 million. This balance resulted from higher than anticipated year-end revenues, gains in transfers and other resources, and lower spending. The ending balance carried forward into fiscal year 2014; however, it did not materially change the outlook for the 2014-15 biennium. Of this balance, $292 million will be used in fiscal year 2014 to complete the repayment of the K-12 school aid payment shift to a 90/10 payment schedule. The remaining $344 million will be used to reduce the property tax recognition shift percentage from 48.6 percent to 23.1 percent. General Fund spending in fiscal year 2013 increased, on a budgetary basis, by 13.0 percent while revenues increased by 9.2 percent compared to fiscal year 2012. The partial buyback of the K-12 school aid payment shift increased spending by more than $1.5 billion in fiscal year 2013.

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 GAAP basis, the General Fund reported a balance of $1.3 billion for fiscal year 2013, a difference of $634 million from the budgetary General Fund balance. The difference between the General Fund 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, 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 $1.0 billion. 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 $411 million. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

New State Agency

Minnesota enacted legislation in March 2013 authorizing the establishment of the Minnesota Insurance Marketplace “MNsure,” an option made available under the federal Affordable Care Act, Public Law 111-148. MNsure began operating in October 2013 under the governance of an independent board of directors and acts as a virtual marketplace at which individuals, families, and small businesses can shop, compare, and enroll in health insurance plans. Enrolling through MNsure allows many individuals to qualify for a federal subsidy to purchase their coverage and also facilitates enrollment in public programs.

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, 2012. This was the twenty-eighth 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 the efforts of all involved, this report would not have been possible.

Sincerely,

James Schowalter
Commissioner

Government Finance Officers Association

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, 2012

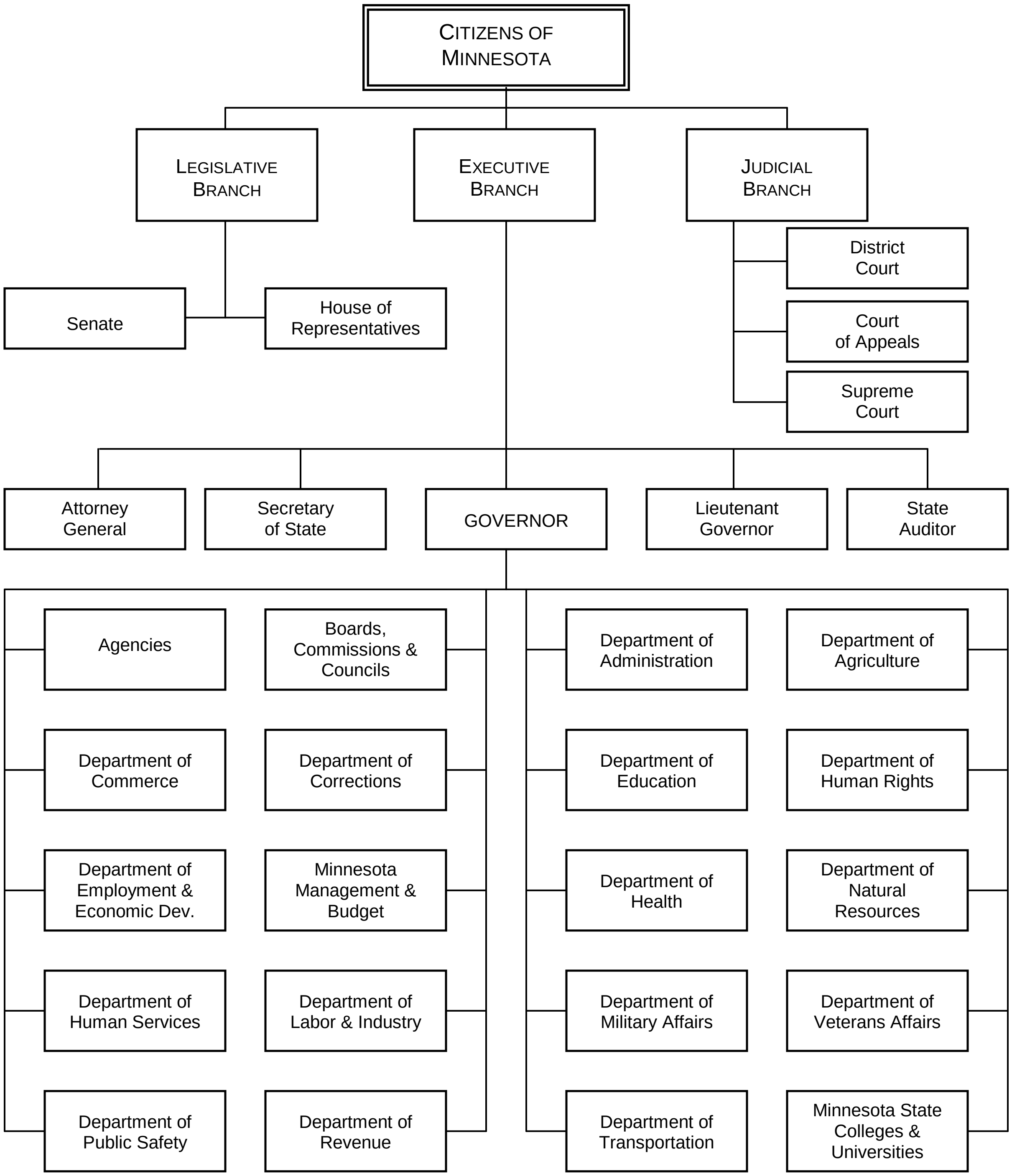
Jeffrey R. Emer

Executive Director/CEO

State of Minnesota

2013 Comprehensive Annual Financial Report

State Organization Chart



State Principal Officials

Executive Branch

Governor	Mark Dayton
Lieutenant Governor	Yvonne Prettner Solon
Attorney General	Lori Swanson
Secretary of State	Mark Ritchie
State Auditor	Rebecca Otto

Legislative Branch

Speaker of the House of Representatives	Paul Thissen
President of the Senate	Sandra Pappas

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea

State of Minnesota

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Financial Section

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

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

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, 2013, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The State of Minnesota's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 67 percent, 62 percent, and 25 percent, respectively, of the total assets, net position, 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, 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 position, 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.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Phone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us • Web Site: www.auditor.leg.state.mn.us • Minnesota Relay: 1-800-627-3529 or 7-1-1

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the National Sports Center Foundation and the Workers' Compensation Assigned Risk Plan, which are discretely presented nonmajor component units, were not audited in accordance with *Government Auditing Standards*.

We believe that the audit evidence we have obtained and the reports of other auditors is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the fiscal year 2012 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is 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.

Other Reporting Required by *Government Auditing Standards*

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.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 18, 2013

Management’s Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state’s financial activities for the fiscal year ended June 30, 2013, and identifies changes in the financial position of the state that 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 position 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 position 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 position 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 position 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 position 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 position 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.

Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. 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. 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 has one blended component unit, the Tobacco Securitization Authority, that is shown as a nonmajor special revenue fund.

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

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

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's seven discretely presented 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
- Minnesota Sports Facilities Authority

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.

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 assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

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

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

The state maintains 23 individual state governmental funds, plus the blended component unit discussed above. 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 16 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 position and in the proprietary funds statement of revenues, expenses, and changes in net position. Information from the eight nonmajor enterprise funds and the six 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 discretely presented component units in a single column on the statement of net position. Also, some information on the statement of changes in net position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report. The state's blended component unit is included in a combined single, aggregated column for nonmajor governmental funds. Individual fund data for this blended component unit is provided in the form of combining statements for nonmajor governmental funds included in this report.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2013, by $15.6 billion (presented as net position). Of this amount, a deficit of $2.0 billion was reported as unrestricted net position. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

- The state's total net position increased by $2.4 billion (17.7 percent) during fiscal year 2013. Net position of governmental activities increased by $1.6 billion (15.5 percent), while net position of the business-type activities showed an increase of $708 million (26.8 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 $5.7 billion, an increase of $1.5 billion compared to the prior year. Included in the ending fund balance is a General Fund unassigned balance of $210 million. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by $338 million (3.7 percent) during the current fiscal year. The increase is primarily a result of the state issuing general obligation bonds for trunk highway projects and other various state purposes. In addition, the state issued state General Fund appropriation refunding bonds to refund the tobacco settlement revenue bonds issued by the Tobacco Securitization Authority (blended component unit) in the prior year.

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled $15.6 billion at the end of fiscal year 2013, compared to $13.3 billion at the end of the previous year.

Net Position
June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current Assets[1]	$ 12,114,119	$ 11,302,014	$ 2,380,675	$ 1,735,427	$ 14,494,794	$ 13,037,441
Noncurrent Assets:						
Capital Assets[1]	13,379,535	12,908,015	2,121,568	2,015,065	15,501,103	14,923,080
Other Assets	796,531	853,032	142,144	123,406	938,675	976,438
Total Assets	$ 26,290,185	$ 25,063,061	$ 4,644,387	$ 3,873,898	$ 30,934,572	$ 28,936,959
Current Liabilities	$ 6,080,079	$ 6,709,396	$ 395,035	$ 368,881	$ 6,475,114	$ 7,078,277
Noncurrent Liabilities	7,911,758	7,702,030	901,420	865,048	8,813,178	8,567,078
Total Liabilities	$ 13,991,837	$ 14,411,426	$ 1,296,455	$ 1,233,929	$ 15,288,292	$ 15,645,355
Net Position:						
Net Investment in Capital Assets[1]	$ 10,250,660	$ 9,889,953	$ 1,456,939	$ 1,394,303	$ 11,707,599	$ 11,284,256
Restricted	4,050,489	3,546,397	1,899,250	1,252,075	5,949,739	4,798,472
Unrestricted[1]	(2,002,801)	(2,784,715)	(8,257)	(6,409)	(2,011,058)	(2,791,124)
Total Net Position	$ 12,298,348	$ 10,651,635	$ 3,347,932	$ 2,639,969	$ 15,646,280	$ 13,291,604

[1] 2012 has been restated to be consistent with 2013 presentation.

The largest portion, $11.7 billion of $15.6 billion, of the state's net position 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 $5.9 billion of the state's net position 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 position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of $2.0 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 position; 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 position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net position for governmental and business-type activities increased $2.4 billion (17.7 percent) over the course of this fiscal year. This resulted from a $1.6 billion (15.5 percent) increase in net position of governmental activities, and a $708 million (26.8 percent) increase in net position of business-type activities.

Changes in Net Position
Fiscal Years Ended June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services[1]	$ 1,507,737	$ 1,317,943	$ 3,154,583	$ 3,088,037	$ 4,662,320	$ 4,405,980
Operating Grants and Contributions	9,153,096	8,410,311	710,153	1,113,581	9,863,249	9,523,892
Capital Grants	167,097	135,113	-	-	167,097	135,113
General Revenues:						
Individual Income Taxes	9,209,954	8,409,530	-	-	9,209,954	8,409,530
Corporate Income Taxes	1,242,912	953,428	-	-	1,242,912	953,428
Sales Taxes	5,004,330	4,849,514	-	-	5,004,330	4,849,514
Property Taxes	831,316	809,044	-	-	831,316	809,044
Motor Vehicle Taxes	1,241,242	1,150,343	-	-	1,241,242	1,150,343
Fuel Taxes	860,837	849,955	-	-	860,837	849,955
Other Taxes	2,436,828	2,253,625	-	-	2,436,828	2,253,625
Tobacco Settlement	171,338	166,154	-	-	171,338	166,154
Investment/Interest Income	23,129	12,873	17,545	6,567	40,674	19,440
Other Revenues[1]	128,115	135,707	2,215	12,134	130,330	147,841
Total Revenues	$ 31,977,931	$ 29,453,540	$ 3,884,496	$ 4,220,319	$ 35,862,427	$ 33,673,859
Expenses:						
Agricultural, Environmental and Energy Resources	$ 954,721	$ 916,001	$ -	$ -	$ 954,721	$ 916,001
Economic and Workforce Development	571,265	543,680	-	-	571,265	543,680
General Education	8,207,311	7,890,863	-	-	8,207,311	7,890,863
General Government[1]	971,198	885,328	-	-	971,198	885,328
Health and Human Services[1]	13,146,913	12,488,172	-	-	13,146,913	12,488,172
Higher Education[1]	849,510	795,389	-	-	849,510	795,389
Intergovernmental Aid	1,269,078	1,358,521	-	-	1,269,078	1,358,521
Public Safety and Corrections	970,095	952,585	-	-	970,095	952,585
Transportation[1]	2,683,545	2,280,481	-	-	2,683,545	2,280,481
Interest	218,218	506,909	-	-	218,218	506,909
State Colleges and Universities	-	-	1,891,779	1,816,268	1,891,779	1,816,268
Unemployment Insurance	-	-	1,060,431	1,490,943	1,060,431	1,490,943
Lottery	-	-	425,541	396,590	425,541	396,590
Other[1]	-	-	288,146	270,276	288,146	270,276
Total Expenses	$ 29,841,854	$ 28,617,929	$ 3,665,897	$ 3,974,077	$ 33,507,751	$ 32,592,006
Excess (Deficiency) Before Transfers	$ 2,136,077	$ 835,611	$ 218,599	$ 246,242	$ 2,354,676	$ 1,081,853
Transfers	(489,364)	(480,195)	489,364	480,195	-	-
Change in Net Position	$ 1,646,713	$ 355,416	$ 707,963	$ 726,437	$ 2,354,676	$ 1,081,853
Net Position, Beginning[1]	$ 10,651,635	$ 10,296,219	$ 2,639,969	$ 1,913,532	$ 13,291,604	$ 12,209,751
Net Position, Ending	$ 12,298,348	$ 10,651,635	$ 3,347,932	$ 2,639,969	$ 15,646,280	$ 13,291,604

[1] 2012 has been restated to be consistent with 2013 presentation.

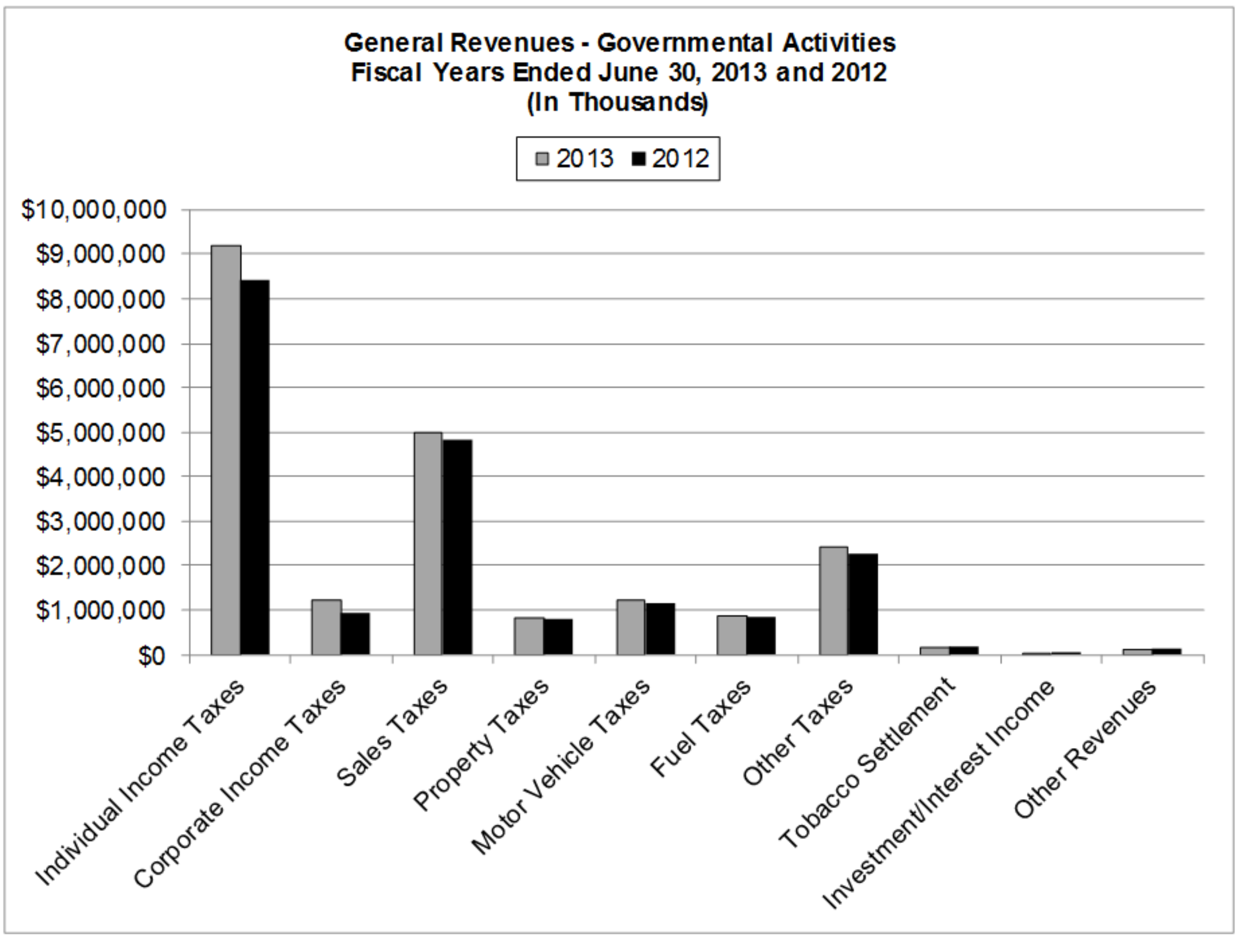
Approximately 58 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 28 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 13 percent of the total revenues. The remaining 1 percent came from other general revenues.

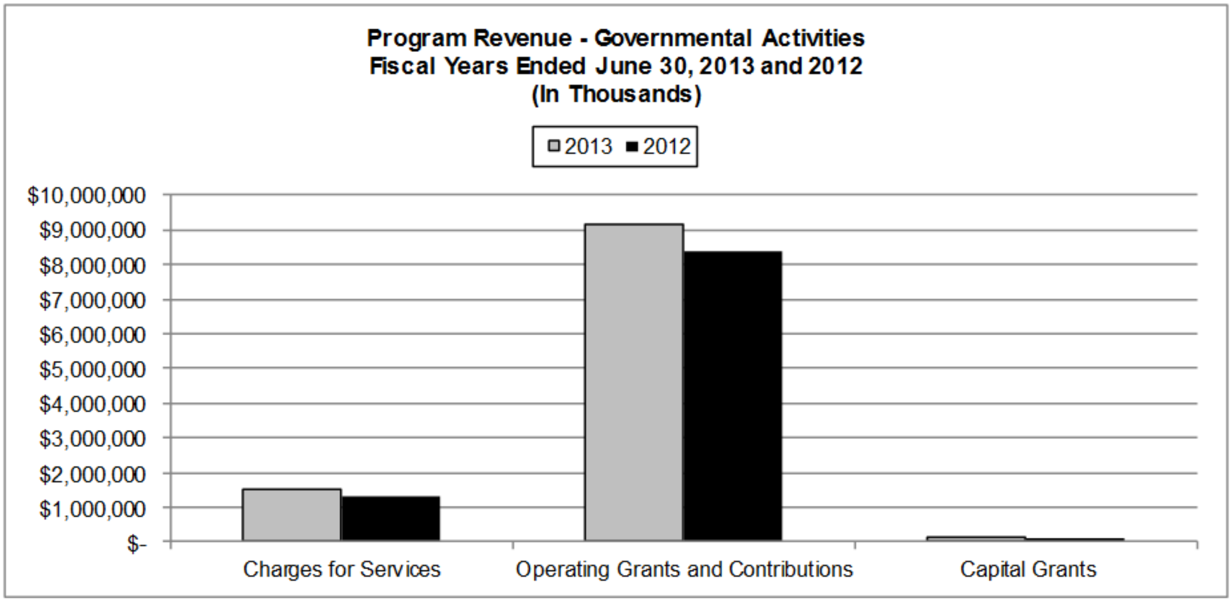
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

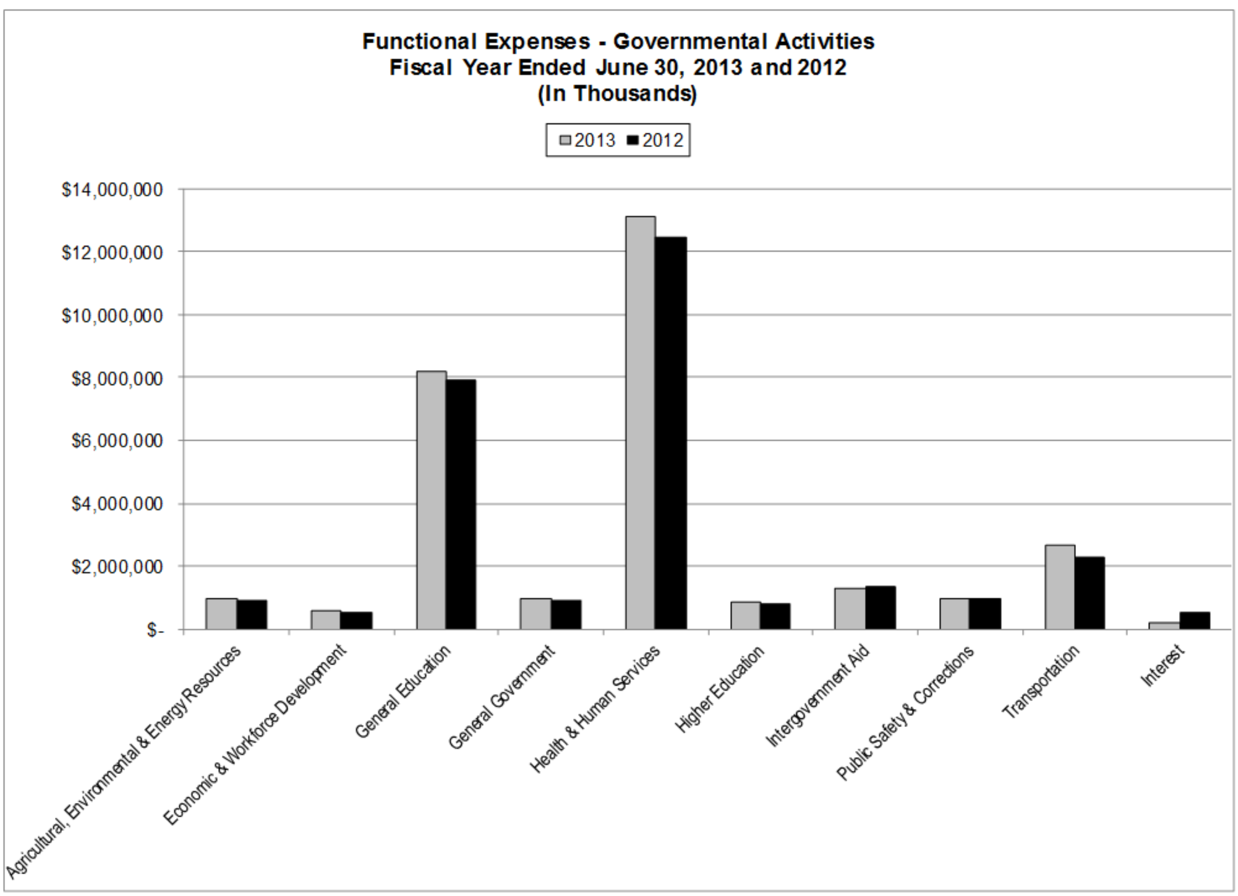
Governmental activities increased the state's net position by $1.6 billion compared to an increase of $355 million in the prior year.

There was a net increase in revenues compared to the prior year. The increase in revenue was primarily attributable to the increase in income and sales taxes as a result of the strengthening economy. Operating grants and contributions increased due to revenue from the federal government for their participation primarily in medical assistance programs. Charges for services increased across most state agencies with the largest increases due to one-time caps placed on HMO profits, which required remittance back to the state in health and human services expenses as well as increased intergovernmental grants from the state of Wisconsin on transportation projects in transportation expenses.



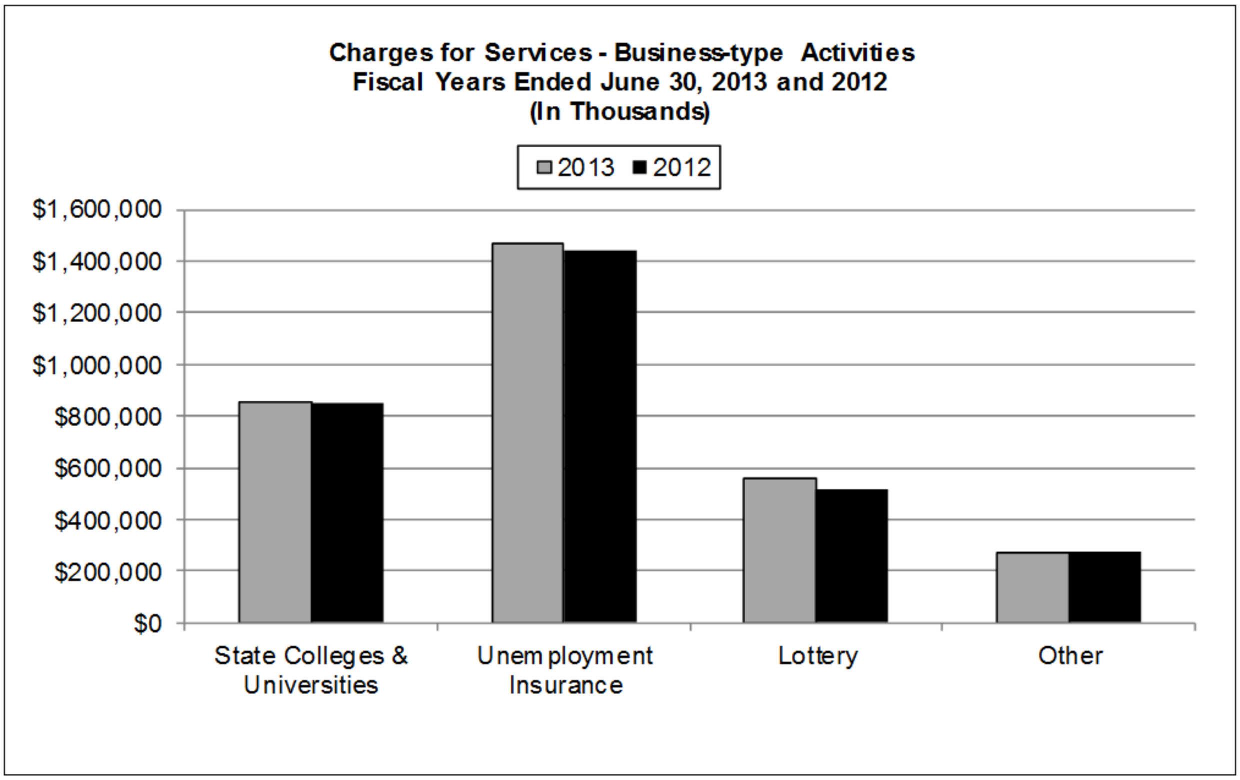


There was an increase in functional expenses compared to the prior year. The increase in health and human services was attributable to an increase in several medical assistance programs, which was offset by the receipt of federal revenue. The largest factor for the increase was due to a significant increase in enrollment in managed care along with increased rates to providers for eligible individuals. The increase in general education was primarily due to a 1 percent per pupil formula increase as well as a slight increase in the number of pupils. Transportation expenses increased due to increased construction projects for trunk highways and bridges as well as increased aid to counties.



Business-type Activities

Net position for the state's proprietary funds increased by $708 million during the current year. This resulted primarily from a $91 million increase in net position in the State Colleges and Universities Fund and a $625 million increase in net position in the Unemployment Insurance Fund. The increase in net position in the State Colleges and Universities Fund is slightly lower than the increase in net position in the prior year. Tuition and fee revenue increased due to a tuition rate increase that was partially offset by a slight reduction in enrollment. Operating expenses increased primarily due to bargaining unit negotiated salary increases that included retroactive pay. As a result of the continued strengthening economy, the Unemployment Insurance Fund had significant reductions in benefits paid during the current year as applicants transitioned to other programs or found employment. In addition, insurance premiums increased due to a higher tax base. These increases in net position were partially offset by decreases in grants and subsidies as the state no longer qualified for certain federal programs as the unemployment rate decreased.



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 $5.7 billion, an increase of $1.5 billion over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $210 million, an increase in the unassigned fund balance of $1.1 billion during the current year.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, the increase in revenue was primarily attributable to the increase in income and sales taxes as a result of the strengthening economy. This revenue increase was partially offset by an increase in general education expenditures primarily due to a 1 percent per pupil formula increase as well as a slight increase in the number of pupils.

Proprietary Funds

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

The state's proprietary funds net position increased by $708 million during the current year. This primarily resulted from a $91 million increase in net position of the State Colleges and Universities Fund and an increase of $625 million in net position of the Unemployment Insurance 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 2013. These are material to understanding changes in General Fund balances that occurred in fiscal year 2013. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following highlights material actions taken by the Minnesota legislature and the governor affecting fiscal year 2013.

Actions Establishing the Fiscal Year 2013 Budget

The budget for state fiscal year 2013 was initially adopted in July 2011 in a special session that ended a 21-day partial state government shutdown. Prior to the 2012 legislative session, two successive budget forecasts directed $1.2 billion of additional forecast budgetary balances to fully restore the state's reserves and begin to repay the K-12 school aid payment shifts.

Supplemental budget changes enacted in the 2012 session were limited, including: reversing selective human services reductions made in 2011, new initiatives related to veterans, public safety and job growth, and a bonding bill totaling $550 million. Total net changes to revenues and expenditures totaled $61 million for the biennium. The 2012 session also authorized construction of a new Vikings football stadium with a projected $975 million cost. The state will issue debt on behalf of the City of Minneapolis to finance this construction up to $498 million. The state share of the project was $348 million, expected to be funded by new tax revenues on expanded charitable gambling, electronic pull tabs, and bingo.

After the 2012 legislative session, the enacted budget for fiscal year 2013 included $17.256 billion in General Fund resources, $17.286 billion in General Fund spending, $1.007 billion in cash and budget reserves, $34 million in a stadium reserve account, and a forecast $26.5 million budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2013

A one-day special legislative session in August 2012 addressed the costs of damages caused by a torrential rain fall in June 2012. The natural disaster resulted in major infrastructure damage to roads and bridges in several counties. The legislature appropriated $74.5 million from the General Fund and offset it by $2.6 million in General Fund transfers, reductions, and cancellations. To pay for the net cost, the legislature used the forecast budgetary balance of $26.5 million and reduced the budget reserve by $45.4 million, which left a zero projected balance for fiscal year 2013.

The November 2012 forecast improved the budget outlook for the 2012-13 biennium by $1.330 billion. Contributing to that change, forecast revenues were increased $1.076 billion, primarily from an $810 million increase in the income, corporate and sales tax forecasts. Spending was reduced $262 million, primarily due to savings in health and human services spending resulting from lower average cost of care in MA Families with Children, a downward trend in nursing facility caseloads, and lower than anticipated caseload growth in the MA Long-term Waiver programs. But, from the forecast balance, $1.324 billion was automatically allocated by state law to buying back outstanding K-12 school aid payment shifts, thereby increasing education aid spending in fiscal year 2013. A residual of $6 million was added to the budget reserve due to a rounding of the K-12 school aid payment percentages. After the buyback, $1.1 billion in K-12 school aid payment shifts remained and the budgetary balance for fiscal year 2013 was forecast to be zero.

In the February 2013 forecast, General Fund revenues increased slightly ($217 million) and spending was reduced by $63 million. Those changes, coupled with a $15 million reduction in the projected stadium reserve, improved the budget outlook for fiscal year 2013 by $295 million. Similar to actions taken in November, the balance was used to further reduce the outstanding K-12 school aid payment shifts. This increased education aid spending in fiscal year 2013 by $282 million. A residual of $4 million was added to the budget reserve and $9 million was used to restore reserves. After the K-12 school aid payment shift buyback, approximately $800 million in K-12 school aid payment shifts remained outstanding and the forecast balance for fiscal year 2013 was zero. The February forecast for fiscal year 2013 reflected $18.075 billion in General Fund revenue, $18.862 billion in General Fund spending, $1.006 billion in cash and budget reserves, $1 million in the stadium reserve, and a zero budgetary balance.

Actual revenues for fiscal year 2013 were $18.657 billion, $582 million higher than forecast, including $364 million in income taxes and $116 million in sales taxes. Spending for fiscal year 2013 was $18.740 billion, $122 million below previous estimates; however, $69 million of unspent appropriations in fiscal year 2013 were authorized to carryforward into fiscal year 2014. Human services' spending was $62 million (1.2 percent) lower than previously forecast. The entire ending balance of $636 million carried forward into fiscal year 2014 and was used to repay a portion of the estimated $874 million remaining obligation from the K-12 school aid payment and property tax recognition shifts. Final numbers for fiscal year 2013 reflected $18.657 billion in General Fund revenue, $18.740 billion in General Fund spending, $1.006 billion in cash and budget reserves.

Since the budget was initially adopted, total General Fund resources for fiscal year 2013 increased by $2.097 billion. Of that total change, $697 million (33 percent) was a gain in revenues and net spending during the close period of fiscal year 2012 and nearly 60 percent, $1.196 billion, was the result of higher tax revenues in fiscal year 2013. Total spending in fiscal year 2013 increased $1.454 billion since the budget was initially adopted. Lower spending in health and human services ($201 million), property tax aids and credits ($48 million), and debt service ($40 million) were offset by increased K-12 school aid spending associated with school aid payment shift buybacks. In total, K-12 school aid spending was $1.589 billion higher than originally enacted. With the successive shift buybacks, K-12 school aid payment percentages were modified from 64.3 percent in the current year and a 35.7 percent settle-up payment in the following year to a 86.5 percent, 13.5 percent payment basis for fiscal year 2013.

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 measureable 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 2013 with a balance of $651 million. On a GAAP basis, the General Fund reported a balance of $1.285 billion for fiscal year 2013, a difference of $634 million from the budgetary General Fund balance. The difference between the General Fund 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, 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 $1.0 billion. 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 $411 million. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

In the November 2013 forecast, changes in the General Fund revenue and expenditure forecast for the 2014-15 biennium increased the forecasted balance from $47 million to $1.086 billion. Forecast revenues increased $787 million (2.0 percent), while forecasted spending was $247 million (0.6 percent) lower. A net reduction in General Fund reserves added an additional $5 million to the bottom line. As in recent forecasts, the law requires the forecast balance to be used to repay K-12 school aid payment shifts. The first $246 million of the balance was used to complete repayment of the K-12 school property tax recognition shift. Additionally, $15 million was transferred to the State Airports Fund (special revenue), restoring money originally borrowed in 2008. The forecast completed repayment of accounting shifts from prior budget solutions and reduced the forecast balance to $825 million for the 2014-15 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, 2013, was $18.6 billion, less accumulated depreciation of $3.1 billion, resulting in a net book value of $15.5 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, 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, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital Assets not Depreciated:						
Land	$ 2,168,036	$ 2,114,604	$ 89,618	$ 88,420	$ 2,257,654	$ 2,203,024
Buildings, Structures, Improvements	38,870	30,768	-	-	38,870	30,768
Construction in Progress	255,595	265,193	181,115	192,153	436,710	457,346
Development in Progress	69,146	29,947	-	-	69,146	29,947
Infrastructure(1)	8,480,170	8,184,515	-	-	8,480,170	8,184,515
Easements	334,733	324,203	-	-	334,733	324,203
Art and Historical Treasures	4,599	3,731	-	-	4,599	3,731
Total Capital Assets not Depreciated	$ 11,351,149	$ 10,952,961	$ 270,733	$ 280,573	$ 11,621,882	$ 11,233,534
Capital Assets Depreciated:						
Buildings, Structures, Improvements(1)	$ 2,627,335	$ 2,551,589	$ 3,044,383	$ 2,845,802	$ 5,671,718	$ 5,397,391
Infrastructure	199,099	167,869	-	-	199,099	167,869
Internally Generated Computer Software	74,108	67,010	14,819	15,695	88,927	82,705
Easements	4,211	4,090	-	-	4,211	4,090
Library Collections	-	-	45,038	46,124	45,038	46,124
Equipment, Furniture, Fixtures	641,212	619,178	348,246	333,557	989,458	952,735
Total Capital Assets Depreciated	$ 3,545,965	$ 3,409,736	$ 3,452,486	$ 3,241,178	$ 6,998,451	$ 6,650,914
Less: Accumulated Depreciation(1)	1,517,579	1,454,682	1,601,651	1,506,686	3,119,230	2,961,368
Capital Assets Net of Depreciation	$ 2,028,386	$ 1,955,054	$ 1,850,835	$ 1,734,492	$ 3,879,221	$ 3,689,546
Total	$ 13,379,535	$ 12,908,015	$ 2,121,568	$ 2,015,065	$ 15,501,103	$ 14,923,080

(1) 2012 has been restated to be consistent with 2013 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 2012, indicated that the average PQI for principal arterial pavement was 3.4 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past several 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 2012, indicated that 95 percent of principal arterial system bridges and 93 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.

Prior Period Adjustment Governmental Activities: During fiscal year 2013, building accumulated depreciation increased by $29.9 million. This increase was attributable to a change in the method of depreciation to align with internal reporting on buildings at MnDOT. In addition, nondepreciable infrastructure increased by $86.9 million. This increase was attributable to the capitalization of bridge and pavement previously expensed as system preservation at MnDOT.

Prior Period Adjustment Business-type Activities: During fiscal year 2013, buildings increased by $10.5 million. This increase was attributable to the capitalization of miscellaneous towers by MnDOT.

During the current year, the state continued to shift emphasis to pavement and bridge preservation and maintenance. The overall expenditures were under budget primarily due to the delay of currently planned capital projects that were originally budgeted due to bad weather in May and June 2013.

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 were rated on June 30, 2013, as follows:

- Aa1 by Moody's Investors Service
- AA+ by Standard & Poors
- AA+ 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.

