



State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006



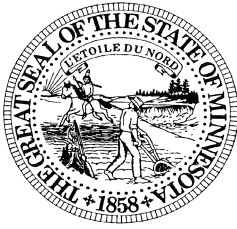
On the Cover:

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Jay Cooke State Park

Jay Cooke State Park is located in Northeastern Minnesota. The water-eroded gorge, steep valleys, and massive rock formations can be seen throughout the park. The scenic splendor of the forests and vistas can be enjoyed during all seasons.



State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

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



State of Minnesota

2006
Comprehensive
Annual
Financial Report

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



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State of Minnesota

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Introduction





State of Minnesota

2006 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Finance

December 14, 2006



400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
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The Honorable Tim Pawlenty, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, the Department of Finance is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2006. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

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

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

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2006. 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, 2006. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2007.

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

Financial Reporting Entity and Responsibilities

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

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

The Department of Finance is responsible for the Minnesota Accounting and Procurement System (MAPS) and the information warehouse from which these financial statements were prepared. MAPS is maintained primarily on a budgetary basis of accounting. However, certain accrual information is recorded in MAPS. The budgetary basis recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. Since this budgetary basis differs from GAAP, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

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

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

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

Economic Condition and Outlook

Minnesota's economy resulted in statewide payroll employment growing rapidly in the last quarter of fiscal year 2006. However, this surge in hiring was not sufficient to bring job growth in the state up to the U.S. average for the entire fiscal year. Payroll employment in the state grew at a 1.4 percent annual rate in fiscal year 2006, 0.1 percent less than the national average. Minnesota added just over 66,000 jobs in fiscal year 2006, 33,000 of those jobs were added in the last quarter of the fiscal year. Only 21,000 jobs were added statewide in all of fiscal year 2005. Minnesota's unemployment rate remained below the U.S.

average throughout the fiscal year, averaging 4.0 percent, 0.8 percent less than the U.S. average rate of 4.8 percent. The strong employment growth in the last quarter of the fiscal year was also evident in the unemployment statistics. By June 2006, Minnesota's unemployment rate had fallen to 3.6 percent. The U.S. rate for June 2006 was 4.6 percent.

Personal income growth during the fiscal year 2006 also failed to keep pace with the U.S. averages. Minnesota's personal income grew by 5.3 percent between the second quarter of 2005 and the second quarter of 2006. The U.S. average growth rate was 7.2 percent. In fiscal year 2005, Minnesota personal income grew by 3.8 percent, again well below the U.S. average growth rate of 5.4 percent. In calendar year 2005, per capita personal income in Minnesota was \$37,322, 8.2 percent more than the U.S. average. Minnesota ranked ninth among all states in personal income per capita.

Weakness in the housing and auto sectors is expected to cause real GDP growth to slow during fiscal year 2007. The November baseline from Global Insight Inc., Minnesota's national economic forecaster, called for growth at a 2.6 percent annual rate. In fiscal year 2006, real GDP grew at an annual rate of 3.4 percent. The Minnesota outlook for fiscal year 2007 reflects that national slowdown. Employment growth in Minnesota is expected to be slightly weaker than the U.S. average, growing by 0.9 percent compared to the projected 1.1 percent national growth, and 0.5 percentage points less than in fiscal year 2005. The forecast calls for only 26,000 jobs to be added to Minnesota payrolls by the end of fiscal year 2007. Employment in the construction sector is a particular concern. The slump in home building is expected to cut construction employment by 9,000 jobs over the fiscal year. Employment in the lumber and wood products sector is also expected to decline. The largest increases in employment come from the hospitality, professional business services, and health and education sectors. Minnesota's agricultural sector is expecting another strong year and farm incomes for the 2006 crop year should provide a modest boost to state personal income in fiscal year 2007.

Major Program Initiatives

The fiscal year 2006 budget was adopted in July 2005. The Legislature was unable to agree on tax and appropriation bills by the constitutional deadline on May 23, 2005. The final budget was enacted during a special legislative session that lasted from May 24 to July 13, 2005.

During the 2006 legislative session, no significant general tax law changes occurred. General Fund resources for the biennium were increased by \$875 million (2.9 percent) over the current law forecast that preceded budget approval. This increase in resources, beginning in fiscal year 2006, is attributable primarily to a new health impact fee on cigarettes and other tobacco products that was expected to yield \$401 million for the two-year period. In fiscal year 2006, \$210 million was recognized as revenue from this source. An additional \$304 million in biennial revenues was expected from changes in tax compliance and collection activities, and an additional \$170 million was anticipated from changes affecting other tax and non-tax revenue sources.

Authorized General Fund spending for the biennium was set at \$30.574 billion, an 8.4 percent increase over the preceding two-year period. Based on the February 2006 forecast adjusted for 2006 legislative session law changes, enacted spending was \$397 million more than previously forecast. Changes are highlighted for the two largest areas of state spending: general education represents nearly 40 percent of state General Fund spending, while health and human service programs account for approximately 25 percent. A \$565 million increase from the February forecast levels in general education spending was, in part, offset by \$367 million of savings enacted in health and human services' program spending.

There was no material change in the status of General Fund budgetary reserves, or the statutory requirements that govern the allocation of projected budgetary balances in the state forecasts. Provisions require that any forecast of General Fund balances must be used to increase the Budget Reserve Account to \$653 million. That requirement was met in fiscal 2005. The remaining budgetary reserves represent the cash flow and tax relief accounts.

Additional forecast balances were automatically allocated to reverse the shift of school aid payments and property tax recognition changes enacted in 2002 and 2003. During fiscal year 2006, a total of \$569.8 million was allocated to school shifts savings and buybacks. Of this amount, \$355.5 million affected the formula entitlement payments to school districts as the payment schedule was modified from an 84.3 percent payment during the year with a 15.7 percent settlement in the following year to a 90 percent payment during the year with a 10 percent settlement. This action reduced the budget to GAAP difference related to education aids in the General Fund. The remaining \$214.3 million was a one time spending reversal of a prior year aid reduction. This portion does not affect budget to GAAP differences.

Financial Information

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

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

- Maintain/restore AAA/Aaa bond ratings.
- Minimize state borrowing costs.
- Provide a reasonable financing capacity within a prudent debt limit.

The state debt management policy has four guidelines. The first requires that the ratio of budgeted biennial debt service expenditures for general obligation bonded debt, paid by transfers from the General Fund, should not exceed 3.0 percent of total projected biennial General Fund non-dedicated revenues, net of refunds, on a budgetary basis. The ratio of transfers to net non-dedicated revenues for the biennium ending June 30, 2007, is estimated to be 2.4 percent.

The second and third guidelines state that general obligation bonded debt should not exceed 2.5 percent of the total personal income for the state, and also that the total debt of state agencies and the University of Minnesota should not exceed 3.5 percent of total personal income. These ratios were 1.8 percent and 2.9 percent, respectively, based on debt outstanding at June 30, 2006, and estimated personal income for the year ended on that date.

The fourth guideline states that the total amount of state general obligation debt, moral obligation debt, state bond guarantees, equipment capital leases and real estate leases should not exceed 5.0 percent of the total personal income for the state. The ratio was 3.1 percent based on information at June 30, 2006.

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

Minnesota statutes require that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state’s name by an agent of the state. This statute further requires that such insurance and collateral shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the fair value of the collateral.

The State Board of Investment manages the majority of the state’s investing. Minnesota statutes broadly restrict investment to obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments and restricted participation in registered mutual funds.

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, 2005. This was the twenty-first consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

A handwritten signature in cursive script that reads "Peggy Ingison".

Peggy Ingison
Commissioner



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

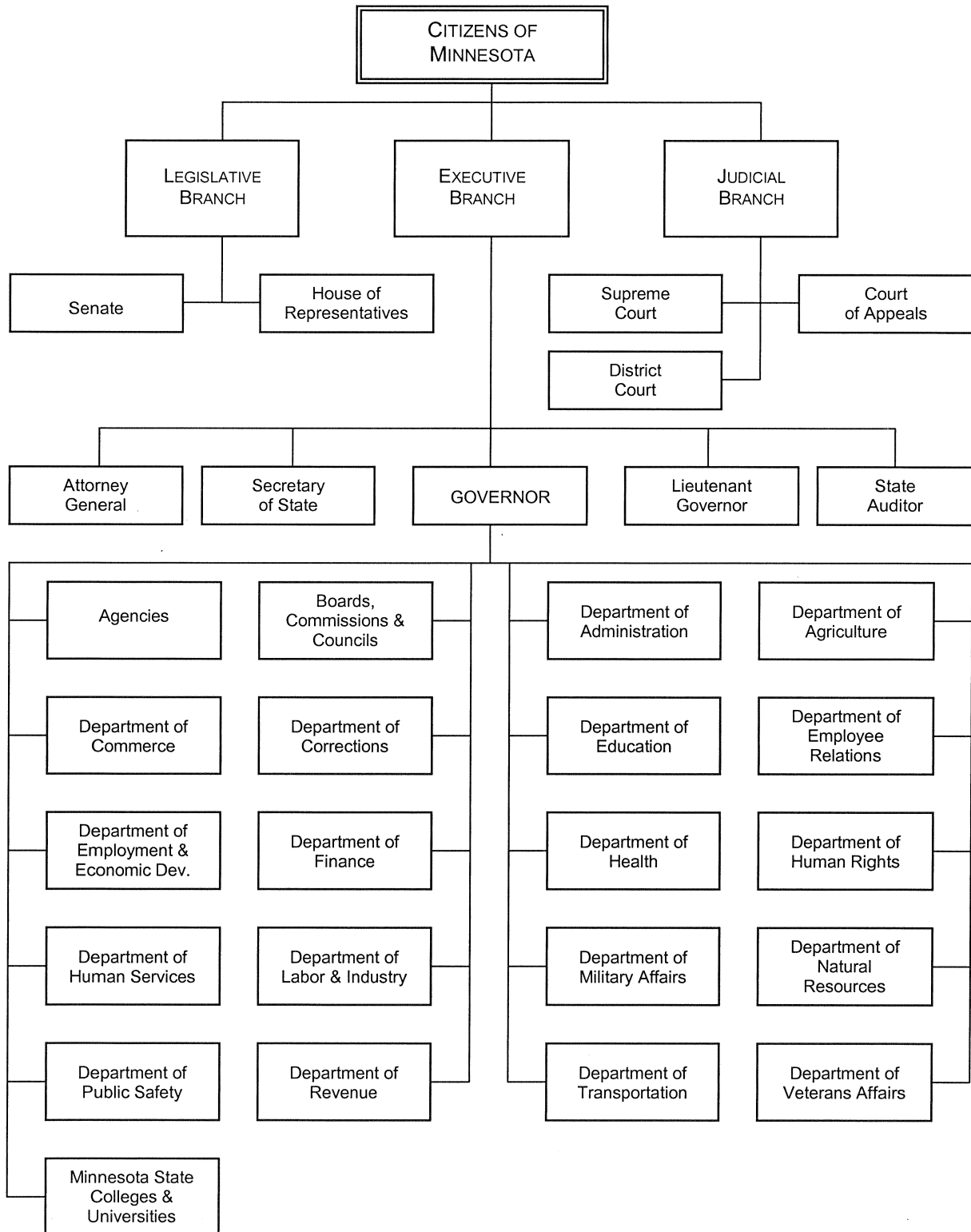
President

Jeffrey R. Emer

Executive Director



2006 Comprehensive Annual Financial Report State Organization Chart





State of Minnesota

2006 Comprehensive Annual Financial Report State Principal Officials

Executive Branch

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

Legislative Branch

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

Judicial Branch

Chief Justice of the Supreme Court	Russell A. Anderson
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State of Minnesota

2006
Comprehensive
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Financial Report

Financial Section



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Ms. Peggy Ingison, Commissioner of Finance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2006, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is both a major proprietary fund and 73 percent, 67 percent, and 34 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Minnesota Partnership for Action Against Tobacco, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

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

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

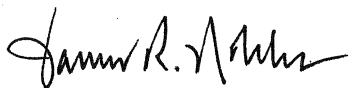
Members of the Minnesota State Legislature
The Honorable Tim Pawlenty, Governor
Ms. Peggy Ingison, Commissioner of Finance
Page 2

component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

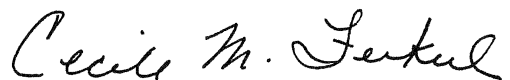
In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2006, on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The financial information in the Introduction and Statistical Sections has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 14, 2006



2006 Comprehensive Annual Financial Report Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2006, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

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

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

- An increase or decrease in the state's net assets from one year to the next indicates whether the financial position of the state is improving or deteriorating.
- Other indicators of the state's financial condition include the condition of its infrastructure, and economic events and trends that affect future revenues and expenses.

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

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

Governmental Activities

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

Business-type Activities

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

Discretely Presented Component Units

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

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

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

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

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

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

State Fund and Component Unit Financial Statements

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

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

The state's funds are divided into three categories:

Governmental Funds

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

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

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

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

The state maintains 28 individual governmental funds. Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balances* for the General and Federal funds, which are reported as major funds. Information from the remaining 26 funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary Funds

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

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

The state maintains 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 assets* and in the proprietary funds *statement of revenues, expenses, and changes in net assets*. Information from the 7 nonmajor enterprise funds and the 7 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

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

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

Component Units

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2006, by \$11.4 billion (presented as *net assets*). Of this amount, \$648 million was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution.
- The state's total net assets increased by \$2.257 billion (24.7 percent) during fiscal year 2006. Net assets of governmental activities increased by \$1.878 billion (24.3 percent), while net assets of the business-type activities showed an increase of \$379 million (27.0 percent).

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$4.551 billion, an increase of \$995 million compared to the prior year. This amount includes an unreserved fund balance of \$1.517 billion.

Long-Term Debt

- The state's total long-term debt obligations decreased by \$106 million (1.9 percent) during the current fiscal year. The decrease is primarily due to a decrease in the claims payable of \$426 million. This decrease is primarily the result of discounting the liability related to the supplementary and second injury workers' compensation injuries to present value during the current year. This decrease was offset by an increase in capital leases payable for two buildings leased from the St. Paul Port Authority in governmental activities of \$180 million and issuance of general obligation bonds for the trunk highway projects and other various state purposes.

Government-wide Financial Analysis

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. The state's combined net assets (governmental and business-type activities) totaled \$11.383 billion at the end of 2006, compared to \$9.126 billion at the end of the previous year.

Net Assets June 30, 2006 and 2005 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 8,953,370	\$ 8,146,869	\$ 1,233,116	\$ 941,984	\$ 10,186,486	\$ 9,088,853
Noncurrent Assets:						
Capital Assets	9,171,111	8,413,867	1,186,102	1,110,287	10,357,213	9,524,154
Other Assets	738,563	718,969	89,839	52,664	828,402	771,633
Total Assets	<u>\$ 18,863,044</u>	<u>\$ 17,279,705</u>	<u>\$ 2,509,057</u>	<u>\$ 2,104,935</u>	<u>\$ 21,372,101</u>	<u>\$ 19,384,640</u>
Current Liabilities	\$ 4,616,173	\$ 4,833,877	\$ 304,511	\$ 342,004	\$ 4,920,684	\$ 5,175,881
Noncurrent Liabilities	4,646,661	4,723,597	421,395	358,796	5,068,056	5,082,393
Total Liabilities	<u>\$ 9,262,834</u>	<u>\$ 9,557,474</u>	<u>\$ 725,906</u>	<u>\$ 700,800</u>	<u>\$ 9,988,740</u>	<u>\$ 10,258,274</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 6,468,103	\$ 5,943,503	\$ 931,297	\$ 884,486	\$ 7,399,400	\$ 6,827,989
Restricted	2,482,626	2,452,423	852,943	520,745	3,335,569	2,973,168
Unrestricted	649,481	(673,695)	(1,089)	(1,096)	648,392	(674,791)
Total Net Assets	<u>\$ 9,600,210</u>	<u>\$ 7,722,231</u>	<u>\$ 1,783,151</u>	<u>\$ 1,404,135</u>	<u>\$ 11,383,361</u>	<u>\$ 9,126,366</u>

The largest portion, \$7.4 billion of \$11.4 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$3.3 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used.