The state's blended component unit, Tobacco Securitization Authority, issued revenue bonds which are payable solely from the state's tobacco settlement revenue. During fiscal year 2013, the state sold state General Fund appropriation refunding bonds. The bonds were issued for the purpose of refunding these tobacco settlement revenue bonds.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation	$ 5,510,530	$ 5,772,034	$ 232,645	$ 249,636	$ 5,743,175	$ 6,021,670
Revenue	10,260	794,574	447,950	431,952	458,210	1,226,526
State General Fund Appropriation Bonds	656,220	-	-	-	656,220	-
Certificate of Participation	45,815	70,742	-	-	45,815	70,742
Total	$ 6,222,825	$ 6,637,350	$ 680,595	$ 681,588	$ 6,903,420	$ 7,318,938

During fiscal year 2013, the state issued the following bonds:

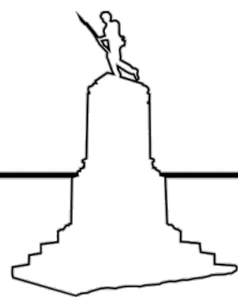
- $422.0 million in general obligation state various purpose bonds
- $234.0 million in general obligation state trunk highway bonds
- $2.5 million in general obligation Rural Finance Authority bonds
- $81.2 million in revenue bonds for capital assets for Minnesota Colleges and Universities
- $656.2 million in General Fund appropriation bonds to refunding the tobacco settlement revenue bonds

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

Requests for Information

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

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



State of Minnesota

Basic Financial Statements

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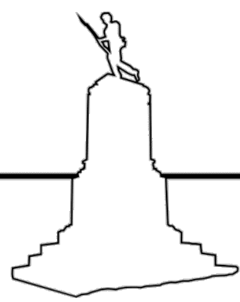

State of Minnesota

Government-wide Financial Statements

2013
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STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 6,256,003	$ 1,710,171	$ 7,966,174	$ 1,036,511
Investments	1,609,174	26,165	1,635,339	1,310,884
Accounts Receivable	2,839,364	590,724	3,430,088	486,020
Due from Component Units	24,049	-	24,049	-
Due from Primary Government	-	-	-	64,410
Accrued Investment/Interest Income	17,755	-	17,755	38,000
Federal Aid Receivable	1,302,101	30,113	1,332,214	3,402
Inventories	27,021	22,948	49,969	53,973
Loans and Notes Receivable	21,951	6,063	28,014	219,779
Internal Balances	8,228	(8,228)	-	-
Other Assets	8,473	2,719	11,192	47,966
Total Current Assets	$ 12,114,119	$ 2,380,675	$ 14,494,794	$ 3,260,945
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 115,721	$ 115,721	$ 814,010
Investments-Restricted	-	-	-	1,416,184
Accounts Receivable-Restricted	-	-	-	108,421
Due from Primary Government-Restricted	-	-	-	7,952
Other Assets-Restricted	-	293	293	2,524
Due from Primary Government	-	-	-	12,791
Due from Component Units	67,000	-	67,000	-
Investments	-	-	-	3,624,086
Accounts Receivable	529,383	-	529,383	438,732
Loans and Notes Receivable	192,363	26,130	218,493	4,039,960
Depreciable Capital Assets (Net)	2,028,386	1,850,835	3,879,221	5,096,560
Nondepreciable Capital Assets	2,870,979	270,733	3,141,712	1,477,475
Infrastructure (Not depreciated)	8,480,170	-	8,480,170	-
Other Assets	7,785	-	7,785	14,268
Total Noncurrent Assets	$ 14,176,066	$ 2,263,712	$ 16,439,778	$ 17,052,963
Total Assets	$ 26,290,185	$ 4,644,387	$ 30,934,572	$ 20,313,908
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Interest Rate Swap Agreements	$ -	$ -	$ -	$ 27,429
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ 27,429
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 4,926,782	$ 242,978	$ 5,169,760	$ 301,970
Due to Component Units	10,287	17	10,304	-
Due to Primary Government	-	-	-	40,537
Unearned Revenue	504,307	67,733	572,040	108,483
Accrued Interest Payable	95,263	537	95,800	69,890
Bonds and Notes Payable	383,059	44,482	427,541	543,559
Capital Leases Payable	8,479	4,761	13,240	5,734
Certificates of Participation Payable	6,855	-	6,855	-
Claims Payable	108,759	2,389	111,148	74,541
Compensated Absences Payable	36,288	17,065	53,353	150,190
Other Liabilities	-	15,073	15,073	57,461
Total Current Liabilities	$ 6,080,079	$ 395,035	$ 6,475,114	$ 1,352,365
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 129,170
Unearned Revenue-Restricted	-	-	-	72,298
Accrued Interest Payable-Restricted	-	-	-	12,199
Due to Primary Government	-	-	-	67,000
Unearned Revenue	-	-	-	20,581
Bonds and Notes Payable	6,595,489	680,751	7,276,240	6,300,684
Due to Component Units	12,791	-	12,791	-
Capital Leases Payable	106,821	30,520	137,341	50,769
Certificates of Participation Payable	42,585	-	42,585	-
Claims Payable	599,945	2,589	602,534	519,118
Compensated Absences Payable	247,282	127,207	374,489	124,552
Other Postemployment Benefits	192,601	28,913	221,514	157,134
Net Pension Obligation	114,244	-	114,244	-
Funds Held in Trust	-	-	-	291,078
Other Liabilities	-	31,440	31,440	20,266
Total Noncurrent Liabilities	$ 7,911,758	$ 901,420	$ 8,813,178	$ 7,764,849
Total Liabilities	$ 13,991,837	$ 1,296,455	$ 15,288,292	$ 9,117,214
DEFERRED INFLOWS OF RESOURCES				
Interest Rate Swap Agreements	$ -	$ -	$ -	$ 27,429
Total Deferred Inflows of Resources	$ -	$ -	$ -	$ 27,429

STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net Investment in Capital Assets	$ 10,250,660	$ 1,456,939	$ 11,707,599	$ 4,196,533
Restricted for:				
Agricultural, Environmental and Energy Resources	$ 1,216,740	$ -	$ 1,216,740	$ -
Arts and Cultural Heritage	24,010	-	24,010	-
Capital Projects	-	4,536	4,536	-
Debt Service	256,890	119,012	375,902	-
Economic and Workforce Development	124,756	350	125,106	-
General Education	45,979	-	45,979	-
General Government	7,613	-	7,613	-
Health and Human Services	2,898	4,901	7,799	-
Higher Education	-	530,341	530,341	-
Public Safety and Corrections	22,611	63,636	86,247	-
School Aid-Expendable	5,947	-	5,947	-
School Aid-Nonexpendable	965,954	-	965,954	-
Transportation	1,377,091	-	1,377,091	-
Unemployment Benefits	-	1,143,319	1,143,319	-
Other Purposes	-	33,155	33,155	-
Component Units	-	-	-	6,245,901
Total Restricted	$ 4,050,489	$ 1,899,250	$ 5,949,739	$ 6,245,901
Unrestricted	$ (2,002,801)	$ (8,257)	$ (2,011,058)	$ 754,260
Total Net Position	$ 12,298,348	$ 3,347,932	$ 15,646,280	$ 11,196,694

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources	$ 954,721	$ 326,696	$ 347,893	$ 18,142
Economic and Workforce Development	571,265	40,093	254,258	-
General Education	8,207,311	24,120	806,098	-
General Government	971,198	381,788	15,574	3,635
Health and Human Services	13,146,913	547,216	6,834,186	-
Higher Education	849,510	346	87	-
Intergovernment Aid	1,269,078	-	-	-
Public Safety and Corrections	970,095	157,198	221,333	-
Transportation	2,683,545	30,280	673,667	145,320
Interest	218,218	-	-	-
Total Governmental Activities	$ 29,841,854	$ 1,507,737	$ 9,153,096	$ 167,097
Business-type Activities:				
State Colleges and Universities	$ 1,891,779	$ 851,377	$ 483,898	$ -
Unemployment Insurance	1,060,431	1,469,936	225,889	-
Lottery	425,541	560,448	-	-
Other	288,146	272,822	366	-
Total Business-type Activities	$ 3,665,897	$ 3,154,583	$ 710,153	$ -
Total Primary Government	$ 33,507,751	$ 4,662,320	$ 9,863,249	$ 167,097
Component Units:				
University of Minnesota	$ 3,477,679	$ 1,430,009	$ 969,907	$ 128,665
Metropolitan Council	865,323	315,241	163,607	442,867
Housing Finance	380,262	107,436	191,979	-
Others	423,961	164,296	58,343	2,547
Total Component Units	$ 5,147,225	$ 2,016,982	$ 1,383,836	$ 574,079

General Revenues:
- Taxes:
  - Individual Income Taxes
  - Corporate Income Taxes
  - Sales Taxes
  - Property Taxes
  - Motor Vehicle Taxes
  - Fuel Taxes
  - Other Taxes
- Tobacco Settlement
- Unallocated Investment/Interest Income
- Other Revenues

State Grants Not Restricted

Special Item

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning, as Reported
- Prior Period Adjustments
- Change in Accounting Principle

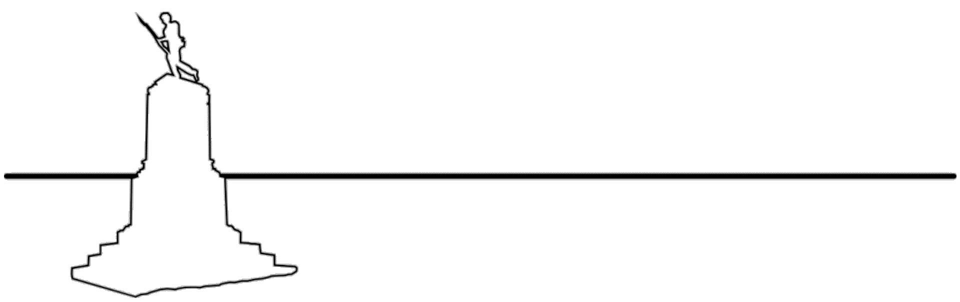
Net Position, Beginning, as Restated

Net Position, Ending

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (261,990)		$ (261,990)	
(276,914)		(276,914)	
(7,377,093)		(7,377,093)	
(570,201)		(570,201)	
(5,765,511)		(5,765,511)	
(849,077)		(849,077)	
(1,269,078)		(1,269,078)	
(591,564)		(591,564)	
(1,834,278)		(1,834,278)	
(218,218)		(218,218)	
$ (19,013,924)		$ (19,013,924)	
	$ (556,504)	$ (556,504)	
	635,394	635,394	
	134,907	134,907	
	(14,958)	(14,958)	
	$ 198,839	$ 198,839	
$ (19,013,924)	$ 198,839	$ (18,815,085)	
			$ (949,098)
			56,392
			(80,847)
			(198,775)
			$ (1,172,328)
$ 9,209,954	$ -	$ 9,209,954	$ -
1,242,912	-	1,242,912	-
5,004,330	-	5,004,330	-
831,316	-	831,316	-
1,241,242	-	1,241,242	-
860,837	-	860,837	-
2,436,828	-	2,436,828	280,993
171,338	-	171,338	-
23,129	17,545	40,674	315,851
128,115	2,215	130,330	398,967
-	-	-	864,425
-	-	-	459,827
(489,364)	489,364	-	-
$ 20,660,637	$ 509,124	$ 21,169,761	$ 2,320,063
$ 1,646,713	$ 707,963	$ 2,354,676	$ 1,147,735
$ 10,488,695	$ 2,629,428	$ 13,118,123	$ 10,552,906
162,940	10,541	173,481	-
-	-	-	(503,947)
$ 10,651,635	$ 2,639,969	$ 13,291,604	$ 10,048,959
$ 12,298,348	$ 3,347,932	$ 15,646,280	$ 11,196,694



State of Minnesota

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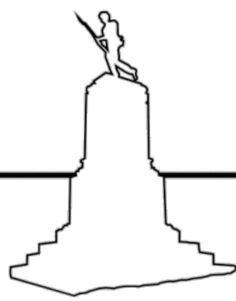
Fund Financial Statements



State of Minnesota

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Major Governmental Funds

General Fund

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

Federal Fund

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,529,063	$ 11,075	$ 3,415,553	$ 5,955,691
Investments	615,957	-	975,848	1,591,805
Accounts Receivable	2,694,496	272,513	395,730	3,362,739
Interfund Receivables	115,550	12,310	203,978	331,838
Due from Component Unit	2,385	-	88,664	91,049
Accrued Investment/Interest Income	12,180	-	5,465	17,645
Federal Aid Receivable	516	1,244,698	56,887	1,302,101
Inventories	-	-	26,784	26,784
Loans and Notes Receivable	84,892	1,936	127,486	214,314
Investment in Land	-	-	16,008	16,008
Total Assets and Deferred Outflows of Resources	$ 6,055,039	$ 1,542,532	$ 5,312,403	$ 12,909,974
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,937,073	$ 1,425,022	$ 511,679	$ 4,873,774
Interfund Payables	54,526	71,925	195,546	321,997
Due to Component Unit	2,047	1,787	4,064	7,898
Deferred Revenue	1,776,628	43,675	139,996	1,960,299
Total Liabilities	$ 4,770,274	$ 1,542,409	$ 851,285	$ 7,163,968
Fund Balances:				
Nonspendable	$ 750,071	$ -	$ 992,738	$ 1,742,809
Restricted	105,581	123	2,754,099	2,859,803
Committed	-	-	713,129	713,129
Assigned	219,562	-	1,152	220,714
Unassigned	209,551	-	-	209,551
Total Fund Balances	$ 1,284,765	$ 123	$ 4,461,118	$ 5,746,006
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,055,039	$ 1,542,532	$ 5,312,403	$ 12,909,974

The notes are an integral part of the financial statements.

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

JUNE 30, 2013
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 5,746,006
Amounts reported for governmental activities in the Statement of Net Position 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	$ 8,480,170	
Nondepreciable Capital Assets	2,854,971	
Depreciable Capital Assets	3,440,210	
Accumulated Depreciation	(1,455,194)	
Total Capital Assets		13,320,157
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		1,469,787
The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds		6,735
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 Position		263,482
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued Interest Payable	$ (95,232)	
General Obligation Bonds Payable	(5,510,530)	
State General Fund Appropriation Bonds Payable	(656,220)	
Revenue Bonds Payable	(10,260)	
Loans and Notes Payable	(7,300)	
Bond Premium Payable	(765,556)	
Due to Component Units	(15,180)	
Capital Leases Payable	(115,300)	
Certificate of Participation Payable	(45,815)	
Certificate of Participation Premium Payable	(3,625)	
Claims Payable	(699,035)	
Compensated Absences Payable	(277,447)	
Net Other Post-Employment Benefits Obligation	(192,075)	
Net Pension Obligation	(114,244)	
Total Liabilities		(8,507,819)
Net Position of Governmental Activities		$ 12,298,348

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 9,257,352	$ -	$ -	$ 9,257,352
Corporate Income Taxes	1,273,112	-	-	1,273,112
Sales Taxes	4,737,002	-	291,614	5,028,616
Property Taxes	817,895	-	-	817,895
Motor Vehicle Taxes	239,735	-	1,001,507	1,241,242
Fuel Taxes	-	-	861,780	861,780
Other Taxes	1,561,621	-	796,855	2,358,476
Tobacco Settlement	170,060	-	-	170,060
Federal Revenues	2,753	8,423,946	483,775	8,910,474
Licenses and Fees	214,374	4,825	345,716	564,915
Departmental Services	191,006	27,745	210,436	429,187
Investment/Interest Income	97,283	89	136,979	234,351
Other Revenues	391,775	112,627	289,318	793,720
Net Revenues	$ 18,953,968	$ 8,569,232	$ 4,417,980	$ 31,941,180
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 246,882	$ 184,249	$ 530,862	$ 961,993
Economic and Workforce Development	145,280	248,697	229,833	623,810
General Education	7,415,750	715,003	71,099	8,201,852
General Government	722,829	21,244	81,455	825,528
Health and Human Services	5,683,366	6,868,298	578,574	13,130,238
Higher Education	745,965	45	103,496	849,506
Intergovernmental Aid	1,268,609	-	469	1,269,078
Public Safety and Corrections	583,556	130,995	194,875	909,426
Transportation	295,195	286,181	2,029,256	2,610,632
Total Current Expenditures	$ 17,107,432	$ 8,454,712	$ 3,819,919	$ 29,382,063
Capital Outlay	26,952	80,128	539,006	646,086
Debt Service	52,099	-	570,121	622,220
Total Expenditures	$ 17,186,483	$ 8,534,840	$ 4,929,046	$ 30,650,369
Excess of Revenues Over (Under) Expenditures	$ 1,767,485	$ 34,392	$ (511,066)	$ 1,290,811
Other Financing Sources (Uses):				
Bond Issuance	$ -	$ -	$ 1,296,087	$ 1,296,087
Loan Proceeds	-	-	1,597	1,597
Payment to Refunded Bonds Escrow Agent	-	-	(768,450)	(768,450)
Bond Issue Premium	-	-	200,932	200,932
Transfers-In	585,104	1,944	786,821	1,373,869
Transfers-Out	(1,001,068)	(36,336)	(843,583)	(1,880,987)
Net Other Financing Sources (Uses)	$ (415,964)	$ (34,392)	$ 673,404	$ 223,048
Net Change in Fund Balances	$ 1,351,521	$ -	$ 162,338	$ 1,513,859
Fund Balances, Beginning, as Reported	$ (112,865)	$ 123	$ 4,298,780	$ 4,186,038
Prior Period Adjustment	46,109	-	-	46,109
Fund Balances, Beginning, as Restated	$ (66,756)	$ 123	$ 4,298,780	$ 4,232,147
Fund Balances, Ending	$ 1,284,765	$ 123	$ 4,461,118	$ 5,746,006

The notes are an integral part of the financial statements.

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

YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	1,513,859
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 $115,672 in the current period		530,414
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		(69,037)
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		(13,240)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		(23,668)
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 Position		(1,498,616)
Repayment of bonds, loans and capital leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		1,177,343
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		29,658
Change in Net Position of Governmental Activities	$	1,646,713

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, 2013
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 8,384,995	$ 8,648,500	$ 9,012,499
Corporate Income Taxes	852,500	1,165,100	1,280,743
Sales Taxes	4,743,285	4,802,169	4,757,249
Property Taxes	801,156	816,701	811,388
Motor Vehicle Taxes	237,087	239,959	239,738
Other Taxes	1,204,169	1,234,583	1,298,967
Tobacco Settlements	160,487	165,144	170,060
Licenses and Fees	201,773	203,599	210,598
Departmental Services	83,564	84,320	88,854
Investment/Interest Income	2,840	3,648	3,755
Other Revenues	296,701	388,871	374,535
Net Revenues	$ 16,968,557	$ 17,752,594	$ 18,248,386
Expenditures:			
Agricultural Environmental and Energy Resources	$ 162,100	$ 175,548	$ 172,305
Economic and Workforce Development	114,656	133,345	131,382
General Education	7,854,456	8,956,128	8,954,013
General Government	801,990	816,209	790,848
Health and Human Services	5,753,620	5,394,251	5,180,519
Higher Education	729,243	730,404	730,404
Intergovernment Aid	1,235,538	1,235,538	1,235,538
Public Safety and Corrections	577,893	595,870	590,395
Transportation	297,175	297,199	292,844
Total Expenditures	$ 17,526,671	$ 18,334,492	$ 18,078,248
Excess of Revenues Over (Under) Expenditures	$ (558,114)	$ (581,898)	$ 170,138
Other Financing Sources (Uses):			
Transfers-In	$ 572,720	$ 615,185	$ 619,987
Transfers-Out	(995,740)	(995,740)	(995,740)
Net Other Financing Sources (Uses)	$ (423,020)	$ (380,555)	$ (375,753)
Net Change in Fund Balances	$ (981,134)	$ (962,453)	$ (205,615)
Fund Balances, Beginning, as Reported	$ 1,890,586	$ 1,890,586	$ 1,890,586
Prior Period Adjustments	-	-	86,522
Fund Balances, Beginning, as Restated	$ 1,890,586	$ 1,890,586	$ 1,977,108
Budgetary Fund Balances, Ending	$ 909,452	$ 928,133	$ 1,771,493
Less: Appropriation Carryover	-	-	105,248
Less: Reserved for Long-Term Receivables	-	-	8,588
Less: Budgetary Reserve	-	-	1,006,571
Unassigned Fund Balance, Ending	$ 909,452	$ 928,133	$ 651,086

The notes are an integral part of the financial statements.

State of Minnesota

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Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 856,943	$ 703,746	$ 149,482	$ 1,710,171	$ 300,312
Investments	26,165	-	-	26,165	17,369
Accounts Receivable	57,657	501,839	31,228	590,724	43,949
Interfund Receivables	30,199	-	2,259	32,458	-
Accrued Investment/Interest Income	-	-	-	-	110
Federal Aid Receivable	22,970	7,143	-	30,113	-
Inventories	14,650	-	8,298	22,948	237
Loans and Notes Receivable	6,063	-	-	6,063	-
Prepaid Expenses	1,741	-	799	2,540	8,473
Other Assets	-	-	179	179	-
Total Current Assets	$ 1,016,388	$ 1,212,728	$ 192,245	$ 2,421,361	$ 370,450
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 115,721	$ -	$ -	$ 115,721	$ -
Other Assets-Restricted	293	-	-	293	-
Loans and Notes Receivable	26,130	-	-	26,130	-
Depreciable Capital Assets (Net)	1,712,674	-	138,161	1,850,835	43,370
Nondepreciable Capital Assets	254,126	-	16,607	270,733	-
Prepaid Expenses	-	-	-	-	1,050
Total Noncurrent Assets	$ 2,108,944	$ -	$ 154,768	$ 2,263,712	$ 44,420
Total Assets	$ 3,125,332	$ 1,212,728	$ 347,013	$ 4,685,073	$ 414,870
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 176,410	$ 25,546	$ 41,022	$ 242,978	$ 92,562
Interfund Payables	5,300	19,639	15,747	40,686	-
Due to Component Unit	-	-	17	17	-
Unearned Revenue	40,531	24,224	2,978	67,733	13,795
Accrued Interest Payable	-	-	537	537	31
Bonds and Notes Payable	32,327	-	12,155	44,482	10,392
Capital Leases Payable	4,563	-	198	4,761	-
Claims Payable	2,389	-	-	2,389	9,669
Compensated Absences Payable	15,513	-	1,552	17,065	628
Other Liabilities	15,073	-	-	15,073	-
Total Current Liabilities	$ 292,106	$ 69,409	$ 74,206	$ 435,721	$ 127,077
Noncurrent Liabilities:					
Bonds and Notes Payable	$ 540,857	$ -	$ 139,894	$ 680,751	$ 18,290
Capital Leases Payable	30,326	-	194	30,520	-
Claims Payable	2,589	-	-	2,589	-
Compensated Absences Payable	117,566	-	9,641	127,207	5,495
Other Postemployment Benefits	27,770	-	1,143	28,913	526
Other Liabilities	31,440	-	-	31,440	-
Total Noncurrent Liabilities	$ 750,548	$ -	$ 150,872	$ 901,420	$ 24,311
Total Liabilities	$ 1,042,654	$ 69,409	$ 225,078	$ 1,337,141	$ 151,388
NET POSITION					
Net Investment in Capital Assets	$ 1,428,789	$ -	$ 28,150	$ 1,456,939	$ 15,029
Restricted for:					
Bond Covenants	$ 70,852	$ -	$ -	$ 70,852	$ -
Capital Projects	4,536	-	-	4,536	-
Debt Service	48,160	-	-	48,160	-
Economic and Workforce Development	-	-	350	350	-
Health and Human Services	-	-	4,901	4,901	-
Higher Education	530,341	-	-	530,341	-
Public Safety and Corrections	-	-	63,636	63,636	-
Unemployment Benefits	-	1,143,319	-	1,143,319	-
Other Purposes	-	-	33,155	33,155	-
Total Restricted	$ 653,889	$ 1,143,319	$ 102,042	$ 1,899,250	$ -
Unrestricted	$ -	$ -	$ (8,257)	$ (8,257)	$ 248,453
Total Net Position	$ 2,082,678	$ 1,143,319	$ 121,935	$ 3,347,932	$ 263,482

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 732,447	$ -	$ -	$ 732,447	$ -
Restricted Student Payments, Net	104,706	-	-	104,706	-
Net Sales	-	-	781,906	781,906	186,523
Insurance Premiums	-	1,444,653	48,248	1,492,901	726,672
Other Income	14,224	25,283	3,116	42,623	9,374
Total Operating Revenues	$ 851,377	$ 1,469,936	$ 833,270	$ 3,154,583	$ 922,569
Less: Cost of Goods Sold	-	-	418,772	418,772	-
Gross Margin	$ 851,377	$ 1,469,936	$ 414,498	$ 2,735,811	$ 922,569
Operating Expenses:					
Purchased Services	$ 225,056	$ -	$ 59,451	$ 284,507	$ 156,553
Salaries and Fringe Benefits	1,251,635	-	122,829	1,374,464	53,498
Student Financial Aid	43,782	-	-	43,782	-
Unemployment Benefits	-	1,049,759	-	1,049,759	-
Claims	-	-	37,289	37,289	668,902
Depreciation and Amortization	107,890	-	12,807	120,697	10,087
Supplies and Materials	145,557	-	8,496	154,053	9,671
Repairs and Maintenance	33,608	-	2,029	35,637	7,468
Indirect Costs	-	-	4,654	4,654	1,927
Other Expenses	49,489	-	6,946	56,435	716
Total Operating Expenses	$ 1,857,017	$ 1,049,759	$ 254,501	$ 3,161,277	$ 908,822
Operating Income (Loss)	$ (1,005,640)	$ 420,177	$ 159,997	$ (425,466)	$ 13,747
Nonoperating Revenues (Expenses):					
Investment Income	$ 5,836	$ 11,287	$ 422	$ 17,545	$ 1,588
Federal Grants	367,862	-	366	368,228	3,635
Private Grants	19,833	-	-	19,833	-
Grants and Subsidies	96,203	225,889	-	322,092	-
Other Nonoperating Revenues	-	1,795	553	2,348	284
Interest and Financing Costs	(22,758)	-	(5,962)	(28,720)	(323)
Grants, Aids and Subsidies	(12,004)	(10,672)	(26,691)	(49,367)	-
Other Nonoperating Expenses	-	-	(7,761)	(7,761)	(7,039)
Gain (Loss) on Disposal of Capital Assets	(7)	-	(126)	(133)	798
Total Nonoperating Revenues (Expenses)	$ 454,965	$ 228,299	$ (39,199)	$ 644,065	$ (1,057)
Income (Loss) Before Transfers and Contributions	$ (550,675)	$ 648,476	$ 120,798	$ 218,599	$ 12,690
Capital Contributions	88,497	-	-	88,497	-
Transfers-In	553,246	-	8,347	561,593	1,678
Transfers-Out	-	(23,823)	(136,903)	(160,726)	(27,608)
Total Income (Loss)	$ 91,068	$ 624,653	$ (7,758)	$ 707,963	$ (13,240)
Change in Net Position	$ 91,068	$ 624,653	$ (7,758)	$ 707,963	$ (13,240)
Net Position, Beginning, as Reported	$ 1,991,610	$ 518,666	$ 119,152	$ 2,629,428	$ 276,722
Prior Period Adjustment	-	-	10,541	10,541	-
Net Position, Beginning, as Restated	$ 1,991,610	$ 518,666	$ 129,693	$ 2,639,969	$ 276,722
Net Position, Ending	$ 2,082,678	$ 1,143,319	$ 121,935	$ 3,347,932	$ 263,482

The notes are an integral part of the financial statements.

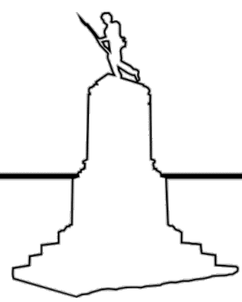
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 852,672	$ 1,456,360	$ 833,267	$ 3,142,299	$ 908,959
Receipts from Other Revenues	-	-	3,687	3,687	8,212
Receipts from Repayment of Program Loans	4,098	-	-	4,098	-
Financial Aid Disbursements	(43,949)	-	-	(43,949)	-
Payments to Claimants	-	(1,065,438)	(387,979)	(1,453,417)	(664,742)
Payments to Suppliers	(443,477)	-	(116,712)	(560,189)	(175,526)
Payments to Employees	(1,225,007)	-	(122,630)	(1,347,637)	(50,847)
Payments to Others	-	-	(43,321)	(43,321)	(8,391)
Payments of Program Loans	(4,758)	-	-	(4,758)	-
Net Cash Flows from Operating Activities	$ (860,421)	$ 390,922	$ 166,312	$ (303,187)	$ 17,665
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 467,940	$ 228,678	$ -	$ 696,618	$ -
Grant Disbursements	(12,004)	(10,641)	(24,350)	(46,995)	-
Transfers-In	553,246	-	8,499	561,745	200
Transfers-Out	-	(18,691)	(141,978)	(160,669)	(26,058)
Advances from Other Funds	-	-	-	-	39
Repayment of Bond Principal	-	-	(11,380)	(11,380)	-
Interest Paid	-	(3,273)	(6,918)	(10,191)	-
Net Cash Flows from Noncapital Financing Activities	$ 1,009,182	$ 196,073	$ (176,127)	$ 1,029,128	$ (25,819)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 86,309	$ -	$ -	$ 86,309	$ -
Investment in Capital Assets	(200,937)	-	(27,212)	(228,149)	(22,153)
Proceeds from Disposal of Capital Assets	1,563	-	218	1,781	2,650
Proceeds from Capital Debt	111,302	-	-	111,302	-
Proceeds from Loans	92	-	-	92	18,817
Capital Lease Payments	(4,671)	-	(185)	(4,856)	-
Repayment of Loan Principal	(693)	-	-	(693)	(8,587)
Repayment of Bond Principal	(57,579)	-	(320)	(57,899)	-
Interest Paid	(22,272)	-	(131)	(22,403)	(322)
Net Cash Flows from Capital and Related Financing Activities	$ (86,886)	$ -	$ (27,630)	$ (114,516)	$ (9,595)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 6,664	$ -	$ -	$ 6,664	$ 8,204
Purchase of Investments	(6,518)	-	-	(6,518)	(5,000)
Investment Earnings	3,306	11,287	434	15,027	1,752
Net Cash Flows from Investing Activities	$ 3,452	$ 11,287	$ 434	$ 15,173	$ 4,956
Net Increase (Decrease) in Cash and Cash Equivalents	$ 65,327	$ 598,282	$ (37,011)	$ 626,598	$ (12,793)
Cash and Cash Equivalents, Beginning, as Reported	$ 907,337	$ 105,464	$ 186,493	$ 1,199,294	$ 313,105
Cash and Cash Equivalents, Ending	$ 972,664	$ 703,746	$ 149,482	$ 1,825,892	$ 300,312

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (1,005,640)	$ 420,177	$ 159,997	$ (425,466)	$ 13,747
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 107,890	$ -	$ 12,807	$ 120,697	$ 10,087
Miscellaneous Nonoperating Revenues	-	3,779	364	4,143	3,636
Miscellaneous Nonoperating Expenses	(1,003)	-	(9,162)	(10,165)	(6,245)
Loan Principal Repayments	4,098	-	-	4,098	-
Loans Issued	(4,758)	-	-	(4,758)	-
Provision for Loan Defaults	38	-	-	38	-
Loans Forgiven	448	-	-	448	-
Change in Valuation of Assets	4,630	-	-	4,630	-
Change in Assets and Liabilities:					
Accounts Receivable	321	(33,602)	22	(33,259)	(992)
Inventories	(87)	-	(1,307)	(1,394)	(26)
Other Assets	-	-	1,281	1,281	(1,808)
Accounts Payable	28,206	(3,836)	2,490	26,860	2,189
Compensated Absences Payable	5,900	-	(387)	5,513	244
Unearned Revenues	975	4,391	868	6,234	(3,028)
Other Liabilities	(1,439)	13	(661)	(2,087)	(139)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 145,219	$ (29,255)	$ 6,315	$ 122,279	$ 3,918
Net Cash Flows from Operating Activities	$ (860,421)	$ 390,922	$ 166,312	$ (303,187)	$ 17,665
Noncash Investing, Capital and Financing Activities:					
Capital Assets Purchased on Account	$ 28,684	$ -	$ -	$ 28,684	$ -
Accrual of Computer Equipment as an Investment in Capital Assets	-	-	-	-	632
Bond Premium Amortization	1,865	-	927	2,792	-

The notes are an integral part of the financial statements.



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Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

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

Agency Fund

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

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

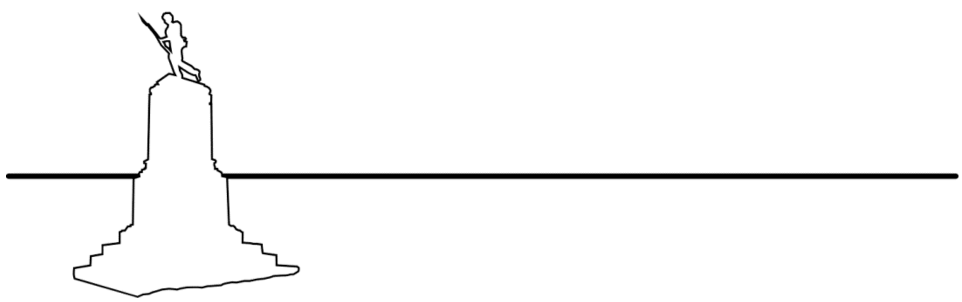
	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 51,636	$ -	$ 160,163
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 4,008,011	$ 104,486	$ -
Investments	56,491,983	375,099	-
Accrued Interest and Dividends	119,665	1,070	-
Securities Trades Receivables (Payables)	(1,234,737)	(5,475)	-
Total Investment Pool Participation	$ 59,384,922	$ 475,180	$ -
Receivables:			
Accounts Receivable	$ -	$ -	$ 30,689
Interfund Receivables	6,396	-	-
Other Receivables	131,452	-	-
Accrued Interest and Dividends	7	-	-
Total Receivables	$ 137,855	$ -	$ 30,689
Securities Lending Collateral	$ 5,156,905	$ 26,822	$ -
Depreciable Capital Assets (Net)	30,911	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 64,762,658	$ 502,002	$ 190,852
LIABILITIES			
Accounts Payable	$ 18,906	$ -	$ 190,852
Interfund Payables	8,009	-	-
Accrued Expense	90	-	-
Revenue Bonds Payable	21,714	-	-
Bond Interest	15	-	-
Compensated Absences Payable	2,446	-	-
Securities Lending Liabilities	5,156,905	26,822	-
Other Liabilities	60	-	-
Total Liabilities	$ 5,208,145	$ 26,822	$ 190,852
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 59,554,513	$ 475,180	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,031,954	$ -
Member	1,216,543	-
Contributions From Other Sources	8,106	-
Participating Plans	-	67,339
Total Contributions	$ 2,256,603	$ 67,339
Net Investment Income:		
Investment Income	$ 7,568,929	$ 50,827
Less: Investment Expense	(79,514)	-
Net Investment Income	$ 7,489,415	$ 50,827
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 38,836	$ 191
Securities Lending Rebates and Fees	(15,114)	(74)
Net Securities Lending Revenue	$ 23,722	$ 117
Total Investment Income	$ 7,513,137	$ 50,944
Transfers From Other Funds	$ 64,854	$ -
Other Additions	11,413	-
Total Additions	$ 9,846,007	$ 118,283
Deductions:		
Benefits	$ 4,010,707	$ -
Refunds and Withdrawals	269,722	43,926
Administrative Expenses	39,018	235
Transfers To Other Funds	21,170	-
Total Deductions	$ 4,340,617	$ 44,161
Net Increase (Decrease)	$ 5,505,390	$ 74,122
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 54,041,817	$ 403,225
Change in Reporting Entity	5,139	-
Change in Fund Structure	2,167	(2,167)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 54,049,123	$ 401,058
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 59,554,513	$ 475,180

The notes are an integral part of the financial statements.



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Major Discretely Presented Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system.

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.

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2012 and JUNE 30, 2013
(IN THOUSANDS)

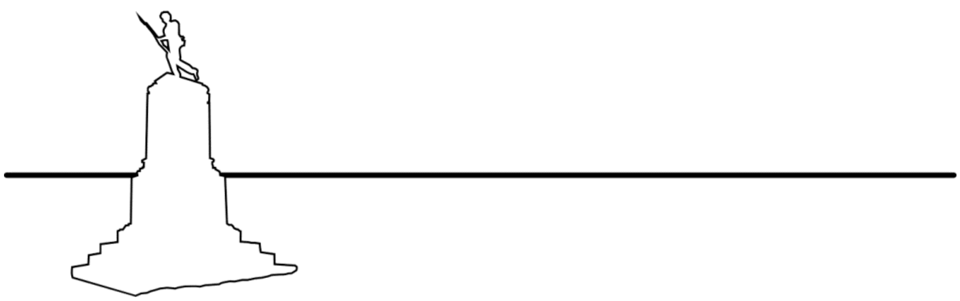
	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 66,385	$ 12,728	$ 267,029	$ 690,369	$ 1,036,511
Investments	56,066	45,384	931,362	278,072	1,310,884
Accounts Receivable	10,268	48,703	388,098	38,951	486,020
Due from Primary Government	-	57,453	4,568	2,389	64,410
Accrued Investment/Interest Income	15,805	2,091	2,283	17,821	38,000
Federal Aid Receivable	2,051	-	-	1,351	3,402
Inventories	-	31,361	22,554	58	53,973
Loans and Notes Receivable	-	-	15,157	204,622	219,779
Prepaid Expenses	14,110	-	-	4,942	19,052
Other Assets	9,282	3,702	15,924	6	28,914
Total Current Assets	$ 173,967	$ 201,422	$ 1,646,975	$ 1,238,581	$ 3,260,945
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 313,285	$ 251,124	$ 87,464	$ 162,137	$ 814,010
Investments-Restricted	1,017,487	241,684	138,175	18,838	1,416,184
Accounts Receivable-Restricted	-	108,421	-	-	108,421
Due from Primary Government-Restricted	-	7,952	-	-	7,952
Other Assets-Restricted	-	2,524	-	-	2,524
Due from Primary Government	-	-	-	12,791	12,791
Investments	-	515,878	3,068,924	39,284	3,624,086
Accounts Receivable	-	-	123,802	314,930	438,732
Loans and Notes Receivable	1,638,515	49,377	58,224	2,293,844	4,039,960
Depreciable Capital Assets (Net)	2,930	2,555,875	2,524,024	13,731	5,096,560
Nondepreciable Capital Assets	-	1,043,633	423,890	9,952	1,477,475
Other Assets	-	-	7,206	7,062	14,268
Total Noncurrent Assets	$ 2,972,217	$ 4,776,468	$ 6,431,709	$ 2,872,569	$ 17,052,963
Total Assets	$ 3,146,184	$ 4,977,890	$ 8,078,684	$ 4,111,150	$ 20,313,908
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Interest Swap Agreements	$ 27,429	$ -	$ -	$ -	$ 27,429
Total Deferred Outflows of Resources	$ 27,429	$ -	$ -	$ -	$ 27,429
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 9,210	$ 81,108	$ 193,512	$ 18,140	$ 301,970
Due to Primary Government	-	-	5,159	35,378	40,537
Unearned Revenue	-	12,582	68,745	27,156	108,483
Accrued Interest Payable	37,112	3,725	11,552	17,501	69,890
Bonds and Notes Payable	52,040	139,115	275,991	76,413	543,559
Capital Leases Payable	-	615	5,119	-	5,734
Claims Payable	-	3,663	32,445	38,433	74,541
Compensated Absences Payable	219	19,060	130,661	250	150,190
Other Liabilities	-	-	57,461	-	57,461
Total Current Liabilities	$ 98,581	$ 259,868	$ 780,645	$ 213,271	$ 1,352,365
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 75,840	$ 53,330	$ -	$ 129,170
Unearned Revenue-Restricted	-	72,298	-	-	72,298
Accrued Interest Payable-Restricted	-	12,199	-	-	12,199
Due to Primary Government	-	-	21,511	45,489	67,000
Unearned Revenue	6,863	-	13,718	-	20,581
Bonds and Notes Payable	2,084,143	1,648,967	952,644	1,614,930	6,300,684
Capital Leases Payable	-	9,610	41,159	-	50,769
Claims Payable	-	13,016	10,535	495,567	519,118
Compensated Absences Payable	1,729	7,373	114,534	916	124,552
Other Postemployment Benefits	140	74,516	82,433	45	157,134
Funds Held in Trust	69,179	-	221,899	-	291,078
Other Liabilities	-	-	13,211	7,055	20,266
Total Noncurrent Liabilities	$ 2,162,054	$ 1,913,819	$ 1,524,974	$ 2,164,002	$ 7,764,849
Total Liabilities	$ 2,260,635	$ 2,173,687	$ 2,305,619	$ 2,377,273	$ 9,117,214
DEFERRED INFLOWS OF RESOURCES					
Interest Rate Swap Agreements	$ 27,429	$ -	$ -	$ -	$ 27,429
Total Deferred Inflows of Resources	$ 27,429	$ -	$ -	$ -	$ 27,429
NET POSITION					
Net Investment in Capital Assets	$ 2,930	$ 2,477,641	$ 1,692,380	$ 23,582	$ 4,196,533
Restricted-Expendable	882,619	545,579	1,966,728	1,642,955	5,037,881
Restricted-Nonexpendable	-	-	1,208,020	-	1,208,020
Unrestricted	-	(219,017)	905,937	67,340	754,260
Total Net Position	$ 885,549	$ 2,804,203	$ 5,773,065	$ 1,733,877	$ 11,196,694

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 and JUNE 30, 2013
(IN THOUSANDS)

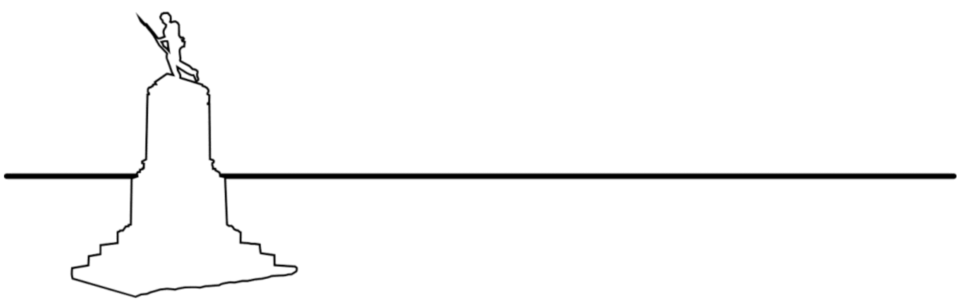
	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 380,262	$ 865,323	$ 3,477,679	$ 423,961	$ 5,147,225
Program Revenues:					
Charges for Services	$ 107,436	$ 315,241	$ 1,430,009	$ 164,296	$ 2,016,982
Operating Grants and Contributions	191,979	163,607	969,907	58,343	1,383,836
Capital Grants and Contributions	-	442,867	128,665	2,547	574,079
Net (Expense) Revenue	$ (80,847)	$ 56,392	$ (949,098)	$ (198,775)	$ (1,172,328)
General Revenues:					
Taxes	$ -	$ 280,993	$ -	$ -	$ 280,993
Investment Income	-	24,619	286,131	5,101	315,851
Other Revenues	727	-	396,688	1,552	398,967
Total General Revenues before Grants	$ 727	$ 305,612	$ 682,819	$ 6,653	$ 995,811
State Grants Not Restricted	52,789	-	575,491	236,145	864,425
Total General Revenues	$ 53,516	$ 305,612	$ 1,258,310	$ 242,798	$ 1,860,236
Special Item	$ -	$ -	$ 459,827	$ -	$ 459,827
Change in Net Position	$ (27,331)	$ 362,004	$ 769,039	$ 44,023	$ 1,147,735
Net Position, Beginning, as Reported	$ 912,880	$ 2,483,345	$ 5,507,973	$ 1,648,708	$ 10,552,906
Change in Accounting Principle	-	-	(503,947)	-	(503,947)
Change in Fund Structure	-	(41,146)	-	41,146	-
Net Position, Beginning, as Restated	$ 912,880	$ 2,442,199	$ 5,004,026	$ 1,689,854	$ 10,048,959
Net Position, Ending	$ 885,549	$ 2,804,203	$ 5,773,065	$ 1,733,877	$ 11,196,694

The notes are an integral part of the financial statements.