The remaining net assets balance of \$648 million represents primarily unrestricted net assets of the governmental activities that may be used to meet the state's ongoing obligations to citizens and creditors. As noted previously, within this balance, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors.

The state's combined net assets for governmental and business-type activities increased \$2.257 billion (24.7 percent) over the course of this fiscal year. This resulted from a \$1.878 billion (24.3 percent) increase in net assets of governmental activities, and a \$379 million (27.0 percent) increase in net assets of business-type activities.

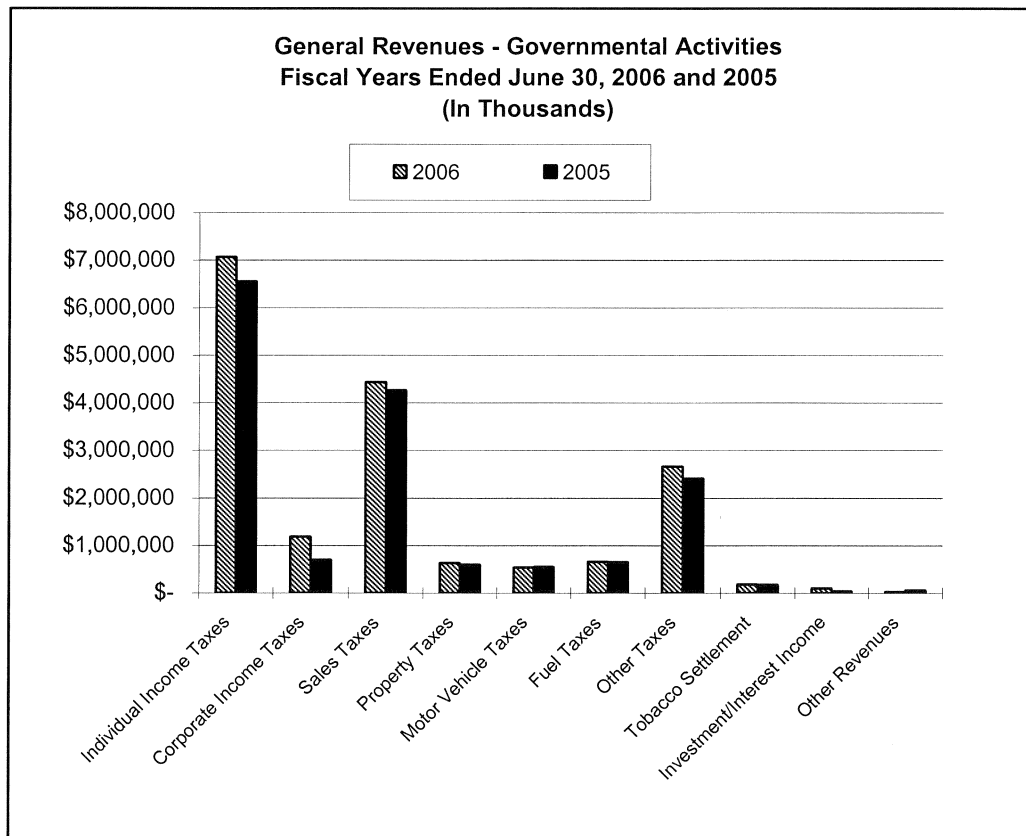
Changes in Net Assets Fiscal Years Ended June 30, 2006 and 2005 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,358,286	\$ 1,144,454	\$ 2,376,805	\$ 2,136,827	\$ 3,735,091	\$ 3,281,281
Operating Grants and Contributions	5,694,003	5,556,221	176,023	198,217	5,870,026	5,754,438
Capital Grants	452,197	261,236	1,963	1,687	454,160	262,923
General Revenues:						
Individual Income Taxes	7,069,242	6,556,331	-	-	7,069,242	6,556,331
Corporate Income Taxes	1,189,328	702,839	-	-	1,189,328	702,839
Sales Taxes	4,439,667	4,269,837	-	-	4,439,667	4,269,837
Property Taxes	633,288	603,412	-	-	633,288	603,412
Motor Vehicle Taxes	539,468	552,856	-	-	539,468	552,856
Fuel Taxes	659,980	652,493	-	-	659,980	652,493
Other Taxes	2,663,939	2,417,175	-	-	2,663,939	2,417,175
Tobacco Settlement	184,139	178,177	-	-	184,139	178,177
Investment/Interest Income	101,803	42,753	18,300	9,264	120,103	52,017
Other Revenues	28,447	63,182	17,141	12,240	45,588	75,422
Total Revenues	<u>\$ 25,013,787</u>	<u>\$ 23,000,966</u>	<u>\$ 2,590,232</u>	<u>\$ 2,358,235</u>	<u>\$ 27,604,019</u>	<u>\$ 25,359,201</u>
Expenses:						
Public Safety and Corrections	\$ 818,192	\$ 764,307	\$ -	\$ -	\$ 818,192	\$ 764,307
Transportation	1,791,316	1,685,256	-	-	1,791,316	1,685,256
Agricultural and Environmental Resources	525,251	612,566	-	-	525,251	612,566
Economic and Workforce Development	273,510	505,901	-	-	273,510	505,901
General Education	7,336,455	6,820,389	-	-	7,336,455	6,820,389
Higher Education	786,563	762,092	-	-	786,563	762,092
Health and Human Services	8,823,115	8,466,865	-	-	8,823,115	8,466,865
General Government	718,996	654,758	-	-	718,996	654,758
Intergovernmental Aid	1,400,479	1,284,576	-	-	1,400,479	1,284,576
Interest	172,612	184,573	-	-	172,612	184,573
State Colleges and Universities	-	-	1,479,519	1,394,893	1,479,519	1,394,893
Unemployment Insurance	-	-	690,713	686,818	690,713	686,818
Lottery	-	-	332,031	302,575	332,031	302,575
Other	-	-	183,043	172,886	183,043	172,886
Total Expenses	<u>\$ 22,646,489</u>	<u>\$ 21,741,283</u>	<u>\$ 2,685,306</u>	<u>\$ 2,557,172</u>	<u>\$ 25,331,795</u>	<u>\$ 24,298,455</u>
Excess (Deficiency) Before Transfers	\$ 2,367,298	\$ 1,259,683	\$ (95,074)	\$ (198,937)	\$ 2,272,224	\$ 1,060,746
Transfers	(474,090)	(425,180)	474,090	425,180	-	-
Change in Net Assets	<u>\$ 1,893,208</u>	<u>\$ 834,503</u>	<u>\$ 379,016</u>	<u>\$ 226,243</u>	<u>\$ 2,272,224</u>	<u>\$ 1,060,746</u>
Net Assets, Beginning	\$ 7,722,231	\$ 6,925,577	\$ 1,404,135	\$ 1,177,892	\$ 9,126,366	\$ 8,103,469
Prior Period Adjustments	(15,229)	(37,849)	-	-	(15,229)	(37,849)
Net Assets, Ending	<u>\$ 9,600,210</u>	<u>\$ 7,722,231</u>	<u>\$ 1,783,151</u>	<u>\$ 1,404,135</u>	<u>\$ 11,383,361</u>	<u>\$ 9,126,366</u>

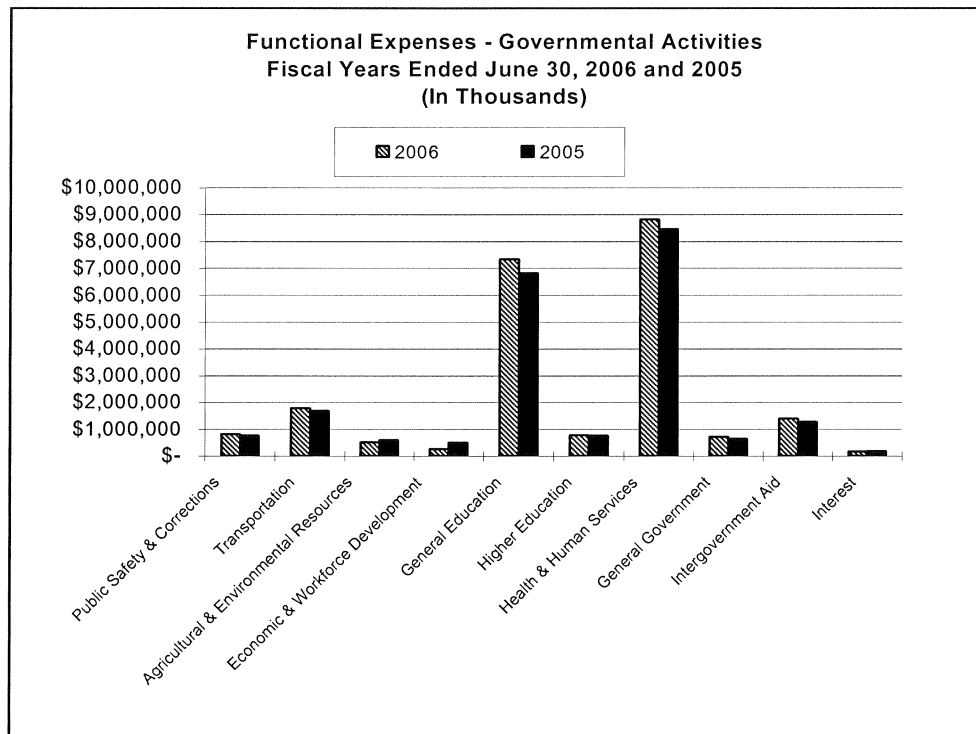
Approximately 62 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 23 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 14 percent of the total revenues. The remaining 1 percent 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 assets by \$1.878 billion. The increase in revenues was primarily attributable to the continued strengthening economy resulting in increases in income and sales taxes as well as a new revenue stream in the Health Impact Fund for fees imposed on cigarette and tobacco products distributors that is transferred to the General Fund of approximately \$200 million.

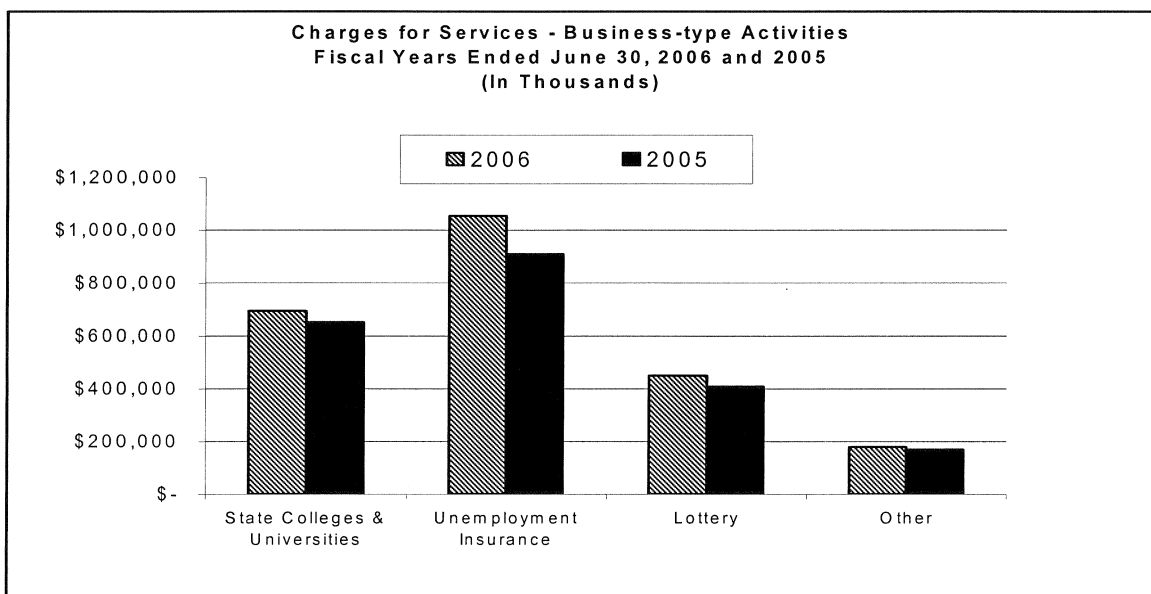




The increase in revenues was partially offset by an increase in General Education and Health and Human Services expenditures. General Education expenditures increased due to a 4 percent increase in per pupil general education formula and a one-time reversal of a prior year reduction in aid payments. Health and Human Services expenditures increased primarily due to growth in health care programs such as Medical Assistance and General Assistance Medical Care resulting from increased caseloads and increased average health care costs.

Business-type Activities

The state's proprietary funds net assets increased by \$379 million during the current year. This primarily resulted from a \$301 million increase in net assets in the Unemployment Insurance Fund due to an increase in insurance premiums. The remaining increase of \$78 million resulted primarily from an increase in General Fund transfers to the State Colleges and Universities Fund as a result of funding additional construction activity.



State Funds Financial Analysis

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$4.551 billion, an increase of \$995 million in comparison with the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$610 million, an increase of \$678 million in comparison with the prior year. This improvement primarily resulted from an increase in sales and income tax receipts due to a continued rebound of the economy through increased job growth. The increase in corporate income taxes included a revised reduction in the estimated liability from the prior year for the Hutchinson Technology Minnesota Supreme Court ruling liability. The increase is also attributable to a new revenue stream in the Health Impact Fund for fees imposed on cigarette and tobacco products distributors that is transferred to the General Fund of approximately \$200 million. The increase in revenues was also partially offset by an increase in General Education for increased state general education aid formula expenditures and Health and Human Services expenditures for increased caseloads in health care programs.

Proprietary Funds

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

The state's proprietary funds net assets increased by \$379 million during the current year. This resulted from a \$301 million increase in net assets in the Unemployment Insurance Fund and an increase of \$78 million in net assets of the State Colleges and Universities Fund.

General Fund Budgetary Highlights

Based on the November 2005 and February 2006 forecasts, the state's financial outlook has improved since the fiscal year 2006 budget was enacted during the 2005 legislative session. This improvement was primarily caused by a projected increase in income and corporate taxes as well as sales tax. The increase in revenues during fiscal year 2006 was used to restore budgetary reserves and buy back \$338 million in the school aid shift, which increased General Education budgetary expenditures.

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

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2006, was \$12.4 billion, less accumulated depreciation of \$2.0 billion, resulting in a net book value of \$10.4 billion. This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

<p style="text-align: center;">Capital Assets June 30, 2006 and 2005 (In Thousands)</p>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Capital Assets not Depreciated:						
Land	\$ 1,680,456	\$ 1,559,646	\$ 76,365	\$ 74,828	\$ 1,756,821	\$ 1,634,474
Buildings, Structures, Improvements	27,328	26,624	-	-	27,328	26,624
Construction in Progress	108,217	193,137	104,354	54,170	212,571	247,307
Infrastructure	5,965,253	5,519,129	-	-	5,965,253	5,519,129
Art and Historical Treasures	500	500	-	-	500	500
Total Capital Assets not Depreciated	<u>\$ 7,781,754</u>	<u>\$ 7,299,036</u>	<u>\$ 180,719</u>	<u>\$ 128,998</u>	<u>\$ 7,962,473</u>	<u>\$ 7,428,034</u>
Capital Assets Depreciated:						
Buildings, Structures, Improvements	\$ 1,871,213	\$ 1,573,229	\$ 1,779,350	\$ 1,704,480	\$ 3,650,563	\$ 3,277,709
Infrastructure	49,250	49,201	-	-	49,250	49,201
Library Collections	-	-	48,505	48,059	48,505	48,059
Equipment, Furniture, Fixtures	388,834	374,985	275,915	280,248	664,749	655,233
Total Capital Assets Depreciated	<u>\$ 2,309,297</u>	<u>\$ 1,997,415</u>	<u>\$ 2,103,770</u>	<u>\$ 2,032,787</u>	<u>\$ 4,413,067</u>	<u>\$ 4,030,202</u>
Less: Accumulated Depreciation	<u>919,940</u>	<u>882,584</u>	<u>1,098,387</u>	<u>1,051,498</u>	<u>2,018,327</u>	<u>1,934,082</u>
Capital Assets Net of Depreciation	<u>\$ 1,389,357</u>	<u>\$ 1,114,831</u>	<u>\$ 1,005,383</u>	<u>\$ 981,289</u>	<u>\$ 2,394,740</u>	<u>\$ 2,096,120</u>
Total	<u><u>\$ 9,171,111</u></u>	<u><u>\$ 8,413,867</u></u>	<u><u>\$ 1,186,102</u></u>	<u><u>\$ 1,110,287</u></u>	<u><u>\$ 10,357,213</u></u>	<u><u>\$ 9,524,154</u></u>

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,200 bridges that are maintained by the Minnesota Department of Transportation.

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2005, 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 four years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2005, indicated that 96 percent of principal arterial system bridges and 95 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

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

Debt Administration

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

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

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

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

Outstanding Bonded Debt June 30, 2006 and 2005 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation	\$ 3,414,239	\$ 3,315,282	\$ 156,896	\$ 145,028	\$ 3,571,135	\$ 3,460,310
Revenue	-	-	95,780	52,475	95,780	52,475
Total	<u>\$ 3,414,239</u>	<u>\$ 3,315,282</u>	<u>\$ 252,676</u>	<u>\$ 197,503</u>	<u>\$ 3,666,915</u>	<u>\$ 3,512,785</u>

During fiscal year 2006, the state issued the following bonds:

- \$285.4 million in general obligation state various purpose bonds
- \$111.6 million in general obligation state trunk highway bonds
- \$45.3 million in revenue bonds for Minnesota State Colleges and Universities

In addition to the general obligation bonds noted above, the state issued \$161 million of refunding bonds in October 2005.

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

Requests for Information

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

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



State of Minnesota

2006
Comprehensive
Annual
Financial Report

Basic Financial Statements





State of Minnesota

2006
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Financial Report

Government-wide Financial Statements

STATE OF MINNESOTA

STATEMENT OF NET ASSETS

JUNE 30, 2006

(IN THOUSANDS)

	PRIMARY GOVERNMENT				
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS	
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 4,513,051	\$ 730,097	\$ 5,243,148	\$ 1,327,135	
Investments.....	1,193,163	26,025	1,219,188	1,096,391	
Accounts Receivable.....	1,833,169	450,957	2,284,126	319,803	
Due from Component Units	56,900	-	56,900	-	
Due from Primary Government	-	-	-	156,098	
Accrued Investment/Interest Income.....	56,625	18	56,643	38,343	
Federal Aid Receivable.....	685,091	11,769	696,860	2,311	
Inventories.....	19,595	18,336	37,931	35,028	
Loans and Notes Receivable.....	69,531	7,820	77,351	88,544	
Internal Balances.....	37,621	(37,621)	-	-	
Securities Lending Collateral.....	487,003	21,954	508,957	209,453	
Other Assets.....	1,621	3,761	5,382	62,062	
Total Current Assets.....	\$ 8,953,370	\$ 1,233,116	\$ 10,186,486	\$ 3,335,175	
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 62,767	\$ 62,767	\$ 365,092	
Investments-Restricted.....	-	-	-	154,623	
Accounts Receivable-Restricted.....	-	-	-	24,255	
Due from Primary Government.....	-	-	-	22,940	
Other Assets-Restricted.....	-	102	102	10,387	
Due from Component Units.....	101,843	-	101,843	-	
Investments.....	-	-	-	2,954,159	
Accounts Receivable.....	310,183	-	310,183	427,018	
Loans and Notes Receivable.....	272,565	26,970	299,535	3,798,853	
Depreciable Capital Assets (Net).....	1,389,357	1,005,383	2,394,740	3,745,478	
Nondepreciable Capital Assets	1,816,501	180,719	1,997,220	465,435	
Infrastructure (Not depreciated).....	5,965,253	-	5,965,253	-	
Other Assets.....	53,972	-	53,972	10,893	
Total Noncurrent Assets.....	\$ 9,909,674	\$ 1,275,941	\$ 11,185,615	\$ 11,979,133	
Total Assets.....	\$ 18,863,044	\$ 2,509,057	\$ 21,372,101	\$ 15,314,308	
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 2,967,438	\$ 190,889	\$ 3,158,327	\$ 206,408	
Due to Component Units.....	114,745	-	114,745	-	
Due to Primary Government	-	-	-	66,594	
Unearned Revenue.....	503,854	45,288	549,142	174,396	
Accrued Interest Payable.....	69,706	218	69,924	62,002	
General Obligation Bonds Payable.....	301,856	11,468	313,324	215,787	
Bond Premium Payable.....	13,448	-	13,448	-	
Loans and Notes Payable.....	13,444	1,101	14,545	161,456	
Revenue Bonds Payable.....	-	2,910	2,910	447,362	
Claims Payable.....	97,102	-	97,102	108,888	
Compensated Absences Payable.....	26,121	14,285	40,406	150,889	
Workers' Compensation Liability.....	13,308	1,633	14,941	-	
Capital Leases Payable.....	8,148	2,514	10,662	-	
Securities Lending Liabilities.....	487,003	21,954	508,957	209,453	
Other Liabilities.....	-	12,251	12,251	40,638	
Total Current Liabilities.....	\$ 4,616,173	\$ 304,511	\$ 4,920,684	\$ 1,843,873	
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 91,197	
Unearned Revenue-Restricted.....	-	-	-	83,484	
Accrued Interest Payable-Restricted.....	-	-	-	8,764	
Due to Primary Government	-	-	-	101,843	
Unearned Revenue.....	-	-	-	5,085	
General Obligation Bonds Payable.....	3,112,383	145,428	3,257,811	1,253,833	
Bond Premium Payable.....	187,694	7,735	195,429	-	
Loans and Notes Payable.....	32,474	4,731	37,205	4,945	
Revenue Bonds Payable.....	-	92,870	92,870	3,068,120	
Claims Payable	795,511	-	795,511	563,830	
Compensated Absences Payable.....	220,242	107,685	327,927	18,968	
Workers' Compensation Liability.....	96,097	3,778	99,875	-	
Capital Leases Payable.....	174,782	24,006	198,788	-	
Funds Held in Trust.....	-	-	-	83,691	
Due to Component Units.....	22,940	-	22,940	-	
Other Liabilities.....	4,538	35,162	39,700	61,375	
Total Noncurrent Liabilities.....	\$ 4,646,661	\$ 421,395	\$ 5,068,056	\$ 5,345,135	
Total Liabilities.....	\$ 9,262,834	\$ 725,906	\$ 9,988,740	\$ 7,189,008	

CONTINUED

STATE OF MINNESOTA

STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2006

(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 6,468,103	\$ 931,297	\$ 7,399,400	\$ 2,700,041
Restricted for:				
Capital Projects.....	\$ 15,886	\$ -	\$ 15,886	\$ -
Debt Service.....	385,870	-	385,870	-
Transportation.....	708,474	-	708,474	-
Environmental Resources.....	581,322	-	581,322	-
Economic and Workforce Development.....	59,334	3,999	63,333	-
School Aid-Nonexpendable	642,695	-	642,695	-
School Aid-Expendable.....	89,045	-	89,045	-
Health & Human Services.....	-	28,724	28,724	-
Unemployment Benefits.....	-	518,336	518,336	-
State Colleges and Universities.....	-	277,878	277,878	-
Other Purposes.....	-	24,006	24,006	-
Component Units.....	-	-	-	4,761,535
Total Restricted.....	\$ 2,482,626	\$ 852,943	\$ 3,335,569	\$ 4,761,535
Unrestricted	\$ 649,481	\$ (1,089)	\$ 648,392	\$ 663,724
Total Net Assets.....	\$ 9,600,210	\$ 1,783,151	\$ 11,383,361	\$ 8,125,300

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections.....	\$ 818,192	\$ 174,807	\$ 141,550	\$ -
Transportation.....	1,791,316	19,226	237,994	452,197
Agricultural and Environmental Resources.....	525,251	218,376	72,039	-
Economic and Workforce Development.....	273,510	214,650	306,765	-
General Education.....	7,336,455	38,808	650,044	-
Higher Education.....	786,563	-	-	-
Health and Human Services.....	8,823,115	447,404	4,187,909	-
General Government.....	718,996	245,015	97,702	-
Intergovernment Aid.....	1,400,479	-	-	-
Interest	172,612	-	-	-
Total Governmental Activities.....	\$ 22,646,489	\$ 1,358,286	\$ 5,694,003	\$ 452,197
Business-type Activities:				
State Colleges and Universities	\$ 1,479,519	\$ 694,053	\$ 176,023	\$ 1,963
Unemployment Insurance.....	690,713	1,054,227	-	-
Lottery.....	332,031	449,761	-	-
Other.....	183,043	178,764	-	-
Total Business-type Activities.....	\$ 2,685,306	\$ 2,376,805	\$ 176,023	\$ 1,963
Total Primary Government.....	\$ 25,331,795	\$ 3,735,091	\$ 5,870,026	\$ 454,160
Component Units:				
University of Minnesota.....	\$ 2,591,507	\$ 1,139,917	\$ 698,431	\$ 112,766
Metropolitan Council.....	695,203	294,923	170,509	26,697
Housing Finance.....	330,846	146,680	170,318	-
Others.....	387,018	195,398	59,035	-
Total Component Units.....	\$ 4,004,574	\$ 1,776,918	\$ 1,098,293	\$ 139,463
General Revenues:				
Taxes:				
Individual Income Taxes.....				
Corporate Income Taxes.....				
Sales Taxes.....				
Property Taxes.....				
Motor Vehicle Taxes.....				
Fuel Taxes.....				
Other Taxes.....				
Tobacco Settlement.....				
Unallocated Investment/Interest Income.....				
Other Revenues.....				
State Grants Not Restricted.....				
Transfers.....				
Total General Revenues and Transfers.....				
Change in Net Assets.....				
Net Assets, Beginning, as Reported				
Prior Period Adjustments.....				
Net Assets, Beginning, as Restated.....				
Net Assets, Ending.....				

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT		TOTAL	COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES		
\$ (501,835)		\$ (501,835)	
(1,081,899)		(1,081,899)	
(234,836)		(234,836)	
247,905		247,905	
(6,647,603)		(6,647,603)	
(786,563)		(786,563)	
(4,187,802)		(4,187,802)	
(376,279)		(376,279)	
(1,400,479)		(1,400,479)	
(172,612)		(172,612)	
<u>\$ (15,142,003)</u>		<u>\$ (15,142,003)</u>	
	\$ (607,480)	\$ (607,480)	
	363,514	363,514	
	117,730	117,730	
	(4,279)	(4,279)	
	<u>\$ (130,515)</u>	<u>\$ (130,515)</u>	
<u>\$ (15,142,003)</u>	<u>\$ (130,515)</u>	<u>\$ (15,272,518)</u>	
			\$ (640,393)
			(203,074)
			(13,848)
			(132,585)
			<u>\$ (989,900)</u>
\$ 7,069,242	\$ -	\$ 7,069,242	\$ -
1,189,328	-	1,189,328	-
4,439,667	-	4,439,667	-
633,288	-	633,288	-
539,468	-	539,468	-
659,980	-	659,980	-
2,663,939	-	2,663,939	189,542
184,139	-	184,139	-
101,803	18,300	120,103	342,988
28,447	17,141	45,588	59,189
-	-	-	830,550
(474,090)	474,090	-	-
<u>\$ 17,035,211</u>	<u>\$ 509,531</u>	<u>\$ 17,544,742</u>	<u>\$ 1,422,269</u>
<u>\$ 1,893,208</u>	<u>\$ 379,016</u>	<u>\$ 2,272,224</u>	<u>\$ 432,369</u>
\$ 7,722,231	\$ 1,404,135	\$ 9,126,366	\$ 7,692,931
(15,229)	-	(15,229)	-
<u>\$ 7,707,002</u>	<u>\$ 1,404,135</u>	<u>\$ 9,111,137</u>	<u>\$ 7,692,931</u>
<u>\$ 9,600,210</u>	<u>\$ 1,783,151</u>	<u>\$ 11,383,361</u>	<u>\$ 8,125,300</u>





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Fund Financial Statements





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Major Governmental Funds

General Fund

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

Federal Fund

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

STATE OF MINNESOTA

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2006 (IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 1,914,806	\$ 2,125	\$ 2,393,296	\$ 4,310,227
Investments.....	11,229	-	1,161,921	1,173,150
Accounts Receivable.....	1,620,486	136,004	374,764	2,131,254
Interfund Receivables.....	258,056	5,161	159,576	422,793
Due from Component Units.....	38,218	-	120,525	158,743
Accrued Investment/Interest Income.....	45,662	-	10,554	56,216
Federal Aid Receivable.....	-	594,214	90,877	685,091
Inventories.....	-	-	18,723	18,723
Loans and Notes Receivable.....	47,419	65	294,612	342,096
Advances to Other Funds.....	3,500	-	-	3,500
Securities Lending Collateral.....	132,884	-	340,349	473,233
Investment in Land.....	-	-	15,448	15,448
Total Assets	<u>\$ 4,072,260</u>	<u>\$ 737,569</u>	<u>\$ 4,980,645</u>	<u>\$ 9,790,474</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 1,822,923	\$ 682,294	\$ 404,561	\$ 2,909,778
Interfund Payables.....	12,098	21,838	351,734	385,670
Due to Component Units.....	96,137	2,086	9,552	107,775
Deferred Revenue.....	1,146,611	24,648	169,153	1,340,412
Accrued Interest Payable.....	22,800	-	-	22,800
Securities Lending Liabilities.....	132,884	-	340,349	473,233
Total Liabilities.....	<u>\$ 3,233,453</u>	<u>\$ 730,866</u>	<u>\$ 1,275,349</u>	<u>\$ 5,239,668</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 177,643	\$ -	\$ 184,028	\$ 361,671
Reserved for Local Governments.....	-	-	410,179	410,179
Reserved for Trust Principal.....	-	-	1,041,547	1,041,547
Other Reserved Fund Balances.....	50,997	6,703	1,162,925	1,220,625
Total Reserved Fund Balances.....	<u>\$ 228,640</u>	<u>\$ 6,703</u>	<u>\$ 2,798,679</u>	<u>\$ 3,034,022</u>
Unreserved Fund Balances:				
Designated for:				
General Fund.....	\$ 610,167	\$ -	\$ -	\$ 610,167
Special Revenue Funds	-	-	715,202	715,202
Undesignated, reported in:				
Capital Project Funds.....	-	-	(48,184)	(48,184)
Special Revenue Funds.....	-	-	239,599	239,599
Total Unreserved Fund Balance.....	<u>\$ 610,167</u>	<u>\$ -</u>	<u>\$ 906,617</u>	<u>\$ 1,516,784</u>
Total Fund Balances.....	<u>\$ 838,807</u>	<u>\$ 6,703</u>	<u>\$ 3,705,296</u>	<u>\$ 4,550,806</u>
Total Liabilities and Fund Balances.....	<u>\$ 4,072,260</u>	<u>\$ 737,569</u>	<u>\$ 4,980,645</u>	<u>\$ 9,790,474</u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**JUNE 30, 2006
(IN THOUSANDS)**Total Fund Balance for Governmental Funds** \$ 4,550,806

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Infrastructure.....	\$ 5,965,253	
Depreciable Capital Assets.....	2,223,124	
Nondepreciable Capital Assets.....	1,801,053	
Accumulated Depreciation.....	<u>(861,228)</u>	
Total Capital Assets.....		9,128,202

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.....	841,749
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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.....	53,750
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....	178,284
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable.....	\$ (3,414,239)	
Bond Premium Payable.....	(201,142)	
Accrued Interest Payable on Bonds.....	(46,906)	
Loans and Notes Payable.....	(29,378)	
Claims Payable.....	(892,613)	
Workers' Compensation Liability.....	(109,405)	
Capital Leases Payable.....	(182,930)	
Compensated Absences Payable.....	(241,520)	
Net Pension Obligation.....	(4,538)	
Due to Component Units.....	<u>(29,910)</u>	
Total Liabilities.....		(5,152,581)