2013 Comprehensive Annual Financial Report

Index of Notes to the Financial Statements



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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2013:

GASB Statement No. 60 "Accounting and Financial Reporting for Service Concession Arrangements" was issued in November 2010. The statement improves financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements (SCA) for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement had no impact on the state.

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus" was issued in November 2010. The statement results in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement did not change the composition of the state's component units.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" was issued in December 2010. The statement improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement had no material impact on the state.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position was issued in June 2011. The statement improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This statement renames the residual equity amount as Net Position rather than Net Assets, and uses Net Investment in Capital Assets rather than Invested in Capital Assets Net of Related Debt. In addition, this statement requires deferred outflows in resources to be reported in a separate section following assets and deferred inflows in resources to be reported in a separate section following liabilities in the statement of financial position. The primary government did not have any activity to report under these categories. The statements and disclosures have been renamed as required.

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. 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. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are 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. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Blended Component Unit

Tobacco Securitization Authority (TSA) – TSA manages the securitization of the tobacco settlement revenue. The TSA is composed of a three-member board consisting of commissioners of state departments. The commissioners direct the operations of TSA. TSA provides services exclusively for the state; thus, TSA is included as a special revenue fund. Additional information on the sales agreement between TSA and the state and the refunding of the revenue bonds is located in Note 12 – General Long-Term Liabilities – Primary Government.

Discretely Presented Component Units

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. 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. PFA 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.

- Minnesota Sports Facilities Authority ("Authority") – The Authority's mission is to provide for the construction, financing, and long-term use of a new multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The Authority has five members, including a chair and two members who are appointed by the governor. The state will provide administrative funding to the Authority. The fiscal year for the Authority ends December 31. See Note 20 – Prior Period Adjustment, Change in Accounting Principle, Change in Reporting Entity and Change in Fund Structure for additional information on this new component unit.

A discretely presented 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 Position 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 55454

Public Facilities Authority
Department of Employment & Economic Development
1st National Bank Building
332 Minnesota Street, Suite W820
St. Paul, Minnesota 55101-1378

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

Workers' Compensation Assigned Risk Plan
Affinity Insurance Services, Inc.
5600 West 83rd Street
8200 Tower, Suite 1100
Minneapolis, Minnesota 55437

Metropolitan Council
390 North Robert Street
St. Paul, Minnesota 55101

Minnesota Sports Facilities Authority
900 South 5th Street
Minneapolis, Minnesota 55415

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 7th 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 Position 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 Position, 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 bond 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 trust, 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. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- 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 position, 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, 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 trust, 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 individuals, private organizations, or other governmental units. 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. Receivables not collected by the close of the books in late August are reported as deferred revenue. In addition, revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are also 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, capital leases, 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 trust, 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.

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. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and 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 Position 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 Position; or the Statement of Changes in Net Position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

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

Grant Expenditures and Liabilities Recognition

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

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

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

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Position. 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, $300,000 for buildings, and $30,000 to $2,000,000 for internally generated computer software, depending on the fund type. Capital assets must also have 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 and development 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, supplementary and second injury benefit 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 Position/Fund Balances and Fund Balance Classification Policies and Procedures

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

Net Investment in Capital Assets 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 Position represent the portion of net position that are constrained either externally by parties such as creditors or grantors, or legally through constitution provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenues in the fund. When both restricted and unrestricted net position 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 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 as well as the Tobacco Securitization Authority Fund (blended component unit). 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 accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted appropriation bills. 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 Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

Newly created Agency

During fiscal year 2013, the Department of Commerce received federal funds to establish a Health Insurance Exchange that facilitates the purchase of qualified health plans. Activities of the Department of Commerce are reported under the Agriculture, Environment, and Energy function. The 2013 Laws of Minnesota created the Minnesota Insurance Marketplace (MNsure), a separate state agency. In fiscal year 2014, activities of MNsure will be accounted for in a separate enterprise fund and reported under the Health and Human Services function.

Special Item

University of Minnesota (discretely-presented component unit) merged the operations of two component units into an existing component unit to create one consolidated entity. The merger is considered an acquisition, and the $460 million impact is reported as a special item.

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 offset current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2013, fair value of investment derivatives is 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, 2013, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,271,060,000 that is $27,937,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of $303,133,000.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2013:

Primary Government
Derivative Activity for the Year Ended June 30, 2013
By Derivative Type
(In Thousands)

	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	$ 20,862	$ 130,029	$ -
Fiduciary Activities:			
Futures	$ 66,172	$ 323,366	$ -
Futures Options Bought	(318)	4,470	353
Futures Options Written	1,556	(8,595)	(1,391)
Fixed Income Options Written	75	-	-
FX Forwards	4,313	372,593	(641)
Warrants/Stock Rights	(43)	971	407
	$ 71,755	$ 692,805	$ (1,272)

Credit Risk: Minnesota is exposed to credit risk through ten counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of $2,955,000 should these counter parties fail to perform. These counter parties have S&P credit ratings of A 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 rate 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 Barclays Capital U.S. 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.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2013
(In Thousands)

			Lower of S & P or Moody S & P Equivalent Rating			
	Fair Value	Weighted Average Maturity (Years)	AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 805,023	1.88	100%	-	-	-
U.S. Agencies	687,768	1.52	100%	-	-	-
Mortgage-backed Securities	174,978	4.05	95%	3%	2%	-
State or Local Government Bonds	148,693	4.36	96%	3%	-	1%
Corporate Bonds	1,791,661	2.43	33%	63%	2%	2%
Yankee Bonds	170,146	2.21	60%	38%	2%	-
Short Term Notes	4,826,070	0.19	10%	1%	-	89%
Total Debt Securities	$ 8,604,339					
Equity Investments:						
Corporate Stock	$ 973,475					
Other Investments:						
Escheat Property	$ 13,806					
Money Market Accounts	10,401					
Total Other Investments	$ 24,207					
Total Investments	$ 9,602,021 (1)					

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

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
As of June 30, 2013
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating: AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 3,011,392	7.99	100%	-	-	-
U.S. Agencies	735,273	5.16	99%	1%	-	-
Mortgage-backed Securities	4,197,236	5.00	84%	4%	3%	9%
Yankee Bonds	701,176	6.96	24%	66%	6%	4%
State or Local Government Bonds	157,482	18.80	29%	71%	-	-
Corporate Bonds	2,913,768	8.25	7%	78%	13%	2%
Foreign Country Bonds	33,635	6.05	31%	33%	36%	-
Asset-backed Securities	433,828	2.82	44%	14%	8%	34%
Short Term Notes	3,239,110	0.23	8%	-	-	92%
FX Forwards	(641)	N/A	-	-	-	100%
Total Debt Securities	$ 15,422,259					
Other Investments:						
Guaranteed Investment Account						
Synthetic Guaranteed Investment Contract (GIC)	$ 1,243,123					
Short Term Investments Pool	303,133					
Total Guaranteed Investment Account	$ 1,546,256					
Futures Options	(1,038)					
Mutual Funds	5,107,030					
Total Other Investments	$ 6,652,248					
Equity Investments:						
Corporate Stock	$ 31,365,710					
Alternative Equities	7,346,775					
Stock Rights/Warrants	407					
Total Equity Investments	$ 38,712,892					
Total Investments	$ 60,787,399 [1]					

[1] Total investments do not include $192,180 of cash that is included in the cash and cash equivalent investments line on the pension and investment trust funds statements.

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations

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

Corporate Stock

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

The state did not have concentration of credit risk over five percent as of June 30, 2013.

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, 2013.

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2013
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 4,802	$ -	$ 384,237
Brazilian Real	203	-	101,828
Canadian Dollar	5,316	12,373	501,877
Danish Krone	79	-	81,304
Euro Currency	18,957	30,036	1,612,349
Hong Kong Dollar	3,706	-	478,550
Indian Rupee	279	-	149,268
Indonesian Rupiah	120	-	55,722
Japanese Yen	16,073	-	1,301,228
New Taiwan Dollar	157	-	96,589
Norwegian Krone	201	-	55,132
Pound Sterling	10,390	19,713	1,246,794
Singapore Dollar	1,412	-	86,407
South African Rand	131	-	57,410
South Korean Won	237	-	208,836
Swedish Krona	1,711	-	160,758
Swiss Franc	205	-	504,083
Other	854	-	361,692
Total	$ 64,833	$ 62,122	$ 7,444,064

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, 2013, such investment had an average duration of 13.73 days and an average weighted maturity of 32.84 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, 2013, 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, 2013, were $9,139,033,000 and $8,757,232,000, respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

Housing Finance Agency

As of June 30, 2013, Housing Finance Agency (HFA) had $379,670,000 of cash and cash equivalents and $1,073,553,000 of investments. As of June 30, 2013, $368,027,000 of deposits and $1,013,502,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 3.6 – 28.1 years.

HFA cash equivalents included $11,643,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2013, all the investment agreement providers had a Standard & Poor’s long-term credit rating of ‘AA-’ and a Moody’s long-term credit rating of ‘A1.’ 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 $1,073,553,000 as of June 30, 2013. Included in these investments were $10,493,000 in U.S. Treasuries (not rated), and $925,340,000 in U.S. Agencies having a Standard & Poor’s rating of ‘AA+’ and Moody’s Investors Services rating of ‘Aaa.’ An additional $49,565,000 in municipal debt investments had a Standard & Poor’s rating of ‘AA’ and Moody’s Investors Services rating of ‘Aa2.’

HFA had investments in single issuers as of June 30, 2013, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $96,693,000 were issued by 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, 2013, as Interest Rate Swap Agreements deferred inflows of resources. The change in fair value for fiscal year 2013 is reported in “Deferred Loss on Interest Swap Agreements” deferred outflows of resources.

As of June 30, 2013, HFA had eight and six interest rate swap agreements with counterparties the Bank of New York Mellon and Royal Bank of Canada for total notional amounts of $185,015,000 and $157,800,000 having fair values of ($11,143,000) and ($16,286,000), respectively. For these counterparties, respectively, the increase in fair values for fiscal year ended June 30, 2013, were $6,703,000 and $5,503,000.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon and Royal Bank of Canada, have been rated by Moody's as 'Aa1,' and 'Aa3,' respectively, and by Standard & Poor's as 'AA-,' and 'AA-,' respectively.

All swaps are pay-fixed/receive variable 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 right, generally based upon a 300 percent 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. 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, 2012, Metropolitan Council (MC), had $263,852,000 in cash and cash equivalents and $802,946,000 in investments. Of this amount, $796,227,000 was subject to rating. Using the Moody's Investors Services rating scale, $662,423,000 of these investments were rated 'Aaa' while $133,804,000 were not rated. U.S. Treasury State and Local Government Securities (SLGS) of $273,036,000 and net outstanding checks of $2,465,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $198,829,000 U.S. agency investments, MC has a custodial credit risk exposure of $2,007,000 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, 2012. The investment portfolio has an average yield of 1.32 percent, modified duration of 4.2 years, effective duration of 2.5 years, and convexity of -0.79.

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

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2012
(In Thousands)

	Estimated Fair Value
Fair Value of Portfolio Before Basis Point Increase	$ 1,068,113
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	$ 1,073,464
100 Points	$ 1,063,932
150 Points	$ 1,054,549
200 Points	$ 1,044,555

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 but discontinued its fuel hedging for one fund and natural gas hedging for all funds in 2012. The hedging transactions are separate from fuel purchase transactions. For 2012, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2012, MC had 273 New York Mercantile Exchange (NYMEX) heating oil futures contracts (11.5 million gallons) acquired from August 26, 2011, through December 11, 2012, to terminate on dates from January 31, 2013, through November 28, 2014. As of December 31, 2012, the heating oil futures contracts had a fair value of $34,230,000.

MC is using NYMEX heating oil futures to hedge diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2013, University of Minnesota (U of M), including its discretely presented component units, had $354,493,000 of cash and cash equivalents and $4,138,461,000 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 $281,011,000 and investments of $1,978,690,000.

Beginning December 31, 2010, and ending December 31, 2012, all non-interest-bearing accounts were fully insured, regardless of balance, at qualified FDIC-insured institutions. As of June 30, 2013, U of M’s bank balance of $203,130,000 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 meet respective investment objectives 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, 2013, $1,283,980,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,024,315,000 was rated AA or better
- $259,665,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- $725,299,000 in government agencies with weighted average maturities of 3.1 to 3.5 years
- $93,636,000 in mortgage-backed securities with a weighted average maturity of 20.6 years
- $205,380,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $224,655,000 in mutual funds with a weighted average maturity of 5.7 years

As of June 30, 2013, U of M had $167,250,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $53,281,000 in Euro Currency and $32,336,000 in British Pound Sterling.

As of June 30, 2013, the U of M has one pay-fixed, receive-variable swap that is considered ineffective. At June 30, 2013, the total fair value was ($11,899,000), with changes in fair value reported as investment income.

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

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2012, or June 30, 2013, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 3,313	$ 18,838
National Sports Center Foundation	1,015	-
Office of Higher Education	369,602	-
Public Facilities Authority	446,343	39,284
Rural Finance Authority	19,490	-
Workers' Compensation Assigned Risk Plan	9,769	269,371
Minnesota Sports Facilities Authority	2,974	8,701
Total	$ 852,506	$ 336,194

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2013
(In Thousands)

	Governmental Activities			
	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 937,539	$ -	$ -	$ 937,539
Sales and Use	403,972	-	23,852	427,824
Property	425,191	-	-	425,191
Health Care Provider	299,123	-	90,534	389,657
Motor Vehicle/Fuel	-	-	72,448	72,448
Child Support	61,990	63,130	234	125,354
Workers' Compensation	-	-	109,668	109,668
Other	568,295	209,383	103,388	881,066
Net Receivables	$ 2,696,110	$ 272,513	$ 400,124	$ 3,368,747

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ -	$ 501,839	$ -	$ 501,839
Tuition and Fees	57,657	-	-	57,657
Other	-	-	31,228	31,228
Net Receivables	$ 57,657	$ 501,839	$ 31,228	$ 590,724
Total Government-wide Net Receivables				$ 3,959,471

[1]Includes $4,394 Internal Service Funds.

[2]Includes $1,614 Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

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

- Corporate and Individual Taxes $178,599,000
- Sales and Use Taxes $55,297,000
- Child Support $271,083,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $128,882,000
- Sales and Use Taxes $61,818,000
- Child Support $121,301,000
- Health Care Provider $134,224,000
- Other Receivables $83,158,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2013
(In Thousands)

	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ -	$ 32,193
Economic Development	35,594	1,936	43,107	-	-
School Districts	45,111	-	-	-	-
Agricultural, Environmental and Energy Resources	-	-	65,178	-	-
Transportation	-	-	16,359	131	-
Other	4,187	-	2,711	-	-
Total	$ 84,892	$ 1,936	$ 127,355	$ 131	$ 32,193

Component Units
Loans and Notes Receivable
As of December 31, 2012, or June 30, 2013, as applicable
(In Thousands)

Housing Finance Authority	$ 1,638,515
Metropolitan Council	49,377
University of Minnesota	73,381
Agricultural and Economic Development Board	1,048
Office of Higher Education	659,968
Public Facilities Authority	1,785,526
Rural Finance Authority	51,924
Total	$ 4,259,739

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/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government
Interfund Receivables and Payables
As of June 30, 2013
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	71,925
Nonmajor Governmental Funds		28,337
Nonmajor Enterprise Funds		13,674
Fiduciary Funds		1,614
Total Due to General Fund From Other Funds	$	115,550
Due to the Federal Fund From:		
Nonmajor Governmental Funds	$	6,122
State Colleges and Universities Fund		5,300
Unemployment Insurance Fund		888
Total Due to Federal Fund From Other Funds	$	12,310
Due to the State Colleges and Universities Fund From:		
General Fund	$	457
Nonmajor Governmental Funds		29,742
Total Due to State Colleges and Universities Fund From Other Funds	$	30,199
Due to the Nonmajor Enterprise Funds From:		
General Fund	$	186
Nonmajor Enterprise Funds		2,073
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,259
Due to Fiduciary Funds From:		
General Fund	$	1
Fiduciary Funds		6,395
Total Due to Fiduciary Funds From Other Funds	$	6,396
Due to the Nonmajor Governmental Funds From:		
General Fund	$	53,882
Unemployment Insurance Fund		18,751
Nonmajor Governmental Funds		131,345
Total Due to Nonmajor Governmental Funds From Other Funds	$	203,978

Primary Government
Interfund Transfers
Year Ended June 30, 2013
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	36,289
Nonmajor Governmental Funds		411,991
Nonmajor Enterprise Funds		110,520
Internal Service Funds		26,304
Total Transfers to General Fund From Other Funds	$	585,104
Transfers to the Federal Fund From:		
General Fund	$	4
Unemployment Insurance Fund		123
Nonmajor Governmental Funds		1,817
Total Transfers to Federal Fund From Other Funds	$	1,944
Transfers and Capital Contributions to the State Colleges and Universities Fund From:		
General Fund	$	553,246
Nonmajor Governmental Funds – Capital Contributions		88,497
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	$	641,743
Transfers to Fiduciary Funds From:		
General Fund	$	43,684
Fiduciary Funds		21,170
Total Transfers to Fiduciary Funds From Other Funds	$	64,854
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	397,309
Federal Fund		47
Unemployment Insurance Fund		23,700
Nonmajor Governmental Funds		338,078
Nonmajor Enterprise Funds		26,383
Internal Service Funds		1,304
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	786,821
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:		
General Fund	$	5,147
Nonmajor Governmental Funds		3,200
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	$	8,347
Transfers and Capital Contributions to Internal Service Funds From:		
General Fund	$	1,678
Total Transfers and Capital Contributions to Internal Service Funds From Other Funds	$	1,678

Component Units

Primary Government and Component Units
Receivables and Payables
As of June 30, 2013
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 65,405	$ -
University of Minnesota	4,568	26,670
Total Major Component Units	$ 69,973	$ 26,670
Nonmajor Component Units	$ 15,180	$ 80,867
Total Component Units	$ 85,153	$ 107,537

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ 2,385	$ 2,047
Federal Fund	-	1,787
Total Major Governmental Funds	$ 2,385	$ 3,834
Nonmajor Governmental Funds	$ 88,664	$ 4,064
Nonmajor Enterprise Funds	-	17
Total Primary Government	$ 91,049	$ 7,915 (1)

(1) Due to component units on the Government-wide Statement of Net Position totals $23,095 and includes $15,180 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by $16,488,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The $77,238,000 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 $15,180,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2013
(In Thousands)

	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 2,114,604	$ 66,044	$ (12,612)	$ 2,168,036
Buildings, Structures, Improvements	30,768	8,102	–	38,870
Construction in Progress	265,193	113,500	(123,098)	255,595
Development in Progress	29,947	41,349	(2,150)	69,146
Infrastructure (1)	8,184,515	328,125	(32,470)	8,480,170
Easements	324,203	18,068	(7,538)	334,733
Art and Historical Treasures	3,731	1,262	(394)	4,599
Total Capital Assets not Depreciated	$ 10,952,961	$ 576,450	$ (178,262)	$ 11,351,149
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,551,589	$ 120,320	$ (44,574)	$ 2,627,335
Infrastructure	167,869	35,105	(3,875)	199,099
Internally Generated Computer	67,010	8,849	(1,751)	74,108
Easements	4,090	121	–	4,211
Equipment, Furniture, Fixtures	619,178	65,127	(43,093)	641,212
Total Capital Assets Depreciated	$ 3,409,736	$ 229,522	$ (93,293)	$ 3,545,965
Accumulated Depreciation for:				
Buildings, Structures, Improvements (1)	$ (990,231)	$ (65,748)	$ 27,455	$ (1,028,524)
Infrastructure	(50,528)	(3,504)	540	(53,492)
Easements	(663)	(117)	–	(780)
Internally Generated Computer	(5,630)	(11,635)	–	(17,265)
Equipment, Furniture, Fixtures	(407,630)	(44,755)	34,867	(417,518)
Total Accumulated Depreciation	$ (1,454,682)	$ (125,759)	$ 62,862	$ (1,517,579)
Total Capital Assets Depreciated, Net	$ 1,955,054	$ 103,763	$ (30,431)	$ 2,028,386
Governmental Act. Capital Assets, Net	$ 12,908,015	$ 680,213	$ (208,693)	$ 13,379,535

(1) Prior year amount has been restated for the prior period adjustment.

Prior Period Adjustment Governmental Activities: During fiscal year 2013, nondepreciable infrastructure increased by $86,908,000 resulting in a prior period adjustment. This increase was attributable to the capitalization of bridge and pavement costs that were previously expensed as system preservation at the Minnesota Department of Transportation. Additionally during fiscal year 2013, building accumulated depreciation decreased by $29,923,000 resulting in a prior period adjustment. This decrease was attributable to a change in the method of depreciation to align internal rate development with depreciation in the accounting system at the Minnesota Department of Transportation. These changes have been reflected as an adjustment to the beginning balances.

Capital outlay expenditures in the governmental funds totaled $646,086,000 for fiscal year 2013. Donations of general capital assets received during fiscal year 2013 were valued at $18,246,000. Transfers of $119,545,000 were primarily from construction in progress for completed projects. Additions in internal service funds were $22,095,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2013, consisted of equipment with a cost of $3,706,000 and buildings with a cost of $180,050,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2013
(In Thousands)

	Beginning	Additions	Deductions	Ending
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 88,420	$ 1,312	$ (114)	$ 89,618
Construction in Progress	192,153	184,375	(195,413)	181,115
Total Capital Assets not Depreciated	$ 280,573	$ 185,687	$ (195,527)	$ 270,733
Capital Assets Depreciated:				
Buildings, Structures, Improvements (1)	$ 2,845,802	$ 204,807	$ (6,226)	$ 3,044,383
Library Collections	46,124	5,935	(7,021)	45,038
Internally Generated Computer	15,695	1,233	(2,109)	14,819
Equipment, Furniture, Fixtures	333,557	25,995	(11,306)	348,246
Total Capital Assets Depreciated	$ 3,241,178	$ 237,970	$ (26,662)	$ 3,452,486
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,250,527)	$ (88,736)	$ 5,093	$ (1,334,170)
Library Collections	(27,206)	(6,435)	7,021	(26,620)
Internally Generated Computer	(8,128)	(2,332)	2,109	(8,351)
Equipment, Furniture, Fixtures	(220,825)	(23,245)	11,560	(232,510)
Total Accumulated Depreciation	$ (1,506,686)	$ (120,748)	$ 25,783	$ (1,601,651)
Total Capital Assets Depreciated, Net	$ 1,734,492	$ 117,222	$ (879)	$ 1,850,835
Business-type Act. Capital Assets, Net	$ 2,015,065	$ 302,909	$ (196,406)	$ 2,121,568
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ –	$ –	$ 429
Total Capital Assets not Depreciated	$ 429	$ –	$ –	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,764	$ 650	$ (649)	$ 29,765
Equipment, Furniture, Fixtures	9,721	5,459	(1,371)	13,809
Total Capital Assets Depreciated	$ 39,485	$ 6,109	$ (2,020)	$ 43,574
Accumulated Depreciation for:				
Buildings	$ (8,200)	$ (764)	$ –	$ (8,964)
Equipment, Furniture, Fixtures (2)	(4,244)	(615)	1,160	(3,699)
Total Accumulated Depreciation	$ (12,444)	$ (1,379)	$ 1,160	$ (12,663)
Total Capital Assets Depreciated, Net	$ 27,041	$ 4,730	$ (860)	$ 30,911
Fiduciary Funds, Capital Assets, Net	$ 27,470	$ 4,730	$ (860)	$ 31,340

(1) Prior year amount has been restated for the prior period adjustment.

(2) Additions include $51 in accumulated depreciation on a transfer.

Prior Period Adjustment Business-type Activities: During fiscal year 2013, Buildings, Structures, Improvements increased by $10,541,000 resulting in a prior period adjustment. This increase was attributable to the capitalization of miscellaneous towers related to the 911 Services Fund (Enterprise Fund) by the Minnesota Department of Transportation. These changes have been reflected as an adjustment to the beginning balances.

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2013
(In Thousands)

Governmental Activities:		
Agricultural, Environmental & Energy Resources	$	10,758
Economic and Workforce Development		1,427
General Education		5,526
General Government		20,088
Health and Human Services		21,460
Public Safety and Corrections		25,757
Transportation		30,656
Internal Service Funds		10,087
Total Governmental Activities	$	125,759
Business-type Activities:		
State Colleges and Universities	$	107,890
Lottery		836
Other		11,971
Total Business-type Activities	$	120,697

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2013
(In Thousands)

	Administration	Transportation
Authorization	$ 191,633	$ 751,613
Less: Expended through June 30, 2013	(74,615)	(418,530)
Less: Unexpended Commitment	(66,405)	(92,879)
Remaining Available Authorization	$ 50,613	$ 240,204

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. Total acres on June 30, 2013, were 2,520,986.

Component Units

Component Units
Capital Assets
As of December 31, 2012, or June 30, 2013, as applicable
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ –	$ 221,705	$ 91,090	$ 9,952	$ 322,747
Construction in Progress	–	821,928	278,103	–	1,100,031
Museums and Collections	–	–	54,695	–	54,695
Permanent Easement	–	–	2	–	2
Buildings and Improvements	–	3,222,297	3,505,467	122,346	6,850,110
Equipment	2,431	1,025,590	885,837	15,046	1,928,904
Capitalized Software	7,358	–	117,935	–	125,293
Other Intangible Assets	–	–	5,052	–	5,052
Infrastructure	–	–	461,525	–	461,525
Total	$ 9,789	$ 5,291,520	$ 5,399,706	$ 147,344	$10,848,359
Less: Accumulated Depreciation	$ 6,859	$ 1,692,012	$ 2,522,792	$ 123,661	$ 4,345,324
Net Total	$ 2,930	$ 3,599,508	$ 2,876,914 (1)	$ 23,683	$ 6,503,035

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $71,000 as of June 30, 2013.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2013
(In Thousands)

	Governmental Activities			
	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 1,122,695	$ 168,692	$ 2,794	$ 1,294,181
Tax Refunds	588,618	-	-	588,618
Medical Care Programs	787,879	971,475	62,927	1,822,281
Grants	195,460	217,077	189,569	602,106
Salaries and Benefits	53,658	9,984	31,518	95,160
Vendors/Service Providers	188,764	57,794	277,878	524,436
Net Payables	$ 2,937,074	$ 1,425,022	$ 564,686	$ 4,926,782

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 109,089	$ -	$ 697	$ 109,786
Vendors/Service Providers	67,321	25,546	40,325	133,192
Net Payables	$ 176,410	$ 25,546	$ 41,022	$ 242,978
Total Government-wide Net Payables				$ 5,169,760

[1]Includes $53,007 Internal Service Funds.

[2]Includes $1 Interfund Payable to Fiduciary Funds reclassified to Accounts Payable on the Government-wide Statement of Net Position.

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.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Elective State Officers Fund Judicial Retirement Fund Legislative Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Postretirement Health Care Benefits Fund Unclassified Employees Retirement Fund State Deferred Compensation 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

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.

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 due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value, except as described below. 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 sales 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 Minnesota 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 Position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2013, 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 most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees. Twenty-seven employers participate in this plan. 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 if the employee was first hired before July 1, 1989, are 1.2 percent for the first 10 years of allowable service and 1.7 percent of a member's average salary for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of average salary for each year of allowable service. Average salary is defined as the average of the five highest paid consecutive years of service. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

  The Public Employees Retirement Fund (PERF) covers employees of various governmental 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. 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 1.0 percent or 2.5 percent if the plan is funded at least 90 percent 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. The Actuarial Accrued Liability is 69 percent funded according to the latest actuarial evaluation. 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 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. 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 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. 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 1.0 percent, then by the CPI up to 1.5 percent until the fund is 90 percent of full funding, then the CPI up to 2.5 percent. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. 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 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. 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 590 employers participate in this plan. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the 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 post-retirement benefit increases occur annually on January 1. The increases are 2.0 percent or 2.5 percent if the plan is funded at least 90 percent 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. There are 63 employers participating in this plan. 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 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 contact with inmates at Minnesota correctional facilities generally 75 percent of the time or higher. The annuity is 2.4 percent of average salary for each year of service and 2.2 percent for hires after June 30, 2010. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

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 no active, contributing members remain in the plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C. Annual benefits to retirees and survivors increase by 2.0 percent or 2.5 percent if SERF's accrued liability funding ratio is a least 90 percent determined on a market value of assets basis. Effective July 1, 2013, this fund merged with the Legislators Retirement Fund for administrative cost saving purposes. Benefit provisions for both retirement funds remain unaffected by the merger.

The Judicial Retirement Fund (JRF) covers judges of the Supreme Court, Court of Appeals, and district courts. 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 76.8 percent. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. During the 2013 legislative session, several financial solvency measures for this fund were enacted on July 1, 2013, including a tiered contribution and benefit structure, and reduction of the annual post-retirement increase to 1.75 percent until the funding ratio is 70 percent determined on a market value of asset basis.

The Legislative Retirement Fund (LRF) covers certain members of the state's House of Representatives and Senate. Legislators newly elected since July 1, 1997, are covered by the Unclassified Employee Retirement Fund (defined contribution fund). The annuity benefit formula ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on a member's length of service. Annual benefits increase by 2.0 percent or 2.5 percent if SERF's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The annuity is 3.0 percent of average salary for each year of allowable service. Annual benefits increase by 1.5 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. Also, during the 2013 legislative session, several financial solvency measures for this fund were enacted; most become effective on July 1, 2013, including increasing the employee and employer contribution rates, reducing the annual benefit increase to 1.0 percent until the funding ratio is 85 percent determined on a market value of assets basis, increasing the vesting period to 10 years for employees first hired on or after July 1, 2013, increasing early retirement reduction factor from 1.2 percent to 4 percent per year, and implementing an allowable service cap of 33 years for calculating retirement benefits (with exception for individuals with 28 years of service before July 1, 2013).

Statutory Contribution Rates
Year Ended June 30, 2013

	Single Employer					Multiple Employer	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352.90	352C	490	3A	352B	352.04	354
Required Contribution Rate							
Active Members	8.60%	N/A	8.00%	9.00%	12.40%	5.00%	6.50%
Employer(s)	12.10%	N/A	20.50%	N/A	18.60%	5.00%	6.50%

Multiple Employer Plan
Required Contributions
(In Thousands)

Required Contributions[1]		SERF	TRF
Employee	2013	$ 124,150	$ 265,809
	2012	$ 118,358	$ 239,834
	2011	$ 122,029	$ 218,024
Employers[2]	2013	$ 121,673	$ 270,708
	2012	$ 115,159	$ 244,935
	2011	$ 118,563	$ 222,723
Primary Government[3]	2013	$ 89,077	$ 27,959
	2012	$ 86,273	$ 27,994
	2011	$ 86,698	$ 28,287

(1) Contribution rates are statutorily determined.

(2) Contributions were at least 100 percent of required contributions.

(3) Primary Government's portion of Employer Contributions.

Single Employer Plan Disclosures
As of June 30, 2013
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 49,822	$ 15,262	$ 12,556	$ 25,557
Interest on Net Pension Obligation (NPO)[1]	6,828	(553)	-	(892)
Amortization Adjustment to ARC[1]	(5,232)	448	(1,770)	848
Annual Pension Cost (APC)	$ 51,418	$ 15,157	$ 10,786	$ 25,513
Contributions	(42,193)	(11,214)	(3,510)	(19,185)
Increase (Decrease) in NPO	$ 9,225	$ 3,943	$ 7,276	$ 6,328
NPO, Beginning Balance	$ 80,332	$ (6,512)	$ 17,411	$ (10,494)
NPO, Ending (Asset)	$ 89,557	$ (2,569)	$ 24,687	$ (4,166)

(1)Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2013	$ 51,418	$ 15,157	$ 10,786	$ 25,513
	2012	$ 53,851	$ 12,038	$ 17,043	$ 22,669
	2011	$ 50,077	$ 11,467	$ 6,750	$ 20,406
Percentage of APC Contributed	2013	82%	74%	33%	75%
	2012	77%	90%	24%	85%
	2011	82%	99%	44%	81%
Net Pension Obligation (NPO) (End of Year)	2013	$ 89,557	$ (2,569)	$ 24,687	$ (4,166)
	2012	$ 80,332	$ (6,512)	$ 17,411	$ (10,494)
	2011	$ 67,872	$ (7,697)	$ 4,427	$ (13,790)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actual Valuation Date	7/1/2012	7/1/2012	7/1/2012	7/1/2012
Actuarial Value of Plan Assets	$ 663,713	$ 144,898	$ 15,523	$ 554,244
Actuarial Accrued Liability	$ 968,166	$ 281,576	$ 247,657	$ 760,955
Total Unfunded Actuarial Liability	$ 304,453	$ 136,678	$ 232,134	$ 206,711
Funded Ratio	69%	51%	6%	73%
Annual Covered Payroll	$ 200,035	$ 38,644	$ 1,378	$ 62,524
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	152%	354%	16,846%	331%

Required Supplementary Information - Schedule of Funding Progress immediately following the notes presents multiyear trend information.

Actuarial Assumptions for MSRS Defined Benefit Retirement 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, 2012.

- The calculation of the actuarial valuation of assets is the sum of the market asset value at July 1, 2012, plus the scheduled recognition of investment gains or losses during the current and the preceding four fiscal years.

- Expected net investment returns for pre-retirement and post-retirement are 8 percent and 6 percent, respectively, except for the SPRF whose post-retirement return is 6.5 percent and LRF whose pre-retirement and post-retirement are 0.0 percent through June 30, 2017. Beginning July 1, 2017, the net investment returns for pre-retirement and post-retirement will be 8.5 percent and 6.5 percent except SPRF whose post-retirement return is 7.0 percent and LRF whose pre-retirement and post-retirement continues to be 0.0 percent.

- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.5 percent post-retirement investment return assumption that is 2.0 percent less than the pre-retirement investment return assumption, except for LRF whose benefit increases after retirement are 2.0 percent.

- The amortization method uses level percentage of projected payroll growth, except for the Legislative and ESOF Retirement plans, which use the level dollar amortization method.

- Projected payroll growth is a level 3.75 percent except for JRF, which is a level 3.0 percent.

- The statutory amortization periods for SERF, CERF, ESORF, JRF, LRF, and SPRF are through June 30, of 2040, 2038, 2021, 2039, 2026, and 2037, respectively.

- The amortization period is closed.

- Additional actuarial assumptions are detailed in the July 1, 2012, actuarial valuation reports for the MSRS defined benefit retirement funds. These reports are located online at http://www.msrs.state.mn.us/info/fincl.htmls.

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.

Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. 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 termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted.

The Unclassified Employees 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, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judicial Retirement Fund. Statutory contribution rates are 5.0 percent for employee and 6.0 percent for employer. However, contribution rates for participating judges is 8.0 percent with no employer contribution. Benefits are either participant's account balance withdrawals or an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption.

The Minnesota Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

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.

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

Defined Contribution Plans
Contributions
Year Ended June 30, 2013
(In Thousands)

	HCSRF	PHCBF	UERF	DCF	CURF
Employee Contributions	$ 227	$ 112,359	$ 5,096	$ 1,612	$ 35,289
Employer Contributions	$ 228	N/A	$ 5,867	$ 1,734	$ 41,965

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.

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
- Minnesota Sports Facilities 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 130 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,727,000 during fiscal year ended June 30, 2013, with a remaining liability as of June 30, 2013, of $3,530,000.

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 Minnesota Statutes, 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 percent 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, 2012, there were approximately 2,600 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 65. As of July 1, 2012, there were approximately 1,120 correctional and law enforcement retirees receiving an explicit rate subsidy.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis.

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, 2013, the state contributed $38,348,000 to the plan. Plan members retirees receiving benefits through the implicit rate subsidy contributed $24,453,000 through their average required contribution of $475 per month for retiree-only coverage and $1,397 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75 percent discount rate. For year ending June 30, 2013, the state's ARC is $65,854,000.

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:

OPEB Disclosures
As of June 30, 2013
(In Thousands)

Annual Required Contributions (ARC)(1)	$	65,854
Interest on Net OPEB Obligation (NOO)(1)		9,149
Amortization Adjustment to ARC(1)		(7,703)
Annual OPEB Cost (Expense)	$	67,300
Contributions		(38,348)
Increase in NOO	$	28,952
NOO, Beginning Balance	$	192,622
NOO, Ending(2)	$	221,574

(1)Components of annual OPEB cost.

(2)Governmental Activities, Business-type Activities, and Fiduciary Funds include $192,601; $28,913; and $60, respectively.

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012, and 2011 are as follows:

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 67,300	57%	$ 221,574
June 30, 2012	$ 81,528	65%	$ 192,622
June 30, 2011	$ 77,250	51%	$ 164,311

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $651,890,000. 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 $2,819,463,000 and the ratio of the UAAL to the covered payroll was 23.1 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, 2012.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Inflation rate is 3.0 percent.
- Projected salary increases are a level 3.75 percent.

- The annual health care cost trend rate is 6.80 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 $130,808,000 as of December 31, 2012, for this purpose. The annual required contribution for 2012 was $22,341,000 or 8.5 percent of annual covered payroll. As of December 31, 2012, 2011, and 2010, the net OPEB obligation was $74,516,000, $70,628,000, and $57,948,000 respectively. The actuarial accrued liability (AAL) for benefits was $261,699,000 as of December 31, 2012, all of which was unfunded. The covered payroll was $263,063,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 99.48 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, 2013, was $28,128,000 or 2.3 percent of annual covered payroll. As of June 30, 2013, 2012, and 2011, the net OPEB obligation was $82,433,000, 62,987,000 and $44,131,000. The actuarial accrued liability (AAL) for benefits was $94,555,000 as of June 30, 2013, all of which was unfunded. The covered payroll was $1,203,994,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.9 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, 2013, were as follows:

Primary Government
Encumbrances
As of June 30, 2013
(In Thousands)

Major Fund: General Fund	$	218,163
Non-Major Governmental Funds		1,794,088
Total Encumbrances	$	2,012,251

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of November 2013, the Petrofund has reimbursed eligible applicants approximately $427,000,000 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, 2017, are between $435,000,000 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 remediation 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 costs, enforcement and cost recovery actions.

In addition to the general portion of the fund, two dedicated accounts are held within the fund. Money in the dry cleaner environmental response and reimbursement account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The metropolitan landfill contingency action trust account receives twenty-five percent of the metropolitan solid waste landfill fee. Money in this dedicated 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 determined that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota 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 as determined by the commissioner of the Minnesota Pollution Control Agency 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 $122,606,000 for construction and renovation of college and university facilities as of June 30, 2013.

Component Units

As of June 30, 2013, the Housing Finance Agency (HFA) had committed approximately $308,179,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2012, unpaid commitments for Metro Transit Bus services were approximately $63,211,000. Future commitments for Metro Transit Light Rail were approximately $290,875,000, while future commitments for Metro Transit Commuter Rail were approximately $4,577,000. Finally, future commitments for Regional Transit and Environmental Services were approximately $246,966,000 and $74,876,000, respectively.

University of Minnesota (U of M) had construction projects in progress with an estimated completion cost of $251,810,000 as of June 30, 2013. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2013, Public Facilities Authority (PFA) had committed approximately $99,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $16,000,000 for grants.

As of December 31, 2012, Minnesota Sports Facilities Authority had committed approximately $40,434,000 for stadium and stadium infrastructure construction projects.

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, 2013, totaled approximately $84,939,000 and $19,850,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2012, totaled approximately $1,387,000 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
2014	$ 77,954	2014	$ 12,171	2013	$ 1,159
2015	66,072	2015	7,342	2014	971
2016	55,753	2016	5,073	2015	408
2017	48,198	2017	4,928	2016	570
2018	38,468	2018	3,837	2017	476
2019-2023	88,445	2019-2023	12,916	2018-2022	846
2024-2028	5,880	2024-2028	9,935	2023-2027	102
2029-2033	2,755	2029-2033	10,171	2028-2032	100
2034-2038	-	2034-2038	2,603	2033-2037	86
Total	$ 383,525	Total	$ 68,976	Total	$ 4,718

Note 12 – Long-Term Liabilities – Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2013
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 5,772,034	$ 718,656	$ 333,154	$ 6,157,536	$ 330,482
Revenue Bonds	794,574	-	784,314	10,260	955
State General Fund Appropriation Bonds	-	778,363	3,593	774,770	33,930
Loans	28,612	18,817	11,447	35,982	17,692
Due to Component Unit	16,684	1,597	3,101	15,180	2,389
Capital Leases	144,319	-	29,019	115,300	8,479
Certificates of Participation	70,742	-	21,302	49,440	6,855
Claims	789,203	38,010	118,509	708,704	108,759
Compensated Absences	279,444	247,370	243,244	283,570	36,288
Net Other Postemployment Obligation	166,156	59,018	32,573	192,601	-
Net Pension Obligation	97,743	62,204	45,703	114,244	-
Total	$ 8,159,511	$ 1,924,035	$ 1,625,959	$ 8,457,587	$ 545,829
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 249,636	$ 21,347	$ 20,662	$ 250,321	$ 19,328
Revenue Bonds	431,952	89,955	51,409	470,498	24,375
Loans	5,015	92	693	4,414	779
Capital Leases	40,137	-	4,856	35,281	4,761
Claims	6,937	2,443	4,402	4,978	2,389
Compensated Absences	139,225	29,853	24,806	144,272	17,065
Net Other Postemployment Obligation	26,303	8,213	5,603	28,913	-
Total	$ 899,205	$ 151,903	$ 112,431	$ 938,677	$ 68,697

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

	Governmental Activities				
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
Liabilities For:					
General Obligation Bonds	$4,879,081	$ 1,278,455	$ -	$ 250,321	$ 6,407,857
Revenue Bonds	5,131	5,129	-	470,498	480,758
State General Fund Appropriation Bonds	774,770	-	-	-	774,770
Loans	-	7,300	28,682	4,414	40,396
Due to Component Unit	-	15,180	-	-	15,180
Capital Leases	114,469	831	-	35,281	150,581
Certificates of Participation	49,440	-	-	-	49,440
Claims	90,037	608,998	9,669	4,978	713,682
Compensated Absences	146,280	131,167	6,123	144,272	427,842
Net Other Postemployment Benefit Obligation	192,075	-	526	28,913	221,514
Net Pension Obligation	114,244	-	-	-	114,244
Total	$6,365,527	$ 2,047,060	$ 45,000	$ 938,677	$ 9,396,264

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

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2014	$ 330,482	$ 251,288	$ 19,328	$ 11,164	$ 349,810	$ 262,452
2015	496,280	233,069	18,925	9,849	515,205	242,918
2016	467,470	210,040	18,470	8,927	485,940	218,967
2017	448,444	188,014	17,636	8,019	466,080	196,033
2018	428,819	166,957	17,511	7,156	446,330	174,113
2019-2023	1,714,517	564,493	77,118	23,768	1,791,635	588,261
2024-2028	1,168,248	215,319	50,157	7,966	1,218,405	223,285
2029-2033	456,270	31,837	13,500	868	469,770	32,705
Total	$ 5,510,530	$ 1,861,017	$ 232,645	$ 77,717	$ 5,743,175	$ 1,938,734
Bond Premium	647,006	-	17,676	-	664,682	-
Total	$ 6,157,536	$ 1,861,017	$ 250,321	$ 77,717	$ 6,407,857	$ 1,938,734

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2014	$ 955	$ 437	$ 24,375	$ 18,931	$ 25,330	$ 19,368
2015	995	396	26,490	17,819	27,485	18,215
2016	1,040	351	27,375	16,819	28,415	17,170
2017	1,085	303	29,005	15,721	30,090	16,024
2018	1,130	253	30,000	14,561	31,130	14,814
2019-2023	5,055	468	139,975	54,472	145,030	54,940
2024-2028	-	-	107,885	25,304	107,885	25,304
2029-2033	-	-	58,960	6,273	58,960	6,273
2034-2038	-	-	3,885	58	3,885	58
Total	$ 10,260	$ 2,208	$ 447,950	$ 169,958	$ 458,210	$ 172,166
Bond Premium	-	-	22,548	-	22,548	-
Total	$ 10,260	$ 2,208	$ 470,498	$ 169,958	$ 480,758	$ 172,166

Primary Government
State General Fund Appropriation Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities	
Year Ended June 30	Principal	Interest
2014	$ 33,930	$ 28,502
2015	37,425	28,356
2016	29,520	27,558
2017	30,720	26,377
2018	31,430	24,841
2019 - 2023	173,470	99,834
2024 - 2028	221,695	53,234
2029 - 2033	98,030	5,354
Total	$ 656,220	$ 294,056
Bond Premium	118,550	-
Total	$ 774,770	$ 294,056

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

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 20,081	$ 925	$ 779	$ 180	$ 20,860	$ 1,105
2015	11,182	400	429	157	11,611	557
2016	9,102	310	410	139	9,512	449
2017	5,285	218	366	123	5,651	341
2018	648	133	390	106	1,038	239
2019-2023	2,928	467	1,330	307	4,258	774
2024-2028	1,603	188	628	51	2,231	239
2029-2033	333	9	82	-	415	9
Total	$ 51,162	$ 2,650	$ 4,414	$ 1,063	$ 55,576	$ 3,713

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2014	$ 8,479	$ 5,295	$ 4,761	$ 1,025	$ 13,240	$ 6,320
2015	8,309	5,139	4,533	1,112	12,842	6,251
2016	8,658	4,764	4,353	1,205	13,011	5,969
2017	8,973	4,374	4,275	1,295	13,248	5,669
2018	9,305	3,968	4,264	1,252	13,569	5,220
2019-2023	53,417	12,705	11,297	4,797	64,714	17,502
2024-2028	18,159	1,176	971	353	19,130	1,529
2029-2033	-	-	827	9,182	827	9,182
Total	$ 115,300	$ 37,421	$ 35,281	$ 20,221	$ 150,581	$ 57,642

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2014	$ 6,855	$ 2,114
2015	7,130	1,840
2016	7,410	1,554
2017	7,745	1,222
2018	8,135	834
2019 - 2023	8,540	426
Total	$ 45,815	$ 7,990
Premium on Certificates of Participation	3,625	-
Total	$ 49,440	$ 7,990

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 2013, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2013
(In Thousands)

General Fund	$	253,754
Special Revenue Funds:		
Trunk Highway Fund	$	120,305
Natural Resources Funds		8
Miscellaneous Special Revenue Fund		196
Tobacco Securitization Authority Fund		22,168
Total Special Revenue Funds	$	142,677
Capital Projects Fund:		
Building Fund	$	13,060
Total Transfers to Debt Service Fund	$	409,491

General Obligation Bond Issues

In August 2012, the state issued $658,500,000 general obligation bonds, Series 2012A through Series 2012C:

- Series 2012A for $422,000,000 in state various purpose bonds were issued at a true interest rate of 2.05 percent.

- Series 2012B for $234,000,000 in state trunk highway bonds were issued at a true interest rate of 2.38 percent.

- Series 2012C for $2,500,000 in state taxable bonds were issued at a true interest rate of 1.03 percent.

The state remains contingently liable to pay its advance refunded general obligation, revenue, and certificate of participation bonds as shown in the following table.

Primary Government
Outstanding Defeased Debt
(In Thousands)

General Obligation Bonds

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2013 Outstanding Amount	Refunded Bond Call/Maturity Date
November 29, 2011	$ 76,804	$ 74,545	$ 74,545	August 1, 2013
November 29, 2011	14,574	14,145	14,145	October 1, 2013
November 29, 2011	53,705	52,125	52,125	November 1, 2013
November 29, 2011	21,868	21,225	21,225	December 1, 2013
November 29, 2011	28,586	27,745	27,745	June 1, 2014
	$ 195,537	$ 189,785	$ 189,785	

Revenue Bonds (Refunded by State General Fund Appropriation Bonds)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2013 Outstanding Amount	Refunded Bond Call/Maturity Date
November 21, 2012	$ 33,930	$ 36,900	$ 36,900	March 1, 2014
November 21, 2012	20,735	37,785	37,785	March 1, 2015
	$ 54,665	$ 74,685	$ 74,685	

Certificate of Participation

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2013 Outstanding Amount	Refunded Bond Call/Maturity Date
December 18, 2012	NA	$ 1,720	$ 1,720	June 1, 2014
December 18, 2012	NA	1,790	1,790	June 1, 2015
December 18, 2012	NA	7,985	7,985	June 1, 2016
	NA	$ 11,495	$ 11,495	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2013. 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).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2013
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 698	$ 1,080	5.00
State Operated Community Services	-	1,446	5.00
State Transportation	60	229,390	4.00 - 5.00
Maximum Effort School Loan	-	20,480	5.00
Rural Finance Authority	36,000	47,000	1.35 - 5.50
Refunding Bonds	-	1,257,445	1.75 - 5.00
Trunk Highway	1,337,498	1,278,455	2.00 - 5.00
Various Purpose	1,133,357	2,907,879	2.25 - 5.00
Total	$ 2,507,613	$ 5,743,175	

State General Fund Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the legislature of the state.

Minnesota Statutes, Section 16A.965, authorizes the state to issue up to $600 million of state General Fund appropriation bonds for the purpose of financing up to $498 million for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit) that was created for that purpose by Minnesota Statutes, Chapter 473J. The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to $10 million bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

State General Fund Appropriation Bond Issues

In November 2012, the state issued $656,220,000 state General Fund appropriation refunding bonds, Series 2012A and Series 2012B:

- Series 2012A for $54,665,000 in state taxable bonds were issued at a true interest rate of .61 percent.

- Series 2012B for $601,555,000 in state tax-exempt bonds were issued at a true interest rate of 2.46 percent.

The following table is a schedule of state General Fund appropriation bonds authorized, but unissued as of June 30, 2013.

Primary Government
State General Fund Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2013
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
Professional Football Stadium	$ 600,000	$ -	NA
Pay-for-Performance	10,000	-	NA
Refund Tobacco Securitization Authority	-	656,220	0.43 - 5.00
Total	$ 610,000	$ 656,220	

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of $7,300,000 were from local government entities to finance certain trunk highway projects. In addition, $15,180,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

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

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 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. In May 2013, the SPPA issued refunding bonds of $115,760,000. The proceeds of the bonds will be applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds. The state has other capital lease agreements to purchase equipment that meets the above criteria.

Certificates of Participation

In August 2009, the state issued $74,980,000 of certificates of participation (COPs) at a true interest rate of 2.88 percent to finance the acquisition of computer software development intangible assets. The proceeds are funding two projects for developing a) the state's statewide financial and procurement system and b) the state's integrated tax accounting system. The COPs 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 COPs 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). In December 2012, due to the completion of the integrated tax accounting system project, there was a partial defeasance of COPs of $11,495,000.

Revenue Bonds Payable

In July 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 Board 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 $1,412,000 for fiscal year 2013, have averaged approximately less than five percent 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 percent (7 years) and 4.50 percent (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 2013, principal and interest paid by the Iron Range Resources and Rehabilitation Board on the bonds was $1,390,000. The total principal and interest remaining to be paid as of June 30, 2013, is $12,468,000 payable through November 2022.

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. On August 16, 2011, $60,380,000 in revenue bonds were issued at a true interest rate of 2.96 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, 2013, is $179,247,000, payable through June 2026. Principal and interest paid during fiscal year 2013 and total 911 fee revenues were $18,299,000 and $63,222,000, 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 $405,000,000 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 0.45 percent to 5.75 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 2034. Annual principal and interest payments on the bonds are expected to require less than 24 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $436,243,000. Principal and interest paid for the current year and total customer net revenues were $22,704,000 and $109,368,000, 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 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $2,418,000. Principal and interest paid and total customer net revenues during fiscal year 2013 were $166,000 and $450,000, respectively. These revenue bonds have a variable interest rate of .75 percent to 3.65 percent.

Claims

Municipal solid waste landfill liabilities of $142,032,000 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.

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, 2013, were $48,065,000. Of this total, $31,979,000 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.

The governmental activities and business-type activities liability for workers' compensation of $102,738,000 and $4,978,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2013, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $32,700,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $373,500,000 are 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 percent) 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 2052 for supplementary benefits and 2042 for second injuries.

The remaining $9,669,000 is for claims in the Risk Management Fund (internal service fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $283,570,000 and $144,272,000 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.

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 2013, 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. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling $21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63%. Minnesota Statutes, Section 356B.10, authorized the issuance of the revenue bonds for a current refunding of the $29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 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 2013, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,087,000. The total principal and interest remaining to be paid as of June 30, 2013, is $ 23,875,000, payable through 2025.

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

Year Ended June 30	Principal	Interest
2014	$ 1,570	$ 500
2015	1,610	468
2016	1,645	436
2017	1,675	403
2018	1,710	370
2019 - 2023	9,170	1,319
2024 - 2028	2,845	154
Total	$ 20,225	$ 3,650
Bond Premium	1,489	-
Total	$ 21,714	$ 3,650

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

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, 2013, net of unamortized discounts/premiums, was $2,136,183,000.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had $1,785,309,000 in general obligation bonds and general obligation grant anticipation notes and $1,368,000 of revenue bonds outstanding on December 31, 2012, both net of unamortized discounts/premiums.

University of Minnesota (U of M) issues general obligation bonds and revenue bonds for capital projects. On June 30, 2013, the principal amount of general obligation bonds and revenue bonds outstanding, net of unamortized discounts/premiums, was $699,634,000 and $298,951,000, respectively.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2013, the principal amount of revenue bonds outstanding was $1,460,000.

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, 2013, the outstanding principal of revenue bonds was $595,321,000, net of unamortized discounts/premiums.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.04, 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, 2013, net of unamortized discounts/premiums, was $1,088,588,000.

Loans and Notes Payable

Metropolitan Council received loans from the Minnesota Housing Finance Authority in 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2012. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

University of Minnesota issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity and supported by a line of credit with a major commercial bank. On June 30, 2013, the outstanding commercial paper notes was $230,050,000. U of M intends to hold the commercial paper notes as a long-term financing vehicle.

National Sports Center Foundation refinanced a majority of its existing debt with a new bank in 2012. On December 31, 2012, the total outstanding loans and notes payable was $5,974,000.

Capital Leases

On December 1, 2004, Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term.

University of Minnesota has seven distinct capital leases. Three of the seven are financed through third-party financing for the purchase of fleet vehicles and other equipment. The remaining four capital leases have payments being paid directly to the lessor and represent leases for buildings and equipment.

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

	MC[1]			U of M	
Year Ended December 31	Principal	Interest[2]	Year Ended June 30	Principal	Interest
2013	$ 137,750	$ 49,963	2014	$ 35,583	$ 30,658
2014	181,119	46,301	2015	31,767	29,342
2015	281,394	40,048	2016	36,290	27,764
2016	207,326	30,630	2017	37,680	26,122
2017	93,087	26,401	2018	39,495	24,341
2018-2022	456,824	93,750	2019-2023	157,470	96,843
2023-2027	278,194	34,544	2024-2028	135,230	62,308
2028-2032	91,556	5,815	2029-2033	118,585	26,919
2033-2037	-	-	2034-2038	57,870	6,025
Total	$ 1,727,250	$ 327,452	Total	$ 649,970	$ 330,322
Unamortized Discounts/ Premiums and Issuance Costs	58,059	-		49,664	-
Total	$ 1,785,309	$ 327,452	Total	$ 699,634	$ 330,322

(1) MC general obligation bonds include general obligation grant anticipation notes of $100 million issued in calendar year 2012.

(2) MC interest is net of Build America Bonds federal subsidy.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA[1] Principal	HFA[1] Interest	U of M Principal	U of M Interest	Year Ended December 31	MC Principal	MC Interest
2014	$ 42,040	$ 69,134	$ 10,358	$ 13,246	2013	$ 1,365	$ 27
2015	50,700	68,960	7,712	12,816	2014	-	-
2016	46,785	67,587	9,350	12,385	2015	-	-
2017	49,625	66,200	9,830	11,911	2016	-	-
2018	50,150	64,715	10,330	11,407	2017	-	-
2019-2023	260,810	297,584	60,025	48,669	2018-2022	-	-
2024-2028	336,575	245,643	76,800	31,893	2023-2027	-	-
2029-2033	417,800	177,962	55,350	14,781	2028-2032	-	-
2034-2038	445,390	104,389	35,135	3,050	2033-2037	-	-
2039-2043	400,062	37,292	-	-	2038-2042	-	-
2044-2048	17,670	1,331	-	-	2043-2047	-	-
2049-2053	3,519	121	-	-	2048-2052	-	-
Total	$2,121,126	$1,200,918	$ 274,890	$ 160,158	Total	$ 1,365	$ 27
Unamortized Discounts/ Premiums and Issuance Costs	5,057	-	24,061	-		3	-
Total	$2,126,183	$1,200,918	$ 298,951	$ 160,158	Total	$ 1,368	$ 27

[1] HFA bonds and notes payable include a $10 million revolving line of credit liability, which is not included in this schedule.

Component Units
Capital Leases
Major Component Units
(In Thousands)

	MC		U of M
Year Ended December 31	Principal and Interest	Year Ended June 30	Principal
2013	$ 1,030	2014	$ 5,119
2014	1,031	2015	5,196
2015	1,026	2016	5,211
2016	1,029	2017	4,875
2017	1,026	2018	4,763
2018-2022	5,123	2019-2023	18,196
2023-2027	3,063	2024-2028	2,918
Total	$ 13,328	Total Principal	$ 46,278
Interest	(3,103)	Interest	14,958
Total Principal	$ 10,225	Total Principal and Interest	$ 61,236

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	AEDB Principal	AEDB Interest	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2014	$ 1,460	$ 34	$ 360	$ 2,874	$ 73,825	$ 50,939
2015	-	-	1,135	2,867	77,620	47,293
2016	-	-	1,090	2,833	83,835	43,426
2017	-	-	3,045	2,800	78,475	39,282
2018	-	-	4,255	2,676	83,735	35,390
2019-2023	-	-	68,760	10,363	395,995	113,217
2024-2028	-	-	13,765	5,120	199,160	39,362
2029-2033	-	-	6,995	2,765	52,240	4,269
2034-2038	-	-	37,400	2,063	-	-
2039-2043	-	-	124,000	1,825	-	-
2044-2048	-	-	333,489	983	-	-
	$ 1,460	$ 34	$ 594,294	$ 37,169	$ 1,044,885	$ 373,178
Unamortized Discounts/Premiums and Issuance Costs	-	-	1,027	-	43,703	-
Total	$ 1,460	$ 34	$ 595,321	$ 37,169	$ 1,088,588	$ 373,178

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 entered into an interest rate swap. This was a freestanding pay-fixed, receive-variable interest rate swap which changed the variable interest rate bonds to synthetic fixed-rate bonds. At June 30, 2013, this swap was considered an ineffective hedge, where the change in fair value was included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

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 15.0 percent and 12.0 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.

The rates on the tax-exempt Series 2011A and 2011B bonds are determined by a remarketing agent. The rates on the Series 2011A and 2011B bonds cannot exceed 12.0 percent. The interest on the Series 2011A and 2011B bonds is payable monthly and no principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.62 percent for the year ended June 30, 2013.

The rates on the taxable Series 2012A bonds and tax-exempt Series 2012B bonds are determined by a remarketing agent. The rates on Series 2012A bonds and Series 2012B bonds cannot exceed 15.0 percent and 12.0 percent, respectively. The interest on the Series 2012A and Series 2012B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity on the Series 2012A bonds. The Series 2012B bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

All bond series are secured by the revenues derived by the Agency from student loans financed by the proceeds of the bonds

Housing Finance Agency

As of June 30, 2013, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed in the deferred inflows of resources as an interest rate swap agreement, whereas the inception-to-date change in fair value as of June 30, 2013, is included in the deferred outflows of resources as deferred loss on interest rate swap agreements on the Statement of Net Position. See Note 2 – Cash, Investment, and Derivative Instruments for more information.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $144,375,000 outstanding as of June 30, 2013. 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, 2013.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2013
(In Thousands)

	Minnesota State Colleges and Universities		
		Itasca	
	Revenue Fund	Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	$ 81,700	$ 89	$ 69,970
Restricted Assets	139,858	293	-
Capital Assets	334,980	3,190	124,780
Total Assets	$ 556,538	$ 3,572	$ 194,750
Liabilities:			
Current Liabilities	$ 25,886	$ 146	$ 19,121
Noncurrent Liabilities	313,069	1,840	139,163
Total Liabilities	$ 338,955	$ 1,986	$ 158,284
Net Position:			
Net Investment in Capital Assets	$ 121,093	$ 1,220	$ -
Restricted	96,490	293	36,466
Unrestricted	-	73	-
Total Net Position	$ 217,583	$ 1,586	$ 36,466
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position			
Operating Revenues - Customer Charges	$ 109,368	$ 450	$ 63,222
Depreciation Expense	(16,196)	(119)	(9,749)
Other Operating Expenses	(78,410)	(205)	(26,019)
Operating Income (Loss)	$ 14,762	$ 126	$ 27,454
Nonoperating Revenues (Expenses):			
Interest Income	$ 674	$ 29	$ 2
Capital Contributions	3,331	-	-
Interest Expense	(12,522)	(224)	(5,951)
Other	(312)	-	(24,368)
Transfers-In (Out)	-	-	(685)
Change in Net Position	$ 5,933	$ (69)	$ (3,548)
Beginning Net Position	211,650	1,655	29,473
Prior Period Adjustment	-	-	10,541
Ending Net Position	$ 217,583	$ 1,586	$ 36,466
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	$ 35,211	$ 243	$ 37,240
Noncapital Financing Activities	-	150	(43,333)
Capital and Related Financing Activities	(3,641)	(333)	(25,041)
Investing Activities	213	21	2
Net Increase (Decrease)	$ 31,783	$ 81	$ (31,132)
Beginning Cash and Cash Equivalents	$ 160,064	$ (2)	$ 95,093
Ending Cash and Cash Equivalents	$ 191,847	$ 79	$ 63,961

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, parking and wellness purposes.

- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.

- 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

Public Employee Pension Funds

In addition to the pension trust funds included in the reporting entity (see Note 8 – Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state's contributions to these local funds. Funding is provided in the state's biennial budget. The 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:

Primary Government
Contingent Liabilities
(In Thousands)

Fund	Liability as of	Unfunded Liability
St. Paul Teachers Retirement Fund	July 01, 2012	$ 559,286
Duluth Teachers Retirement Fund	June 30, 2012	$ 119,410
Local Police & Fire Associations	January 01, 2013	$ 1,665

University of Minnesota

The University of Minnesota (U of M) issued state-secured revenue bonds to finance a football stadium on campus. In 2006, the Minnesota Legislature appropriated from the General Fund $10.25 million per year not to exceed 25 years starting in 2008. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of October 2013, there are $109,300,000 of these U of M bonds outstanding.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from $850,000 to $15.55 million per year not to exceed 25 years starting in 2010. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M. As of October 2013, $156,440,000 of these bonds are still outstanding. The U of M issued additional bonds of $35,395,000 in October 2013 to fund the remaining portion of the project.

Housing Finance Agency

The Housing Finance Agency (HFA) issued state-secured appropriation bonds 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. In 2008, the Minnesota Legislature appropriated from the General Fund up to $2.4 million per year for 22 years starting in 2010. As of October 2013, there are $29,680,000 of the HFA nonprofit housing bonds outstanding.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In 2012, the Minnesota Legislature appropriated from the General Fund up to $2.2 million per year starting in 2014 through 2036. HFA has issued $15,460,000 of bonds as authorized in legislation.

School District Credit Enhancement Program

Minnesota Statutes established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, and general obligation bonds enrolled in the program, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. The total amount of debt rolled in the program at June 30, 2013, is $15.1 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects or certain redevelopment, contaminated site cleanup, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of Public Facility Authority. The total general obligation bonds enrolled into the program on June 30, 2013, is $632 million. In August 2013, the state made a $603,000 debt service payment under the program on behalf of the City of Williams. The state does not expect to make any other debt service payments on behalf of cities or counties under the program in the future.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

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

Primary Government
Restricted Net Position Balances
As of June 30, 2013
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Agricultural, Environmental and Energy Resources	$ 318,856	$ 882,898	$ 14,986	$ 1,216,740
Arts and Cultural Heritage	24,010	-	-	24,010
Capital Projects	-	-	4,536	4,536
Debt Service	256,890	-	119,012	375,902
Economic and Workforce Development	-	124,376	730	125,106
General Education	-	43,139	2,840	45,979
General Government	-	6,737	876	7,613
Health and Human Services	-	1,762	6,037	7,799
Higher Education	-	-	530,341	530,341
Public Safety and Corrections	-	22,456	63,791	86,247
School Aid - Expendable	5,947	-	-	5,947
School Aid - Nonexpendable	965,954	-	-	965,954
Transportation	1,354,976	22,115	-	1,377,091
Unemployment Benefits	-	-	1,143,319	1,143,319
Other Purposes	-	-	33,155	33,155
Total Restricted Net Position	$ 2,926,633	$ 1,103,483	$ 1,919,623	$ 5,949,739

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:

Governmental Funds
Fund Balances
As of June 30, 2013
(In Thousands)

	General Fund	Major Special Revenue Fund Federal Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	$ -	$ -	$ 26,784	$ 26,784
Trust or Permanent Fund Principal	750,071	-	965,954	1,716,025
Restricted for:				
Agricultural, Environmental and Energy Resources	1,112	123	505,776	507,011
Arts and Cultural Heritage	-	-	24,010	24,010
Capital Projects	-	-	100,907	100,907
Debt Service	-	-	591,693	591,693
Economic and Workforce Development	65,976	-	89,260	155,236
General Education	38,493	-	13,426	51,919
General Government	-	-	7,597	7,597
Health and Human Services	-	-	2,896	2,896
Public Safety	-	-	13,191	13,191
Transportation	-	-	1,405,343	1,405,343
Committed to:				
Agricultural, Environmental and Energy Resources	-	-	56,306	56,306
Economic and Workforce Development	-	-	212,501	212,501
General Education	-	-	8,510	8,510
General Government	-	-	11,682	11,682
Health and Human Services	-	-	372,140	372,140
Public Safety	-	-	34,172	34,172
Transportation	-	-	17,818	17,818
Assigned to:				
Agricultural, Environmental and Energy Resources	41,785	-	-	41,785
Capital Projects	-	-	1,152	1,152
Economic and Workforce Development	57,609	-	-	57,609
General Education	9,421	-	-	9,421
General Government	29,797	-	-	29,797
Health and Human Services	41,455	-	-	41,455
Higher Education	3,610	-	-	3,610
Public Safety	32,287	-	-	32,287
Transportation	3,598	-	-	3,598
Unassigned:	209,551	- -	-	209,551
Total Fund Balances	$ 1,284,765	$ 123	$ 4,461,118	$ 5,746,006

Deficit Equity Balances

A $5,501,000 deficit total net asset balance was reported in the Behavioral Services Fund (enterprise fund) as of June 30, 2013. This fund's operations are being evaluated and a plan will be established to address this deficit.

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 $2,500,000 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 workplace 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 $1,880,000.

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 $2,973,157 greater than coverage during the fiscal year ended June 30, 2013.

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, 2013, was 4,887 members and their dependents. The members of the pool include 49 school districts, 26 cities/townships, 5 counties, and 9 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.

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/12	$ 9,209	$ 2,448	$ 2,598	$ 9,059
Fiscal Year Ended 6/30/13	$ 9,059	$ 2,841	$ 2,231	$ 9,669
Tort Claims				
Fiscal Year Ended 6/30/12	$ -	$ 1,381	$ 1,381	$ -
Fiscal Year Ended 6/30/13	$ -	$ 1,188	$ 1,188	$ -
Workers’ Compensation				
Fiscal Year Ended 6/30/12	$ 129,378	$ 15,030	$ 22,596	$ 121,812
Fiscal Year Ended 6/30/13	$ 121,812	$ 6,780	$ 20,959	$ 107,633
State Employee Insurance Plans				
Fiscal Year Ended 6/30/12	$ 47,624	$ 645,863	$ 636,351	$ 57,136
Fiscal Year Ended 6/30/13	$ 57,136	$ 666,061	$ 661,388	$ 61,809

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

	Year Ended June 30	
	2013	2012
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 3,338	$ 1,943
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 37,050	$ 36,024
Increases (Decreases) in Provision for Insured Events of Prior Years	37	585
Total Incurred Claims and Claim Adjustment Expenses	$ 37,087	$ 36,609
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 33,836	$ 32,716
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	2,983	2,498
Total Payments	$ 36,819	$ 35,214
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 3,606	$ 3,338

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 2.89 percent. The self-insurance retention limit for workers' compensation is $1,840,000 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 estimates claim liabilities. 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 0.45 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.

Component Units
Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/11	$ 18,746	$ 5,572	$ 6,470	$ 17,848
Fiscal Year Ended 12/31/12	$ 17,848	$ 4,612	$ 6,008	$ 16,452
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/12	$ 7,863	$ 2,110	$ 1,831	$ 8,142
Fiscal Year Ended 6/30/13	$ 8,142	$ 801	$ 1,762	$ 7,181
University of Minnesota – Workers’ Compensation				
Fiscal Year Ended 6/30/12	$ 11,965	$ 2,969	$ 3,360	$ 11,574
Fiscal Year Ended 6/30/13	$ 11,574	$ 2,999	$ 2,813	$ 11,760
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/12	$ 24,161	$ 246,924	$ 242,692	$ 28,393
Fiscal Year Ended 6/30/13	$ 28,393	$ 252,482	$ 256,838	$ 24,037

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, and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. In addition, the GAAP General Fund includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two basis of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2013
(In Thousands)

GAAP Basis Fund Balance:	$	1,284,765
Less: Encumbrances		127,443
Unassigned Fund Balance	$	1,157,322
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(608,203)
Tax Refunds Payable		488,786
Human Services Receivable		(125,447)
Escheat Asset		(8,418)
Other Receivables		(28,511)
Permanent School Fund Reimbursement		(2,793)
Investments at Market		8,720
Expenditure Accruals/Adjustments:		
Medical Care Programs		787,879
Human Services Grants Payable		53,157
Education Aids		1,007,780
Police and Fire Aid		85,871
Perspective Differences:		
Account with no Legally Adopted Budget		(1,044,650)
Long-Term Receivables		(8,588)
Appropriation Carryover		(105,248)
Budgetary Reserve		(1,006,571)
Budgetary Basis:		
Unassigned Fund Balance	$	651,086

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, 2012, and June 30, 2013, 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) 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 Minnesota Department of Transportation (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 Metropolitan Council's (component unit) Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to MnDOT by Metropolitan Council.

   b. *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 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. Subsequently, Alliance appealed the Commissioner's assessment for tax years 2010 and 2011. The legal issues in this appeal are very similar to the legal challenges raised in the *Minnesota Energy Resources Corp. v. Commissioner* appeals listed below. Alliance argues: (1) that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8; (2) that Minnesota Rule 8100 exceeds the Commissioner's statutory authority to the extent it creates a valuation process which does not value utility property at its fair market value; and (3) that the assessment is 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 and Commerce Clauses of the U.S. Constitution.

   c. *Electric Cooperative Assessment Cases* (Minnesota Tax Court). Electric cooperatives filed a series of 16 separate appeals in Tax Court of the Commissioner of Revenue'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 member's capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant's administrative appeal. There are an estimated 44 electric cooperatives in the state that are similarly situated. The Department estimates 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. The electric cooperatives filed a motion for partial summary claiming some of the assignment periods at issue are time barred.

d. *Kiminski v. Hunt et al (formerly Beach/Ness v. Hunt et al.) and similar matters*: In January of 2013, the Department of Natural Resources notified approximately 5,000 residents that their drivers' license data may have been improperly viewed by former DNR employee John Hunt. Since the notification, five putative class actions have been filed in federal court against the DNR, the Department of Public Safety, and various state employees in their individual and official capacities alleging violations of federal and state law resulting from Hunt's conduct. The suits have all been consolidated and a consolidated amended complaint has been filed. The suits include claims for relief under the federal Drivers Privacy Protection Act and 42 U.S.C. § 1983. The plaintiffs seek statutory damages, actual damages, punitive damages, injunctive relief, and attorneys' fees. On September 20, 2013, the court dismissed all claims against state employees other than former DNR employee Hunt. The decision may be appealed. Other similar cases have been filed against other state employees in their individual and official capacities alleging plaintiffs' drivers' license data may have been improperly viewed by state employees. Motions to dismiss have been or will be filed in each case, one of which was granted on October 8, 2013, and another was granted on November 1, 2013.

e. *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, 2010, and 2011 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 under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. Minnesota Energy Resources Corp. objects to both the old and new rules. Specifically, Minnesota Energy Resources Corp. 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.