Net Assets of Governmental Activities \$ 9,600,210

STATE OF MINNESOTA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes.....	\$ 7,068,712	\$ -	\$ -	\$ 7,068,712
Corporate Income Taxes.....	1,189,915	-	-	1,189,915
Sales Taxes.....	4,471,993	-	1,282	4,473,275
Property Taxes.....	631,279	-	-	631,279
Motor Vehicle Taxes.....	372,880	-	664,713	1,037,593
Fuel Taxes.....	-	-	659,647	659,647
Other Taxes.....	1,294,442	-	646,228	1,940,670
Tobacco Settlement.....	180,790	-	-	180,790
Federal Revenues.....	8,842	5,376,554	478,977	5,864,373
Licenses and Fees.....	255,244	-	474,472	729,716
Departmental Services.....	42,729	18,030	224,916	285,675
Investment/Interest Income.....	55,867	685	150,217	206,769
Securities Lending Income.....	5,612	-	12,944	18,556
Other Revenues.....	324,919	143,288	250,135	718,342
Net Revenues.....	\$ 15,903,224	\$ 5,538,557	\$ 3,563,531	\$ 25,005,312
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 492,538	\$ 116,400	\$ 184,264	\$ 793,202
Transportation.....	226,107	194,436	1,356,437	1,776,980
Agricultural and Environmental Resources.....	153,154	36,661	347,405	537,220
Economic and Workforce Development.....	126,891	310,371	265,846	703,108
General Education.....	6,675,827	609,603	52,458	7,337,888
Higher Education.....	722,870	-	63,736	786,606
Health and Human Services.....	4,047,550	4,198,327	574,266	8,820,143
General Government.....	588,897	14,361	87,495	690,753
Intergovernment Aid.....	1,400,265	-	214	1,400,479
Securities Lending Rebates and Fees.....	5,543	-	12,506	18,049
Total Current Expenditures.....	\$ 14,439,642	\$ 5,480,159	\$ 2,944,627	\$ 22,864,428
Capital Outlay.....	192,094	31,726	630,792	854,612
Debt Service.....	18,873	397	452,902	472,172
Total Expenditures.....	\$ 14,650,609	\$ 5,512,282	\$ 4,028,321	\$ 24,191,212
Excess of Revenues Over (Under) Expenditures.....	\$ 1,252,615	\$ 26,275	\$ (464,790)	\$ 814,100
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ 377,949	\$ 377,949
Loan Proceeds.....	-	-	24,388	24,388
Proceeds from Refunding Bonds.....	-	-	160,960	160,960
Payment to Refunded Bonds Escrow Agent.....	-	-	(160,960)	(160,960)
Bond Issue Premium.....	-	-	45,141	45,141
Transfers-In.....	488,874	1,127	2,128,912	2,618,913
Transfers-Out.....	(1,175,652)	(26,979)	(1,865,528)	(3,068,159)
Capital Leases.....	180,005	-	-	180,005
Net Other Financing Sources (Uses).....	\$ (506,773)	\$ (25,852)	\$ 710,862	\$ 178,237
Net Change in Fund Balances.....	\$ 745,842	\$ 423	\$ 246,072	\$ 992,337
Fund Balances, Beginning, as Reported.....	\$ 92,965	\$ 6,280	\$ 3,457,011	\$ 3,556,256
Change in Inventory.....	-	-	2,213	2,213
Fund Balances, Ending.....	\$ 838,807	\$ 6,703	\$ 3,705,296	\$ 4,550,806

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

Net Change in Fund Balances for Governmental Funds.....	\$ 992,337
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation in the current period.....	777,650
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.....	(20,264)
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.....	47,732
The direct expenses of the appropriate function is used for reporting inventory in the Statement of Activities, but in the Governmental funds the purchases method is used.....	2,213
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....	(776)
Bond proceeds provide current financial resources to governmental funds; however issuing debt is reported as an increase of long-term liabilities in the Statement of Net Assets.....	(584,050)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is reported as a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability increase.....	(180,005)
Repayment of bonds is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.....	439,952
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.....	418,419
Change in Net Assets of Governmental Activities.....	<u>\$ 1,893,208</u>

STATE OF MINNESOTA

MAJOR GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS

YEAR ENDED JUNE 30, 2006

(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 6,565,529	\$ 6,604,170	\$ 6,862,953
Corporate Income Taxes.....	767,515	955,940	1,061,626
Sales Taxes.....	4,394,489	4,468,362	4,463,834
Property Taxes.....	634,683	629,977	631,278
Motor Vehicle Taxes.....	389,484	374,472	373,668
Other Taxes.....	993,873	1,163,917	1,203,897
Departmental Earnings.....	271,569	314,442	314,442
Investment/Interest Income.....	15,000	40,000	54,809
Tobacco Settlement.....	171,657	179,060	180,790
Other Revenues.....	545,863	553,893	580,702
Net Revenues.....	\$ 14,749,662	\$ 15,284,233	\$ 15,727,999
Expenditures:			
Public Safety and Corrections.....	\$ 518,175	\$ 519,033	\$ 503,239
Transportation.....	227,670	223,301	223,199
Agricultural and Environmental Resources.....	170,992	168,564	156,198
Economic and Workforce Development.....	96,385	100,540	92,730
General Education.....	6,267,433	6,996,590	6,988,191
Higher Education.....	762,197	761,587	747,186
Health and Human Services.....	3,823,819	3,937,290	3,856,238
General Government.....	653,874	630,174	589,463
Intergovernment Aid.....	1,428,931	1,401,842	1,401,842
Total Expenditures.....	\$ 13,949,476	\$ 14,738,921	\$ 14,558,286
Excess of Revenues Over (Under)			
Expenditures.....	\$ 800,186	\$ 545,312	\$ 1,169,713
Other Financing Sources (Uses):			
Transfers-In.....	\$ 369,122	\$ 374,408	\$ 384,716
Transfers-Out.....	(1,217,495)	(1,187,021)	(1,156,509)
Net Other Financing Sources (Uses).....	\$ (848,373)	\$ (812,613)	\$ (771,793)
Net Change in Fund Balances.....	\$ (48,187)	\$ (267,301)	\$ 397,920
Fund Balances, Beginning, as Reported	\$ 1,464,852	\$ 1,464,852	\$ 1,464,852
Prior Period Adjustments.....	-	-	21,337
Fund Balances, Beginning, as Restated.....	\$ 1,464,852	\$ 1,464,852	\$ 1,486,189
Budgetary Fund Balances, Ending.....	\$ 1,416,665	\$ 1,197,551	\$ 1,884,109
Less: Appropriation Carryover.....	-	-	190,094
Less: Reserved for Long-Term Receivables.....	-	-	47,751
Less: Budgetary Reserve.....	-	-	1,112,660
Undesignated Fund Balances, Ending.....	\$ 1,416,665	\$ 1,197,551	\$ 533,604

The notes are an integral part of the financial statements.



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Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

STATE OF MINNESOTA

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2006
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 456,371	\$ 211,548	\$ 62,178	\$ 730,097	\$ 202,824
Investments.....	26,025	-	-	26,025	20,013
Accounts Receivable.....	34,887	388,564	27,506	450,957	24,367
Interfund Receivables.....	15,847	-	1,086	16,933	767
Accrued Investment/Interest Income.....	-	-	18	18	409
Federal Aid Receivable.....	11,769	-	-	11,769	-
Inventories.....	9,662	-	8,674	18,336	872
Deferred Costs.....	-	-	382	382	1,621
Loans and Notes Receivable.....	7,820	-	-	7,820	-
Securities Lending Collateral.....	21,954	-	-	21,954	13,770
Other Assets.....	-	-	3,379	3,379	-
Total Current Assets.....	\$ 584,335	\$ 600,112	\$ 103,223	\$ 1,287,670	\$ 264,643
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 60,697	\$ -	\$ 2,070	\$ 62,767	\$ -
Other Assets-Restricted.....	102	-	-	102	-
Deferred Costs.....	-	-	-	-	222
Loans and Notes Receivable.....	26,970	-	-	26,970	-
Depreciable Capital Assets (Net).....	972,161	-	33,222	1,005,383	27,461
Nondepreciable Capital Assets.....	179,040	-	1,679	180,719	-
Total Noncurrent Assets.....	\$ 1,238,970	\$ -	\$ 36,971	\$ 1,275,941	\$ 27,683
Total Assets.....	\$ 1,823,305	\$ 600,112	\$ 140,194	\$ 2,563,611	\$ 292,326
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 140,851	\$ 28,434	\$ 21,604	\$ 190,889	\$ 69,929
Interfund Payables.....	-	43,785	10,769	54,554	269
Unearned Revenue.....	31,699	9,557	4,032	45,288	5,191
Accrued Bond Interest Payable.....	-	-	218	218	-
General Obligation Bonds Payable.....	11,221	-	247	11,468	-
Loans and Notes Payable.....	1,101	-	-	1,101	7,404
Revenue Bonds Payable.....	2,245	-	665	2,910	-
Workers' Compensation Liability.....	1,633	-	-	1,633	-
Capital Leases.....	2,341	-	173	2,514	-
Compensated Absences Payable.....	12,644	-	1,641	14,285	434
Securities Lending Liabilities.....	21,954	-	-	21,954	13,770
Other Liabilities.....	12,229	-	22	12,251	-
Total Current Liabilities.....	\$ 237,918	\$ 81,776	\$ 39,371	\$ 359,065	\$ 96,997
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	\$ 142,278	\$ -	\$ 3,150	\$ 145,428	\$ -
Loans and Notes Payable.....	4,731	-	-	4,731	9,136
Revenue Bonds Payable.....	79,280	-	13,590	92,870	-
Workers' Compensation Liability.....	3,778	-	-	3,778	-
Capital Leases.....	23,130	-	876	24,006	-
Compensated Absences Payable.....	98,287	-	9,398	107,685	4,409
Advances from Other Funds.....	-	-	-	-	3,500
Other Liabilities.....	42,897	-	-	42,897	-
Total Noncurrent Liabilities.....	\$ 394,381	\$ -	\$ 27,014	\$ 421,395	\$ 17,045
Total Liabilities.....	\$ 632,299	\$ 81,776	\$ 66,385	\$ 780,460	\$ 114,042
NET ASSETS					
Invested in Capital Assets, Net of Related Debt.....	\$ 913,128	\$ -	\$ 18,169	\$ 931,297	\$ 10,947
Restricted for:					
Bond Covenants.....	\$ 27,141	\$ -	\$ -	\$ 27,141	\$ -
Debt Service.....	15,847	-	-	15,847	-
Capital Projects.....	13,292	-	-	13,292	-
Economic and Workforce Development.....	-	-	3,999	3,999	-
Health and Human Services.....	-	-	28,724	28,724	-
Other Purposes.....	13,326	-	24,006	37,332	-
Total Restricted.....	\$ 69,606	\$ -	\$ 56,729	\$ 126,335	\$ -
Unrestricted.....	\$ 208,272	\$ 518,336	\$ (1,089)	\$ 725,519	\$ 167,337
Total Net Assets.....	\$ 1,191,006	\$ 518,336	\$ 73,809	\$ 1,783,151	\$ 178,284

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 610,612	\$ -	\$ -	\$ 610,612	\$ -
Net Sales.....	-	-	497,638	497,638	16,533
Rental and Service Fees.....	-	-	112,910	112,910	142,475
Insurance Premiums.....	-	975,186	14,511	989,697	544,547
Federal Revenues.....	162,933	-	-	162,933	-
State Grants.....	67,587	-	-	67,587	-
Other Income.....	15,854	79,041	3,466	98,361	8,970
Total Operating Revenues.....	\$ 856,986	\$ 1,054,227	\$ 628,525	\$ 2,539,738	\$ 712,525
Less: Cost of Goods Sold.....	-	-	334,033	334,033	5,042
Gross Margin.....	\$ 856,986	\$ 1,054,227	\$ 294,492	\$ 2,205,705	\$ 707,483
Operating Expenses:					
Purchased Services.....	\$ 179,801	\$ -	\$ 30,873	\$ 210,674	\$ 143,772
Salaries and Fringe Benefits.....	1,031,148	-	109,588	1,140,736	44,701
Student Financial Aid.....	22,341	-	-	22,341	-
Unemployment Benefits.....	-	690,713	-	690,713	-
Claims.....	-	-	10,899	10,899	431,091
Depreciation.....	71,008	-	4,040	75,048	8,157
Amortization.....	-	-	71	71	167
Supplies and Materials.....	81,027	-	7,202	88,229	7,705
Repairs and Maintenance.....	35,898	-	-	35,898	-
Indirect Costs.....	-	-	7,581	7,581	1,969
Other Expenses.....	37,358	-	6,023	43,381	3,150
Total Operating Expenses.....	\$ 1,458,581	\$ 690,713	\$ 176,277	\$ 2,325,571	\$ 640,712
Operating Income (Loss).....	\$ (601,595)	\$ 363,514	\$ 118,215	\$ (119,866)	\$ 66,771
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 14,802	\$ 333	\$ 3,152	\$ 18,287	\$ 8,873
Private Grants.....	13,090	-	-	13,090	-
Grants and Subsidies.....	1,963	-	-	1,963	-
Securities Lending Income.....	1,018	-	-	1,018	613
Other Nonoperating Revenues.....	-	17,929	10	17,939	86
Interest and Financing Costs.....	(12,347)	-	(1,348)	(13,695)	(909)
Grants, Aids and Subsidies.....	(8,591)	-	-	(8,591)	-
Securities Lending Rebates and Fees.....	(1,005)	-	-	(1,005)	(605)
Other Nonoperating Expenses.....	-	-	(3,416)	(3,416)	(2,361)
Gain (Loss) on Disposal of Capital Assets.....	(702)	-	(96)	(798)	108
Total Nonoperating Revenues (Expenses).....	\$ 8,228	\$ 18,262	\$ (1,698)	\$ 24,792	\$ 5,805
Income (Loss) Before Transfers & Contributions.....	\$ (593,367)	\$ 381,776	\$ 116,517	\$ (95,074)	\$ 72,576
Capital Contributions.....	71,249	-	-	71,249	-
Transfers-In.....	600,694	1,747	2,032	604,473	-
Transfers-Out.....	-	(82,535)	(119,097)	(201,632)	(24,844)
Change in Net Assets.....	\$ 78,576	\$ 300,988	\$ (548)	\$ 379,016	\$ 47,732
Net Assets, Beginning, as Reported.....	\$ 1,112,430	\$ 217,348	\$ 74,357	\$ 1,404,135	\$ 130,552
Net Assets, Ending.....	\$ 1,191,006	\$ 518,336	\$ 73,809	\$ 1,783,151	\$ 178,284