*f. SAP Retail, Inc. vs. Commissioner of Revenue (Minnesota Tax Court)***.** The taxpayer filed an appeal in Minnesota Tax Court challenging the Commissioner's assessment of about $500,000 in sales and use tax on the taxpayer's sale of software and various components of software implementation. After a trial, the Court dismissed the Commissioner's assessment finding that the sale of this software and software implementation was not taxable and the time for the Commissioner to appeal has passed. This decision may impact about $17 million of the Commissioner's sales and use tax assessments against other similarly situated software companies.

g. *Skaja v. Minnesota Department of Health, Bearder, et al. v. Minnesota, et al, and Anderson v. State of Minnesota*. (Hennepin County District Court). On November 16, 2011, the Minnesota Supreme Court issued an opinion in the *Bearder* case, holding that blood specimens collected under the newborn screening program are “genetic information” and that the statutes governing the newborn screening program provide a limited exception to the requirements of the Genetic Privacy Act. The *Bearder* case was remanded to the district court for further proceedings. Twelve families subsequently served the *Skaja* complaint and seek class action status, declaratory relief, injunctive relief, and damages for alleged violation of the Genetic Privacy Act. The purported class includes all parents and children whose blood specimens were stored or used after newborn screening testing was complete. The *Anderson* plaintiffs (additional parents of minor children) commenced their action on January 13, 2012, alleging that the Department’s collection, storage and use of blood samples pursuant to the Screening Program violated Minnesota Statutes, Section 13.386, the genetic privacy law. The complaint is styled as a class action. Plaintiffs seek damages, injunctive relief and an award of attorney’s fees and torts. On April 16, 2012, the district court consolidated the three cases for all purposes. On February 7, 2013, the district court denied the motions for class certification. Plaintiff's petition for discretionary review of that order denying class certification was denied by the court of appeals on March 26, 2013. On June 12, 2013, the district court granted the *Anderson* plaintiffs’ motion to dismiss their complaint without prejudice. Cross motions for summary judgment were denied with respect to plaintiffs’ claims for injunctive relief. The court granted state defendants’ motion for summary judgment on all plaintiffs’ damages claims with the exception of the parent plaintiffs’ as to claims for emotional distress. A jury trial is scheduled for January 2014.

h. *Steele County v. MnDOT; Waseca County v. MnDOT.* (Steele County District Court; OAH; Court of Appeals). MnDOT completed construction of a new alignment for Trunk Highway 14 (“TH 14”) in Steele and Waseca Counties and was unable to reach an agreement with the counties regarding highway turnback funding pursuant to Minnesota Statutes, Section 161.081-.082. Both counties challenged MnDOT’s release of the road at the Office of Administrative Hearings (“OAH”), alleging that the MnDOT deadline date for releasing old TH 14 constituted an unadopted rule. Concurrent with the OAH filing, the counties also filed Petitions for Writs of Certiorari at the Court of Appeals, which the Court dismissed for lack of certiorari jurisdiction. The OAH proceeding was decided in MnDOT’s favor with the administrative law judge (“ALJ”) dismissing the counties’ claims. The counties appealed the ALJ’s decision to the Court of Appeals, and briefing in that case was complete on September 23, 2013. In addition to those proceedings, both counties have filed declaratory judgment actions in district court seeking to have the court declare that MnDOT lacks authority to release a road without a turnback agreement in place. Proceedings in that case are stayed pending a decision by the Court of Appeals in the OAH appeal. The district court has allowed discovery to proceed despite the stay.

Note 20 – Prior Period Adjustment, Change in Accounting Principle, Change in Reporting Entity and Change in Fund Structure

Primary Government

Prior Period Adjustments

During fiscal year 2013, the Minnesota Department of Transportation changed the method of depreciation on buildings to align with internal rate development. This change resulted in a reduction of accumulated depreciation on buildings. A prior period adjustment of $29.9 million is reflected in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

During fiscal year 2013, the Minnesota Department of Transportation capitalized nondepreciable infrastructure in governmental activities and miscellaneous towers in the 911 Services Fund (enterprise fund) that were previously expensed. These changes resulted in a prior period adjustment of $86.9 million and $10.5 million in Governmental Activities and Business-type Activities, respectively, reflected in the government-wide financial statements as well as the Enterprise Funds in the fund level statements. See Note 6 – Capital Assets for additional information.

During fiscal year 2013, Minnesota Management and Budget (MMB) identified an error in reversing journal entries from prior years that resulted in a $46.1 million understatement of cash and fund balance. MMB recognized a prior period adjustment to increase cash and fund balance in the General Fund and the Governmental Activities in the government-wide financial statements by that amount.

Change in Reporting Entity

Minnesota Statutes allow volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2013, twenty firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. Investment balances of $5.1 million were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Change in Fund Structure

Minnesota Statutes allow volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2013, eight firefighter groups moved from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure of $2.2 million in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Discretely Presented Component Unit (University of Minnesota)

Change in Accounting Principle

During fiscal year 2013, the University of Minnesota implemented GASB Statement No. 61 “The Financial Reporting Entity: Omnibus” which resulted in component units of the U of M no longer required to be discretely reported. This change resulted in a change in accounting principle of $503.9 million.

Discretely Presented Component Units (Metropolitan Council and Minnesota Sports Facilities Authority)

Change in Fund Structure

The Minnesota Legislature established the Minnesota Sports Facilities Authority (Authority) to provide for the construction, financing and long term use of a new stadium and related stadium infrastructure for professional football and a broad range of other civic, community, athletic, educational, cultural and commercial activities. During fiscal year 2013, the operations from the Metropolitan Sports Facilities Commission, a component unit of Metropolitan Council (discretely presented component unit), were transferred to the Authority. This is reported as a change in fund structure of $41.1 million.

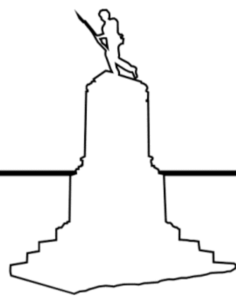
Note 21 – Subsequent Events

Primary Government

On August 15, 2013, the state sold $273.4 million of general obligation state various purpose bonds Series 2013A at a true interest rate of 3.35 percent, $200.0 million of general obligation state trunk highway bonds Series 2013B at a true interest rate of 3.34 percent, and $5.0 million general obligation state taxable state bonds Series 2013C at a true interest rate of 1.91 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On November 6, 2013, the state sold $283.8 million of general obligation state various purpose bonds Series 2013D at a true interest rate of 3.10 percent, $112.0 million of general obligation state trunk highway bonds Series 2013E at a true interest rate of 3.12 percent, and $373.9 million general obligation state various purpose refunding bonds Series 2013F at a true interest rate of 2.25 percent. The refunding bonds are issued for the purpose of refunding $394.0 million in principal of outstanding general obligation various purpose bonds of the state. These bonds are backed by the full faith and credit and taxing power of the state.

On October 16, 2013, the Iron Range Resources and Rehabilitation Board issued $37.9 million of education facilities revenue bonds at a true interest rate of 3.76 percent. The bonds will be used to make grants to certain school districts located in the taconite relief area, as defined in Minnesota Statutes, Section 273.134. As stated in Minnesota Statutes, Section 298.28, the bonds will be paid from taconite production tax revenues in the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund).



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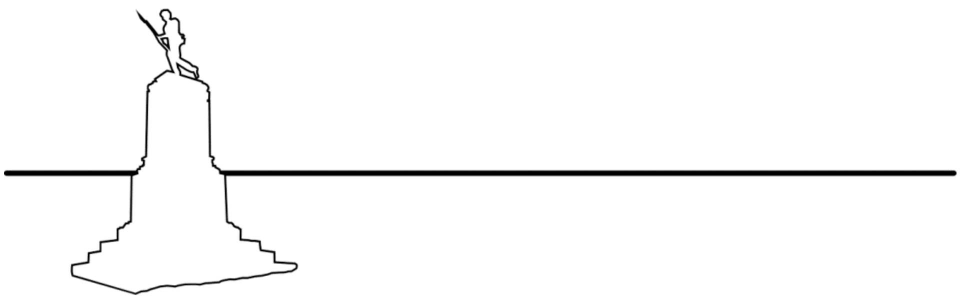


Modified Approach for Infrastructure

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

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

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

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

Established Condition Level

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

Assessed Conditions

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

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2012	3.36	3.24
2011	3.32	3.18
2010	3.33	3.17

Bridges and Tunnels

Measurement Scale

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

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

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

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

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

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

Established Condition Level

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

Assessed Conditions

Principal Arterial	2012	2011	2010
Fair to Good	94.5%	94.5%	94.4%

All Other Systems	2012	2011	2010
Fair to Good	93.0%	91.4%	91.3%

Budgeted and Estimated Costs to Maintain

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

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2013	$ 179,581	$ 289,898	$ 469,479	$ 36,480	$ 691,872	$ 728,352	$ 1,197,831
	2012	257,442	288,138	545,580	23,111	504,601	527,712	1,073,292
	2011	241,801	270,378	512,179	25,390	356,957	382,347	894,526
	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
Actual	2013	$ 137,387	$ 190,739	$ 328,126	$ 58,127	$ 615,638	$ 673,765	$ 1.001.891
	2012	105,736	158,438	264,174	64,810	571,693	636,503	900,677
	2011	153,245	156,672	309,917	60,898	566,820	627,718	937,635
	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

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	2012[1]	7/1/2012	7/1/2012	7/1/2012	7/1/2012
	2011	7/1/2011	7/1/2011	7/1/2011	7/1/2011
	2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Actuarial Value of Plan Assets	2012	$ 663,713	$ 144,898	$ 15,523	$ 554,244
	2011	$ 637,027	$ 145,996	$ 19,140	$ 563,046
	2010	$ 603,863	$ 144,728	$ 26,821	$ 567,211
Actuarial Accrued Liability	2012	$ 968,166	$ 281,576	$ 247,657	$ 760,955
	2011	$ 907,012	$ 248,630	$ 216,559	$ 700,898
	2010	$ 851,086	$ 240,579	$ 86,236	$ 683,360
Total Unfunded Actuarial Liability	2012	$ 304,453	$ 136,678	$ 232,134	$ 206,711
	2011	$ 269,985	$ 102,634	$ 197,419	$ 137,852
	2010	$ 247,223	$ 95,851	$ 59,415	$ 116,149
Funded Ratio[2]	2012	69%	51%	6%	73%
	2011	70%	59%	9%	80%
	2010	71%	60%	31%	83%
Annual Covered Payroll	2012	$ 200,035	$ 38,644	$ 1,378	$ 62,524
	2011	$ 197,702	$ 40,473	$ 1,774	$ 63,250
	2010	$ 192,450	$ 39,291	$ 1,877	$ 63,250
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2012	152%	354%	16,846%	331%
	2011	137%	254%	11,128%	218%
	2010	128%	244%	3,165%	184%

[1]The July 1, 2012, Annual Valuation Report is the most recently issued report available.

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 heath care plan.

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date		7/1/2012 [1]
		7/1/2010
		7/1/2008
Actuarial Value of Plan Assets	7/1/2012	$ -
	7/1/2010	$ -
	7/1/2008	$ -
Actuarial Accrued Liability	7/1/2012	$ 651,890
	7/1/2010	$ 799,321
	7/1/2008	$ 754,801
Total Unfunded Actuarial Liability	7/1/2012	$ 651,890
	7/1/2010	$ 799,321
	7/1/2008	$ 754,801
Funded Ratio[2]	7/1/2012	0%
	7/1/2010	0%
	7/1/2008	0%
Annual Covered Payroll	7/1/2012	$2,819,463
	7/1/2010	$3,027,241
	7/1/2008	$2,785,335
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2012	23%
	7/1/2010	26%
	7/1/2008	27%

(1)The July 1, 2012, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.

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

Public Employees Insurance Program Development Information

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Required Contribution and										
Investment Revenue:										
Earned	$ 22,764	$ 19,177	$ 14,942	$ 13,219	$ 13,439	$ 12,286	$ 25,031	$ 34,161	$ 45,413	$ 49,244
Ceded	2,231	1,736	1,491	1,347	1,298	1,218	2,684	2,660	3,502	4,582
Net Earned	$ 20,533	$ 17,441	$ 13,451	$ 11,872	$ 12,141	$ 11,068	$ 22,347	$ 31,501	$ 41,911	$ 44,662
2. Unallocated Expenses	$ 2,296	$ 1,904	$ 1,638	$ 1,547	$ 1,505	$ 1,534	$ 2,037	$ 2,411	$ 3,018	$ 3,612
3. Estimated Claims and										
Expenses End of Policy Year:										
Incurred	$ 19,466	$ 16,499	$ 12,551	$ 11,206	$ 10,748	$ 9,473	$ 19,350	$ 24,134	$ 38,173	$ 41,959
Ceded	1,980	1,913	1,382	1,782	380	667	562	1,491	2,149	4,909
Net Incurred	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 15,699	$ 12,909	$ 10,055	$ 8,226	$ 9,403	$ 7,921	$ 16,848	$ 20,720	$ 32,716	$ 33,836
One Year Later	17,367	14,141	11,282	9,352	10,415	8,482	18,828	23,219	35,718	
Two Years Later	17,764	14,139	11,301	9,358	10,413	8,454	18,826	23,200		
Three Years Later	17,764	14,139	11,301	9,358	10,413	8,454	18,826			
Four Years Later	17,764	14,139	11,301	9,358	10,413	8,454				
Five Years Later	17,696	14,139	11,301	9,358	10,413					
Six Years Later	17,696	14,139	11,301	9,358						
Seven Years Later	17,696	14,139	11,301							
Eight Years Later	17,696	14,139								
Nine Years Later	17,696									
5. Re-estimated Ceded Claims										
and Expenses	$ 1,980	$ 1,913	$ 1,382	$ 1,782	$ 380	$ 667	$ 562	$ 1,491	$ 2,149	$ 4,909
6. Re-estimated Net Incurred										
Claims and Expenses:										
End of Policy Year	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024	$ 37,050
One Year Later	17,385	14,152	11,294	9,362	10,425	8,502	18,848	23,249	36,006	
Two Years Later	17,764	14,139	11,301	9,358	10,413	8,454	18,826	23,304		
Three Years Later	17,764	14,139	11,301	9,358	10,413	8,454	18,826			
Four Years Later	17,764	14,139	11,301	9,358	10,413	8,454				
Five Years Later	17,696	14,139	11,301	9,358	10,413					
Six Years Later	17,696	14,139	11,301	9,358						
Seven Years Later	17,696	14,139	11,301							
Eight Years Later	17,696	14,139								
Nine Years Later	17,696									
7. Increase (Decrease) in										
Estimated Net Incurred										
Claims and Expenses										
From End of Policy Year	$ 210	$ (447)	$ 132	$ (66)	$ 45	$ (352)	$ 38	$ 661	$ (18)	$ -

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.

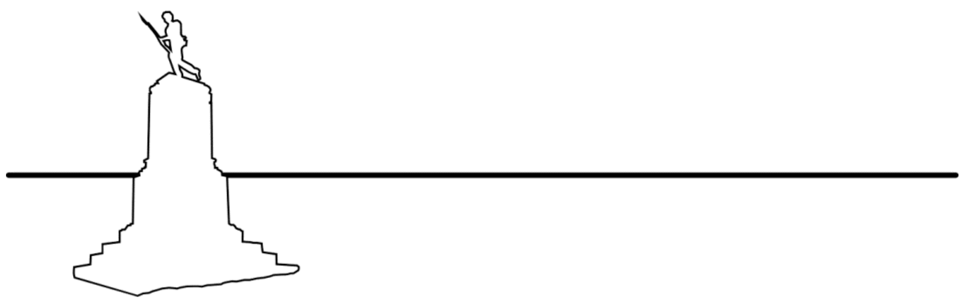
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage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

2013
Comprehensive
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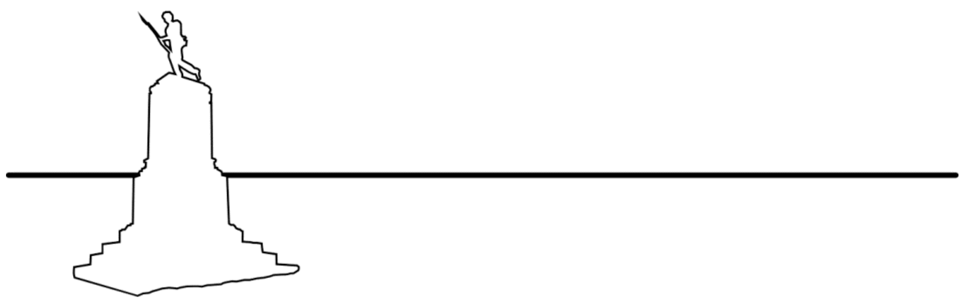
Financial Report

Combining and Individual Fund Statements – Nonmajor Funds



State of Minnesota

2013
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Annual
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Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

Debt Service Fund

The fund accounts for the accumulation of resources for, and the payment of, most general obligation and state appropriation 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.

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2013
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 2,629,156	$ 378,629	$ 204,990	$ 202,778	$ 3,415,553
Investments	90,985	149,480	735,383	-	975,848
Accounts Receivable	379,983	-	15,746	1	395,730
Interfund Receivables	199,520	-	4,458	-	203,978
Due from Component Unit	-	88,664	-	-	88,664
Accrued Investment/Interest Income	380	1,694	3,391	-	5,465
Federal Aid Receivable	56,887	-	-	-	56,887
Inventories	26,784	-	-	-	26,784
Loans and Notes Receivable	127,355	-	-	131	127,486
Investment in Land	-	-	16,008	-	16,008
Total Assets and Deferred Outflows of Resources	$ 3,511,050	$ 618,467	$ 979,976	$ 202,910	$ 5,312,403
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 429,623	$ -	$ 139	$ 81,917	$ 511,679
Interfund Payables	145,537	26,771	7,593	15,645	195,546
Due to Component Unit	774	-	-	3,290	4,064
Deferred Revenue	139,653	-	343	-	139,996
Total Liabilities	$ 715,587	$ 26,771	$ 8,075	$ 100,852	$ 851,285
Fund Balances:					
Nonspendable	$ 26,784	$ -	$ 965,954	$ -	$ 992,738
Restricted	2,055,550	591,696	5,947	100,906	2,754,099
Committed	713,129	-	-	-	713,129
Assigned	-	-	-	1,152	1,152
Total Fund Balances	$ 2,795,463	$ 591,696	$ 971,901	$ 102,058	$ 4,461,118
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,511,050	$ 618,467	$ 979,976	$ 202,910	$ 5,312,403

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

YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 291,614	$ -	$ -	$ -	$ 291,614
Motor Vehicle Taxes	1,001,507	-	-	-	1,001,507
Fuel Taxes	861,780	-	-	-	861,780
Other Taxes	796,855	-	-	-	796,855
Federal Revenues	483,775	-	-	-	483,775
Licenses and Fees	345,579	-	137	-	345,716
Departmental Services	166,126	-	44,310	-	210,436
Investment/Interest Income	45,616	783	90,574	6	136,979
Other Revenues	288,471	579	268	-	289,318
Net Revenues	$ 4,281,323	$ 1,362	$ 135,289	$ 6	$ 4,417,980
Expenditures:					
Current:					
Agricultural, Environmental and Energy Resources	$ 472,173	$ -	$ 266	$ 58,423	$ 530,862
Economic and Workforce Development	166,534	-	-	63,299	229,833
General Education	41,320	-	22,332	7,447	71,099
General Government	68,276	53	-	13,126	81,455
Health and Human Services	578,574	-	-	-	578,574
Higher Education	25,952	-	-	77,544	103,496
Intergovernmental Aid	469	-	-	-	469
Public Safety and Corrections	194,423	-	-	452	194,875
Transportation	1,853,484	-	-	175,772	2,029,256
Total Current Expenditures	$ 3,401,205	$ 53	$ 22,598	$ 396,063	$ 3,819,919
Capital Outlay	329,775	-	-	209,231	539,006
Debt Service	134,068	436,053	-	-	570,121
Total Expenditures	$ 3,865,048	$ 436,106	$ 22,598	$ 605,294	$ 4,929,046
Excess of Revenues Over (Under) Expenditures	$ 416,275	$ (434,744)	$ 112,691	$ (605,288)	$ (511,066)
Other Financing Sources (Uses):					
Bond Issuance	$ -	$ 663,220	$ -	$ 632,867	$ 1,296,087
Loan Proceeds	1,597	-	-	-	1,597
Payment to Refunded Bonds Escrow Agent	(756,955)	(11,495)	-	-	(768,450)
Bond Issue Premium	-	200,932	-	-	200,932
Transfers-In	373,032	409,491	4,298	-	786,821
Transfers-Out	(588,493)	(138,304)	(7,899)	(108,887)	(843,583)
Net Other Financing Sources (Uses)	$ (970,819)	$ 1,123,844	$ (3,601)	$ 523,980	$ 673,404
Net Change in Fund Balances	$ (554,544)	$ 689,100	$ 109,090	$ (81,308)	$ 162,338
Fund Balances, Beginning, as Reported	$ 3,350,007	$ (97,404)	$ 862,811	$ 183,366	$ 4,298,780
Fund Balances, Ending	$ 2,795,463	$ 591,696	$ 971,901	$ 102,058	$ 4,461,118

Nonmajor Special Revenue Funds

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.

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.

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.

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, reimbursement of certain supplemental benefits, and 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.

Tobacco Securitization Authority Fund (Blended Component Unit)

The fund manages the securitization of the tobacco settlement revenue.

Miscellaneous Special Revenue Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents	$ 805,960	$ 41,167	$ 16,412	$ 161,114
Investments	-	-	-	-
Accounts Receivable	13,261	72,448	408	-
Interfund Receivables	65,486	1,396	-	7,842
Accrued Investment/Interest Income	-	-	-	-
Federal Aid Receivable	52,997	-	-	29
Inventories	26,777	-	-	-
Loans and Notes Receivable	-	-	3,357	-
Total Assets and Deferred Outflows of Resources	$ 964,481	$ 115,011	$ 20,177	$ 168,985
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 117,267	$ 2,362	$ 816	$ 17,974
Interfund Payables	4,474	101,620	-	-
Due to Component Unit	-	-	-	-
Deferred Revenue	-	1,628	-	-
Total Liabilities	$ 121,741	$ 105,610	$ 816	$ 17,974
Fund Balances:				
Nonspendable	$ 26,777	$ -	$ -	$ -
Restricted	815,963	9,401	19,361	151,011
Committed	-	-	-	-
Total Fund Balances	$ 842,740	$ 9,401	$ 19,361	$ 151,011
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 964,481	$ 115,011	$ 20,177	$ 168,985

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 478,978	$ 28,311	$ 46,149	$ 33,669	$ 40,226
-	-	-	13,502	930
-	7,450	7,486	1,443	8,659
44,293	-	16,871	917	14,778
-	-	-	26	1
49	-	-	3,516	-
-	-	-	-	-
-	-	-	-	624
$ 523,320	$ 35,761	$ 70,506	$ 53,073	$ 65,218
$ 116,463	$ 1,305	$ 10,273	$ 7,122	$ 8,581
-	6,223	5,083	639	-
-	-	-	-	158
-	22	64	-	2,641
$ 116,463	$ 7,550	$ 15,420	$ 7,761	$ 11,380
$ -	$ -	$ -	$ -	$ -
406,857	28,211	-	45,312	53,838
-	-	55,086	-	-
$ 406,857	$ 28,211	$ 55,086	$ 45,312	$ 53,838
$ 523,320	$ 35,761	$ 70,506	$ 53,073	$ 65,218

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2013
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
ASSETS				
Cash and Cash Equivalents	$ 71,934	$ 303,853	$ 19,580	$ 42,773
Investments	75,535	-	1,018	-
Accounts Receivable	3,148	23,908	8	109,668
Interfund Receivables	-	27,558	-	807
Accrued Investment/Interest Income	349	-	4	-
Federal Aid Receivable	-	-	-	-
Inventories	-	-	-	-
Loans and Notes Receivable	40,191	-	-	-
Total Assets and Deferred Outflows of Resources	$ 191,157	$ 355,319	$ 20,610	$ 153,248
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 26	$ 12,368	$ 237	$ 16,220
Interfund Payables	-	-	-	-
Due to Component Unit	-	85	-	-
Deferred Revenue	3,088	-	6	110,384
Total Liabilities	$ 3,114	$ 12,453	$ 243	$ 126,604
Fund Balances:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	342,866	20,367	26,644
Committed	188,043	-	-	-
Total Fund Balances	$ 188,043	$ 342,866	$ 20,367	$ 26,644
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 191,157	$ 355,319	$ 20,610	$ 153,248

HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	TOBACCO SECURITIZATION AUTHORITY	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 75,103	$ 32,566	$ -	$ 431,361	$ 2,629,156
-	-	-	-	90,985
90,534	13,953	-	27,609	379,983
-	41	-	19,531	199,520
-	-	-	-	380
-	-	-	296	56,887
-	-	-	7	26,784
-	-	-	83,183	127,355
$ 165,637	$ 46,560	$ -	$ 561,987	$ 3,511,050
$ 70,098	$ 3,022	$ -	$ 45,489	$ 429,623
82	-	-	27,416	145,537
4	-	-	527	774
3,090	921	-	17,809	139,653
$ 73,274	$ 3,943	$ -	$ 91,241	$ 715,587
$ -	$ -	$ -	$ 7	$ 26,784
-	42,617	-	93,102	2,055,550
92,363	-	-	377,637	713,129
$ 92,363	$ 42,617	$ -	$ 470,746	$ 2,795,463
$ 165,637	$ 46,560	$ -	$ 561,987	$ 3,511,050

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	572,287	9,798	20,084	83,074
Fuel Taxes	490,999	4,530	2,929	71,274
Other Taxes	-	-	-	-
Federal Revenues	444,445	-	-	253
Licenses and Fees	6,894	3,163	718	-
Departmental Services	13,358	820	-	-
Investment/Interest Income	3,803	115	46	701
Other Revenues	32,973	-	-	-
Net Revenues	$ 1,564,759	$ 18,426	$ 23,777	$ 155,302
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	17	1,643	-	-
Health and Human Services	-	-	-	-
Higher Education	-	-	-	-
Intergovernmental Aid	-	-	-	-
Public Safety and Corrections	86,307	9,223	-	-
Transportation	1,027,230	154	18,324	143,369
Total Current Expenditures	$ 1,113,554	$ 11,020	$ 18,324	$ 143,369
Capital Outlay	299,116	-	-	-
Debt Service	4,655	8	-	-
Total Expenditures	$ 1,417,325	$ 11,028	$ 18,324	$ 143,369
Excess of Revenues Over (Under) Expenditures	$ 147,434	$ 7,398	$ 5,453	$ 11,933
Other Financing Sources (Uses):				
Loan Proceeds	$ 1,597	$ -	$ -	$ -
Payment to Refunded Bonds Escrow Agent	-	-	-	-
Transfers-In	7,668	-	-	-
Transfers-Out	(120,984)	(2,304)	-	-
Net Other Financing Sources (Uses)	$ (111,719)	$ (2,304)	$ -	$ -
Net Change in Fund Balances	$ 35,715	$ 5,094	$ 5,453	$ 11,933
Fund Balances, Beginning, as Reported	$ 807,025	$ 4,307	$ 13,908	$ 139,078
Fund Balances, Ending	$ 842,740	$ 9,401	$ 19,361	$ 151,011

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 14,438	$ -	$ 112	$ 113	$ -
316,264	-	-	-	-
271,341	-	20,707	-	-
-	-	-	-	48,892
205	-	681	26,392	-
-	27,076	25,268	56,652	35,889
-	4	31,540	1,725	1,666
2,351	133	88	1,811	402
-	7,467	1,332	160	2,494
$ 604,599	$ 34,680	$ 79,728	$ 86,853	$ 89,343
$ -	$ 7,170	$ 85,283	$ 96,050	$ 106,177
-	4,977	-	-	527
-	-	160	-	-
-	-	-	-	301
-	-	-	-	309
-	-	-	-	-
-	-	-	-	-
-	-	-	-	70
598,241	-	5,197	-	-
$ 598,241	$ 12,147	$ 90,640	$ 96,050	$ 107,384
-	-	2,774	2,190	1,099
-	-	-	-	-
$ 598,241	$ 12,147	$ 93,414	$ 98,240	$ 108,483
$ 6,358	$ 22,533	$ (13,686)	$ (11,387)	$ (19,140)
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	1,042	24,613	13,926	11,648
-	(11,644)	(5,852)	(2,134)	(1,093)
$ -	$ (10,602)	$ 18,761	$ 11,792	$ 10,555
$ 6,358	$ 11,931	$ 5,075	$ 405	$ (8,585)
$ 400,499	$ 16,280	$ 50,011	$ 44,907	$ 62,423
$ 406,857	$ 28,211	$ 55,086	$ 45,312	$ 53,838

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
Net Revenues:				
Sales Taxes	$ -	$ 276,951	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	3,844	-	-	84,689
Federal Revenues	-	-	-	-
Licenses and Fees	-	-	-	1,423
Departmental Services	194	-	-	7,387
Investment/Interest Income	14,189	1,512	244	433
Other Revenues	51	40	10,324	-
Net Revenues	$ 18,278	$ 278,503	$ 10,568	$ 93,932
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ -	$ 113,974	$ 3,613	$ 646
Economic and Workforce Development	537	8,728	351	82,523
General Education	-	17,561	2,404	-
General Government	-	33,932	149	7,163
Health and Human Services	-	2,075	507	-
Higher Education	-	1,800	-	-
Intergovernmental Aid	-	-	-	-
Public Safety and Corrections	-	-	139	-
Transportation	-	16,641	-	-
Total Current Expenditures	$ 537	$ 194,711	$ 7,163	$ 90,332
Capital Outlay	250	18,253	1,413	-
Debt Service	695	-	-	-
Total Expenditures	$ 1,482	$ 212,964	$ 8,576	$ 90,332
Excess of Revenues Over (Under) Expenditures	$ 16,796	$ 65,539	$ 1,992	$ 3,600
Other Financing Sources (Uses):				
Loan Proceeds	$ -	$ -	$ -	$ -
Payment to Refunded Bonds Escrow Agent	-	-	-	-
Transfers-In	-	-	656	-
Transfers-Out	(3,882)	(4,952)	-	(24)
Net Other Financing Sources (Uses)	$ (3,882)	$ (4,952)	$ 656	$ (24)
Net Change in Fund Balances	$ 12,914	$ 60,587	$ 2,648	$ 3,576
Fund Balances, Beginning, as Reported	$ 175,129	$ 282,279	$ 17,719	$ 23,068
Fund Balances, Ending	$ 188,043	$ 342,866	$ 20,367	$ 26,644

HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	TOBACCO SECURITIZATION AUTHORITY	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ 291,614
-	-	-	-	1,001,507
-	-	-	-	861,780
584,681	47,985	-	26,764	796,855
-	1	-	11,798	483,775
-	-	-	188,496	345,579
-	-	-	109,432	166,126
1,126	159	(174)	18,677	45,616
8,228	3	-	225,399	288,471
$ 594,035	$ 48,148	$ (174)	$ 580,566	$ 4,281,323
$ -	$ -	$ -	$ 59,260	$ 472,173
-	44,752	-	24,139	166,534
-	-	-	21,195	41,320
1,387	-	10	23,674	68,276
307,791	-	-	267,892	578,574
1,977	-	-	22,175	25,952
-	-	-	469	469
-	-	-	98,684	194,423
-	-	-	44,328	1,853,484
$ 311,155	$ 44,752	$ 10	$ 561,816	$ 3,401,205
-	-	-	4,680	329,775
457	-	128,023	230	134,068
$ 311,612	$ 44,752	$ 128,033	$ 566,726	$ 3,865,048
$ 282,423	$ 3,396	$ (128,207)	$ 13,840	$ 416,275
$ -	$ -	$ -	$ -	$ 1,597
-	-	(756,955)	-	(756,955)
1,200	-	137,889	174,390	373,032
(342,478)	(1,538)	(22,168)	(69,440)	(588,493)
$ (341,278)	$ (1,538)	$ (641,234)	$ 104,950	$ (970,819)
$ (58,855)	$ 1,858	$ (769,441)	$ 118,790	$ (554,544)
$ 151,218	$ 40,759	$ 769,441	$ 351,956	$ 3,350,007
$ 92,363	$ 42,617	$ -	$ 470,746	$ 2,795,463

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	981,257	981,257
Fuel Taxes	-	-	860,007	860,007
Other Taxes	-	-	-	-
Federal Revenue	500,607	550,712	-	-
Licenses and Fees	9,208	7,020	2,000	1,342
Departmental Services	12,541	13,856	867	434
Investment/Interest Income	3,678	3,565	485	504
Other Revenues	25,970	32,351	-	-
Net Revenues	$ 552,004	$ 607,504	$ 1,844,616	$ 1,843,544
Expenditures:				
Agricultural Environmental and Energy Resources	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	1,172	15	2,628	1,765
Health and Human Services	-	-	-	-
Higher Education	-	-	-	-
Intergovernment Aid	-	-	8	8
Public Safety and Corrections	90,820	90,176	9,262	9,191
Transportation	1,610,553	1,557,375	161	161
Total Expenditures	$ 1,702,545	$ 1,647,566	$ 12,059	$ 11,125
Excess of Revenues Over (Under) Expenditures	$ (1,150,541)	$ (1,040,062)	$ 1,832,557	$ 1,832,419
Other Financing Sources (Uses):				
Transfers-In	$ 1,059,495	$ 1,070,774	$ -	$ -
Transfers-Out	(132,426)	(120,965)	(1,830,347)	(1,830,347)
Net Other Financing Sources (Uses)	$ 927,069	$ 949,809	$ (1,830,347)	$ (1,830,347)
Net Change in Fund Balances	$ (223,472)	$ (90,253)	$ 2,210	$ 2,072
Fund Balances, Beginning, as Reported	$ 401,109	$ 401,109	$ 2,026	$ 2,026
Prior Period Adjustments	-	26,474	-	4,594
Fund Balances, Beginning, as Restated	$ 401,109	$ 427,583	$ 2,026	$ 6,620
Budgetary Fund Balances, Ending	$ 177,637	$ 337,330	$ 4,236	$ 8,692
Less: Appropriation Carryover	-	45,756	-	-
Less: Reserved for Long-Term Receivables	-	-	-	-
Unassigned Fund Balance, Ending	$ 177,637	$ 291,574	$ 4,236	$ 8,692

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ -	$ -	$ -	$ -	$ 12,708	$ 13,304
18,833	20,720	-	-	-	-
3,469	2,522	-	-	-	-
-	-	-	-	-	-
-	-	-	-	700	696
710	718	27,705	27,074	24,933	25,849
-	-	40	4	29,218	28,543
55	46	140	133	90	88
53	32	20	52	1,233	1,345
$ 23,120	$ 24,038	$ 27,905	$ 27,263	$ 68,882	$ 69,825
$ -	$ -	$ 8,531	$ 7,811	$ 100,294	$ 88,444
-	-	12,383	12,383	-	-
-	-	-	-	160	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23,108	21,887	-	-	5,670	5,670
$ 23,108	$ 21,887	$ 20,914	$ 20,194	$ 106,124	$ 94,274
$ 12	$ 2,151	$ 6,991	$ 7,069	$ (37,242)	$ (24,449)
$ -	$ -	$ 1,043	$ 1,043	$ 30,236	$ 30,485
-	-	(10,024)	(10,024)	(11,114)	(10,364)
$ -	$ -	$ (8,981)	$ (8,981)	$ 19,122	$ 20,121
$ 12	$ 2,151	$ (1,990)	$ (1,912)	$ (18,120)	$ (4,328)
$ 4,033	$ 4,033	$ 8,941	$ 8,941	$ 31,779	$ 31,779
-	1,255	-	5,787	-	1,547
$ 4,033	$ 5,288	$ 8,941	$ 14,728	$ 31,779	$ 33,326
$ 4,045	$ 7,439	$ 6,951	$ 12,816	$ 13,659	$ 28,998
-	2,279	-	3,464	-	9,031
-	3,357	-	-	-	-
$ 4,045	$ 1,803	$ 6,951	$ 9,352	$ 13,659	$ 19,967

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ 12,708	$ 13,304	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	-	-	51,650	52,571
Federal Revenue	22,875	27,522	-	-
Licenses and Fees	60,817	58,455	35,089	35,906
Departmental Services	1,252	1,618	2,266	1,683
Investment/Interest Income	154	151	227	216
Other Revenues	151	153	1,391	2,088
Net Revenues	$ 97,957	$ 101,203	$ 90,623	$ 92,464
Expenditures:				
Agricultural Environmental and Energy Resources	$ 111,239	$ 101,144	$ 108,036	$ 106,237
Economic and Workforce Development	-	-	1,704	1,704
General Education	-	-	-	-
General Government	-	-	840	304
Health and Human Services	-	-	382	283
Higher Education	-	-	-	-
Intergovernment Aid	-	-	-	-
Public Safety and Corrections	-	-	72	70
Transportation	-	-	-	-
Total Expenditures	$ 111,239	$ 101,144	$ 111,034	$ 108,598
Excess of Revenues Over (Under) Expenditures	$ (13,282)	$ 59	$ (20,411)	$ (16,134)
Other Financing Sources (Uses):				
Transfers-In	$ 904	$ 847	$ 10,823	$ 10,027
Transfers-Out	(1,675)	(1,675)	(1,093)	(1,093)
Net Other Financing Sources (Uses)	$ (771)	$ (828)	$ 9,730	$ 8,934
Net Change in Fund Balances	$ (14,053)	$ (769)	$ (10,681)	$ (7,200)
Fund Balances, Beginning, as Reported	$ 31,139	$ 31,139	$ 40,449	$ 40,449
Prior Period Adjustments	-	1,148	-	3,723
Fund Balances, Beginning, as Restated	$ 31,139	$ 32,287	$ 40,449	$ 44,172
Budgetary Fund Balances, Ending	$ 17,086	$ 31,518	$ 29,768	$ 36,972
Less: Appropriation Carryover	-	8,319	-	5,452
Less: Reserved for Long-Term Receivables	-	-	-	624
Unassigned Fund Balance, Ending	$ 17,086	$ 23,199	$ 29,768	$ 30,896

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 273,934	$ 274,185	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	93,001	101,216	573,245	583,926
-	-	-	-	-	-
-	-	1,505	1,412	-	-
-	-	4,478	3,102	-	-
1,097	1,513	551	278	597	1,126
102	43	-	-	20,835	19,117
$ 275,133	$ 275,741	$ 99,535	$ 106,008	$ 594,677	$ 604,169
$ 183,149	$ 180,407	$ 989	$ 642	$ -	$ -
4,981	4,981	84,938	82,431	-	-
17,195	17,110	-	-	-	-
35,794	35,745	8,495	7,174	2,091	1,410
2,272	2,272	-	-	342,627	323,225
1,800	1,800	-	-	-	-
-	-	-	-	457	457
-	-	-	-	-	-
16,641	16,641	-	-	-	-
$ 261,832	$ 258,956	$ 94,422	$ 90,247	$ 345,175	$ 325,092
$ 13,301	$ 16,785	$ 5,113	$ 15,761	$ 249,502	$ 279,077
$ -	$ -	$ -	$ -	$ 1,200	$ 1,200
(4,956)	(4,956)	(924)	(924)	(345,984)	(345,984)
$ (4,956)	$ (4,956)	$ (924)	$ (924)	$ (344,784)	$ (344,784)
$ 8,345	$ 11,829	$ 4,189	$ 14,837	$ (95,282)	$ (65,707)
$ 146,165	$ 146,165	$ 75,738	$ 75,738	$ 111,957	$ 111,957
-	7,505	-	2,803	-	4,120
$ 146,165	$ 153,670	$ 75,738	$ 78,541	$ 111,957	$ 116,077
$ 154,510	$ 165,499	$ 79,927	$ 93,378	$ 16,675	$ 50,370
-	141,981	-	4,507	-	3,969
-	-	-	-	-	-
$ 154,510	$ 23,518	$ 79,927	$ 88,871	$ 16,675	$ 46,401

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ 299,350	$ 300,793
Motor Vehicle Taxes	-	-	1,000,090	1,001,977
Fuel Taxes	-	-	863,476	862,529
Other Taxes	42,302	45,595	760,198	783,308
Federal Revenue	-	-	524,182	578,930
Licenses and Fees	-	-	161,967	157,776
Departmental Services	-	-	50,662	49,240
Investment/Interest Income	100	159	7,174	7,779
Other Revenues	-	4	49,755	55,185
Net Revenues	$ 42,402	$ 45,758	$ 3,716,854	$ 3,797,517
Expenditures:				
Agricultural Environmental and Energy Resources	$ -	$ -	$ 512,238	$ 484,685
Economic and Workforce Development	46,658	46,631	150,664	148,130
General Education	-	-	17,355	17,270
General Government	-	-	51,020	46,413
Health and Human Services	-	-	345,281	325,780
Higher Education	-	-	1,800	1,800
Intergovernment Aid	-	-	465	465
Public Safety and Corrections	-	-	100,154	99,437
Transportation	-	-	1,656,133	1,601,734
Total Expenditures	$ 46,658	$ 46,631	$ 2,835,110	$ 2,725,714
Excess of Revenues Over (Under) Expenditures	$ (4,256)	$ (873)	$ 881,744	$ 1,071,803
Other Financing Sources (Uses):				
Transfers-In	$ -	$ -	$ 1,103,701	$ 1,114,376
Transfers-Out	(306)	(306)	(2,338,849)	(2,326,638)
Net Other Financing Sources (Uses)	$ (306)	$ (306)	$ (1,235,148)	$ (1,212,262)
Net Change in Fund Balances	$ (4,562)	$ (1,179)	$ (353,404)	$ (140,459)
Fund Balances, Beginning, as Reported	$ 23,545	$ 23,545	$ 876,881	$ 876,881
Prior Period Adjustments	-	2,660	-	61,616
Fund Balances, Beginning, as Restated	$ 23,545	$ 26,205	$ 876,881	$ 938,497
Budgetary Fund Balances, Ending	$ 18,983	$ 25,026	$ 523,477	$ 798,038
Less: Appropriation Carryover	-	-	-	224,758
Less: Reserved for Long-Term Receivables	-	-	-	3,981
Unassigned Fund Balance, Ending	$ 18,983	$ 25,026	$ 523,477	$ 569,299

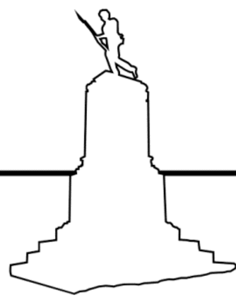
Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgetary Basis

Year Ended June 30, 2013
(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:	$ 842,740	$ 9,401	$ 19,361	$ 28,211	$ 55,086	$ 45,312	$ 53,838	$ 342,866	$ 26,644	$ 92,363	$ 42,617
Less: Nonspendable Inventory	26,777	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	864,240	132	11,905	7,912	8,463	5,680	6,254	155,075	1,086	6,177	3,962
Unassigned Fund Balances	$ (48,277)	$ 9,269	$ 7,456	$ 20,299	$ 46,623	$ 39,632	$ 47,584	$ 187,791	$ 25,558	$ 86,186	$ 38,655
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ -	$ -	$ (421)	$ -	$ -	$ -	$ (5,969)	$ (24,395)	$ -	$ (85,396)	$ (13,629)
Deferred Revenue	-	-	-	-	-	-	-	-	52,829	-	-
Other Receivables	(31,968)	(10,475)	-	(7,483)	(5,169)	(3,229)	(100)	-	-	-	-
Investments at Market	-	-	-	-	-	(4,607)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	49,580	-
Other Payables	5,180	-	404	-	-	-	-	2,103	14,991	-	-
Other Financing Sources (Uses):											
Transfers-In	-	-	-	-	(17,539)	(917)	-	-	-	-	-
Transfers-Out	-	9,898	-	-	5,083	639	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(4,543)	-	-	-	-
Long-Term Receivables	-	-	(3,357)	-	-	-	(624)	-	-	-	-
Long-Term Commitments	412,395	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(45,756)	-	(2,279)	(3,464)	(9,031)	(8,319)	(5,452)	(141,981)	(4,507)	(3,969)	-
Budgetary Basis Unassigned Fund Balances	$ 291,574	$ 8,692	$ 1,803	$ 9,352	$ 19,967	$ 23,199	$ 30,896	$ 23,518	$ 88,871	$ 46,401	$ 25,026



State of Minnesota

Nonmajor Capital Projects Funds

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.