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers.....	\$ 680,998	\$ 994,665	\$ 622,135	\$ 2,297,798	\$ 696,045
Receipts from Grants.....	229,731	-	-	229,731	-
Receipts from Other Revenues.....	-	-	2,908	2,908	9,401
Receipts from Repayment of Program Loans.....	7,175	-	-	7,175	-
Financial Aid Disbursements.....	(21,874)	-	-	(21,874)	-
Payments to Claimants.....	-	(671,626)	(279,228)	(950,854)	(431,059)
Payments to Suppliers.....	(388,498)	-	(89,757)	(478,255)	(157,905)
Payments to Employees.....	(1,013,963)	-	(109,169)	(1,123,132)	(43,910)
Payments to Others.....	-	-	(28,055)	(28,055)	(2,310)
Payments of Program Loans.....	(7,096)	-	-	(7,096)	-
Net Cash Flows from Operating Activities.....	\$ (513,527)	\$ 323,039	\$ 118,834	\$ (71,654)	\$ 70,262
Cash Flows from Noncapital Financing Activities:					
Grant Receipts.....	\$ 13,090	\$ -	\$ -	\$ 13,090	\$ -
Transfers-In.....	600,694	1,747	2,032	604,473	-
Transfers-Out.....	-	(54,658)	(119,832)	(174,490)	(25,612)
Advances to Other Funds.....	-	-	(70)	(70)	-
Advances from Other Funds.....	-	47,387	-	47,387	4,500
Repayments of Advances to Other Funds.....	-	-	70	70	-
Repayments of Advances from Other Funds.....	-	(122,956)	-	(122,956)	(5,104)
Interest Paid.....	-	(4,182)	-	(4,182)	-
Other Nonoperating Expenses.....	(10,774)	-	(3,527)	(14,301)	(2,299)
Other Nonoperating Revenues.....	-	16,110	-	16,110	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 603,010	\$ (116,552)	\$ (121,327)	\$ 365,131	\$ (28,515)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions.....	\$ 71,249	\$ -	\$ -	\$ 71,249	\$ -
Investment in Capital Assets.....	(137,312)	-	(2,827)	(140,139)	(9,582)
Proceeds from Disposal of Capital Assets.....	1,656	-	61	1,717	2,144
Proceeds from Capital Debt.....	71,260	-	-	71,260	-
Proceeds from Loans.....	-	-	-	-	7,102
Capital Lease Payments.....	(2,457)	-	(165)	(2,622)	-
Repayment of Loan Principal.....	(1,107)	-	-	(1,107)	(8,315)
Repayment of Bond Principal.....	(12,090)	-	(850)	(12,940)	-
Interest Paid.....	(11,947)	-	(1,229)	(13,176)	(1,085)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (20,748)	\$ -	\$ (5,010)	\$ (25,758)	\$ (9,736)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments.....	\$ 1,182	\$ -	\$ -	\$ 1,182	\$ 7,669
Purchase of Investments.....	(3,767)	-	-	(3,767)	(7,687)
Investment Earnings.....	15,520	333	3,153	19,006	9,286
Net Cash Flows from Investing Activities.....	\$ 12,935	\$ 333	\$ 3,153	\$ 16,421	\$ 9,268
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 81,670	\$ 206,820	\$ (4,350)	\$ 284,140	\$ 41,279
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 435,398	\$ 4,728	\$ 68,598	\$ 508,724	\$ 161,545
Cash and Cash Equivalents, Ending.....	\$ 517,068	\$ 211,548	\$ 64,248	\$ 792,864	\$ 202,824

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss).....	\$ (601,595)	\$ 363,514	\$ 118,215	\$ (119,866)	\$ 66,771
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation.....	\$ 71,008	\$ -	\$ 4,040	\$ 75,048	\$ 8,157
Amortization.....	-	-	71	71	167
Loan Principal Repayments.....	7,175	-	-	7,175	-
Loans Issued.....	(7,096)	-	-	(7,096)	-
Loans Forgiven.....	1,031	-	-	1,031	-
Change in Assets and Liabilities:					
Accounts Receivable.....	(1,186)	(59,584)	(5,087)	(65,857)	(7,342)
Inventories.....	(1,046)	-	1,587	541	(147)
Other Assets.....	1,963	2,699	(834)	3,828	911
Accounts Payable.....	2,116	13,161	(851)	14,426	1,287
Compensated Absences Payable.....	4,046	-	149	4,195	320
Unearned Revenues.....	3,435	3,249	2,787	9,471	209
Other Liabilities.....	6,622	-	(1,243)	5,379	(71)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 88,068	\$ (40,475)	\$ 619	\$ 48,212	\$ 3,491
Net Cash Flows from Operating Activities.....	\$ (513,527)	\$ 323,039	\$ 118,834	\$ (71,654)	\$ 70,262
Noncash Investing, Capital and Financing Activities:					
Change in Fair Value of Investments.....	\$ 117	\$ -	\$ -	\$ 117	\$ -
Capital Assets Acquired Through Leases.....	2,646	-	808	3,454	-
Capital Assets Purchased on Account.....	16,565	-	-	16,565	-
Disposal of Capital Assets.....	(702)	-	-	(702)	136
Buildings Capitalized under Notes Payable.....	973	-	-	973	-
Investment Earning on Account.....	95	-	-	95	715
Bond Premium Amortization.....	572	-	-	572	-

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 ASSETS JUNE 30, 2006 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents.....	\$ 35,315	\$ -	\$ 69,569
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 2,485,177	\$ 15,508	\$ -
Investments:			
Commercial Paper.....	\$ 88,455	\$ 847	\$ -
Debt Securities.....	10,988,084	111,988	-
Equity Securities.....	32,476,088	227,752	-
Mutual Funds.....	3,350,965	-	-
Total Investments.....	\$ 46,903,592	\$ 340,587	\$ -
Accrued Interest and Dividends.....	\$ 137,478	\$ 1,311	\$ -
Securities Trades Receivables (Payables).....	(1,202,723)	(11,666)	-
Total Investment Pool Participation.....	\$ 48,323,524	\$ 345,740	\$ -
Receivables:			
Employer Contributions.....	\$ 20,009	\$ -	\$ -
Member Contributions.....	9,377	-	-
Accounts Receivable.....	-	-	11,705
Interfund Receivables.....	8,278	-	-
Other Receivables.....	46,080	-	-
Accrued Interest and Dividends.....	229	-	-
Total Receivables.....	\$ 83,973	\$ -	\$ 11,705
Securities Lending Collateral.....	\$ 5,259,265	\$ 48,082	\$ -
Depreciable Capital Assets (Net).....	27,901	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	\$ 53,730,407	\$ 393,822	\$ 81,274
LIABILITIES			
Accounts Payable.....	\$ 38,894	\$ 75	\$ 45,478
Interfund Payables.....	8,278	-	-
Accrued Expense.....	47	-	-
Revenue Bonds Payable.....	26,625	-	-
Bond Interest.....	77	-	-
Compensated Absences Payable.....	1,968	-	-
Securities Lending Liabilities.....	5,259,265	48,082	-
Funds Held in Trust.....	-	-	35,796
Total Liabilities.....	\$ 5,335,154	\$ 48,157	\$ 81,274
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 48,395,253	\$ 345,665	\$ -

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 657,990	\$ -
Member.....	864,811	-
Contributions From Other Sources.....	9,396	-
Participating Plans.....	-	36,940
Total Contributions.....	\$ 1,532,197	\$ 36,940
Net Investment Income:		
Investment Income.....	\$ 5,295,488	\$ 29,124
Less: Investment Expense.....	(65,442)	(307)
Net Investment Income.....	\$ 5,230,046	\$ 28,817
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 231,965	\$ 2,654
Borrower Rebates.....	(211,500)	(2,476)
Management Fees.....	(4,762)	-
Net Securities Lending Revenue.....	\$ 15,703	\$ 178
Total Investment Income.....	\$ 5,245,749	\$ 28,995
Transfers From Other Funds.....	\$ 12,303	\$ -
Other Additions.....	41,126	-
Total Additions.....	\$ 6,831,375	\$ 65,935
Deductions:		
Benefits.....	\$ 2,778,192	\$ -
Refunds/Withdrawals.....	185,983	65,575
Administrative Expenses.....	47,189	-
Transfers to Other Funds.....	12,303	-
Total Deductions.....	\$ 3,023,667	\$ 65,575
Net Increase (Decrease).....	\$ 3,807,708	\$ 360
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 43,719,316	\$ 468,319
Change in Reporting Entity.....	745,215	-
Change in Fund Structure.....	123,014	(123,014)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 44,587,545	\$ 345,305
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 48,395,253	\$ 345,665

The notes are an integral part of the financial statements.





State of Minnesota

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Major Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

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

University of Minnesota

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

STATE OF MINNESOTA

COMPONENT UNIT FUNDS STATEMENT OF NET ASSETS DECEMBER 31, 2005 and JUNE 30, 2006 (IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 643,257	\$ 63,664	\$ 153,735	\$ 466,479	\$ 1,327,135
Investments.....	234,016	239,304	116,673	506,398	1,096,391
Accounts Receivable.....	1,508	15,431	235,342	67,522	319,803
Due from Other Governmental Units.....	-	13,079	-	-	13,079
Due from Primary Government.....	-	42,639	106,450	7,009	156,098
Accrued Investment/Interest Income.....	12,065	865	5,926	19,487	38,343
Federal Aid Receivable.....	2,211	-	-	107	2,318
Inventories.....	-	16,186	18,792	50	35,028
Deferred Costs.....	13,794	-	-	7,831	21,625
Loans and Notes Receivable.....	-	-	13,696	74,848	88,544
Securities Lending Collateral.....	-	-	161,911	47,542	209,453
Other Assets.....	1,414	877	24,383	684	27,358
Total Current Assets.....	\$ 908,265	\$ 392,045	\$ 836,908	\$ 1,197,957	\$ 3,335,175
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 204,981	\$ 130,942	\$ 23,055	\$ 6,114	\$ 365,092
Investments-Restricted.....	20,878	-	114,662	19,083	154,623
Accounts Receivable-Restricted.....	-	20,775	-	3,480	24,255
Due from Primary Government-Restricted.....	-	-	-	22,940	22,940
Other Assets-Restricted.....	-	10,387	-	-	10,387
Investments.....	-	-	2,806,897	147,262	2,954,159
Accounts Receivable.....	-	-	86,476	340,542	427,018
Loans and Notes Receivable.....	1,805,094	26,557	56,646	1,910,556	3,798,853
Depreciable Capital Assets (Net).....	3,685	1,910,119	1,831,280	394	3,745,478
Nondepreciable Capital Assets.....	-	332,643	129,958	2,834	465,435
Other Assets.....	-	-	5,492	5,401	10,893
Total Noncurrent Assets.....	\$ 2,034,638	\$ 2,431,423	\$ 5,054,466	\$ 2,458,606	\$ 11,979,133
Total Assets.....	\$ 2,942,903	\$ 2,823,468	\$ 5,891,374	\$ 3,656,563	\$ 15,314,308
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 16,905	\$ 62,952	\$ 105,476	\$ 16,369	\$ 201,702
Payable to Other Governmental Units.....	-	1,529	-	-	1,529
Due to Primary Government.....	35,235	-	5,449	25,910	66,594
Unearned Revenue.....	-	5,576	111,520	57,300	174,396
Accrued Bond Interest Payable.....	38,086	4,971	2,920	16,025	62,002
General Obligation Bonds Payable.....	-	90,820	124,967	-	215,787
Loans and Notes Payable.....	-	-	160,532	924	161,456
Revenue Bonds Payable.....	398,030	845	1,302	47,185	447,362
Grants Payable.....	-	-	-	3,177	3,177
Claims Payable.....	-	8,756	19,815	80,317	108,888
Compensated Absences Payable.....	159	2,389	148,277	64	150,889
Securities Lending Liabilities.....	-	-	161,911	47,542	209,453
Other Liabilities.....	-	121	38,623	1,894	40,638
Total Current Liabilities.....	\$ 488,415	\$ 177,959	\$ 880,792	\$ 296,707	\$ 1,843,873
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ 22,554	\$ 68,643	\$ -	\$ 91,197
Unearned Revenue-Restricted.....	-	83,484	-	-	83,484
Accrued Bond Interest Payable-Restricted.....	-	8,764	-	-	8,764
Due to Primary Government.....	-	-	57,759	44,084	101,843
Unearned Revenue.....	-	-	5,085	-	5,085
General Obligation Bonds Payable.....	-	979,763	274,070	-	1,253,833
Loans and Notes Payable.....	-	1,405	1,489	2,051	4,945
Revenue Bonds Payable.....	1,548,061	9,800	73,301	1,436,958	3,068,120
Claims Payable.....	-	8,385	9,762	545,683	563,830
Compensated Absences Payable.....	1,485	5,544	11,232	707	18,968
Funds Held in Trust.....	82,368	-	1,323	-	83,691
Other Liabilities.....	-	18,545	37,212	5,618	61,375
Total Noncurrent Liabilities.....	\$ 1,631,914	\$ 1,138,244	\$ 539,876	\$ 2,035,101	\$ 5,345,135
Total Liabilities.....	\$ 2,120,329	\$ 1,316,203	\$ 1,420,668	\$ 2,331,808	\$ 7,189,008
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt.....	\$ 3,685	\$ 1,399,163	\$ 1,296,432	\$ 761	\$ 2,700,041
Restricted-Expendable.....	818,889	144,383	1,850,248	1,110,365	3,923,885
Restricted-Nonexpendable.....	-	-	837,650	-	837,650
Unrestricted.....	-	(36,281)	486,376	213,629	663,724
Total Net Assets.....	\$ 822,574	\$ 1,507,265	\$ 4,470,706	\$ 1,324,755	\$ 8,125,300

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2005 AND JUNE 30, 2006 (IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 330,846	\$ 695,203	\$ 2,591,507	\$ 387,018	\$ 4,004,574
Program Revenues:					
Charges for Services.....	\$ 146,680	\$ 294,923	\$ 1,139,917	\$ 195,398	\$ 1,776,918
Operating Grants and Contributions.....	170,318	170,509	698,431	59,035	1,098,293
Capital Grants and Contributions.....	-	26,697	112,766	-	139,463
Net (Expense) Revenue.....	\$ (13,848)	\$ (203,074)	\$ (640,393)	\$ (132,585)	\$ (989,900)
General Revenues:					
Taxes.....	\$ -	\$ 189,542	\$ -	\$ -	\$ 189,542
Investment Income.....	-	11,190	311,310	20,488	342,988
Other Revenues.....	832	-	55,803	2,554	59,189
Total General Revenues before Grants.....	\$ 832	\$ 200,732	\$ 367,113	\$ 23,042	\$ 591,719
State Grants Not Restricted.....	35,235	-	616,445	178,870	830,550
Total General Revenues.....	\$ 36,067	\$ 200,732	\$ 983,558	\$ 201,912	\$ 1,422,269
Change in Net Assets.....	\$ 22,219	\$ (2,342)	\$ 343,165	\$ 69,327	\$ 432,369
Net Assets, Beginning, as Reported	\$ 800,355	\$ 1,509,607	\$ 4,127,541	\$ 1,255,428	\$ 7,692,931
Net Assets, Ending.....	\$ 822,574	\$ 1,507,265	\$ 4,470,706	\$ 1,324,755	\$ 8,125,300

The notes are an integral part of the financial statements.



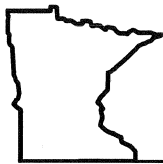


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Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

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

GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section" was issued in May 2004. The statement establishes and modifies requirements related to the supplementary information presented in the statistical section of this report. The objectives of statistical section information are to provide financial statement users with additional historical perspectives, context, and detail to assist in using the information in the financial statements. The state implemented this statement for the fiscal year ended June 30, 2006.

GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" was issued in December 2004. The statement amends a previous standard by clarifying the meaning of the phrase "legally enforceable" as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. The state implemented this statement for the fiscal year ended June 30, 2006.

GASB Statement No. 47, "Accounting for Termination Benefits" was issued in June 2005. The statement establishes accounting standards for voluntary and involuntary termination benefits paid by the state to its employees. The state implemented this statement for the fiscal year ended June 30, 2006. See Note 9 – Termination and Postretirement Benefits, for information on the liability amounts accrued.

Financial Reporting Entity of the State of Minnesota

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

Component units may be blended or discretely presented. All of the state's component units are discretely presented, or shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. They are also identified separately in the note disclosures because of their separate legal status. All component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting. The state does not have any blended 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. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. 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 provides services to state government by administering state programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- 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 all voting members of the board and the OHE director. As of July 2005, the name of this component unit changed from the Higher Education Services Office to the Minnesota Office of Higher Education.
- Minnesota Partnership for Action Against Tobacco (MPAAT) – MPAAT issues grants to health, community, and academic organizations throughout Minnesota to support research and cessation activities that will encourage and help tobacco users quit. MPAAT is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of MPAAT's governing board and is neither able to impose its will on MPAAT nor is there a potential financial benefit/burden to the state, the state believes that excluding MPAAT from the reporting entity would fail to provide a complete overview of tobacco settlement funds. As of July 2006, the name of this component unit changed from the Minnesota Partnership for Action Against Tobacco to ClearWay Minnesota.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate the National Sports Center facility primarily for holding youth-oriented athletic and other non-athletic functions and events. NSCF is responsible for certain improvements to the facility and the operating costs of the facility. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The facility belongs to the state. The foundation's fiscal year ends December 31.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to PFA. The state provides funding for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.

- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of agriculture who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

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

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

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

Housing Finance Agency 400 Sibley Street Suite 300 St. Paul, Minnesota 55101	ClearWay Minnesota (Formerly MPAAT) Two Appletree Square, Suite 400 8011 34 th Avenue South Minneapolis, Minnesota 55425
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	National Sports Center Foundation National Sports Center 1700 105 th Avenue Northeast Blaine, Minnesota 55449
Office of Higher Education 1450 Energy Park Drive Suite 350 St. Paul, Minnesota 55108	Public Facilities Authority Department of Employment & Economic Development 1 st National Bank Bldg., 332 Minnesota St., Suite E200 St. Paul, Minnesota 55101-1351
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Workers' Compensation Assigned Risk Plan Park Glen Management Company 4500 Park Glen Road, Suite 410 Minneapolis, Minnesota 55416

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, 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.
- Medical Malpractice Joint Underwriting Association – The state commissioner of the Department of Commerce and the governor appoint a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

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

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

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.

Government-wide Financial Statements

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

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reduction of the related liabilities, rather than as expenditures.

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

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

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

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

Fund Financial Statements

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

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

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

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

Classification of Funds

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

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

- General Fund which accounts for all financial resources except those required to be accounted for in another fund.
- Special revenue funds which account for revenue sources that are restricted to expenditure for specific purposes (not including major capital projects).
- Capital project funds which account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or special revenue funds.
- Debt Service Fund which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.
- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund receives and disburses federal government grants and reimbursements.

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

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central stores, employee insurance, technology services, plant management, and risk management.

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

Fiduciary Funds Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension, investment trust, and agency fund types are included in this fund category.

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

- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

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

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized. Expenditures and related liabilities are recognized when fund obligations are incurred as a result of the receipt of the goods and services, except for debt service, compensated absences, and claims and judgments, which are recorded when due. 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 received.

Property Tax Revenues – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and January 25, for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

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

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

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.

All enterprise funds, except the Workers' Compensation Assigned Risk Plan (WCARP) (component unit), follow applicable GASB guidance or Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989, that do not contradict GASB pronouncements.

Cash Equivalents and Investments

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

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

Inventories

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

Securities Lending

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

Restricted Assets

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

Income Tax Credits

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

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

Compensated Absences

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

Capital Assets

Capital assets, which include land, buildings, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the state as assets with an initial, individual cost of more than \$30,000 for equipment and \$300,000 for buildings, and an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method based on the following useful lives: 40-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach, land, construction in progress, and works of art and historical treasures, such as the state capitol, are not being depreciated.

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

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

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, postretirement benefits, 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 for further information.

Deferred Compensation Plan

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

Net Assets/Fund Balances

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

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

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

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Petroleum Tank Cleanup, Maximum Effort School Loan, Iron Range Resources and Rehabilitation, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

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

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. There are no instances where expenditures exceed the authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from the Department of Finance. See Note 20 – Budgetary Basis vs GAAP for additional information.

Interfund Activity and Balances

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

New Funds

Laws of Minnesota 2005 imposed a health impact fee on the sale of cigarettes in the state. The Health Impact Fund (special revenue fund) was created to account for proceeds from the fee.

Laws of Minnesota 2005 gave certain county boards permission to enter into agreements with the State Board of Investment to invest county environmental trust funds on behalf of the county. The Miscellaneous Investment Trust Fund (investment trust fund) was created to account for this investment activity.

Change in Fund Structure

Laws of Minnesota 2005 moved the accounting and administration of the Hennepin County Supplemental Retirement Plan to the Minnesota State Retirement System. The Hennepin County Supplemental Plan net assets were moved from the Supplemental Retirement Fund (investment trust fund) to the Hennepin County Supplemental Fund (pension trust fund), which was created to account for this activity.

Note 2 – Cash and Investments

Primary Government

Cash and Cash Equivalents

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

Deposits

Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

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

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

Interest Rate Risk – Investments

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

Credit Risk of Debt Security Investments

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

The primary government's investments, excluding pension trust and investment trust funds, as of June 30, 2006, are presented below using the Standard & Poor's (S & P) rating scale.

**Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2006 (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	\$ 203,585	5.35	100%	-	-	-
U.S. Agencies	359,365	7.47	94%	-	-	6%
Mortgage-backed Securities	108,879	20.66	89%	11%	-	-
State or Local Government Bonds	359,638	1.13	99%	1%	-	-
Corporate Bonds	1,934,542	3.33	81%	10%	1%	8%
Commercial Paper	2,264,208	0.12	100%	-	-	-
Repurchase Agreements	414,520	0.08	-	-	-	100%
Short-term Securities	<u>57,436</u>	2.11	64%	28%	-	8%
Total Debt Securities	<u>\$ 5,702,173</u>					
Equity Investments:						
Corporate Stock	\$ 672,780					
Alternative Equities	<u>6,436</u>					
Total Equity Investments	<u>\$ 679,216</u>					
Other Investments:						
Escheat Property	\$ 5,870					
Money Market Accounts	<u>11,890</u>					
Total Other Investments	<u>\$ 17,760</u>					
Total Investments	<u>\$ 6,399,149</u>	⁽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.

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

Primary Government Pension Trust and Investment Trust Funds Investments As of June 30, 2006 (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	\$ 1,691,168	7.55	100%	-	-	-
U.S. Agencies	1,221,163	3.83	98%	-	-	2%
Mortgage-backed Securities	5,396,768	24.78	99%	-	-	1%
State or Local Government Bonds	188,351	7.38	77%	20%	3%	-
Corporate Bonds	2,485,687	6.59	17%	69%	13%	1%
Commercial Paper	89,302	0.46	100%	-	-	-
Asset-backed Securities	838,881	16.24	91%	6%	-	3%
Short-term Securities	1,814,054	0.12	-	-	-	100%
Total Debt Securities	<u>\$ 13,725,374</u>					
Equity Investments:						
Corporate Stock	\$ 27,915,466					
Stock Options	37,443					
Alternative Equities	4,750,931					
Mutual Funds	3,350,965					
Total Equity Investments	<u>\$ 36,054,805</u>					
Total Investments	<u>\$ 49,780,179</u>					

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations:

- Aggregate value may not exceed 5 percent of the market or book value, whichever is less, of the fund being invested.
- SBI's participation is limited to 50 percent of a single offering.
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock:

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

The state had concentration of credit risk over 5 percent as of June 30, 2006, in the Federal National Mortgage Association (FNMA). FNMA represented 16.7 percent of the primary government's debt securities investments and 5.8 percent of the state's total investments. The pension trust and investment trust funds included in the primary government had 22.8 percent of the debt securities investments and 6.3 percent of the total investments in FNMA.

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, 2006.

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

Pension Trust and Investment Trust Funds Foreign Currency Risk International Investment Securities at Fair Value (In Thousands) As of June 30, 2006			
Currency	Cash	Debt	Equity
Australian Dollar	\$ 5,127	\$ 6,361	\$ 224,799
Canadian Dollar	8,534	4,077	315,371
Euro Currency	25,856	-	1,885,252
Hong Kong Dollar	496	-	189,292
Indian Rupee	3,504	-	53,306
Japanese Yen	22,702	-	1,314,565
New Taiwan Dollar	6,317	-	96,386
Norwegian Krone	770	-	62,522
Pound Sterling	2,423	-	1,257,201
Singapore Dollar	899	-	55,241
South African Rand	425	-	89,927
South Korean Won	-	-	125,037
Swedish Krona	1,473	-	118,324
Swiss Franc	938	-	415,171
Other	513	-	223,845
Total	<u>\$ 79,977</u>	<u>\$ 10,438</u>	<u>\$ 6,426,239</u>

Custodial Risk – Investments

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

Securities Lending

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

During the fiscal year, State Street and Wells Fargo lent on behalf of the state, certain securities held by State Street or Wells Fargo as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. Neither State Street nor Wells Fargo has the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the fair value of the loaned securities.

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

During the fiscal year, the state and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of SBI.

Primary Government Securities Lending Analysis As of June 30, 2006 (In Thousands)		
	<u>Wells Fargo</u>	<u>State Street</u>
Fair Value of Securities on Loan	\$ 335,128	\$ 5,785,269
Collateral Held	\$ 341,892	\$ 5,905,061
Average Duration	87 days	N/A
Average Weighted Maturity	87 days	463 days

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2006, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

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

Component Units

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

University of Minnesota

University of Minnesota (U of M) does not have a policy for custodial risk of deposits. As of June 30, 2006, \$4,983,000 of the U of M's bank balance of \$5,083,000 was uninsured and uncollateralized.

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

U of M has established policies to address the various types of investment risks. As of June 30, 2006, U of M, including its discretely presented component units, had \$176,790,000 of cash and cash equivalents and \$3,038,232,000 of investments. The U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of \$119,783,000 and investments of \$1,440,084,000.

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, 2006, \$647,640,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$559,346,000 was rated AAA
- \$19,147,000 was rated A or AA
- \$68,092,000 was rated BB or BBB
- \$1,055,000 was not rated

The securities subject to interest rate risk were comprised of:

- \$342,035,000 in government agencies with a duration of 2.20 years
- \$48,213,000 in corporate bonds with a duration of 0.82 years
- \$66,559,000 in mortgage backed securities with a duration of 4.27 years
- \$132,760,000 in cash and cash equivalents with a duration of .003 year
- \$58,073,000 in other types of securities (primarily mutual funds) with a duration of 4.90 years

As of June 30, 2006, U of M had \$126,824,000 of equity investments subject to foreign currency risk. The three largest components of this amount are as follows:

Euro	\$ 45,587,000
Japanese Yen	\$ 35,723,000
Pound Sterling	\$ 30,194,000

Metropolitan Council

Metropolitan Council (MC) has investment policies to address the various types of investment risks. As of December 31, 2005, MC had a cash and investment portfolio of \$433,910,000. Of this amount, \$382,061,000 was subject to rating. \$218,952,000 of these investments were rated Aaa using the Moody's rating scale. \$158,277,000 was commercial paper rated at A-1 or P-1, while \$4,832,000 was not rated.

Several MC investment holdings of specific issuers represent more than five percent of combined cash and investments. These holdings include: Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

MC has adopted the simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2005. The investment portfolio has an average yield of 4.77 percent, modified duration of 3.72 years, effective duration of 1.97 years, and convexity of -.53.

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

	<u>Estimated Fair Value</u>
December 31, 2005	\$ 415,446,000
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	\$ 413,994,000
100 Points	\$ 409,016,000
150 Points	\$ 403,916,000
200 Points	\$ 398,877,000

Housing Finance Agency

Housing Finance Agency (HFA) investments had an estimated fair market value of \$254,894,000 as of June 30, 2006. All investment agreement providers have a Standard & Poor's long-term credit rating of 'AA-' or higher and a Moody's Investors Service long-term credit rating of 'Aa3' or higher. The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and collateral is not provided.

As of June 30, 2006, HFA had \$1,103,132,000 of cash, cash equivalents, and investments. Of this amount, 77 percent had maturities of less than 30 days, 21.3 percent (U.S. Agencies) having maturities of 0.7 – 13 years and 2 percent (U.S. Treasuries) having maturities of 10 – 15 years.

HFA investments in any single issuer that exceeded five percent of total investments amounted to \$693,268,000. These investments involved Bayerische Landesbank, AIG Matched Funding, MBIA, and FSA Capital Management Services investment agreements.

As of June 30, 2006, \$202,111,000 of deposits and \$89,255,000 of investment securities were subject to custodial risk.

Nonmajor Component Units

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

<u>Component Unit</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Agricultural and Economic Development Board	\$ 10,664,000	\$ 19,083,000
Minnesota Partnership for Action Against Tobacco	26,000	162,839,000
National Sports Center Foundation	511,000	-
Office of Higher Education	192,270,000	5,676,000
Public Facilities Authority	250,812,000	26,841,000
Rural Finance Authority	9,894,000	-
Workers' Compensation Assigned Risk Plan	<u>8,416,000</u>	<u>311,042,000</u>
Total	<u>\$ 472,593,000</u>	<u>\$ 525,481,000</u>

Note 3 – Disaggregation of Receivables

The following are the components of net accounts receivable as reported in the government-wide Statement of Net Assets as of June 30, 2006:

Components of Net Receivables As of June 30, 2006 (In Thousands)				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	
Taxes:				
Corporate and Individual	\$ 518,768	\$ -	\$ -	\$ 518,768
Sales and Use	295,852	-	-	295,852
Property	321,146	-	-	321,146
Health Care Provider	168,600	-	74,099	242,699
Highway Users	-	-	85,195	85,195
Child Support	92,721	93,494	-	186,215
Workers' Compensation	-	-	101,497	101,497
Other	223,399	42,510	126,071	391,980
Net Receivables	<u>\$ 1,620,486</u>	<u>\$ 136,004</u>	<u>\$ 386,862</u>	<u>\$ 2,143,352</u>
Business-type Activities				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	\$ -	\$ 388,564	\$ -	\$ 388,564
Tuition and Fees	34,887	-	-	34,887
Other	-	-	27,506	27,506
Net Receivables	<u>\$ 34,887</u>	<u>\$ 388,564</u>	<u>\$ 27,506</u>	<u>\$ 450,957</u>
Total Government-wide Net Receivables				<u>\$ 2,594,309</u>
⁽¹⁾ Includes \$12,098 Internal Service Funds.				

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

- Corporate and Individual Taxes \$180,806,000
- Sales and Use Taxes \$45,451,000
- Child Support \$371,263,000
- Other Receivables \$55,317,000

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

- Corporate and Individual Taxes \$75,074,000
- Sales and Use Taxes \$16,622,000
- Child Support \$130,095,000
- Health Care Provider \$66,513,000
- Other Receivables \$21,913,000

Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2006, consisted of the following:

Primary Government Loans and Notes Receivable As of June 30, 2006 (In Thousands)					
	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	\$ -	\$ -	\$ -	\$ -	\$ 34,790
Economic Development	47,299	-	56,816	36,850	-
School Districts	-	-	112,829	-	-
Energy	-	-	-	1,345	-
Agricultural	120	-	48,655	-	-
Transportation	-	-	20,554	-	-
Resources	-	-	16,407	-	-
Other	-	65	1,145	11	-
Total	<u>\$ 47,419</u>	<u>\$ 65</u>	<u>\$ 256,406</u>	<u>\$ 38,206</u>	<u>\$ 34,790</u>

Component Units Loans and Notes Receivable As of June 30, 2006 (In Thousands)	
Housing Finance Authority	\$ 1,805,094
Metropolitan Council	26,557
University of Minnesota	70,342
Agricultural and Economic Development Board	17,300
Office of Higher Education	603,480
Public Facilities Authority	1,314,153
Rural Finance Authority	50,471
Total	<u>\$ 3,887,397</u>

Note 5 – Interfund Transactions

Primary Government

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

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

Interfund Receivables and Payables	
As of June 30, 2006 (In Thousands)	
Due to the General Fund From:	
Federal Fund	\$ 20,981
Nonmajor Governmental Funds	227,458
Nonmajor Enterprise Funds	9,348
Internal Service Funds	269
Total Due to General Fund From Other Funds	<u>\$ 258,056</u>
Due to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 5,161
Total Due to Federal Fund From Other Funds	<u>\$ 5,161</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 15,847
Total Due to State Colleges and Universities From Other Funds	<u>\$ 15,847</u>
Due to the Nonmajor Enterprise Funds From:	
General Fund	\$ 1,086
Total Due to Nonmajor Enterprise Funds	<u>\$ 1,086</u>
Due to the Internal Service Funds From:	
General Fund	\$ 545
Nonmajor Governmental Funds	222
Total Due to Nonmajor Enterprise Funds	<u>\$ 767</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 8,278
Total Due to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 8,278</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 10,467
Federal Fund	857
Unemployment Insurance Fund	43,785
Nonmajor Governmental Funds	103,046
Nonmajor Enterprise Funds	1,421
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 159,576</u>

The Central Motor Pool Fund had an outstanding advance of \$3,500,000 from the General Fund as of June 30, 2006. This advance is not expected to be repaid within one year.