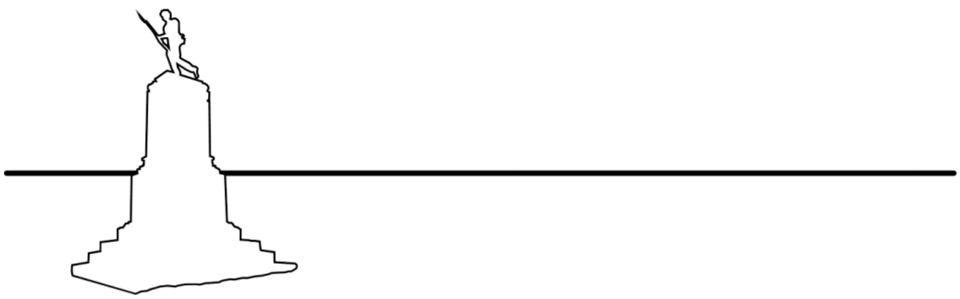
2013 Comprehensive Annual Financial Report

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 100,234	$ 1,152	$ 101,392	$ 202,778
Accounts Receivable	-	-	1	1
Loans and Notes Receivable	131	-	-	131
Total Assets and Deferred Outflows of Resources	$ 100,365	$ 1,152	$ 101,393	$ 202,910
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 43,688	$ -	$ 38,229	$ 81,917
Interfund Payables	4,184	-	11,461	15,645
Due to Component Unit	3,290	-	-	3,290
Total Liabilities	$ 51,162	$ -	$ 49,690	$ 100,852
Fund Balances:				
Restricted	$ 49,203	$ -	$ 51,703	$ 100,906
Assigned	-	1,152	-	1,152
Total Fund Balances	$ 49,203	$ 1,152	$ 51,703	$ 102,058
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 100,365	$ 1,152	$ 101,393	$ 202,910

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 6	$ -	$ -	$ 6
Net Revenues	$ 6	$ -	$ -	$ 6
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 58,423	$ -	$ -	$ 58,423
Economic and Workforce Development	62,293	1,006	-	63,299
General Education	7,447	-	-	7,447
General Government	12,745	-	381	13,126
Higher Education	77,544	-	-	77,544
Public Safety and Corrections	452	-	-	452
Transportation	33,360	-	142,412	175,772
Total Current Expenditures	$ 252,264	$ 1,006	$ 142,793	$ 396,063
Capital Outlay	86,478	-	122,753	209,231
Total Expenditures	$ 338,742	$ 1,006	$ 265,546	$ 605,294
Excess of Revenues Over (Under) Expenditures	$ (338,736)	$ (1,006)	$ (265,546)	$ (605,288)
Other Financing Sources (Uses):				
Bond Issuance	$ 367,167	$ -	$ 265,700	$ 632,867
Transfers-Out	(108,887)	-	-	(108,887)
Net Other Financing Sources (Uses)	$ 258,280	$ -	$ 265,700	$ 523,980
Net Change in Fund Balances	$ (80,456)	$ (1,006)	$ 154	$ (81,308)
Fund Balances, Beginning, as Reported	$ 129,659	$ 2,158	$ 51,549	$ 183,366
Fund Balances, Ending	$ 49,203	$ 1,152	$ 51,703	$ 102,058



State of Minnesota

2013
Comprehensive
Annual
Financial Report

Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

911 Services Fund

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

Public Employees Insurance Fund

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

State Lottery Fund

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

State Operated Community Services Fund

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

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 647	$ 18,196	$ 249	$ 19,341
Accounts Receivable	6,282	3,519	98	3,248
Interfund Receivables	-	-	-	-
Inventories	-	610	230	6,524
Prepaid Expenses	-	1	-	164
Other Assets	-	-	-	179
Total Current Assets	$ 6,929	$ 22,326	$ 577	$ 29,456
Noncurrent Assets:				
Depreciable Capital Assets (Net)	$ 1,074	$ 715	$ 16,897	$ 4,990
Nondepreciable Capital Assets	-	3	1,489	-
Total Noncurrent Assets	$ 1,074	$ 718	$ 18,386	$ 4,990
Total Assets	$ 8,003	$ 23,044	$ 18,963	$ 34,446
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 9,822	$ 8,130	$ 88	$ 1,308
Interfund Payables	2,073	-	-	-
Due to Component Unit	-	-	-	-
Unearned Revenue	-	19	-	-
Accrued Interest Payable	-	-	-	-
Bonds and Notes Payable	-	-	-	-
Capital Leases Payable	-	-	94	-
Compensated Absences Payable	241	53	26	116
Total Current Liabilities	$ 12,136	$ 8,202	$ 208	$ 1,424
Noncurrent Liabilities:				
Bonds and Notes Payable	$ -	$ -	$ -	$ -
Capital Leases Payable	-	-	77	-
Compensated Absences Payable	1,185	483	113	834
Other Postemployment Benefits	183	38	-	28
Total Noncurrent Liabilities	$ 1,368	$ 521	$ 190	$ 862
Total Liabilities	$ 13,504	$ 8,723	$ 398	$ 2,286
NET POSITION				
Net Investment in Capital Assets	$ 1,074	$ 718	$ 18,215	$ 4,990
Restricted for:				
Economic and Workforce Development	$ -	$ -	$ 350	$ -
Health and Human Services	-	-	-	-
Public Safety and Corrections	-	-	-	27,170
Other Purposes	-	13,603	-	-
Total Restricted	$ -	$ 13,603	$ 350	$ 27,170
Unrestricted	$ (6,575)	$ -	$ -	$ -
Total Net Position	$ (5,501)	$ 14,321	$ 18,565	$ 32,160

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 63,961	$ 23,654	$ 14,497	$ 8,937	$ 149,482
6,009	2,919	5,044	4,109	31,228
-	-	186	2,073	2,259
-	-	934	-	8,298
-	-	459	175	799
-	-	-	-	179
$ 69,970	$ 26,573	$ 21,120	$ 15,294	$ 192,245
$ 110,451	$ -	$ 1,682	$ 2,352	$ 138,161
14,329	-	-	786	16,607
$ 124,780	$ -	$ 1,682	$ 3,138	$ 154,768
$ 194,750	$ 26,573	$ 22,802	$ 18,432	$ 347,013
$ 6,679	$ 4,561	$ 7,059	$ 3,375	$ 41,022
-	-	13,674	-	15,747
17	-	-	-	17
-	2,423	536	-	2,978
537	-	-	-	537
11,820	-	-	335	12,155
-	-	-	104	198
68	5	185	858	1,552
$ 19,121	$ 6,989	$ 21,454	$ 4,672	$ 74,206
$ 138,783	$ -	$ -	$ 1,111	$ 139,894
-	-	-	117	194
380	31	1,250	5,365	9,641
-	1	98	795	1,143
$ 139,163	$ 32	$ 1,348	$ 7,388	$ 150,872
$ 158,284	$ 7,021	$ 22,802	$ 12,060	$ 225,078
$ -	$ -	$ 1,682	$ 1,471	$ 28,150
$ -	$ -	$ -	$ -	$ 350
-	-	-	4,901	4,901
36,466	-	-	-	63,636
-	19,552	-	-	33,155
$ 36,466	$ 19,552	$ -	$ 4,901	$ 102,042
$ -	$ -	$ (1,682)	$ -	$ (8,257)
$ 36,466	$ 19,552	$ -	$ 6,372	$ 121,935

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

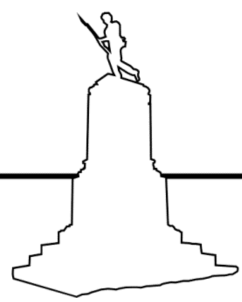
	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ 15,760	$ 18,989	$ 4,470	$ 38,010
Insurance Premiums	-	-	-	-
Other Income	1	-	-	2,525
Total Operating Revenues	$ 15,761	$ 18,989	$ 4,470	$ 40,535
Less: Cost of Goods Sold	-	1,987	890	16,581
Gross Margin	$ 15,761	$ 17,002	$ 3,580	$ 23,954
Operating Expenses:				
Purchased Services	$ 3,743	$ 1,935	$ 5,068	$ 2,410
Salaries and Fringe Benefits	15,258	5,887	1,520	9,863
Claims	1	-	-	-
Depreciation and Amortization	49	99	986	927
Supplies and Materials	1,473	224	467	1,194
Repairs and Maintenance	22	27	166	304
Indirect Costs	132	266	-	824
Other Expenses	15	185	151	5,824
Total Operating Expenses	$ 20,693	$ 8,623	$ 8,358	$ 21,346
Operating Income (Loss)	$ (4,932)	$ 8,379	$ (4,778)	$ 2,608
Nonoperating Revenues (Expenses):				
Investment Income	$ (6)	$ 5	$ -	$ 98
Federal Grants	-	-	-	-
Other Nonoperating Revenues	-	-	-	-
Interest and Financing Costs	-	-	(11)	-
Grants, Aids and Subsidies	(13)	-	-	(1,389)
Other Nonoperating Expenses	-	(7,761)	-	-
Gain (Loss) on Disposal of Capital Assets	(1)	-	-	9
Total Nonoperating Revenues (Expenses)	$ (20)	$ (7,756)	$ (11)	$ (1,282)
Income (Loss) Before Transfers and Contributions	$ (4,952)	$ 623	$ (4,789)	$ 1,326
Transfers-In	3,200	2,255	2,892	-
Transfers-Out	-	(2)	-	(622)
Total Income (Loss)	$ (1,752)	$ 2,876	$ (1,897)	$ 704
Change in Net Position	$ (1,752)	$ 2,876	$ (1,897)	$ 704
Net Position, Beginning, as Reported	$ (3,749)	$ 11,445	$ 20,462	$ 31,456
Prior Period Adjustment	-	-	-	-
Net Position, Beginning, as Restated	$ (3,749)	$ 11,445	$ 20,462	$ 31,456
Net Position, Ending	$ (5,501)	$ 14,321	$ 18,565	$ 32,160

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 63,222	$ -	$ 560,448	$ 81,007	$ 781,906
-	48,248	-	-	48,248
-	587	-	3	3,116
$ 63,222	$ 48,835	$ 560,448	$ 81,010	$ 833,270
-	-	399,314	-	418,772
$ 63,222	$ 48,835	$ 161,134	$ 81,010	$ 414,498
$ 19,531	$ 8,091	$ 12,439	$ 6,234	$ 59,451
5,170	150	11,212	73,769	122,829
-	37,087	-	201	37,289
9,749	-	836	161	12,807
949	-	1,150	3,039	8,496
290	-	-	1,220	2,029
76	5	-	3,351	4,654
3	14	590	164	6,946
$ 35,768	$ 45,347	$ 26,227	$ 88,139	$ 254,501
$ 27,454	$ 3,488	$ 134,907	$ (7,129)	$ 159,997
$ 2	$ 110	$ 134	$ 79	$ 422
-	366	-	-	366
-	-	553	-	553
(5,951)	-	-	-	(5,962)
(24,367)	-	-	(922)	(26,691)
-	-	-	-	(7,761)
(1)	-	-	(133)	(126)
$ (30,317)	$ 476	$ 687	$ (976)	$ (39,199)
$ (2,863)	$ 3,964	$ 135,594	$ (8,105)	$ 120,798
-	-	-	-	8,347
(685)	-	(135,594)	-	(136,903)
$ (3,548)	$ 3,964	$ -	$ (8,105)	$ (7,758)
$ (3,548)	$ 3,964	$ -	$ (8,105)	$ (7,758)
$ 29,473	$ 15,588	$ -	$ 14,477	$ 119,152
10,541	-	-	-	10,541
$ 40,014	$ 15,588	$ -	$ 14,477	$ 129,693
$ 36,466	$ 19,552	$ -	$ 6,372	$ 121,935

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 15,760	$ 18,556	$ 4,445	$ 41,401
Receipts from Other Revenues	-	-	-	2,525
Payments to Claimants	-	-	-	-
Payments to Suppliers	(3,521)	(4,310)	(5,558)	(29,353)
Payments to Employees	(15,374)	(5,836)	(1,594)	(9,862)
Payments to Others	-	(8,443)	-	(1,389)
Net Cash Flows from Operating Activities	$ (3,135)	$ (33)	$ (2,707)	$ 3,322
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements	$ -	$ -	$ -	$ -
Transfers-In	3,200	2,256	2,893	-
Transfers-Out	(163)	(2)	-	(622)
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ 3,037	$ 2,254	$ 2,893	$ (622)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ -	$ -	$ -	$ (532)
Proceeds from Disposal of Capital Assets	-	-	-	9
Capital Lease Payments	-	-	(91)	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ -	$ -	$ (91)	$ (523)
Cash Flows from Investing Activities:				
Investment Earnings	$ (5)	$ 5	$ -	$ 98
Net Cash Flows from Investing Activities	$ (5)	$ 5	$ -	$ 98
Net Increase (Decrease) in Cash and Cash Equivalents	$ (103)	$ 2,226	$ 95	$ 2,275
Cash and Cash Equivalents, Beginning, as Reported	$ 750	$ 15,970	$ 154	$ 17,066
Cash and Cash Equivalents, Ending	$ 647	$ 18,196	$ 249	$ 19,341
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (4,932)	$ 8,379	$ (4,778)	$ 2,608
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 49	$ 99	$ 986	$ 927
Miscellaneous Nonoperating Revenues	-	-	-	-
Miscellaneous Nonoperating Expenses	-	(7,762)	(11)	(1,389)
Change in Assets and Liabilities:				
Accounts Receivable	(2,072)	(289)	(7)	3,390
Inventories	-	71	(11)	(1,218)
Other Assets	-	-	1,298	63
Accounts Payable	3,937	(448)	(116)	(1,171)
Compensated Absences Payable	105	(66)	(68)	-
Unearned Revenues	-	(1)	-	-
Other Liabilities	(222)	(16)	-	112
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 1,797	$ (8,412)	$ 2,071	$ 714
Net Cash Flows from Operating Activities	$ (3,135)	$ (33)	$ (2,707)	$ 3,322
Noncash Investing, Capital and Financing Activities:				
Bond Premium Amortization	$ -	$ -	$ -	$ -

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 61,873	$ 50,114	$ 560,111	$ 81,007	$ 833,267
-	4	92	1,066	3,687
-	(38,199)	(349,780)	-	(387,979)
(19,419)	(7,876)	(31,686)	(14,989)	(116,712)
(5,214)	(153)	(11,212)	(73,385)	(122,630)
-	(6)	(33,483)	-	(43,321)
$ 37,240	$ 3,884	$ 134,042	$ (6,301)	$ 166,312
$ (24,350)	$ -	$ -	$ -	$ (24,350)
-	-	-	150	8,499
(685)	-	(140,506)	-	(141,978)
(11,380)	-	-	-	(11,380)
(6,918)	-	-	-	(6,918)
$ (43,333)	$ -	$ (140,506)	$ 150	$ (176,127)
$ (25,041)	$ -	$ (983)	$ (656)	$ (27,212)
-	-	41	168	218
-	-	-	(94)	(185)
-	-	-	(320)	(320)
-	-	-	(131)	(131)
$ (25,041)	$ -	$ (942)	$ (1,033)	$ (27,630)
$ 2	$ 110	$ 135	$ 89	$ 434
$ 2	$ 110	$ 135	$ 89	$ 434
$ (31,132)	$ 3,994	$ (7,271)	$ (7,095)	$ (37,011)
$ 95,093	$ 19,660	$ 21,768	$ 16,032	$ 186,493
$ 63,961	$ 23,654	$ 14,497	$ 8,937	$ 149,482
$ 27,454	$ 3,488	$ 134,907	$ (7,129)	$ 159,997
$ 9,749	$ -	$ 836	$ 161	$ 12,807
-	364	-	-	364
-	-	-	-	(9,162)
(1,349)	(1,238)	(335)	1,922	22
-	-	(149)	-	(1,307)
-	-	(80)	-	1,281
1,379	453	(1,182)	(362)	2,490
7	(2)	7	(370)	(387)
-	820	49	-	868
-	(1)	(11)	(523)	(661)
$ 9,786	$ 396	$ (865)	$ 828	$ 6,315
$ 37,240	$ 3,884	$ 134,042	$ (6,301)	$ 166,312
$ 927	$ -	$ -	$ -	$ 927



State of Minnesota

Internal Service Funds

2013 Comprehensive Annual Financial Report

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.

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.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,959	$ 1,211	$ 235,530	$ 9,099
Investments	-	-	17,369	-
Accounts Receivable	2,390	3,250	8,850	25,188
Accrued Investment/Interest Income	-	-	110	-
Inventories	-	16	-	-
Prepaid Expenses	-	216	-	8,215
Total Current Assets	$ 7,349	$ 4,693	$ 261,859	$ 42,502
Noncurrent Assets:				
Depreciable Capital Assets (Net)	$ 21,493	$ 21	$ -	$ 13,570
Prepaid Expenses	-	-	-	1,050
Total Noncurrent Assets	$ 21,493	$ 21	$ -	$ 14,620
Total Assets	$ 28,842	$ 4,714	$ 261,859	$ 57,122
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 922	$ 767	$ 77,995	$ 7,650
Unearned Revenue	-	-	8,582	5,007
Accrued Interest Payable	17	-	-	14
Bonds and Notes Payable	6,126	-	-	4,266
Claims Payable	-	-	-	-
Compensated Absences Payable	10	31	45	346
Total Current Liabilities	$ 7,075	$ 798	$ 86,622	$ 17,283
Noncurrent Liabilities:				
Bonds and Notes Payable	$ 9,250	$ -	$ -	$ 9,040
Compensated Absences Payable	83	339	472	3,239
Other Postemployment Benefits	8	73	20	224
Total Noncurrent Liabilities	$ 9,341	$ 412	$ 492	$ 12,503
Total Liabilities	$ 16,416	$ 1,210	$ 87,114	$ 29,786
NET POSITION				
Net Investment in Capital Assets	$ 6,087	$ 21	$ -	$ 635
Unrestricted	$ 6,339	$ 3,483	$ 174,745	$ 26,701
Total Net Position	$ 12,426	$ 3,504	$ 174,745	$ 27,336

PLANT MANAGEMENT		RISK MANAGEMENT		TOTAL	
$	26,638	$	22,875	$	300,312
	-		-		17,369
	3,768		503		43,949
	-		-		110
	221		-		237
	-		42		8,473
$	30,627	$	23,420	$	370,450
$	7,723	$	563	$	43,370
	-		-		1,050
$	7,723	$	563	$	44,420
$	38,350	$	23,983	$	414,870
$	4,614	$	614	$	92,562
	-		206		13,795
	-		-		31
	-		-		10,392
	-		9,669		9,669
	176		20		628
$	4,790	$	10,509	$	127,077
$	-	$	-	$	18,290
	1,215		147		5,495
	193		8		526
$	1,408	$	155	$	24,311
$	6,198	$	10,664	$	151,388
$	7,723	$	563	$	15,029
$	24,429	$	12,756	$	248,453
$	32,152	$	13,319	$	263,482

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
Operating Revenues:				
Net Sales	$ 14,598	$ 16,322	$ -	$ 93,700
Insurance Premiums	-	-	714,613	-
Other Income	-	1,280	8,094	-
Total Operating Revenues	$ 14,598	$ 17,602	$ 722,707	$ 93,700
Operating Expenses:				
Purchased Services	$ 1,214	$ 12,923	$ 76,834	$ 50,446
Salaries and Fringe Benefits	758	3,505	4,246	30,503
Claims	-	-	666,061	-
Depreciation and Amortization	5,199	22	-	4,228
Supplies and Materials	5,454	212	13	1,733
Repairs and Maintenance	1,222	71	116	3,291
Indirect Costs	10	52	124	196
Other Expenses	166	6	196	10
Total Operating Expenses	$ 14,023	$ 16,791	$ 747,590	$ 90,407
Operating Income (Loss)	$ 575	$ 811	$ (24,883)	$ 3,293
Nonoperating Revenues (Expenses):				
Investment Income	$ 68	$ -	$ 1,363	$ 37
Federal Grants	-	-	3,635	-
Other Nonoperating Revenues	-	-	-	284
Interest and Financing Costs	(202)	-	-	(121)
Other Nonoperating Expenses	-	-	-	(2,982)
Gain (Loss) on Disposal of Capital Assets	777	-	-	14
Total Nonoperating Revenues (Expenses)	$ 643	$ -	$ 4,998	$ (2,768)
Income (Loss) Before Transfers and Contributions	$ 1,218	$ 811	$ (19,885)	$ 525
Transfers-In	-	-	-	1,678
Transfers-Out	-	-	(14)	(23)
Total Income (Loss)	$ 1,218	$ 811	$ (19,899)	$ 2,180
Change in Net Position	$ 1,218	$ 811	$ (19,899)	$ 2,180
Net Position, Beginning, as Reported	$ 11,208	$ 2,693	$ 194,644	$ 25,156
Net Position, Ending	$ 12,426	$ 3,504	$ 174,745	$ 27,336

PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 61,815	$ 88	$ 186,523
-	12,059	726,672
-	-	9,374
$ 61,815	$ 12,147	$ 922,569
$ 10,586	$ 4,550	$ 156,553
13,485	1,001	53,498
-	2,841	668,902
556	82	10,087
2,246	13	9,671
2,768	-	7,468
1,228	317	1,927
331	7	716
$ 31,200	$ 8,811	$ 908,822
$ 30,615	$ 3,336	$ 13,747
$ -	$ 120	$ 1,588
-	-	3,635
-	-	284
-	-	(323)
(1,584)	(2,473)	(7,039)
7	-	798
$ (1,577)	$ (2,353)	$ (1,057)
$ 29,038	$ 983	$ 12,690
-	-	1,678
(27,571)	-	(27,608)
$ 1,467	$ 983	$ (13,240)
$ 1,467	$ 983	$ (13,240)
$ 30,685	$ 12,336	$ 276,722
$ 32,152	$ 13,319	$ 263,482

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 15,214	$ 13,178	$ 716,100	$ 91,580
Receipts from Other Revenues	-	-	8,212	-
Payments to Claimants	-	-	(662,051)	-
Payments to Suppliers	(8,250)	(11,120)	(76,045)	(58,249)
Payments to Employees	(771)	(1,700)	(4,231)	(29,758)
Payments to Others	-	-	(289)	(2,983)
Net Cash Flows from Operating Activities	$ 6,193	$ 358	$ (18,304)	$ 590
Cash Flows from Noncapital Financing Activities:				
Transfers-In	$ -	$ -	$ -	$ 200
Transfers-Out	-	-	(15)	(23)
Advances from Other Funds	-	39	-	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ 39	$ (15)	$ 177
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (10,338)	$ (6)	$ -	$ (9,613)
Proceeds from Disposal of Capital Assets	2,633	-	-	-
Proceeds from Loans	9,010	-	-	9,807
Repayment of Loan Principal	(5,782)	-	-	(2,805)
Interest Paid	(205)	-	-	(117)
Net Cash Flows from Capital and Related Financing Activities	$ (4,682)	$ (6)	$ -	$ (2,728)
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ 8,204	$ -
Purchase of Investments	-	-	(5,000)	-
Investment Earnings	68	-	1,527	37
Net Cash Flows from Investing Activities	$ 68	$ -	$ 4,731	$ 37
Net Increase (Decrease) in Cash and Cash Equivalents	$ 1,579	$ 391	$ (13,588)	$ (1,924)
Cash and Cash Equivalents, Beginning, as Reported	$ 3,380	$ 820	$ 249,118	$ 11,023
Cash and Cash Equivalents, Ending	$ 4,959	$ 1,211	$ 235,530	$ 9,099
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 575	$ 811	$ (24,883)	$ 3,293
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 5,199	$ 22	$ -	$ 4,228
Miscellaneous Nonoperating Revenues	-	-	3,636	-
Miscellaneous Nonoperating Expenses	-	-	-	(2,973)
Change in Assets and Liabilities:				
Accounts Receivable	616	2,205	1,301	(4,023)
Inventories	-	(10)	-	-
Other Assets	-	166	-	(1,954)
Accounts Payable	(184)	(2,643)	4,890	1,545
Compensated Absences Payable	(11)	(114)	14	331
Unearned Revenues	-	-	(3,262)	198
Other Liabilities	(2)	(79)	-	(55)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 5,618	$ (453)	$ 6,579	$ (2,703)
Net Cash Flows from Operating Activities	$ 6,193	$ 358	$ (18,304)	$ 590
Noncash Investing, Capital and Financing Activities:				
Accrual of Computer Equipment as an Investment in Capital Assets	$ -	$ -	$ -	$ 632

PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 60,691	$ 12,196	$ 908,959
-	-	8,212
-	(2,691)	(664,742)
(17,188)	(4,674)	(175,526)
(13,389)	(998)	(50,847)
(800)	(4,319)	(8,391)
$ 29,314	$ (486)	$ 17,665
$ -	$ -	$ 200
(26,020)	-	(26,058)
-	-	39
$ (26,020)	$ -	$ (25,819)
$ (2,196)	$ -	$ (22,153)
17	-	2,650
-	-	18,817
-	-	(8,587)
-	-	(322)
$ (2,179)	$ -	$ (9,595)
$ -	$ -	$ 8,204
-	-	(5,000)
-	120	1,752
$ -	$ 120	$ 4,956
$ 1,115	$ (366)	$ (12,793)
$ 25,523	$ 23,241	$ 313,105
$ 26,638	$ 22,875	$ 300,312
$ 30,615	$ 3,336	$ 13,747
$ 556	$ 82	$ 10,087
-	-	3,636
(800)	(2,472)	(6,245)
(1,124)	33	(992)
(16)	-	(26)
-	(20)	(1,808)
39	(1,458)	2,189
22	2	244
22	14	(3,028)
-	(3)	(139)
$ (1,301)	$ (3,822)	$ 3,918
$ 29,314	$ (486)	$ 17,665
$ -	$ -	$ 632

Pension Trust Funds

Minnesota State Retirement System

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.

Correctional Employees Retirement Fund

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

Elective State Officers Fund

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

Judicial Retirement Fund

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

Legislative Retirement Fund

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

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.

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.

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.

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.

State Deferred Compensation Fund

The fund includes contributions by participants toward a voluntary retirement savings plan.

Public Employees Retirement Association

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.

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.

Volunteer Firefighter Retirement Fund

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

Defined Contribution Fund

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

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.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalent Investments	$ 8,970	$ 1,681	$ -	$ 431
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 695,121	$ 52,503	$ -	$ 11,023
Investments	9,530,132	708,377	-	147,351
Accrued Interest and Dividends	22,794	1,694	-	352
Securities Trades Receivables (Payables)	(235,743)	(17,523)	-	(3,645)
Total Investment Pool Participation	$ 10,012,304	$ 745,051	$ -	$ 155,081
Receivables:				
Interfund Receivables	$ 4,479	$ 3	$ 1	$ 1
Other Receivables	9,527	1,343	-	6
Accrued Interest and Dividends	6	-	-	-
Total Receivables	$ 14,012	$ 1,346	$ 1	$ 7
Securities Lending Collateral	$ 978,479	$ 72,738	$ -	$ 15,131
Depreciable Capital Assets (Net)	9,425	-	-	-
Nondepreciable Capital Assets	88	-	-	-
Total Assets	$ 11,023,278	$ 820,816	$ 1	$ 170,650
LIABILITIES				
Accounts Payable	$ 4,595	$ 244	$ -	$ 53
Interfund Payables	4	677	1	68
Accrued Expense	-	-	-	-
Revenue Bonds Payable	5,824	-	-	-
Bond Interest	-	-	-	-
Compensated Absences Payable	817	-	-	-
Securities Lending Liabilities	978,479	72,738	-	15,131
Other Liabilities	60	-	-	-
Total Liabilities	$ 989,779	$ 73,659	$ 1	$ 15,252
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 10,033,499	$ 747,157	$ -	$ 155,398

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTHCARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ 1,602	$ 732	$ 17	$ 3,246	$ 337	$ 15,258
$ 790	$ 41,300	$ 25,696	$ 210,297	$ 31,545	$ 67,992
11,002	563,539	109,015	375,487	262,952	4,841,866
26	1,348	183	522	377	-
(272)	(13,940)	(1,465)	(5,167)	(1,828)	-
$ 11,546	$ 592,247	$ 133,429	$ 581,139	$ 293,046	$ 4,909,858
$ -	$ -	$ -	$ -	$ -	$ -
1	590	26	5,732	289	7,810
-	-	-	-	-	1
$ 1	$ 590	$ 26	$ 5,732	$ 289	$ 7,811
$ 1,129	$ 57,861	$ 1,477	$ 6,432	$ 3,243	$ 54,343
-	-	-	-	-	-
-	-	-	-	-	-
$ 14,278	$ 651,430	$ 134,949	$ 596,549	$ 296,915	$ 4,987,270
$ 5	$ 187	$ 33	$ 259	$ 55	$ 1,086
1,651	181	8	2,157	376	974
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,129	57,861	1,477	6,432	3,243	54,343
-	-	-	-	-	-
$ 2,785	$ 58,229	$ 1,518	$ 8,848	$ 3,674	$ 56,403
$ 11,493	$ 593,201	$ 133,431	$ 587,701	$ 293,241	$ 4,930,867

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalent Investments	$ 4,991	$ 3,168	$ 2,332
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 1,061,881	$ 55,609	$ 443,357
Investments	14,322,754	772,419	6,023,285
Accrued Interest and Dividends	34,256	1,847	14,406
Securities Trades Receivables (Payables)	(354,296)	(19,107)	(148,995)
Total Investment Pool Participation	$ 15,064,595	$ 810,768	$ 6,332,053
Receivables:			
Interfund Receivables	$ 1,885	$ -	$ 24
Other Receivables	15,767	55,010	15,706
Accrued Interest and Dividends	-	-	-
Total Receivables	$ 17,652	$ 55,010	$ 15,730
Securities Lending Collateral	$ 1,470,697	$ 79,299	$ 618,458
Depreciable Capital Assets (Net)	7,813	-	-
Nondepreciable Capital Assets	170	-	-
Total Assets	$ 16,565,918	$ 948,245	$ 6,968,573
LIABILITIES			
Accounts Payable	$ 1,697	$ 2	$ 1,994
Interfund Payables	27	131	1,380
Accrued Expense	-	-	-
Revenue Bonds Payable	7,931	-	-
Bond Interest	-	-	-
Compensated Absences Payable	958	-	-
Securities Lending Liabilities	1,470,697	79,299	618,458
Other Liabilities	-	-	-
Total Liabilities	$ 1,481,310	$ 79,432	$ 621,832
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 15,084,608	$ 868,813	$ 6,346,741

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 145	$ 1	$ 183	$ 8,542	$ -	$ 51,636
$ 26,563	$ 2,004	$ 6,045	$ 1,276,285	$ -	$ 4,008,011
347,572	14,240	40,825	17,101,226	1,319,941	56,491,983
831	54	59	40,916	-	119,665
(8,598)	(827)	(351)	(422,980)	-	(1,234,737)
$ 366,368	$ 15,471	$ 46,578	$ 17,995,447	$ 1,319,941	$ 59,384,922
$ 2	$ -	$ 1	$ -	$ -	$ 6,396
459	192	86	18,908	-	131,452
-	-	-	-	-	7
$ 461	$ 192	$ 87	$ 18,908	$ -	$ 137,855
$ 35,696	$ 1,818	$ 4,311	$ 1,755,793	$ -	$ 5,156,905
-	-	-	13,673	-	30,911
-	-	-	171	-	429
$ 402,670	$ 17,482	$ 51,159	$ 19,792,534	$ 1,319,941	$ 64,762,658
$ 7	$ 1	$ 1	$ 8,687	$ -	$ 18,906
217	-	157	-	-	8,009
-	-	-	90	-	90
-	-	-	7,959	-	21,714
-	-	-	15	-	15
-	-	-	671	-	2,446
35,696	1,818	4,311	1,755,793	-	5,156,905
-	-	-	-	-	60
$ 35,920	$ 1,819	$ 4,469	$ 1,773,215	$ -	$ 5,208,145
$ 366,750	$ 15,663	$ 46,690	$ 18,019,319	$ 1,319,941	$ 59,554,513

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer	$ 121,673	$ 24,632	$ -	$ 8,177
Member	124,150	17,561	-	3,037
Contributions From Other Sources	-	-	-	-
Total Contributions	$ 245,823	$ 42,193	$ -	$ 11,214
Net Investment Income:				
Investment Income	$ 1,284,565	$ 94,079	$ -	$ 20,086
Less: Investment Expense	(13,759)	(1,022)	-	(213)
Net Investment Income	$ 1,270,806	$ 93,057	$ -	$ 19,873
Securities Lending Revenues (Expenses):				
Securities Lending Income	$ 7,372	$ 548	$ -	$ 114
Securities Lending Rebates and Fees	(2,870)	(213)	-	(44)
Net Securities Lending Revenue	$ 4,502	$ 335	$ -	$ 70
Total Investment Income	$ 1,275,308	$ 93,392	$ -	$ 19,943
Transfers From Other Funds	$ 21,116	$ -	$ 470	$ -
Other Additions	449	-	-	-
Total Additions	$ 1,542,696	$ 135,585	$ 470	$ 31,157
Deductions:				
Benefits	$ 586,256	$ 46,226	$ 469	$ 19,772
Refunds and Withdrawals	12,222	1,032	-	-
Administrative Expenses	8,762	693	1	73
Transfers To Other Funds	54	-	-	-
Total Deductions	$ 607,294	$ 47,951	$ 470	$ 19,845
Net Increase (Decrease)	$ 935,402	$ 87,634	$ -	$ 11,312
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 9,098,097	$ 659,523	$ -	$ 144,086
Change in Reporting Entity	-	-	-	-
Change in Fund Structure	-	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 9,098,097	$ 659,523	$ -	$ 144,086
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 10,033,499	$ 747,157	$ -	$ 155,398

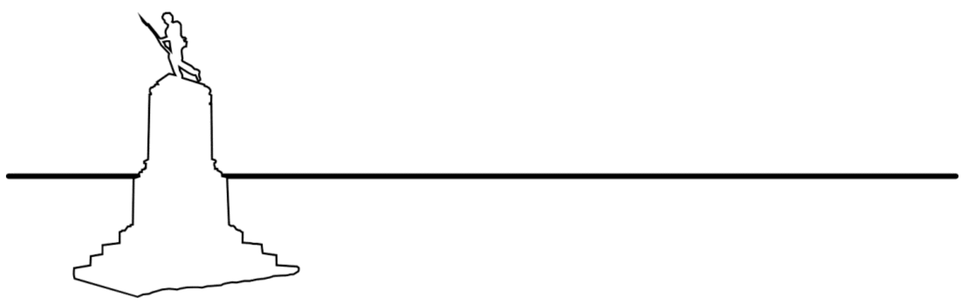
MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTHCARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ -	$ 11,482	$ 228	$ -	$ 5,867	$ -
111	7,703	227	112,359	5,096	229,187
-	-	-	-	-	-
$ 111	$ 19,185	$ 455	$ 112,359	$ 10,963	$ 229,187
$ 1,778	$ 76,863	$ 16,080	$ 31,191	$ 36,465	$ 646,503
(20)	(814)	(119)	(3,087)	(233)	(4,501)
$ 1,758	$ 76,049	$ 15,961	$ 28,104	$ 36,232	$ 642,002
$ 8	$ 436	$ 11	$ 47	$ 23	$ 396
(3)	(170)	(4)	(18)	(9)	(151)
$ 5	$ 266	$ 7	$ 29	$ 14	$ 245
$ 1,763	$ 76,315	$ 15,968	$ 28,133	$ 36,246	$ 642,247
$ 3,399	$ -	$ -	$ -	$ 54	$ -
-	-	51	2,789	85	4,237
$ 5,273	$ 95,500	$ 16,474	$ 143,281	$ 47,348	$ 875,671
$ 7,826	$ 52,057	$ 4,225	$ 62,482	$ -	$ 28,961
101	7	2,491	-	6,197	192,774
1,376	191	53	2,447	183	4,680
-	-	-	-	21,116	-
$ 9,303	$ 52,255	$ 6,769	$ 64,929	$ 27,496	$ 226,415
$ (4,030)	$ 43,245	$ 9,705	$ 78,352	$ 19,852	$ 649,256
$ 15,523	$ 549,956	$ 123,726	$ 509,349	$ 273,389	$ 4,281,611
-	-	-	-	-	-
-	-	-	-	-	-
$ 15,523	$ 549,956	$ 123,726	$ 509,349	$ 273,389	$ 4,281,611
$ 11,493	$ 593,201	$ 133,431	$ 587,701	$ 293,241	$ 4,930,867

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer	$ 372,652	$ 31,447	$ 125,995
Member	327,933	426	76,434
Contributions From Other Sources	-	-	-
Total Contributions	$ 700,585	$ 31,873	$ 202,429
Net Investment Income:			
Investment Income	$ 1,917,655	$ 108,868	$ 812,593
Less: Investment Expense	(20,676)	(1,118)	(8,697)
Net Investment Income	$ 1,896,979	$ 107,750	$ 803,896
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 11,081	$ 598	$ 4,660
Securities Lending Rebates and Fees	(4,314)	(232)	(1,814)
Net Securities Lending Revenue	$ 6,767	$ 366	$ 2,846
Total Investment Income	$ 1,903,746	$ 108,116	$ 806,742
Transfers From Other Funds	$ -	$ 24,000	$ -
Other Additions	-	8	24
Total Additions	$ 2,604,331	$ 163,997	$ 1,009,195
Deductions:			
Benefits	$ 1,051,591	$ 137,807	$ 431,726
Refunds and Withdrawals	35,888	57	2,020
Administrative Expenses	9,897	131	755
Transfers To Other Funds	-	-	-
Total Deductions	$ 1,097,376	$ 137,995	$ 434,501
Net Increase (Decrease)	$ 1,506,955	$ 26,002	$ 574,694
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 13,577,653	$ 842,811	$ 5,772,047
Change in Reporting Entity	-	-	-
Change in Fund Structure	-	-	-
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 13,577,653	$ 842,811	$ 5,772,047
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 15,084,608	$ 868,813	$ 6,346,741

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 14,498	$ 896	$ 1,734	$ 270,708	$ 41,965	$ 1,031,954
9,609	-	1,612	265,809	35,289	1,216,543
-	-	-	6,292	1,814	8,106
$ 24,107	$ 896	$ 3,346	$ 542,809	$ 79,068	$ 2,256,603
$ 44,715	$ 1,181	$ 5,639	$ 2,326,918	$ 143,750	$ 7,568,929
(501)	(19)	(33)	(24,702)	-	(79,514)
$ 44,214	$ 1,162	$ 5,606	$ 2,302,216	$ 143,750	$ 7,489,415
$ 269	$ 13	$ 30	$ 13,230	$ -	$ 38,836
(105)	(5)	(11)	(5,151)	-	(15,114)
$ 164	$ 8	$ 19	$ 8,079	$ -	$ 23,722
$ 44,378	$ 1,170	$ 5,625	$ 2,310,295	$ 143,750	$ 7,513,137
$ -	$ 361	$ -	$ 15,454	$ -	$ 64,854
-	87	-	3,683	-	11,413
$ 68,485	$ 2,514	$ 8,971	$ 2,872,241	$ 222,818	$ 9,846,007
$ 5,757	$ 838	$ -	$ 1,521,477	$ 53,237	$ 4,010,707
1,177	102	3,399	12,255	-	269,722
209	38	152	9,131	246	39,018
-	-	-	-	-	21,170
$ 7,143	$ 978	$ 3,551	$ 1,542,863	$ 53,483	$ 4,340,617
$ 61,342	$ 1,536	$ 5,420	$ 1,329,378	$ 169,335	$ 5,505,390
$ 305,408	$ 6,821	$ 41,270	$ 16,689,941	$ 1,150,606	$ 54,041,817
-	5,139	-	-	-	5,139
-	2,167	-	-	-	2,167
$ 305,408	$ 14,127	$ 41,270	$ 16,689,941	$ 1,150,606	$ 54,049,123
$ 366,750	$ 15,663	$ 46,690	$ 18,019,319	$ 1,319,941	$ 59,554,513



State of Minnesota

2013
Comprehensive
Annual
Financial Report

Investment Trust Funds

Supplemental Retirement Fund

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

Investment Trust Fund

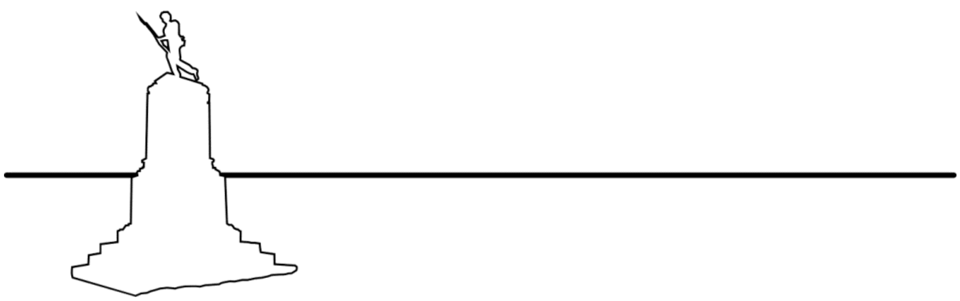
The fund provides an investment vehicle for external funds authorized to be invested by the state.

INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET POSITION
JUNE 30, 2013
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 23,508	$ 80,978	$ 104,486
Investments	213,834	161,265	375,099
Accrued Interest and Dividends	512	558	1,070
Securities Trades Receivables (Payables)	(5,512)	37	(5,475)
Total Investment Pool Participation	$ 232,342	$ 242,838	$ 475,180
Securities Lending Collateral	$ 26,822	$ -	$ 26,822
Total Assets	$ 259,164	$ 242,838	$ 502,002
LIABILITIES			
Securities Lending Liabilities	$ 26,822	$ -	$ 26,822
Total Liabilities	$ 26,822	$ -	$ 26,822
Net Position Held in Trust for Pension Benefits and Pool Participants	$ 232,342	$ 242,838	$ 475,180

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 10,812	$ 56,527	$ 67,339
Total Contributions	$ 10,812	$ 56,527	$ 67,339
Net Investment Income:			
Investment Income	$ 29,354	$ 21,473	$ 50,827
Net Investment Income	$ 29,354	$ 21,473	$ 50,827
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 191	$ -	$ 191
Securities Lending Rebates and Fees	(74)	-	(74)
Net Securities Lending Revenue	$ 117	$ -	$ 117
Total Investment Income	$ 29,471	$ 21,473	$ 50,944
Total Additions	$ 40,283	$ 78,000	$ 118,283
Deductions:			
Refunds and Withdrawals	$ 13,674	$ 30,252	$ 43,926
Administrative Expenses	211	24	235
Total Deductions	$ 13,885	$ 30,276	$ 44,161
Net Increase (Decrease)	$ 26,398	$ 47,724	$ 74,122
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 208,111	$ 195,114	$ 403,225
Change in Fund Structure	(2,167)	-	(2,167)
Net Position Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 205,944	$ 195,114	$ 401,058
Net Position Held in Trust for Pension Benefits and Pool Participants, Ending	$ 232,342	$ 242,838	$ 475,180



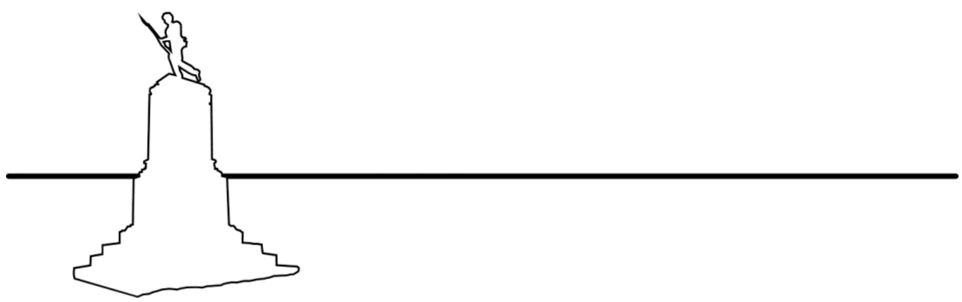
State of Minnesota

2013
Comprehensive
Annual
Financial Report

Agency Fund

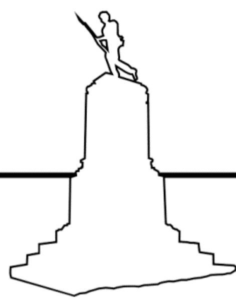
Agency Fund

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



AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalent Investments	$ 172,042	$ 1,911,201	$ 1,923,080	$ 160,163
Accounts Receivable	25,021	30,689	25,021	30,689
Total Assets	$ 197,063	$ 1,941,890	$ 1,948,101	$ 190,852
LIABILITIES				
Accounts Payable	$ 197,063	$ 1,941,890	$ 1,948,101	$ 190,852
Total Liabilities	$ 197,063	$ 1,941,890	$ 1,948,101	$ 190,852



Nonmajor Component Unit Funds

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.

Minnesota Sports Facilities Authority

The authority provides for the construction, financing, and long-term use and operations of a new multi-purpose stadium and related stadium infrastructure. The purpose of the stadium is to hold professional football games as well as a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2012 and JUNE 30, 2013
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 3,313	$ 1,015	$ 207,465
Investments	-	-	-
Accounts Receivable	-	463	2,930
Due from Primary Government	-	-	-
Accrued Investment/Interest Income	59	-	2,226
Federal Aid Receivable	-	-	-
Inventories	-	58	-
Loans and Notes Receivable	219	-	90,545
Prepaid Expenses	-	87	-
Other Assets	-	-	-
Total Current Assets	$ 3,591	$ 1,623	$ 303,166
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 162,137
Investments-Restricted	18,838	-	-
Due from Primary Government	-	-	-
Investments	-	-	-
Accounts Receivable	-	-	-
Loans and Notes Receivable	829	-	569,423
Depreciable Capital Assets (Net)	-	6,934	-
Nondepreciable Capital Assets	-	1,252	-
Other Assets	-	82	4,354
Total Noncurrent Assets	$ 19,667	$ 8,268	$ 735,914
Total Assets	$ 23,258	$ 9,891	$ 1,039,080
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 1	$ 1,447	$ 3,623
Due to Primary Government	-	-	1,532
Unearned Revenue	-	864	1,154
Accrued Interest Payable	28	-	493
Bonds and Notes Payable	1,460	768	360
Claims Payable	-	-	-
Compensated Absences Payable	-	-	61
Total Current Liabilities	$ 1,489	$ 3,079	$ 7,223
Noncurrent Liabilities:			
Due to Primary Government	$ -	$ -	$ -
Bonds and Notes Payable	-	5,206	594,961
Claims Payable	-	-	-
Compensated Absences Payable	-	-	536
Other Postemployment Benefits	-	-	45
Other Liabilities	-	250	6,525
Total Noncurrent Liabilities	$ -	$ 5,456	$ 602,067
Total Liabilities	$ 1,489	$ 8,535	$ 609,290
NET POSITION			
Net Investment in Capital Assets	$ -	$ 8,085	$ -
Restricted-Expendable	19,631	-	429,330
Unrestricted	2,138	(6,729)	460
Total Net Position	$ 21,769	$ 1,356	$ 429,790

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
$ 446,343	$ 19,490	$ 9,769	$ 2,974	$ 690,369
-	-	269,371	8,701	278,072
-	-	30,435	5,123	38,951
2,389	-	-	-	2,389
15,001	-	487	48	17,821
1,351	-	-	-	1,351
-	-	-	-	58
109,938	3,920	-	-	204,622
-	-	4,415	440	4,942
-	-	6	-	6
$ 575,022	$ 23,410	$ 314,483	$ 17,286	$ 1,238,581
$ -	$ -	$ -	$ -	$ 162,137
-	-	-	-	18,838
12,791	-	-	-	12,791
39,284	-	-	-	39,284
-	-	314,773	157	314,930
1,675,588	48,004	-	-	2,293,844
-	-	-	6,797	13,731
-	-	-	8,700	9,952
2,626	-	-	-	7,062
$ 1,730,289	$ 48,004	$ 314,773	$ 15,654	$ 2,872,569
$ 2,305,311	$ 71,414	$ 629,256	$ 32,940	$ 4,111,150
$ 4,316	$ -	$ 3,806	$ 4,947	$ 18,140
-	17,358	16,488	-	35,378
-	-	24,962	176	27,156
16,980	-	-	-	17,501
73,825	-	-	-	76,413
-	-	38,433	-	38,433
38	-	-	151	250
$ 95,159	$ 17,358	$ 83,689	$ 5,274	$ 213,271
$ -	$ 45,489	$ -	$ -	$ 45,489
1,014,763	-	-	-	1,614,930
-	-	495,567	-	495,567
292	-	-	88	916
-	-	-	-	45
280	-	-	-	7,055
$ 1,015,335	$ 45,489	$ 495,567	$ 88	$ 2,164,002
$ 1,110,494	$ 62,847	$ 579,256	$ 5,362	$ 2,377,273
$ -	$ -	$ -	$ 15,497	$ 23,582
1,190,185	-	3,809	-	1,642,955
4,632	8,567	46,191	12,081	67,340
$ 1,194,817	$ 8,567	$ 50,000	$ 27,578	$ 1,733,877

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 and JUNE 30, 2013
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 376	$ 11,751	$ 224,575
Program Revenues:			
Charges for Services	$ 49	$ 11,223	$ 28,767
Operating Grants and Contributions	-	-	5,509
Capital Grants and Contributions	-	-	-
Net (Expense) Revenue	$ (327)	$ (528)	$ (190,299)
General Revenues:			
Investment Income	$ 74	$ -	$ -
Other Revenues	-	1,156	-
Total General Revenues before Grants	$ 74	$ 1,156	$ -
State Grants Not Restricted	-	-	200,505
Total General Revenues	$ 74	$ 1,156	$ 200,505
Change in Net Position	$ (253)	$ 628	$ 10,206
Net Position, Beginning, as Reported	$ 22,022	$ 728	$ 419,584
Change in Fund Structure	-	-	-
Net Position, Beginning, as Restated	$ 22,022	$ 728	$ 419,584
Net Position, Ending	$ 21,769	$ 1,356	$ 429,790

	PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	MINNESOTA SPORTS FACILITIES AUTHORITY	TOTAL
	$ 85,727	$ 1,168	$ 61,494	$ 38,870	$ 423,961
	$ 43,636	$ 2,628	$ 56,538	$ 21,455	$ 164,296
	52,001	-	-	833	58,343
	-	-	-	2,547	2,547
	$ 9,910	$ 1,460	$ (4,956)	$ (14,035)	$ (198,775)
	$ -	$ -	$ 4,956	$ 71	$ 5,101
	-	-	-	396	1,552
	$ -	$ -	$ 4,956	$ 467	$ 6,653
	35,640	-	-	-	236,145
	$ 35,640	$ -	$ 4,956	$ 467	$ 242,798
	$ 45,550	$ 1,460	$ -	$ (13,568)	$ 44,023
	$ 1,149,267	$ 7,107	$ 50,000	$ -	$ 1,648,708
	-	-	-	41,146	41,146
	$ 1,149,267	$ 7,107	$ 50,000	$ 41,146	$ 1,689,854
	$ 1,194,817	$ 8,567	$ 50,000	$ 27,578	$ 1,733,877

STATE OF MINNESOTA

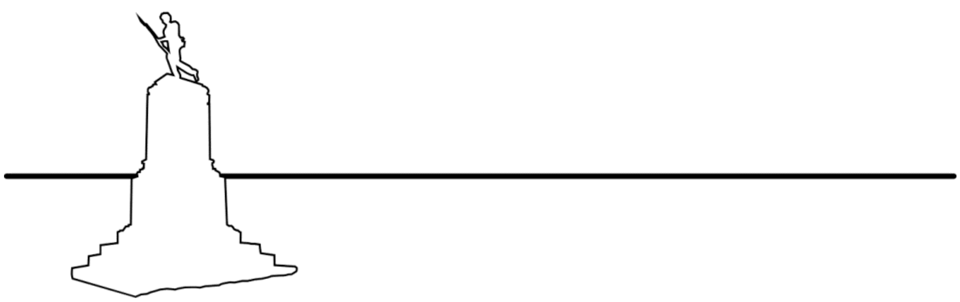
NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 12	$ 2,626	$ 2,638
Rental and Service Fees	-	2	2
Other Income	37	-	37
Total Operating Revenues	$ 49	$ 2,628	$ 2,677
Operating Expenses:			
Economic and Manpower Development	$ 307	$ 1,168	$ 1,475
Total Operating Expenses	$ 307	$ 1,168	$ 1,475
Operating Income (Loss)	$ (258)	$ 1,460	$ 1,202
Nonoperating Revenues (Expenses):			
Bond Interest Expense	$ (69)	$ -	$ (69)
Investment/Interest Income	74	-	74
Total Nonoperating Revenues (Expenses)	$ 5	$ -	$ 5
Change in Net Position	$ (253)	$ 1,460	$ 1,207
Net Position, Beginning, as Reported	$ 22,022	$ 7,107	$ 29,129
Net Position, Ending	$ 21,769	$ 8,567	$ 30,336

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 187	$ 16,267	$ 16,454
Receipts from Other Revenues	17	7,013	7,030
Payments to Customers	-	(11,766)	(11,766)
Payments to Suppliers	(116)	-	(116)
Payments to Employees	(20)	-	(20)
Payments to Others	(151)	(15,291)	(15,442)
Net Cash Flows from Operating Activities	$ (83)	$ (3,777)	$ (3,860)
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest	$ (76)	$ -	$ (76)
Repayment of Bond Principal	(375)	-	(375)
Loan Issuances	(500)	-	(500)
Net Cash Flows from Non-Capital Financing Activities	$ (951)	$ -	$ (951)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 7,847	$ -	$ 7,847
Purchase of Investments	(6,116)	-	(6,116)
Investment Interest	299	-	299
Net Cash Flows from Investing Activities	$ 2,030	$ -	$ 2,030
Net Increase (Decrease) in Cash and Cash Equivalents	$ 996	$ (3,777)	$ (2,781)
Cash and Cash Equivalents, Beginning, as Reported	$ 2,317	$ 23,267	$ 25,584
Cash and Cash Equivalents, Ending	$ 3,313	$ 19,490	$ 22,803
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (258)	$ 1,460	$ 1,202
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 175	$ 1,961	$ 2,136
Due to Primary Government	-	(7,198)	(7,198)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 175	$ (5,237)	$ (5,062)
Net Cash Flows from Operating Activities	$ (83)	$ (3,777)	$ (3,860)



State of Minnesota

General Obligation Debt Schedule

2013
Comprehensive
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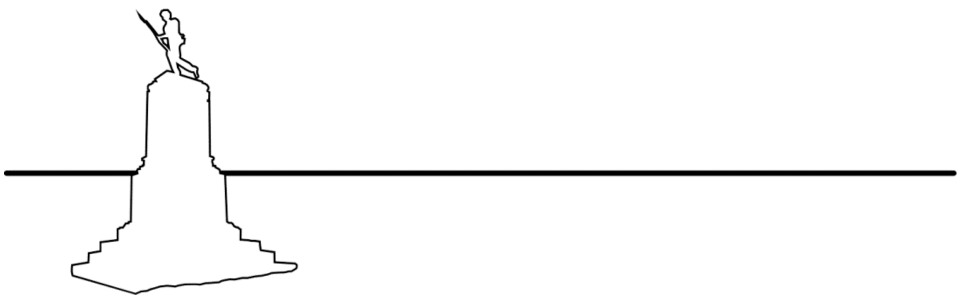
Financial Report



GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2013
(In Thousands)

	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building [22, 23, 24, 25]	1990,Ch.610	$ 270,129.1	$ 270,126.0	$ 3.1
Building [1, 15, 19, 21]	1994,Ch.643	523,874.5	523,849.0	25.5
Building [13, 14, 15,19]	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building [1, 13, 14, 15, 16, 19, 20]	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose [1, 7, 9, 13, 14, 15, 18]	2000, Ch. 492	527,682.7	518,575.0	9,107.7
Various Purpose [1, 7, 9, 13, 15, 17]	X2001, Ch. 12	116,127.7	115,918.0	209.7
Various Purpose [1, 7, 8, 9, 11, 13, 15, 16]	2002, Ch. 393	600,797.1	598,615.0	2,182.1
Various Purpose [9, 13]	X2002, Ch. 1	15,273.0	15,055.0	218.0
Trunk Highway [9]	X2003, Ch. 19, Art.3	400,191.5	399,990.0	201.5
Trunk Highway [9]	X2003, Ch. 19, Art.4	106,026.5	105,700.0	326.5
Various Purpose [1, 5, 7, 8, 11]	2005, Ch. 20	920,079.0	912,279.0	7,800.0
Various Purpose [1, 7, 8, 11, 12]	2006, Ch. 258	996,373.3	982,803.0	13,570.3
Various Purpose [1, 4, 8]	X2007, Ch. 2	48,291.7	38,045.0	10,246.7
Trunk Highway [4]	X2007, Ch. 2	19,720.0	19,720.0	-
Trunk Highway [1, 8]	2008, Ch. 152	1,783,300.0	886,635.0	896,665.0
Transportation [1]	2008, Ch. 152	60,060.0	60,000.0	60.0
Various Purpose [1, 5, 8, 10]	2008, Ch. 179	797,369.3	764,947.0	32,422.3
Various Purpose [1]	2008, Ch. 365	105,500.0	103,070.0	2,430.0
Trunk Highway	2009, Ch. 36	40,000.0	22,500.0	17,500.0
Various Purpose [3, 8]	2009, Ch. 93	256,865.0	223,035.0	33,830.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	5.0
Various Purpose [6]	2010, Ch. 189	715,205.0	566,900.0	148,305.0
Trunk Highway [6]	2010, Ch. 189	26,445.0	23,400.0	3,045.0
Trunk Highway	2010, Ch. 388	100,100.0	29,640.0	70,460.0
Various Purpose [4]	X2010, Ch. 1	34,657.0	15,000.0	19,657.0
Various Purpose	X2011, Ch. 12	555,140.0	318,090.0	237,050.0
Trunk Highway	2012, Ch. 287	16,120.0	2,165.0	13,955.0
Various Purpose	2012, Ch. 293	566,858.0	150,020.0	416,838.0
Various Purpose	X2012, Ch. 1	56,695.0	-	56,695.0
Trunk Highway	X2012, Ch. 1	35,040.0	-	35,040.0
Trunk Highway [2]	2013, Ch. 117	300,300.0	-	300,300.0
Various Purpose	2013, Ch. 136	178,795.0	-	178,795.0
Totals		$ 10,652,589.5	$ 8,144,977.0	$ 2,507,612.5

(1) Minnesota Statutes, Section 16A.642, required that on January 1, 2013, the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancel effective on July 1, 2013. The cancellation report will reduce Various Purpose Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,044; Laws 1999, Chapter 240 by $12,067; Laws 2000, Chapter 492 by $60,002; Special Session Laws 2001, Chapter 12 by $209,700; Laws 2002, Chapter 393 by $202,847; Laws 2005, Chapter 20 by $2,110,817; Laws 2006, Chapter 258 by $2,516,360; Special Session Laws 2007, Chapter 2 by $6,551,231; Laws 2008, Chapter 152 was reduced by $25,027; Laws 2008, Chapter 179 by $2,354,454 and Laws 2008, Chapter 365 by $263,610. The Cancellation Report also reduced Trunk Highway Bond Authorization of Laws 2008, Chapter 152 by $1,968,953; however, $1,414,600 was reauthorized by Laws 2013, Chapter 117.

(2) The effective date on this bond authorization is July 1, 2014. No bonds can be issued until after the effective date.

(3) Laws 2013, Chapter 136 reduced Various Purpose Bonds authorized in Laws 2009, Chapter 93 by $2,000,000.

(4) Special Session Laws 2012, Chapter 1 reduced Various Purpose Bonds authorized in Special Session Laws 2007, Chapter 2 by $5,680,000; and Special Session Laws 2010, Chapter 1 by $2,133,000. Special Session Laws 2012, Chapter 1 also reduced Trunk Highway Bonds authorizations in Laws 2007, Chapter 2 by $1,428,000. However, as of September 2012 Special Session Laws 2007, Chapter 2 had only $300,000 available in remaining authorization so that is the amount that was the amount cancelled.

(5) Special Session Laws 2011, Chapter 12 also reduced Various Purpose Bonds authorizations in Laws 2005, Chapter 20 by $22,000,000; and Laws 2008, Chapter 179 by $3,500,000. However, as of July 2012, Laws 2005, Chapter 20 had only $18,520.501 available in remaining authorization so that is the amount that was cancelled.

(6) 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 requested that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session but no capital budget was passed during this time frame. The bond authorizations for Laws 2010, Chapter 189 were reduced in Special Session Laws 2011, Chapter 12 to match the appropriations. The net reductions to the bond authorizations were $359,660,000 for Various Purpose Bonds and $6,500,000 for Trunk Highway Bonds.

(7) Minnesota Statutes, Section 16A.642, required that on January 1, 2011, the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2011. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $2,000; Special Session Laws 2001, Chapter 12 by $631,014; Laws 2002, Chapter 393 by $34,670; Laws 2005, Chapter 20 by $2,697,899; and Laws 2006, Chapter 258 by $6,481,965.

(8) Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in 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 to offset the appropriations that the Governor vetoed $85,155,000.

(9) Minnesota Statutes, Section 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 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.

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

(11) 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.

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

(13) Minnesota Statutes, Section 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 393 by $6,052,781; and Special Session Laws 2002, Chapter 1 by $863,386.

(14) Minnesota Statutes, Section 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.

(15) 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 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.

(16) 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 19 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

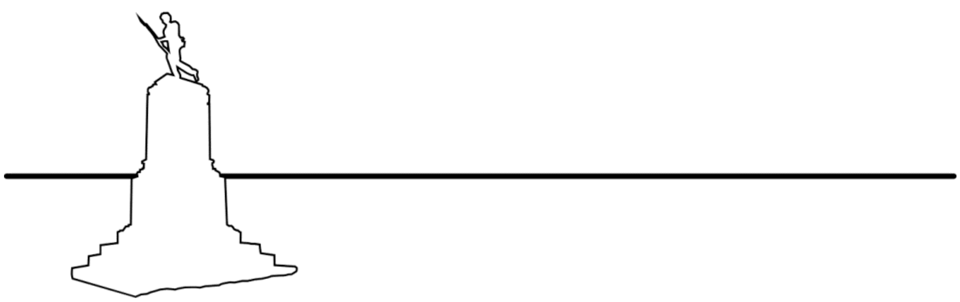
(21) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by $1,350,000.

(22) Laws 1997, Chapter 202 reduced Building Bond authorizations in Laws 1990, Chapter 610 by $9,260,000.

(23) 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.

(24) Laws 1994, Chapter 643 reduced Building Bond authorizations in Laws 1990, Chapter 610 by $115,000.

(25) Laws 1993, Chapter 373 reduced Building Bond authorizations in Laws 1990, Chapter 610 by $2,500,000.



State of Minnesota

2013
Comprehensive
Annual
Financial Report

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

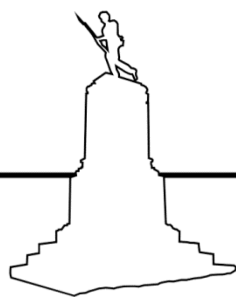
These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

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

Operating Information

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



2013 Comprehensive Annual Financial Report
Index of Statistical Section

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Financial Trends

Revenue Capacity

Debt Capacity

Economic and Demographic Information

Operating Information

Schedule 1 - Net Position By Component
Last Ten Years
Accrual Basis of Accounting
(In Thousands)

	2004	2005	2006	2007
Governmental Activities:				
Net Investment in Capital Assets	$ 5,525,157	$ 5,943,503	$ 6,468,103	$ 6,781,966
Restricted	2,387,732	2,452,423	2,482,626	2,703,598
Unrestricted	(987,312)	(673,695)	649,481	1,317,416
Total Governmental Activities Net Position	$ 6,925,577	$ 7,722,231	$ 9,600,210	$ 10,802,980
Business-type Activities:				
Net Investment in Capital Assets	$ 872,804	$ 884,486	$ 931,297	$ 1,016,955
Restricted	86,291	520,745	852,943	1,058,032
Unrestricted	218,797	(1,096)	(1,089)	(1,403)
Total Business-type Activities Net Position	$ 1,177,892	$ 1,404,135	$ 1,783,151	$ 2,073,584
Primary Government:				
Net Investment in Capital Assets	$ 6,397,961	$ 6,827,989	$ 7,399,400	$ 7,798,921
Restricted	2,474,023	2,973,168	3,335,569	3,761,630
Unrestricted	(768,515)	(674,791)	648,392	1,316,013
Total Primary Government Net Position	$ 8,103,469	$ 9,126,366	$ 11,383,361	$ 12,876,564

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

2008	2009	2010	2011	2012	2013
$ 7,775,939	$ 8,285,028	$ 8,947,341	$ 9,147,520	$ 9,773,122	$ 10,250,660
2,693,756	2,552,659	3,060,905	3,396,243	3,546,397	4,050,489
489,661	(917,895)	(2,646,096)	(2,534,196)	(2,830,824)	(2,002,801)
$ 10,959,356	$ 9,919,792	$ 9,362,150	$ 10,009,567	$ 10,488,695	$ 12,298,348
$ 1,108,136	$ 1,199,727	$ 1,293,856	$ 1,352,739	$ 1,383,762	$ 1,456,939
1,140,070	737,400	509,705	643,700	1,252,075	1,899,250
(5,900)	(38,907)	(300,615)	(82,907)	(6,409)	(8,257)
$ 2,242,306	$ 1,898,220	$ 1,502,946	$ 1,913,532	$ 2,629,428	$ 3,347,932
$ 8,884,075	$ 9,484,755	$ 10,241,197	$ 10,500,259	$ 11,156,884	$ 11,707,599
3,833,826	3,290,059	3,570,610	4,039,943	4,798,472	5,949,739
483,761	(956,802)	(2,946,711)	(2,617,103)	(2,837,233)	(2,011,058)
$ 13,201,662	$ 11,818,012	$ 10,865,096	$ 11,923,099	$ 13,118,123	$ 15,646,280

Schedule 2 - Changes in Net Position
Last Ten Years
Accrual Basis of Accounting
(In Thousands)

	2004	2005	2006	2007
Program Revenues:				
Governmental Activities:				
Charges for Services				
Agricultural, Environmental and Energy Resources (1)	$ 187,779	$ 196,047	$ 218,376	$ 335,670
Economic and Workforce Development (1)	158,788	159,929	214,650	44,551
General Education	33,284	39,655	38,808	42,943
General Government	214,962	226,809	245,015	278,846
Health and Human Services	516,539	360,563	447,404	265,853
Higher Education	-	2	-	-
Public Safety and Corrections	138,359	143,998	174,807	130,830
Transportation	15,473	17,451	19,226	18,796
Operating Grants and Contributions				
Health and Human Services	3,874,378	4,075,420	4,187,909	4,609,077
All Others	1,554,481	1,480,801	1,506,094	1,891,362
Capital Grants and Contributions	269,786	261,236	452,197	236,700
Total Governmental Activities Program Revenues	$ 6,963,829	$ 6,961,911	$ 7,504,486	$ 7,854,628
Business-type Activities:				
Charges for Services:				
State Colleges and Universities	$ 636,138	$ 651,094	$ 694,053	$ 750,742
Unemployment Insurance	806,185	908,540	1,054,227	946,269
Lottery	387,800	408,011	449,761	422,570
Other	171,598	169,182	178,764	230,657
Operating Grants and Contributions	312,200	198,217	176,023	187,530
Capital Grants and Contributions	2,307	1,687	1,963	1,839
Total Business-type Activities Program Revenues	$ 2,316,228	$ 2,336,731	$ 2,554,791	$ 2,539,607
Total Primary Government Program Revenues	$ 9,280,057	$ 9,298,642	$ 10,059,277	$ 10,394,235
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources (1)	$ 557,414	$ 612,566	$ 525,251	$ 762,549
Economic and Workforce Development (1)	591,513	505,901	273,510	568,064
General Education	6,512,834	6,820,389	7,336,455	7,323,406
General Government	671,908	654,758	718,996	771,733
Health and Human Services	8,228,552	8,466,865	8,823,115	9,596,061
Higher Education	744,112	762,092	786,563	921,339
Intergovernmental Aid	1,355,683	1,284,576	1,400,479	1,489,439
Public Safety and Corrections	731,438	764,307	818,192	855,328
Transportation	1,662,402	1,685,256	1,791,316	1,795,056
Interest	181,323	184,573	172,612	208,719
Total Governmental Activities Expenses	$ 21,237,179	$ 21,741,283	$ 22,646,489	$ 24,291,694
Business-type Activities:				
State Colleges and Universities	$ 1,385,817	$ 1,394,893	$ 1,479,519	$ 1,550,936
Unemployment Insurance	931,659	686,818	690,713	735,987
Lottery	287,550	302,575	332,031	311,893
Other	166,923	172,886	183,043	215,005
Total Business-type Activities Expenses	$ 2,771,949	$ 2,557,172	$ 2,685,306	$ 2,813,821
Total Primary Government Expenses	$ 24,009,128	$ 24,298,455	$ 25,331,795	$ 27,105,515

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

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

2008	2009	2010	2011	2012	2013
$ 360,056	$ 339,523	$ 358,666	$ 369,400	$ 384,593	$ 326,696
52,400	47,377	49,212	46,764	59,481	40,093
54,662	42,192	21,342	19,403	23,418	24,120
240,331	270,153	266,565	265,022	249,824	381,788
330,570	285,963	353,929	424,670	399,963	547,216
-	-	3	3	636	346
143,073	159,155	156,139	157,201	159,882	157,198
21,474	45,385	25,397	21,782	19,146	30,280
4,909,527	5,996,063	6,775,255	6,692,535	6,369,736	6,834,186
1,767,796	1,758,923	3,388,958	2,706,074	2,040,575	2,318,910
449,765	272,736	206,292	202,285	135,113	167,097
$ 8,329,654	$ 9,217,470	$ 11,601,758	$ 10,905,139	$ 9,842,367	$ 10,827,930
$ 794,091	$ 827,997	$ 771,104	$ 851,754	$ 848,541	$ 851,377
835,725	800,590	972,425	1,211,352	1,444,622	1,469,936
461,565	482,738	499,271	504,514	520,049	560,448
233,944	232,570	246,829	260,247	274,825	272,822
217,224	872,484	1,958,195	1,697,323	1,113,581	710,153
1,142	4,262	1,554	1,515	-	-
$ 2,543,691	$ 3,220,641	$ 4,449,378	$ 4,526,705	$ 4,201,618	$ 3,864,736
$ 10,873,345	$ 12,438,111	$ 16,051,136	$ 15,431,844	$ 14,043,985	$ 14,692,666
$ 825,842	$ 834,458	$ 950,738	$ 969,947	$ 916,001	$ 954,721
704,501	695,314	715,085	695,050	543,680	571,265
7,675,567	7,811,723	8,042,744	7,499,159	7,890,863	8,207,311
816,111	800,123	762,238	832,859	856,328	971,198
10,296,359	11,248,700	11,949,235	12,274,181	12,487,762	13,146,913
981,943	912,011	981,859	892,921	778,389	849,510
1,511,715	1,435,897	1,558,453	1,339,943	1,358,521	1,269,078
901,641	944,400	958,915	976,261	952,585	970,095
2,047,500	2,068,880	2,468,573	2,897,408	2,343,031	2,683,545
221,162	210,435	261,802	322,773	506,909	218,218
$ 25,982,341	$ 26,961,941	$ 28,649,642	$ 28,700,502	$ 28,634,069	$ 29,841,854
$ 1,675,051	$ 1,743,609	$ 1,802,527	$ 1,903,985	$ 1,816,268	$ 1,891,779
828,857	1,865,939	3,038,557	2,228,405	1,490,943	1,060,431
346,834	363,832	377,025	382,759	396,590	425,541
228,361	235,163	222,110	269,880	280,817	288,146
$ 3,079,103	$ 4,208,543	$ 5,440,219	$ 4,785,029	$ 3,984,618	$ 3,665,897
$ 29,061,444	$ 31,170,484	$ 34,089,861	$ 33,485,531	$ 32,618,687	$ 33,507,751

Schedule 2 - Changes in Net Position (Continued)
Last Ten Years
Accrual Basis of Accounting
(In Thousands)

	2004	2005	2006	2007
Net (Expense)/Revenue:				
Governmental Activities	$ (14,273,350)	$ (14,779,372)	$ (15,142,003)	$ (16,437,066)
Business-type Activities	(455,721)	(220,441)	(130,515)	(274,214)
Total Primary Government Net Expense	$ (14,729,071)	$ (14,999,813)	$ (15,272,518)	$ (16,711,280)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Individual Income Taxes	$ 5,863,383	$ 6,556,331	$ 7,069,242	$ 7,463,959
Corporate Income Taxes	643,442	702,839	1,189,328	1,160,380
Sales Taxes	3,911,496	4,269,837	4,439,667	4,600,984
Property Taxes	608,860	603,412	633,288	667,395
Motor Vehicle Taxes	587,223	552,856	539,468	1,025,820
Fuel Taxes	643,964	652,493	659,980	647,168
Other Taxes	2,190,491	2,417,175	2,663,939	2,154,689
Tobacco Settlement	173,173	178,177	184,139	184,924
Unallocated Investment/Interest Income	32,712	42,753	101,803	155,016
Other Revenues	178,255	63,182	28,447	91,867
Special Item	-	-	-	-
Transfers	(471,382)	(425,180)	(474,090)	(510,578)
Total Governmental Activities	$ 14,361,617	$ 15,613,875	$ 17,035,211	$ 17,641,624
Business-type Activities:				
Unallocated Investment/Interest Income	$ 16,213	$ 9,264	$ 18,300	$ 26,786
Other Revenues	2,417	12,240	17,141	17,811
Transfers	471,382	425,180	474,090	510,578
Total Business-type Activities	$ 490,012	$ 446,684	$ 509,531	$ 555,175
Total Primary Government General Revenues	$ 14,851,629	$ 16,060,559	$ 17,544,742	$ 18,196,799
Change in Net Position:				
Governmental Activities:	$ 88,267	$ 834,503	$ 1,893,208	$ 1,204,558
Prior Period Adjustments	84,233	(37,849)	(15,229)	7,684
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	-	-	(9,472)
Business-type Activities:	34,291	226,243	379,016	280,961
Prior Period Adjustments	-	-	-	-
Change in Fund Structure	-	-	-	9,472
Total Primary Government Change in Net Position	$ 206,791	$ 1,022,897	$ 2,256,995	$ 1,493,203

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

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

2008	2009	2010	2011	2012	2013
$ (17,652,687)	$ (17,744,471)	$ (17,047,884)	$ (17,795,363)	$ (18,791,702)	$ (19,013,924)
(535,412)	(987,902)	(990,841)	(258,324)	217,000	198,839
$ (18,188,099)	$ (18,732,373)	$ (18,038,725)	$ (18,053,687)	$ (18,574,702)	$ (18,815,085)
$ 7,929,096	$ 7,203,337	$ 6,792,510	$ 7,883,583	$ 8,409,530	$ 9,209,954
1,039,843	741,049	539,534	1,204,521	953,428	1,242,912
4,474,576	4,338,748	4,379,236	4,760,684	4,849,514	5,004,330
703,972	733,899	746,685	771,020	809,044	831,316
1,011,494	955,785	997,214	1,074,769	1,150,343	1,241,242
651,988	758,271	826,574	851,245	849,955	860,837
2,149,162	2,206,648	2,224,237	2,192,739	2,253,625	2,436,828
186,425	176,140	157,924	172,207	166,154	171,338
121,638	57,790	21,242	19,836	12,873	23,129
103,416	95,316	145,608	139,406	94,707	128,115
-	-	-	-	-	-
(654,359)	(610,880)	(543,525)	(584,171)	(480,195)	(489,364)
$ 17,717,251	$ 16,656,103	$ 16,287,239	$ 18,485,839	$ 19,068,978	$ 20,660,637
$ 48,126	$ 32,306	$ 8,483	$ 7,058	$ 6,567	$ 17,545
1,649	630	-	18,765	12,134	2,215
654,359	610,880	543,525	584,171	480,195	489,364
$ 704,134	$ 643,816	$ 552,008	$ 609,994	$ 498,896	$ 509,124
$ 18,421,385	$ 17,299,919	$ 16,839,247	$ 19,095,833	$ 19,567,874	$ 21,169,761
$ 64,564	$ (1,088,368)	$ (760,645)	$ 690,476	$ 277,276	$ 1,646,713
-	94,658	87,186	15,857	201,852	162,940
91,812	(45,854)	115,817	-	-	-
-	-	-	(58,916)	-	-
168,722	(344,086)	(438,833)	351,670	715,896	707,963
-	-	43,559	-	-	10,541
-	-	-	58,916	-	-
$ 325,098	$ (1,383,650)	$ (952,916)	$ 1,058,003	$ 1,195,024	$ 2,528,157

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

	2004	2005	2006	2007
General Fund:				
Reserved	$ 120,506	$ 161,257	$ 228,640	$ 155,985
Designated	-	-	610,167	1,124,122
Undesignated	(448,465)	(68,292)	-	-
Total General Fund	$ (327,959)	$ 92,965	$ 838,807	$ 1,280,107
All Other Governmental Funds:				
Reserved	$ 2,543,206	$ 2,797,593	$ 2,805,382	$ 2,020,610
Designated, Reported In:				
Special Revenue Funds	580,118	484,012	715,202	1,139,133
Debt Service Fund	-	-	-	704,800
Permanent Funds	-	-	-	15,690
Undesignated, Reported In:				
Special Revenue Funds	262,630	189,873	239,599	243,192
Capital Projects Funds	(62,340)	(8,187)	(48,184)	6,044
Total All Other Governmental Funds	$ 3,323,614	$ 3,463,291	$ 3,711,999	$ 4,129,469
Total Governmental Funds	$ 2,995,655	$ 3,556,256	$ 4,550,806	$ 5,409,576

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

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

2008	2009	2010	2011	2012	2013
$ 153,150	$ 111,182	$ -	$ -	$ -	$ -
689,476	-	-	-	-	-
-	(752,490)	-	-	-	-
$ 842,626	$ (641,308)	$ -	$ -	$ -	$ -
$ 1,931,753	$ 1,858,589	$ -	$ -	$ -	$ -
1,266,623	1,214,750	-	-	-	-
707,086	742,069	-	-	-	-
9,479	5,862	-	-	-	-
339,989	344,884	-	-	-	-
(12,873)	2,472	-	-	-	-
$ 4,242,057	$ 4,168,626	$ -	$ -	$ -	$ -
$ 5,084,683	$ 3,527,318	$ -	$ -	$ -	$ -

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

	2004	2005	2006	2007
General Fund:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ -	$ -	$ -	$ -
All Other Governmental Funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ -	$ -	$ -	$ -
Total Governmental Funds	$ -	$ -	$ -	$ -

Note: The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Therefore, the fund balance classifications are not comparable to prior years' classifications for fiscal years 2010 and beyond.