Interfund Transfers Year Ended June 30, 2006 (In Thousands)	
Transfers to the General Fund From:	
Federal Fund	\$ 18,188
Nonmajor Governmental Funds	389,332
Nonmajor Enterprise Funds	65,092
Internal Service Funds	16,262
Total Transfers to General Fund From Other Funds	<u>\$ 488,874</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	\$ 1,127
Total Transfers to Federal Fund From Other Funds	<u>\$ 1,127</u>
Transfers to the State Colleges and Universities Fund From:	
General Fund	\$ 600,694
Nonmajor Governmental Funds – Capital Contributions	71,249
Total Transfers to State Colleges and Universities From Other Funds	<u>\$ 671,943</u>
Transfers to the Unemployment Insurance Fund From:	
Nonmajor Governmental Funds	\$ 1,747
Total Transfers to Unemployment Insurance Fund From Other Funds	<u>\$ 1,747</u>
Transfers to Fiduciary Funds From:	
Fiduciary Funds	\$ 12,303
Total Transfers to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 12,303</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 574,958
Federal Fund	8,791
Unemployment Insurance Fund	81,408
Nonmajor Governmental Funds	1,401,168
Nonmajor Enterprise Funds	54,005
Internal Service Funds	8,582
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 2,128,912</u>
Transfers to the Nonmajor Enterprise Funds From:	
Nonmajor Governmental Funds	\$ 2,032
Total Transfers to Nonmajor Enterprise Funds From Other Funds	<u>\$ 2,032</u>

Component Units

Receivables and payables as of June 30, 2006, between the primary government and component units, are summarized as follows:

Primary Government and Component Units Receivables and Payables As of June 30, 2006 (In Thousands)		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
Component Units		
Major Component Units:		
Housing Finance Agency	\$ -	\$ 35,235
Metropolitan Council	42,639	-
University of Minnesota	<u>106,450</u>	<u>63,208</u>
Total Major Component Units	<u>\$ 149,089</u>	<u>\$ 98,443</u>
Nonmajor Component Units	<u>\$ 29,949</u>	<u>\$ 69,994</u>
Total Component Units	<u>\$ 179,038</u>	<u>\$ 168,437</u>
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
Primary Government		
Major Governmental Funds:		
General Fund	\$ 38,218	\$ 96,137
Federal Fund	<u>-</u>	<u>2,086</u>
Total Major Governmental Funds	<u>\$ 38,218</u>	<u>\$ 98,223</u>
Nonmajor Governmental Funds	<u>\$ 120,525</u>	<u>\$ 9,552</u>
Total Primary Government	<u>\$ 158,743</u>	<u>\$ 107,775⁽¹⁾</u>
⁽¹⁾ Due to component units on the Government-wide Statement of Net Assets totals \$137,685, including \$29,910 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities.		

Due to primary government exceeds due from component units by \$9,694,000 for amounts owed to the primary government by Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation because the fiscal year end used by the component units differs from the primary government. The rationale is the same for due from primary government exceeding due to component units by \$41,353,000.

Note 6 – Capital Assets

Primary Government

Capital Asset Activity Year Ended June 30, 2006 (In Thousands)				
	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 1,559,646	\$ 122,214	\$ (1,404)	\$ 1,680,456
Buildings, Structures, Improvements	26,624	704	-	27,328
Construction in Progress	193,137	40,393	(125,313)	108,217
Infrastructure	5,519,129	451,935	(5,811)	5,965,253
Art and Historical Treasures	500	-	-	500
Total Capital Assets not Depreciated	\$ 7,299,036	\$ 615,246	\$ (132,528)	\$ 7,781,754
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 1,573,229	\$ 343,749	\$ (45,765)	\$ 1,871,213
Infrastructure	49,201	49	-	49,250
Equipment, Furniture, Fixtures	374,985	49,882	(36,033)	388,834
Total Capital Assets Depreciated	\$ 1,997,415	\$ 393,680	\$ (81,798)	\$ 2,309,297
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (642,832)	\$ (67,467)	\$ 34,655	\$ (675,644)
Infrastructure	(4,589)	(1,401)	-	(5,990)
Equipment, Furniture, Fixtures	(235,163)	(35,730)	32,587	(238,306)
Total Accumulated Depreciation	\$ (882,584)	\$ (104,598)	\$ 67,242	\$ (919,940)
Total Capital Assets Depreciated, Net	\$ 1,114,831	\$ 289,082	\$ (14,556)	\$ 1,389,357
Governmental Act. Capital Assets, Net	\$ 8,413,867	\$ 904,328	\$ (147,084)	\$ 9,171,111
Business-type Activities				
Capital Assets not Depreciated:				
Land	\$ 74,828	\$ 1,537	\$ -	\$ 76,365
Construction in Progress	54,170	124,660	(74,476)	104,354
Total Capital Assets not Depreciated	\$ 128,998	\$ 126,197	\$ (74,476)	\$ 180,719
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 1,704,480	\$ 75,031	\$ (161)	\$ 1,779,350
Library Collections	48,059	7,022	(6,576)	48,505
Equipment, Furniture, Fixtures	280,248	19,966	(24,299)	275,915
Total Capital Assets Depreciated	\$ 2,032,787	\$ 102,019	\$ (31,036)	\$ 2,103,770
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (827,407)	\$ (47,042)	\$ -	\$ (874,449)
Library Collections	(27,377)	(6,970)	6,575	(27,772)
Equipment, Furniture, Fixtures	(196,714)	(21,036)	21,584	(196,166)
Total Accumulated Depreciation	\$ (1,051,498)	\$ (75,048)	\$ 28,159	\$ (1,098,387)
Total Capital Assets Depreciated, Net	\$ 981,289	\$ 26,971	\$ (2,877)	\$ 1,005,383
Business-type Act. Capital Assets, Net	\$ 1,110,287	\$ 153,168	\$ (77,353)	\$ 1,186,102
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	\$ 429	\$ -	\$ -	\$ 429
Total Capital Assets not Depreciated	\$ 429	\$ -	\$ -	\$ 429
Capital Assets Depreciated:				
Buildings	\$ 29,547	\$ -	\$ -	\$ 29,547
Equipment, Furniture, Fixtures ⁽¹⁾	7,028	449	(1,410)	6,067
Total Capital Assets Depreciated	\$ 36,575	\$ 449	\$ (1,410)	\$ 35,614
Accumulated Depreciation for:				
Buildings	\$ (2,949)	\$ (738)	\$ -	\$ (3,687)
Equipment, Furniture, Fixtures ⁽¹⁾	(4,828)	(608)	1,410	(4,026)
Total Accumulated Depreciation	\$ (7,777)	\$ (1,346)	\$ 1,410	\$ (7,713)
Total Capital Assets Depreciated, Net	\$ 28,798	\$ (897)	\$ -	\$ 27,901
Fiduciary Funds, Capital Assets, Net	\$ 29,227	\$ (897)	\$ -	\$ 28,330

⁽¹⁾ Beginning balance reflects addition of Minneapolis Teachers Retirement Fund Association.

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

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

Primary Government Depreciation Expense Year Ended June 30, 2006 (In Thousands)	
Governmental Activities:	
Public Safety and Corrections	\$ 18,847
Transportation	18,659
Agricultural and Environmental Resources	6,381
Economic and Workforce Development	1,130
General Education	3,123
Health and Human Services	16,570
General Government	12,252
Internal Service Funds	<u>8,324</u>
Total Governmental Activities	<u>\$ 85,286</u>
Business-type Activities:	
State Colleges and Universities	\$ 71,008
Lottery	368
Other	<u>3,672</u>
Total Business-type Activities	<u>\$ 75,048</u>

During fiscal year 2006, buildings cost and accumulated depreciation increased by \$19,312,000 as a result of capitalizing buildings not previously reported. This has no impact to the statement of activities as these buildings were fully depreciated.

Capital outlay expenditures in the governmental funds totaled \$854,612,000 for fiscal year 2006. Donations of general capital assets received during fiscal year 2006 were valued at \$21,000. Transfers from construction in progress to completed construction were \$124,703,000. Additions in internal service funds were \$10,278,000.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2006, consisted of equipment with a cost of \$10,299,000 and buildings with a cost of \$180,005,000.

Authorizations and commitments as of June 30, 2006, for the largest construction in progress projects consisted of the following (in thousands):

	Administration Projects	Military Affairs	Transportation	Zoological Board
Authorization	\$ 124,901	\$ 6,444	\$ 7,000	\$ 23,640
Expended through June 30, 2006	21,736	4,712	611	1,306
Unexpended Commitment	<u>1,774</u>	<u>-</u>	<u>4,956</u>	<u>3,267</u>
Available Authorization	<u>\$ 101,391</u>	<u>\$ 1,732</u>	<u>\$ 1,433</u>	<u>\$ 19,067</u>

Land in the Permanent School Fund totaling 2,516,284 acres was donated by the federal government and valued at the estimated fair value at the time of donation.

Component Units

Component unit capital assets consisted of the following as of December 31, 2005, or June 30, 2006, as applicable:

Capital Assets As of December 31, 2005 or June 30, 2006 (In Thousands)					
	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Land and Improvements	\$ -	\$ 74,337	\$ 57,955	\$ 2,834	\$ 135,126
Construction in Progress	-	258,306	33,576	-	291,882
Museums and Collections	-	-	38,427	-	38,427
Buildings and Improvements	-	2,440,876	2,404,051	710	4,845,637
Equipment	5,769	535,611	665,951	1,648	1,208,979
Infrastructure	-	-	326,814	-	326,814
Total	<u>\$ 5,769</u>	<u>\$ 3,309,130</u>	<u>\$ 3,526,774</u>	<u>\$ 5,192</u>	<u>\$ 6,846,865</u>
Less: Accumulated Depreciation	<u>2,084</u>	<u>1,066,368</u>	<u>1,620,411</u>	<u>1,964</u>	<u>2,690,827</u>
Net Total	<u>\$ 3,685</u>	<u>\$ 2,242,762</u>	<u>\$ 1,906,363</u> ⁽¹⁾	<u>\$ 3,228</u>	<u>\$ 4,156,038</u>

⁽¹⁾ In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of \$54,875 as of June 30, 2006.

Note 7 – Disaggregation of Payables

The following are the components of accounts payable as reported in the government-wide Statement of Net Assets as of June 30, 2006:

Components of Accounts Payable As of June 30, 2006 (In Thousands)				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	
School Aid Programs	\$ 659,099	\$ 144,263	\$ -	\$ 803,362
Tax Refunds	506,615	-	-	506,615
Medical Assistance	345,242	356,829	-	702,071
Grants	197,122	131,952	216,183	545,257
Salaries and Benefits	59,534	10,517	45,719	115,770
Vendors/Service Providers	43,070	37,826	177,799	258,695
Other	12,241	907	22,520	35,668
Net Payables	<u>\$ 1,822,923</u>	<u>\$ 682,294</u>	<u>\$ 462,221</u>	<u>\$ 2,967,438</u>
	Business-type Activities			Total
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	
Salaries and Benefits	\$ 96,512	\$ -	\$ 5,926	\$ 102,438
Vendors/Service Providers	36,611	-	2,490	39,101
Other	7,728	28,434	13,188	49,350
Net Payables	<u>\$ 140,851</u>	<u>\$ 28,434</u>	<u>\$ 21,604</u>	<u>\$ 190,889</u>
Total Government-wide Net Payables				<u>\$ 3,158,327</u>
⁽¹⁾ Includes \$57,660 Internal Service Funds.				

Note 8 – Pension and Investment Trust Funds

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

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

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses.

<u>Plan Administrator</u>	<u>Plans Covered</u>
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Elective State Officers Fund Judicial Retirement Fund Legislative Retirement Fund State Patrol Retirement Fund Unclassified Employees Retirement Fund Postretirement Health Care Benefits Fund State Deferred Compensation Fund Hennepin County Supplemental Retirement
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Defined Contribution Retirement Fund

Basis of Accounting and Valuation of Investments

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

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

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2006, this presentation resulted in a negative asset within the funds' investments.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- **Multiple employer, cost-sharing plans:**

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-three employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of a member's average salary, which is defined as the highest salary paid in five successive years of service. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Five hundred seventy three (573) employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the act. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent; and for coordinated members, 1.2 and 1.7 percent for service rendered before July 1, 2006, and 1.4 and 1.9 percent for service rendered on or after July 1, 2006. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions; including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated as defined above. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent; and for coordinated members, 1.2 and 1.7 percent. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. Approximately 500 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Approximately 80 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single employer (state of Minnesota) plans:

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

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

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

The Legislative Retirement Fund (LRF) covers some members of the state's house of representatives and senate. Legislators newly elected since January 1997 are covered by the Unclassified Employee Retirement Fund. Vesting occurs after six years. Normal retirement age is 62. The annuity ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on length of service.

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

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

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

		<u>SERF</u>	<u>TRF</u>
Required Contributions:			
Employee	2006	\$ 85,379	\$ 177,085
	2005	\$ 83,101	\$ 160,982
	2004	\$ 82,103	\$ 159,140
Employer ⁽¹⁾	2006	\$ 82,645	\$ 179,022
	2005	\$ 80,312	\$ 157,693
	2004	\$ 78,622	\$ 151,029

⁽¹⁾Contributions were at least 100 percent of required contributions.

**Single Employer Plan Disclosures for Current Year
(In Thousands)**

	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Required Contributions (ARC) ⁽¹⁾	\$ 25,835	\$ 9,624	\$ 3,260	\$ 10,793
Interest on Net Pension Obligation (NPO) ⁽¹⁾	(15)	(691)	(673)	(2,752)
Amort Adj to ARC ⁽¹⁾	<u>16</u>	<u>706</u>	<u>599</u>	<u>1,743</u>
Annual Pension Cost	\$ 25,836	\$ 9,639	\$ 3,186	\$ 9,784
Contributions	<u>(21,116)</u>	<u>(10,202)</u>	<u>(5,948)</u>	<u>(11,774)</u>
Increase (Decrease) in NPO	\$ 4,720	\$ (563)	\$ (2,762)	\$ (1,990)
NPO, Beginning Balance	\$ (182)	\$ (8,135)	\$ (7,920)	\$ (32,381)
NPO, Ending (Asset)	<u>\$ 4,538</u>	<u>\$ (8,698)</u>	<u>\$ (10,682)</u>	<u>\$ (34,371)</u>

⁽¹⁾Components of annual pension cost.

Single Employer Plan Disclosures (In Thousands)					
		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2006	\$ 25,836	\$ 9,639	\$ 3,186	\$ 9,784
	2005	\$ 24,115	\$ 10,347	\$ 3,101	\$ 8,677
	2004	\$ 20,846	\$ 9,222	\$ 2,281	\$ 8,344
Percentage of APC Contributed	2006	82%	106%	187%	120%
	2005	79%	96%	71%	129%
	2004	88%	106%	34%	132%
NPO (End of Year)	2006	\$ 4,538	\$ (8,698)	\$ (10,682)	\$ (34,371)
	2005	\$ (182)	\$ (8,135)	\$ (7,920)	\$ (32,381)
	2004	\$ (5,338)	\$ (8,595)	\$ (8,816)	\$ (29,871)

Actuarial Assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method. The date of actuarial valuation is July 1, 2005.
- The calculation of the actuarial valuation of assets is a market value based formula based on the Unrecognized Asset Return (UAR is actual net return on market value minus net return based on actuarial assumption). The actuarial value of assets is the Market Value of Assets as of June 30, 2005, less: 80 percent UAR for fiscal year 2005; 60 percent UAR for fiscal year 2004; 40 percent UAR for fiscal year 2003; and 20 percent UAR for fiscal year 2002.
- Minnesota Statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Expected investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively, for all plans.
- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6.0 percent is accounted for by 6.0 percent postretirement assumptions for all plans. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent postretirement discount rate is used to account for the one-time adjustment applicable at retirement.
- The level percentage of projected payroll is the amortization method used, except for the ESOF plan, which uses the level dollar amortization method.
- The amortization period is through July 1, 2020.
- The amortization period is closed.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds under which the benefits to be received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial valuation of accrued benefit liability nor any actuarially required contribution.

Plan Descriptions and Contribution Information

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

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses. There is no vesting period required to receive benefits from this plan. DCF covers approximately 1,000 units of government. As of June 30, 2006, there were approximately 6,700 members in the plan.

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

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 both member groups. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between \$6,000 and \$15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 14,400.

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

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. As of June 30, 2006, there were approximately 2,300 members in the plan.