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

	2008	2009	2010	2011	2012	2013
	$ -	$ -	$ 465,601	$ 579,800	$ 625,689	$ 750,071
	-	-	173,687	171,033	148,483	105,581
	-	-	-	-	-	-
	-	-	-	-	-	219,562
	-	-	(1,525,534)	(900,675)	(887,037)	209,551
	$ -	$ -	$ (886,246)	$ (149,842)	$ (112,865)	$ 1,284,765
	$ -	$ -	$ 718,469	$ 833,403	$ 892,478	$ 992,738
	-	-	2,380,542	2,450,612	2,300,043	2,754,222
	-	-	537,009	382,939	561,628	713,129
	-	-	3,920	2,306	642,158	1,152
	-	-	-	(19,905)	(97,404)	-
	$ -	$ -	$ 3,639,940	$ 3,649,355	$ 4,298,903	$ 4,461,241
	$ -	$ -	$ 2,753,694	$ 3,499,513	$ 4,186,038	$ 5,746,006

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

	2004	2005	2006	2007
Revenues:				
Individual Income Taxes	$ 5,836,790	$ 6,534,422	$ 7,068,712	$ 7,412,381
Corporate Income Taxes	648,837	711,136	1,189,915	1,163,095
Sales Taxes	3,959,236	4,281,391	4,473,275	4,513,452
Property Taxes	599,622	610,809	631,279	665,746
Motor Vehicle Taxes	1,096,890	1,067,444	1,037,593	1,025,820
Fuel Taxes	651,261	655,162	659,647	648,078
Federal Revenues	5,550,606	5,606,553	5,864,373	6,333,686
Other Taxes and Revenues	3,396,171	3,591,776	4,080,518	4,027,767
Total Revenues	$ 21,739,413	$ 23,058,693	$ 25,005,312	$ 25,790,025
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources [1]	$ 575,363	$ 578,000	$ 537,220	$ 755,168
Economic and Workforce Development [1]	649,090	617,247	703,108	605,784
General Education	6,512,633	6,820,292	7,337,888	7,320,491
General Government	617,052	622,177	690,753	699,585
Health and Human Services	8,229,553	8,465,547	8,820,143	9,581,606
Higher Education	745,406	764,072	786,606	922,772
Intergovernment Aid	1,355,683	1,284,576	1,400,479	1,489,439
Public Safety and Corrections	711,888	753,260	793,202	813,636
Transportation	1,647,447	1,644,500	1,776,980	1,765,410
Securities Lending Rebates and Fees	3,854	9,030	18,049	29,929
Capital Outlay	701,372	703,777	854,612	693,041
Debt Service:				
Principal	253,127	260,930	288,932	349,941
Interest	184,833	184,191	183,240	222,175
Total Expenditures	$ 22,187,301	$ 22,707,599	$ 24,191,212	$ 25,248,977
Excess of Revenues Over (Under) Expenditures	$ (447,888)	$ 351,094	$ 814,100	$ 541,048
Other Financing Sources (Uses):				
Bond Proceeds	$ 417,937	$ 507,294	$ 377,949	$ 720,445
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	-	17,885	24,388	24,610
Proceeds from Refunding Bonds	20,855	171,880	160,960	264,050
Payment to Refunded Bonds Escrow Agent	(425,715)	(171,880)	(160,960)	(264,050)
Bond Issue Premium	33,455	61,662	45,141	57,918
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(456,971)	(387,029)	(449,246)	(479,598)
Capital Leases	1,774	8,387	180,005	1,090
Net Other Financing Sources (Uses)	$ (408,665)	$ 208,199	$ 178,237	$ 324,465
Changes in Inventory	1,432	1,308	-	2,845
Changes in Fund Structure	-	-	-	(9,588)
Prior Period Adjustments	-	-	-	-
Special Item	-	-	-	-
Net Change in Fund Balances	$ (855,121)	$ 560,601	$ 992,337	$ 858,770
Debt Service as a Percentage of Noncapital Expenditures	2.0%	2.0%	2.0%	2.3%

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

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

2008	2009	2010	2011	2012	2013
$ 7,932,036	$ 7,162,974	$ 6,729,244	$ 7,828,818	$ 8,267,608	$ 9,257,352
1,024,040	727,928	540,504	1,135,193	996,524	1,273,112
4,499,550	4,279,178	4,411,277	4,681,525	4,871,038	5,028,616
704,246	729,373	766,830	766,926	813,723	817,895
1,011,494	955,785	997,214	1,074,769	1,150,343	1,241,242
651,860	756,381	825,341	852,765	851,410	861,780
6,858,191	7,887,945	10,020,456	9,162,775	8,268,573	8,910,474
4,005,067	3,810,907	4,074,393	4,249,437	4,063,416	4,550,709
$ 26,686,484	$ 26,310,471	$ 28,365,259	$ 29,752,208	$ 29,282,635	$ 31,941,180
$ 782,381	$ 866,963	$ 918,410	$ 1,022,523	$ 904,313	$ 961,993
719,801	704,736	755,337	720,542	588,847	623,810
7,673,220	7,808,279	8,038,447	7,494,180	7,885,111	8,201,852
772,835	753,882	730,091	787,042	742,654	825,528
10,298,462	11,238,043	11,929,558	12,252,582	12,467,327	13,130,238
983,319	913,292	981,868	892,947	777,958	849,506
1,511,715	1,435,897	1,549,453	1,317,185	1,358,520	1,269,078
858,385	891,480	901,983	911,490	893,858	909,426
2,029,762	2,040,334	2,416,333	2,673,915	2,300,784	2,610,632
21,534	1,237	132	89	-	-
818,701	746,955	643,736	699,583	539,608	646,086
373,619	389,371	381,845	344,703	471,448	311,781
220,957	230,645	295,974	352,557	568,078	310,439
$ 27,064,691	$ 28,021,114	$ 29,543,167	$ 29,469,338	$ 29,498,506	$ 30,650,369
$ (378,207)	$ (1,710,643)	$ (1,177,908)	$ 282,870	$ (215,871)	$ 1,290,811
$ 637,744	$ 675,810	$ 722,904	$ 843,496	$ 1,517,849	$ 1,296,087
-	-	74,980	-	-	-
414	549	5,729	677	-	1,597
-	155,415	426,505	907,785	-	-
-	(155,415)	(426,505)	(907,785)	(400,775)	(768,450)
34,016	56,112	108,704	233,570	142,273	200,932
-	-	7,411	-	-	-
(622,455)	(580,540)	(523,176)	(557,776)	(495,540)	(507,118)
1,308	-	3,356	-	-	-
$ 51,027	$ 151,931	$ 399,908	$ 519,967	$ 763,807	$ 223,048
2,287	1,347	4,376	1,898	-	-
-	-	-	(58,916)	-	-
-	-	-	-	138,589	46,109
-	-	-	-	-	-
$ (324,893)	$ (1,557,365)	$ (773,624)	$ 745,819	$ 686,525	$ 1,559,968
2.3%	2.3%	2.3%	2.4%	3.6%	2.1%

Schedule 5 - Revenue Base
Personal Income By Industry
Last Ten Calendar Years
(In Thousands)

	2003	2004	2005	2006
Farm Earnings	$ 1,890,660	$ 2,466,520	$ 3,089,441	$ 2,680,438
Private Earnings:				
Forestry, Fishing, Related Activities	$ 296,927	$ 301,315	$ 301,845	$ 322,520
Mining	399,799	430,736	453,720	510,529
Utilities	1,136,952	1,273,103	1,248,361	1,359,490
Construction	9,693,308	10,377,189	10,574,558	10,519,155
Manufacturing:				
Durable Goods Manufacturing	13,858,423	14,703,033	14,903,048	15,139,874
Nondurable Goods Manufacturing	7,155,596	7,284,143	7,260,833	7,557,310
Wholesale Trade	8,930,235	9,500,469	10,025,738	10,539,400
Retail Trade	9,258,367	9,590,980	9,571,126	9,640,300
Transportation and Warehousing	5,178,203	5,433,112	5,583,772	5,294,729
Information	3,915,092	4,091,623	4,142,205	4,179,078
Finance and Insurance	11,492,034	12,187,514	12,647,381	13,391,232
Real Estate and Rental and Leasing	2,893,049	2,914,275	2,970,362	2,983,106
Professional and Technical Services	10,221,545	10,825,901	11,440,141	12,375,438
Management of Companies and Enterprises	6,052,241	6,926,319	6,719,458	7,217,755
Administrative and Waste Services	4,124,896	4,333,128	4,611,705	4,902,735
Educational Services	1,621,389	1,739,372	1,781,380	1,938,994
Health Care and Social Assistance	14,908,626	15,988,253	16,675,293	18,059,007
Arts, Entertainment, and Recreation	1,440,220	1,502,810	1,523,561	1,731,523
Accommodation and Food Services	3,376,348	3,587,470	3,677,062	3,795,917
Other Services, Except Public Administration	5,232,613	5,453,478	5,693,557	5,824,217
Total Private Earnings	$ 121,185,863	$ 128,444,223	$ 131,805,106	$ 137,282,309
Government and Government Enterprises:				
Federal, Civilian	$ 2,557,012	$ 2,757,741	$ 2,832,440	$ 2,995,599
Military	663,606	745,144	966,040	896,525
State and Local	16,089,018	16,567,688	17,138,227	17,962,127
Total Government and Government Enterprises	$ 19,309,636	$ 20,070,573	$ 20,936,707	$ 21,854,251
Nonfarm Earnings	140,495,499	148,514,796	152,741,813	159,136,560
Total Earnings By Industry	$ 142,386,159	$ 150,981,316	$ 155,831,254	$ 161,816,998
Derivation of Personal Income:				
Earnings By Place of Work	$ 142,386,159	$ 150,981,316	$ 155,831,254	$ 161,816,998
Other Personal Income (1)	35,760,502	37,348,629	38,158,390	44,040,406
Personal income	$ 178,146,661	$ 188,329,945	$ 193,989,644	$ 205,857,404

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

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of August 2, 2013.

Note: The estimates of earnings for 2002-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007-2010 are based on the 2007 NAICS. Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. The estimates for 2011 forward are based on the 2012 NAICS.

	2007	2008	2009	2010	2011	2012
	$ 2,611,979	$ 4,534,958	$ 3,128,218	$ 4,239,150	$ 5,174,974	$ 6,151,887
	$ 331,291	$ 363,055	$ 375,401	$ 474,378	$ 498,500	$ 569,929
	496,648	569,846	392,713	569,337	686,281	719,685
	1,341,776	1,561,150	1,518,731	1,595,273	1,683,949	1,781,483
	10,188,790	9,177,943	7,936,155	7,909,259	8,418,102	9,034,434
	15,449,197	15,545,095	14,010,211	14,301,769	15,210,283	16,177,937
	7,584,431	8,723,364	7,586,192	7,825,576	8,223,403	8,264,184
	11,060,667	11,559,965	10,723,846	11,024,058	11,634,169	12,379,929
	9,758,460	9,291,098	9,070,313	9,213,028	9,568,336	10,022,229
	5,549,312	5,660,973	5,138,069	5,188,307	5,436,887	5,595,239
	4,467,478	4,577,089	4,434,846	4,444,277	4,696,039	4,756,070
	14,038,193	13,705,758	13,247,376	14,399,556	15,281,965	15,620,286
	2,653,833	2,835,561	2,635,654	2,761,895	2,841,732	3,105,273
	13,460,799	14,390,199	13,319,041	13,564,508	14,364,782	15,204,685
	8,291,254	9,622,963	8,013,237	9,149,283	9,290,948	9,858,478
	5,081,752	5,112,831	4,779,281	5,137,590	5,562,635	5,675,062
	2,091,268	2,262,925	2,462,885	2,470,913	2,606,188	2,685,701
	19,331,595	20,308,450	21,178,348	22,074,062	22,340,924	23,071,600
	1,816,631	1,809,220	1,745,774	1,912,604	1,951,722	2,043,908
	4,058,411	3,997,290	3,838,404	3,966,080	4,203,526	4,367,038
	5,992,562	5,785,340	5,750,639	5,808,299	6,043,097	6,149,897
	$ 143,044,348	$ 146,860,115	$ 138,157,116	$ 143,790,052	$ 150,543,468	$ 157,083,047
	$ 3,059,076	$ 3,177,923	$ 3,253,407	$ 3,290,078	$ 3,307,026	$ 3,309,332
	971,403	961,427	1,055,862	1,044,439	983,386	1,041,647
	18,715,439	19,757,794	20,282,087	20,524,265	20,622,030	20,814,154
	$ 22,745,918	$ 23,897,144	$ 24,591,356	$ 24,858,782	$ 24,912,442	$ 25,165,133
	165,790,266	170,757,259	162,748,472	168,648,834	175,455,910	182,248,180
	$ 168,402,245	$ 175,292,217	$ 165,876,690	$ 172,887,984	$ 180,630,884	$ 188,400,067
	$ 168,402,245	$ 175,292,217	$ 165,876,690	$ 172,887,984	$ 180,630,884	$ 188,400,067
	48,438,103	52,776,912	50,390,820	52,965,141	57,534,845	60,263,340
	$ 216,840,348	$ 228,069,129	$ 216,267,510	$ 225,853,125	$ 238,165,729	$ 248,663,407

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2004 through 2013

Tax Year 2004

	5.35% Up To	7.05%	7.85% Over
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

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

Tax Year 2006

	5.35% Up To	7.05%	7.85% Over
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

	5.35% Up To	7.05%	7.85% Over
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

	5.35% Up To	7.05%	7.85% Over
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

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 2004 through 2013 (continued)

Tax Year 2009

	5.35% Up To	7.05%	7.85% Over
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

	5.35% Up To	7.05%	7.85% Over
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

Tax Year 2011

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 33,770	$33,771 - $134,170	$ 134,170
Married Separate	$ 16,890	$16,891 - $ 67,090	$ 67,090
Single	$ 23,100	$23,101 - $ 75,890	$ 75,890
Head of Household	$ 28,440	$28,441 - $114,290	$ 114,290

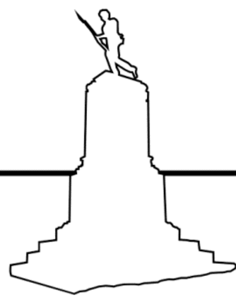
Tax Year 2012

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 34,590	$34,591 - $137,430	$ 137,430
Married Separate	$ 17,300	$17,301 - $ 68,720	$ 68,720
Single	$ 23,670	$23,671 - $ 77,730	$ 77,730
Head of Household	$ 29,130	$29,131 - $117,060	$ 117,060

Tax Year 2013

	5.35% Up To	7.05%	7.85%	9.85% Over
Married Joint	$ 35,480	$35,481 - $140,960	$140,961 - $250,000	$ 250,000
Married Separate	$ 17,740	$17,741 - $ 70,480	$ 70,481 - $125,000	$ 125,000
Single	$ 24,270	$24,271 - $ 79,730	$ 79,731 - $150,000	$ 150,000
Head of Household	$ 29,880	$29,881 - $120,070	$120,071 - $200,000	$ 200,000

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



Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2002 and 2011

Calendar Year 2002

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	242,525	10.19%	$ 1,125,549	0.02%
$ 5,000 – 9,999	210,094	8.83%	13,125,546	0.25%
$ 10,000 – 19,999	341,654	14.36%	85,411,344	1.62%
$ 20,000 – 29,999	320,759	13.48%	213,912,944	4.07%
$ 30,000 – 39,999	250,072	10.51%	294,275,346	5.60%
$ 40,000 – 49,999	208,691	8.77%	336,838,978	6.41%
$ 50,000 – 99,999	576,801	24.21%	1,691,688,186	32.18%
$ 100,000 – 249,999	192,201	8.08%	1,354,127,235	25.76%
$ 250,000 – 499,999	24,164	1.02%	472,067,994	8.98%
$ 500,000 & Over	13,021	0.55%	794,405,423	15.11%
	2,379,982	100.00%	$ 5,256,978,545	100.00%

Calendar Year 2011

Federal Adjusted Gross Income	Number of Returns[1]	Percent of Total	Personal Income Tax Liability[2]	Percent of Total
$ 0 – 4,999	222,572	8.53%	$ 7,177,569	0.09%
$ 5,000 – 9,999	193,204	7.40%	5,399,267	0.07%
$ 10,000 – 19,999	351,967	13.48%	64,460,996	0.84%
$ 20,000 – 29,999	299,684	11.48%	161,704,479	2.11%
$ 30,000 – 39,999	248,686	9.53%	255,571,981	3.33%
$ 40,000 – 49,999	207,599	7.95%	317,057,855	4.14%
$ 50,000 – 99,999	655,670	25.12%	1,885,362,058	24.60%
$ 100,000 – 249,999	361,253	13.84%	2,499,256,154	32.61%
$ 250,000 – 499,999	45,606	1.75%	894,938,288	11.68%
$ 500,000 & Over	24,311	0.92%	1,573,835,708	20.53%
	2,610,552	100.00%	$ 7,664,764,355	100.00%

[1] Total number of returns filed.

[2] Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2011 is the most recent year available.

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

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

	2004	2005	2006	2007
Governmental Activities:				
General Obligation Bonds [1]	$ 3,173,115	$ 3,483,856	$ 3,615,381	$ 4,036,703
Loans	19,653	17,130	45,918	60,494
Revenue Bonds	-	-	-	15,145
Certificates of Partipation Payable	-	-	-	-
Capital Leases	9,085	11,037	182,930	172,732
Total	$ 3,201,853	$ 3,512,023	$ 3,844,229	$ 4,285,074
Business-type Activities:				
General Obligation Bonds [1]	$ 145,101	$ 149,448	$ 164,631	$ 199,690
Loans	275,703	87,376	5,832	5,419
Revenue Bonds	51,410	52,475	95,780	170,941
Capital Leases	14,868	26,497	26,520	25,382
Total	$ 487,082	$ 315,796	$ 292,763	$ 401,432
Total Debt to the Primary Government	$ 3,688,935	$ 3,827,819	$ 4,136,992	$ 4,686,506
Less: Set Aside to Repay General Debt	$ (258,925)	$ (286,535)	$ (313,324)	$ (372,510)
Net Debt to the Primary Government	$ 3,430,010	$ 3,541,284	$ 3,823,668	$ 4,313,996
Total Personal Income	$ 178,146,661	$ 188,329,945	$ 193,989,644	$ 205,857,404
Ratio of Total Debt to Personal Income	2.07%	2.03%	2.13%	2.28%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 730	$ 752	$ 808	$ 908
Ratio of Net General Obligation Debt to Personal Income	1.72%	1.78%	1.79%	1.88%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 605	$ 658	$ 677	$ 748

[1] Net of applicable premium or discount

Sources:
The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis U.S. Department of Commerce as of August 2, 2013.

2008	2009	2010	2011	2012	2013
$ 4,330,291	$ 4,667,902	$ 5,103,210	$ 5,814,900	$ 5,772,034	$ 6,932,306
59,889	53,658	41,319	31,583	28,612	35,982
14,500	13,715	12,900	12,055	794,574	10,260
-	-	80,649	79,408	70,742	49,440
167,877	161,629	158,175	151,156	144,319	115,300
$ 4,572,557	$ 4,896,904	$ 5,396,253	$ 6,089,102	$ 6,810,281	$ 7,143,288
$ 224,090	$ 241,946	$ 250,353	$ 260,618	$ 249,636	$ 250,321
5,829	5,582	603,020	465,280	5,015	4,414
209,719	278,246	320,779	375,409	431,952	470,498
22,647	20,324	18,662	46,168	40,137	35,281
$ 462,285	$ 546,098	$ 1,192,814	$ 1,147,475	$ 726,740	$ 760,514
$ 5,034,842	$ 5,443,002	$ 6,589,067	$ 7,236,577	$ 7,537,021	$ 7,903,802
$ (368,800)	$ (406,310)	$ (420,055)	$ (463,165)	$ (301,320)	$ (383,740)
$ 4,666,042	$ 5,036,692	$ 6,169,012	$ 6,773,412	$ 7,235,701	$ 7,520,062
$ 216,840,348	$ 226,049,178	$ 217,704,959	$ 227,543,790	$ 238,165,729	$ 248,663,407
2.32%	2.41%	3.03%	3.18%	3.16%	3.18%
$ 967	$ 1,037	$ 1,248	$ 1,363	$ 1,410	$ 1,469
1.93%	1.99%	2.27%	2.47%	2.40%	2.73%
$ 804	$ 858	$ 934	$ 1,057	$ 1,070	$ 1,264

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

	2004	2005	2006	2007
State University Board Revenue				
- Segment of College and University Enterprise Fund				
Gross Revenues[1]	$ 66,221	$ 70,091	$ 76,901	$ 83,073
Less: Operating Expenses[2]	(54,221)	(53,884)	(57,496)	(60,778)
Net Available Revenue	$ 12,000	$ 16,207	$ 19,405	$ 22,295
Debt Service				
Principal	$ 1,065	$ 1,115	$ 1,222	$ 1,875
Interest	1,695	1,401	3,496	4,663
Total Debt Service	$ 2,760	$ 2,516	$ 4,718	$ 6,538
Coverage	4.35	6.44	4.11	3.41
Vermilion Community College and Itasca Community College Student Housing				
- Segments of College and University Enterprise Fund[9]				
Gross Revenues[1]	$ 595	$ 595	$ 1,010	$ 1,074
Less: Operating Expenses[2]	(332)	(385)	(660)	(567)
Net Available Revenue	$ 263	$ 210	$ 350	$ 507
Debt Service				
Principal	$ 140	$ 150	$ 230	$ 370
Interest	86	75	189	170
Total Debt Service	$ 226	$ 225	$ 419	$ 540
Coverage	1.16	0.93	0.84	0.94
Giants Ridge Enterprise Fund[4][8]				
Gross Revenues[1]	$ 4,994	$ 5,138	$ 4,693	$ 4,204
Less: Operating Expenses[2]	(4,283)	(4,532)	(5,139)	(5,293)
Net Available Revenue	$ 711	$ 606	$ (446)	$ (1,089)
Debt Service				
Principal[3]	$ 310	$ 615	$ 615	$ 665
Interest	1,170	1,071	1,045	1,009
Total Debt Service	$ 1,480	$ 1,686	$ 1,660	$ 1,674
Coverage	0.48	0.36	(0.27)	(0.65)

[1] Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
[2] Depreciation, amortization, bad debt, interest and financing expenses are not included.
[3] Revenue bonds were defeased in June 2001 and reissued in February 2002.
[4] Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
[5] Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
[6] Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.
[7] Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.
[8] In 2011, the entire $11.31 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund Contributed $8.70 million.
[9] In 2013 the remaining $85,000 in principal and interest was redeemed for Vermillion Community College.

2008	2009	2010	2011	2012	2013
$ 88,884	$ 96,248	$ 101,311	$ 110,055	$ 111,171	$ 110,042
(65,166)	(69,867)	(71,426)	(72,391)	(74,432)	(78,410)
$ 23,718	$ 26,381	$ 29,885	$ 37,664	$ 36,739	$ 31,632
$ 1,945	$ 2,945	$ 6,125	$ 7,870	$ 7,545	$ 11,575
5,374	7,091	10,816	8,070	11,889	11,129
$ 7,319	$ 10,036	$ 16,941	$ 15,940	$ 19,434	$ 22,704
3.24	2.63	1.76	2.36	1.89	1.39
$ 1,038	$ 618	$ 628	$ 667	$ 698	$ 479
(675)	(346)	(338)	(348)	(334)	(205)
$ 363	$ 272	$ 290	$ 319	$ 364	$ 274
$ 135	$ 145	$ 145	$ 155	$ 165	$ 95
155	148	141	134	124	71
$ 290	$ 293	$ 286	$ 289	$ 289	$ 166
1.25	0.93	1.01	1.10	1.26	1.65
$ 4,338	$ 4,195	$ 4,184	$ 3,922	$ 3,138	$ 3,569
(5,447)	(5,796)	(5,889)	(6,005)	(5,641)	(7,372)
$ (1,109)	$ (1,601)	$ (1,705)	$ (2,083)	$ (2,503)	$ (3,803)
$ 705	$ 760	$ 815	$ 11,310	$ -	$ -
963	917	858	630	15	10
$ 1,668	$ 1,677	$ 1,673	$ 11,940	$ 15	$ 10
(0.66)	(0.95)	(1.02)	(0.17)	(166.87)	(380.30)

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

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

	2004	2005	2006	2007
D.J. Johnson Economic Protection Trust Fund[5][8]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ 4,709
Net Available Revenue	$ -	$ -	$ -	$ 4,709
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	264
Total Debt Service	$ -	$ -	$ -	$ 264
Coverage	N/A	N/A	N/A	17.84
Iron Range Resources and Rehabilitation Agency (IRRRA)[8]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ 708
Net Available Revenue	$ -	$ -	$ -	$ 708
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	265
Total Debt Service	$ -	$ -	$ -	$ 265
Coverage	N/A	N/A	N/A	2.67
911 Services Fund[6]				
911 Services Fees	$ -	$ -	$ -	$ 49,527
Less: Operating Expenses[2]	-	-	-	(15,052)
Net Available Revenue	$ -	$ -	$ -	$ 34,475
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	976
Total Debt Service	$ -	$ -	$ -	$ 976
Coverage	N/A	N/A	N/A	35.32

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.
(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.
(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
(5) Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
(6) Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.
(7) Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.
(8) In 2011, the entire $11.31 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed $8.70 million.
(9) In 2013 the remaining $85,000 in principal and interest was redeemed for Vermillion Community College.

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

	2008	2009	2010	2011	2012	2013
	$ 4,388	$ 3,902	$ 5,006	$ 1,547	$ 1,919	$ 5,723
	$ 4,388	$ 3,902	$ 5,006	$ 1,547	$ 1,919	$ 5,723
	$ 322	$ 393	$ 408	$ 422	$ 440	$ 572
	320	305	289	273	256	123
	$ 642	$ 698	$ 697	$ 695	$ 696	$ 695
	6.83	5.59	7.18	2.23	2.76	8.24
	$ 706	$ 705	$ 704	$ 704	$ 704	$ 706
	$ 706	$ 705	$ 704	$ 704	$ 704	$ 706
	$ 322	$ 393	$ 408	$ 422	$ 440	$ 572
	320	305	289	273	256	124
	$ 642	$ 698	$ 697	$ 695	$ 696	$ 696
	1.10	1.01	1.01	1.01	1.01	1.01
	$ 52,271	$ 52,677	$ 60,229	$ 63,373	$ 68,516	$ 63,222
	(25,812)	(23,225)	(7,290)	(30,996)	(36,356)	(26,019)
	$ 26,459	$ 29,452	$ 52,939	$ 32,377	$ 32,160	$ 37,203
	$ 2,590	$ 5,365	$ 13,375	$ 12,100	$ 15,005	$ 11,380
	1,672	2,453	4,642	5,150	7,260	6,918
	$ 4,262	$ 7,818	$ 18,017	$ 17,250	$ 22,265	$ 18,298
	6.21	3.77	2.94	1.88	1.44	2.03

Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2003	5,053,572	$ 178,146,661	$ 35,252	36.1	4.9%
2004	5,087,713	$ 188,329,945	$ 37,017	36.3	4.6%
2005	5,119,598	$ 193,989,644	$ 37,892	36.5	4.2%
2006	5,163,555	$ 205,857,404	$ 39,867	36.6	4.1%
2007	5,207,203	$ 216,840,348	$ 41,642	36.8	4.6%
2008	5,247,018	$ 228,069,129	$ 43,466	37.1	5.4%
2009	5,281,203	$ 216,267,510	$ 40,950	37.2	8.1%
2010	5,310,658	$ 225,853,125	$ 42,528	37.4	7.3%
2011	5,344,861	$ 238,165,729	$ 44,560	37.4	6.4%
2012	5,379,139	$ 248,663,407	$ 46,227	37.4	5.5%

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
Year 2012 and Eight Years Ago[(1)]

	2004			2012		
Employer	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	55,321	1	2.06%	54,764	1	2.01%
United States Government	35,000	2	1.31%	30,567	4	1.12%
Mayo Foundation	32,500	3	1.21%	41,431	2	1.52%
University of Minnesota	30,240	4	1.13%	25,000	6	0.92%
Target Corp.	24,294	5	0.91%	31,100	3	1.14%
Allina Helath System	22,500	6	0.84%	25,176	5	0.92%
Wells Fargo Bank Minnesota	19,100	7	0.71%	20,000	10	0.73%
Fairview Health Services	18,500	8	0.69%	22,168	7	0.81%
Wal-Mart Stores Inc.	17,964	9	0.67%	20,689	9	0.76%
3M Company	16,289	10	0.61%	-	-	-
Health Partners Inc.	-	-	-	21,255	8	0.78%
Total	271,708			292,150		
Total State Employment	2,681,005			2,727,514		

[(1)]Calendar Year 2003 data was not obtainable; therefore, 2004 data was used.

Sources: Minneapolis/St. Paul Business Journal Book of Lists published Feb. 25, 2005, and July 12, 2013.
Minnesota Department of Employment and Economic Development

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

	2004	2005	2006	2007
Primary Government:				
Public Safety and Corrections	5,705	5,752	6,245	6,198
Transportation	4,788	4,849	4,710	4,435
Agricultural, Environmental and Energy Resources [1]	4,400	4,389	4,019	4,322
Economic & Workforce Development [1]	4,257	4,136	3,976	3,486
General Education	857	864	964	935
Higher Education	14,006	14,407	14,150	14,437
Health and Human Services	7,415	7,570	7,827	8,042
General Government	5,761	6,050	6,520	6,559
Total	47,189	48,017	48,411	48,414

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

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2008	2009	2010	2011	2012	2013
6,447	6,517	6,553	6,569	6,457	6,521
4,544	4,713	4,969	4,964	4,514	4,915
4,465	4,515	4,467	4,416	4,221	4,543
2,379	2,499	2,661	2,621	2,368	2,468
897	882	880	877	851	898
14,841	15,592	15,835	15,851	15,554	15,584
9,587	8,257	9,167	8,997	8,694	9,143
7,393	8,393	6,868	7,005	6,867	7,228
50,553	51,368	51,400	51,300	49,526	51,300

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

	2004	2005	2006	2007
Public Safety and Corrections				
Incarcerated Inmates	7,795	7,978	8,874	8,900
Offenders on Supervision	19,061	18,106	19,977	18,979
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,363,013	2,344,311	1,542,648 (1)	1,402,284
Crashes Investigated By State Patrol	18,789	23,429	23,777	20,975
Transportation				
Miles of Highways	29,153	29,130	29,100	29,200
Trunk Highway Bridges	2,831	2,876	2,907	2,924
Acres of Right-of-Way	252,205	252,433	253,852	254,087
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,490,110	1,478,219	1,499,482	1,386,087
Watercraft Licenses Issued/Calendar Year	854,110	853,999	863,434	866,971
Acres of State Land Managed by Forestry/Fiscal Year	3,853,000	3,853,000	3,853,000	3,852,000
Farms/Calendar Year	79,600	79,600	79,300	81,000
Acres of Farmland/Calendar Year (1,000 Acres)	27,400	27,200	27,000	26,900
Agricultural Production-Crops/Calendar Year (In Thousands)	$ 5,147,314	$ 4,866,387	$ 5,183,498	$ 6,848,553
Agricultural Production-Livestock/Calendar Year (In Thousands)	$ 4,974,098	$ 4,970,842	$ 4,864,539	$ 5,849,694
Economic and Workforce Development				
Unemployment Claims Filed	299,630	285,669	276,381	228,664
Workplace Injuries Reported	43,871	42,002	39,919	39,827
General Education				
Kindergarten Through Grade 12 Students	829,832	825,843	826,543	827,197
School Districts	343	343	343	340
Charter Schools	88	106	125	131
Special Education Age 0-21 Childcount	117,666	118,501	119,720	121,511
Higher Education				
Full Year Equivalents	135,819	135,494	134,220	135,839
Number of Students Graduated	32,480	32,638	33,860	33,796
Buildings - Square Footage	25,263,803	25,559,289	25,725,125	26,007,169
Health and Human Services				
Average Monthly Cash Recipients	182,645	171,738	164,632	159,390
Average Monthly Health Care Enrollees	649,032	663,529	667,182	661,265
Health Care Providers	5,491	5,726	6,276	6,710
General Government				
Individual Income Tax Payers/Calendar Year	2,415,563	2,501,144	2,563,373	2,602,439
Corporate Income Tax Returns/Calendar Year	51,803	39,334	43,304	38,339
Sales Tax Permit Holders/Calendar Year	229,000	219,000	197,000	256,000

Note: N/A = Information not available.

(1) Certificates of Titles prior to fiscal year 2006 were based on the number of transactions. Beginning in fiscal year 2006, Certificates of Title were based on the number of applicants.
(2) Estimate

Source: Applicable State Agencies

2008	2009	2010	2011	2012	2013
9,270	9,217	9,619	9,429	9,345	9,452
20,132	20,974	20,559	19,727	19,697	19,968
10	10	10	10	10	10
1,436,622	1,268,416	1,277,295	1,277,132	1,319,334	1,625,547
20,198	20,297	20,324	25,768	20,527	23,229
29,191	29,228	29,370	29,347	29,310	29,323
2,981	3,021	2,988	2,985	2,985	3,017
254,074	254,269	254,880	254,852	254,958	255,714
1,326,087	1,363,841	1,247,885	1,317,401	1,394,075	N/A
870,736	873,986	908,232	928,540	970,091	N/A
3,847,000	3,922,744	3,915,225	3,915,178	3,914,875	4,008,450
81,000	81,000	80,500	79,800	79,400	N/A
26,900	26,900	26,900	26,850	26,800	N/A
$ 10,288,852	$ 8,760,107	$ 9,326,484	$ 11,027,180	$ 14,184,347	N/A
$ 6,095,538	$ 5,185,204	$ 6,202,670	$ 7,026,766	$ 7,442,320	N/A
193,499	336,266	350,443	353,277	319,473	282,339
38,178	35,416	32,828	33,889	33,757	34,303
823,755	821,021	821,923	823,347	824,922	831,910 (2)
340	340	337	337	337	336
143	153	154	149	147	147
123,269	124,592	126,108	127,863	128,430	128,812
139,885	143,924	155,422	157,903	153,447	150,214 (2)
33,328	35,026	36,464	38,765	39,617	39,568 (2)
26,065,364	26,672,956	26,792,759	27,248,375	27,835,651	27,818,283
158,556	164,293	174,372	185,739	183,983	181,900
667,086	707,006	776,430	832,903	855,643	864,365
7,120	8,368	7,971	8,872	9,295	9,387
2,715,679	2,687,864	2,695,214	2,708,203	2,766,477	2,801,942
40,900	33,822	32,115	38,072	33,404	30,592
277,000	277,000	284,000	284,000	256,439	284,000

Note: Of the $15.5 billion in capital assets owned by the state, $10.4 billion (67 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $5.1 billion in capital assets is allocated to other functions.