**Defined Contribution Plans
Contributions Made for Fiscal Year 2006
(In Thousands)**

	<u>UERF</u>	<u>DCF</u>	<u>PHCBF</u>	<u>CURF</u>	<u>HCSRF</u>
Employee Contributions	\$ 4,368	\$ 1,282	\$ 52,562	\$ 28,438	\$ 426
Employer Contributions	\$ 5,932	\$ 1,392	N/A	\$ 31,070	\$ 426

The Minnesota State Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457 of the Internal Revenue Code and Minnesota Statutes, Section 352.96. The plan is composed of employee pre-tax contributions. Employers do not contribute to this plan. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The plan has approximately 77,000 participants from approximately 500 employers.

Investment Trust Fund

The Supplemental Retirement Fund (investment trust fund) is administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). This fund is an investment pool for external participants, which are locally administered retirement funds, and a deferred compensation plan.

Component Units

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

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

Merger of Minneapolis Teachers Retirement Fund Association and Teachers Retirement Association

Laws of Minnesota 2006, Chapter 277, Article 3, Section 9, codified as Minnesota Statutes, Section 354.70, authorized the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Fund (TRF). All assets and liabilities for the 13,783 active, inactive, and retired MTRFA members were transferred to TRF as of June 30, 2006. All MTRFA assets of approximately \$712 million were transferred to TRF on behalf of former MTRFA retirees. The unfunded liability for former MTRFA members was assumed by TRF. The resulting TRF unfunded liability is being funded from multiple sources, including redirection of existing MTRFA direct state and local aids, a higher employee contribution rate, and an increased employer contribution rate beginning July 1, 2007. The TRF unfunded liability will be amortized over a closed period ending July 1, 2037.

Under new legislation, all TRF coordinated members received improved formula multipliers from 1.2 to 1.4 percent and from 1.7 to 1.9 percent per year for years of service beginning on or after July 1, 2006. Beginning, July 1, 2006, TRF coordinated employee contribution rates increased .5 percent.

All TRF members hired on or after July 1, 2006, are eligible for a reduced deferred annuity augmentation of 2.5 percent per year between the date of termination and effective date of retirement. TRF members hired prior to July 1, 2006, are eligible for a deferred annuity augmentation of 3 percent per year prior to age 55 and 5 percent per year from age 55 until the date of retirement.

Note 9 – Termination and Postretirement Benefits

Primary Government – Termination Benefits

Effective July 1, 2005, the state implemented Governmental Accounting Standards Board (GASB) Statement No. 47, "Accounting for Termination Benefits". Early termination benefits are defined as benefits received for discontinuing services earlier than planned. Under this statement, 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. Approximately 200 former faculty members currently receive this benefit. The cost of the benefits was \$4,700,000 during fiscal year 2006. The implementation of Statement No. 47 resulted in a current undiscounted liability of \$3,062,000 and a non-current liability of \$2,870,000 being added to State Colleges and Universities Fund (enterprise fund) statement of net assets.

Primary Government – Postemployment Benefits Other Than Pensions

Postemployment benefits other than pensions are available to certain employees of the state, under terms of their employment contract. Through fiscal year 2006, the employees involved were primarily conservation officers, correctional counselors at state correctional facilities, and highway patrol officers. If these employees elect to retire at age 55, the state pays for the employer's share of health insurance benefits until the employees reach age 65. GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", required to be implemented for fiscal year 2008, establishes standards for the measurement, recognition, and display of these postemployment benefits. The impact of the implementation of Statement No. 45 will be determined by an actuarial calculation and has not yet been estimated. Pending implementation of Statement No. 45, the state will continue to recognize the cost of these benefits as eligible employees retire. Approximately 900 former employees currently receive this benefit. The cost of the benefits was \$7,637,000 during fiscal year 2006.

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

Component Unit

Metropolitan Council (MC) provides certain health care, life insurance, and other non-pension benefits for some employees as negotiated in labor contracts. MC paid \$7,252,000 for the year ended December 31, 2005, for health care and life insurance benefits for 1,100 former employees who met specific eligibility requirements. MC also earmarked approximately \$44,187,000 to pay future retiree health care benefits.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction, and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, gas tax and motor vehicle registration revenues, and federal grants. Long-term commitments as of June 30, 2006, were as follows:

Primary Government Long-Term Commitments As of June 30, 2006 (In Thousands)	
Special Revenue Fund:	
Trunk Highway Fund	\$ 698,735
Capital Projects Funds:	
General Projects Fund	1,558
Transportation Fund	71,453
Building Fund	481,529
Enterprise Funds:	
State Colleges and Universities	<u>85,604</u>
Total Primary Government	<u>\$ 1,338,879</u>

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse petroleum storage tank owners for most of their costs to investigate or clean up contamination from petroleum tank releases. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). A significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of October 2006, the Petrofund has reimbursed eligible applicants approximately \$375 million since program inception in 1987. The estimated total payments from the program, which terminates on June 30, 2012, are between \$425 and \$465 million for investigative and cleanup costs.

Remediation Fund

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

Component Units

University of Minnesota (U of M) has construction projects in progress with an estimated cost of \$173,667,000 to complete. These costs will be funded from plant fund assets and state appropriations.

U of M owns certain steam production facilities that produce steam for heating and cooling for the Twin Cities campuses. By agreement, these facilities are managed, operated, and maintained by an unaffiliated company. The term of the agreement is five years and commenced on May 17, 2004. Under the agreement, U of M must make minimum fixed payments for certain operating and maintenance costs, as well as contingent payments based on monthly usage.

The minimum fixed amounts of the steam plant required payments as of June 30, 2006, were as follows:

University of Minnesota Required Steam Plant Payments (In Thousands)	
<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2007	\$ 791
2008	742
2009	<u>650</u>
Total Commitments	<u><u>\$ 2,183</u></u>

Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2005, unpaid commitments for Metro Transit Bus services were approximately \$30.1 million. Future commitments for Metro Transit Light Rail were approximately \$8.5 million. Future commitments for Regional Transit services were approximately \$164.3 million. Finally, future commitments for Environmental Services were approximately \$28 million.

As of June 30, 2006, Public Facilities Authority (PFA) had committed approximately \$123 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed, \$5.9 million for disbursement of non point-source pollution control awards and \$11.3 million for other programs.

Note 11 – Operating Lease Agreements

Operating Leases

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

Lease expenditures for the year ended June 30, 2006, totaled approximately \$75,552,000 and \$14,638,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2005, totaled approximately \$2,291,000 for component units.

Future Minimum Lease Payments (In Thousands)					
Primary Government		Component Units			
Year Ending June 30	Amount	Year Ending June 30	Amount	Year Ending December 31	Amount
2007	\$ 73,063	2007	\$ 10,320	2006	\$ 1,092
2008	59,930	2008	9,839	2007	301
2009	42,262	2009	8,855	2008	280
2010	32,665	2010	4,757	2009	263
2011	28,810	2011	4,213	2010	157
2012-2016	88,559	2012-2016	11,431	2011-2015	263
2017-2021	2,235	Total	<u>\$ 49,415</u>	Total	<u>\$ 2,356</u>
2022-2026	3,847				
2027-2031	<u>866</u>				
Total	<u>\$ 332,237</u>				

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2006, and the changes during fiscal year 2006:

Long-Term Liabilities Year Ended June 30, 2006 (In Thousands)					
	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Liabilities For:					
General Obligation Bonds	\$ 3,315,282	\$ 538,909	\$ 439,952	\$ 3,414,239	\$ 301,856
Bond Premium	168,574	45,141	12,573	201,142	13,448
Loans	17,130	36,480 ⁽¹⁾	7,692	45,918	13,444
Due to Component Unit	23,610	9,687	3,387	29,910	6,970
Claims	1,318,434	3,174	428,995	892,613	97,102
Compensated Absences	244,479	200,032	198,148	246,363	26,121
Workers' Compensation	111,017	10,457	12,069	109,405	13,308
Capital Leases	<u>11,037</u>	<u>180,005</u>	<u>8,112</u>	<u>182,930</u>	<u>8,148</u>
Total	<u>\$ 5,209,563</u>	<u>\$ 1,023,885</u>	<u>\$ 1,110,928</u>	<u>\$ 5,122,520</u>	<u>\$ 480,397</u>
Business-type Activities					
Liabilities For:					
General Obligation Bonds	\$ 145,028	\$ 22,051	\$ 10,183	\$ 156,896	\$ 11,468
Bond Premium	4,420	3,887	572	7,735	-
Loans	87,376	973	82,517	5,832	1,101
Revenue Bonds	52,475	45,320	2,015	95,780	2,910
Compensated Absences	117,739	38,472	34,241	121,970	14,285
Workers' Compensation	5,148	2,139	1,876	5,411	1,633
Capital Leases	<u>26,497</u>	<u>2,826</u>	<u>2,803</u>	<u>26,520</u>	<u>2,514</u>
Total	<u>\$ 438,683</u>	<u>\$ 115,668</u>	<u>\$ 134,207</u>	<u>\$ 420,144</u>	<u>\$ 33,911</u>
⁽¹⁾ \$14,677 reported as a prior period adjustment. See Note 21.					

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

Primary Government Resources for Repayment of Long-Term Liabilities (In Thousands)				
	Governmental Activities			Total
	General Fund	Special Revenue Funds	Business-type Activities	
Liabilities For:				
General Obligation Bonds	\$ 2,784,654	\$ 629,585	\$ 156,896	\$ 3,571,135
Bond Premium	201,142	-	7,735	208,877
Loans	-	45,918	5,832	51,750
Due to Component Unit	-	29,910	-	29,910
Revenue Bonds	-	-	95,780	95,780
Claims	87,772	804,841	-	892,613
Compensated Absences	118,128	128,235	121,970	368,333
Workers' Compensation	82,999	26,406	5,411	114,816
Capital Leases	177,213	5,717	26,520	209,450
Total	<u>\$ 3,451,908</u>	<u>\$ 1,670,612</u>	<u>\$ 420,144</u>	<u>\$ 5,542,664</u>

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

Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)						
Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 301,856	\$ 165,294	\$ 11,468	\$ 7,687	\$ 313,324	\$ 172,981
2008	279,881	150,916	11,205	7,122	291,086	158,038
2009	277,593	136,506	11,222	6,559	288,815	143,065
2010	268,274	122,772	11,246	5,991	279,520	128,763
2011	237,050	109,956	10,750	5,433	247,800	115,389
2012-2016	1,065,734	380,143	49,121	19,410	1,114,855	399,553
2017-2021	687,984	156,331	36,336	8,328	724,320	164,659
2022-2026	295,867	27,277	15,548	1,419	311,415	28,696
Total	<u>\$ 3,414,239</u>	<u>\$ 1,249,195</u>	<u>\$ 156,896</u>	<u>\$ 61,949</u>	<u>\$ 3,571,135</u>	<u>\$ 1,311,144</u>

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

<u>Fiscal Year(s)</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,910	\$ 5,063
2008	2,785	4,904
2009	3,745	4,742
2010	3,930	4,555
2011	4,080	4,355
2012-2016	21,155	18,690
2017-2021	22,235	12,783
2022-2026	21,020	6,194
2027-2031	9,455	2,343
2032-2036	<u>4,465</u>	<u>226</u>
Total	<u>\$ 95,780</u>	<u>\$ 63,855</u>

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

<u>Fiscal Year(s)</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 20,414	\$ 1,264	\$ 1,101	\$ 294	\$ 21,515	\$ 1,558
2008	17,068	2,156	892	237	17,960	2,393
2009	16,442	770	570	191	17,012	961
2010	8,780	2,156	600	159	9,380	2,315
2011	2,354	395	620	126	2,974	521
2012-2016	9,058	1,081	1,728	241	10,786	1,322
2017-2021	<u>1,712</u>	<u>51</u>	<u>321</u>	<u>25</u>	<u>2,033</u>	<u>76</u>
Total	<u>\$ 75,828</u>	<u>\$ 7,873</u>	<u>\$ 5,832</u>	<u>\$ 1,273</u>	<u>\$ 81,660</u>	<u>\$ 9,146</u>

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

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 8,148	\$ 8,850	\$ 2,514	\$ 1,307	\$ 10,662	\$ 10,157
2008	7,184	8,367	2,576	1,199	9,760	9,566
2009	7,228	8,149	2,007	1,090	9,235	9,239
2010	5,752	7,913	1,884	980	7,636	8,893
2011	5,960	7,688	1,673	914	7,633	8,602
2012-2016	33,783	34,251	5,941	3,604	39,724	37,855
2017-2021	42,728	24,806	6,780	2,057	49,508	26,863
2022-2026	54,298	12,849	1,898	566	56,196	13,415
2027-2031	17,849	1,097	1,137	187	18,986	1,284
2032-2036	-	-	110	3	110	3
Total	<u>\$ 182,930</u>	<u>\$ 113,970</u>	<u>\$ 26,520</u>	<u>\$ 11,907</u>	<u>\$ 209,450</u>	<u>\$ 125,877</u>

Debt Service Fund

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

During fiscal year 2006, the Department of Finance made the necessary transfers to the Debt Service Fund as follows:

Primary Government Transfers to Debt Service Fund Year Ended June 30, 2006 (In Thousands)	
General Fund	\$ 352,447
Special Revenue Funds:	
Game and Fish Fund	\$ 8
Trunk Highway Fund	36,347
Natural Resources Funds	11
Maximum Effort School Loan Fund	1,900
Miscellaneous Special Revenue Fund	1,548
Total Special Revenue Funds	\$ 39,814
Capital Projects Funds:	
Building Fund	\$ 3,224
Total Operating Transfers to Debt Service Fund	<u>\$ 395,485</u>

General Obligation Bond Issues

On October 1, 2005, \$285,400,000 in general obligation state various purpose bonds, \$111,600,000 in general obligation state trunk highway bonds and \$160,960,000 general obligation advance refunding bonds were issued at a true interest rate of 3.82 percent. On February 1, 2006, \$3,000,000 in general obligation Rural Finance Authority bonds was issued at a true interest rate of 4.87 percent. During fiscal year 2006, \$450,135,000 in general obligation bond principal was repaid or defeased.

As a result of the advance refunding, the state reduced its total debt service requirements by \$17,477,000, which resulted in an economic gain of \$15,357,000. The balance outstanding for all extinguished debt as of June 30, 2006, was \$82,750,000, which is shown below. The state remains contingently liable to pay the advance refunded general obligation bonds.

General Obligation Bonds Outstanding Defeased Debt (In Thousands)				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2006 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
October 1, 2005	\$ 81,415	\$ 82,750	\$ 82,750	November 1, 2006

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2006. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

**General Obligation Bonds Authorized, but Unissued and Bonds Outstanding
As of June 30, 2006
(In Thousands)**

<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates Range - %</u>
State Building	\$ 2,271	\$ 747,083	3.00 – 6.00
State Operated Community Services	-	3,397	3.75 – 7.56
State Transportation	-	123,094	3.00 – 6.38
Waste Management	-	3,235	4.00 – 6.00
Water Pollution Control	-	53,335	3.00 – 6.00
Maximum Effort School Loan	-	72,970	4.00 – 6.00
Reinvest in Minnesota	-	565	4.00 – 6.00
Rural Finance Administration	12,500	67,600	3.50 – 7.05
Refunding Bonds	-	674,064	1.50 – 5.40
Municipal Energy Building	-	1,440	3.00 – 6.00
Game and Fish Building	-	16	1.50 – 5.00
Trunk Highway	148,525	433,505	1.50 – 5.50
Airport Facilities	-	36,850	5.30 – 7.95
Landfill	-	11,045	4.25 – 6.00
Various Purpose	<u>1,876,069</u>	<u>1,342,936</u>	3.00 – 5.62
Total	<u>\$ 2,039,365</u>	<u>\$ 3,571,135</u>	

Capital Leases

The state entered into capital lease agreements with St Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The state has other capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option and the equipment at any time during the lease period.

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of \$29,378,000 were from local government entities to finance certain trunk highway projects. In addition, \$29,910,000 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 primarily loans for the Department of Administration to purchase equipment and college and university building energy efficiency improvements financed by the energy provider.

Revenue Bonds Payable

Minnesota State Colleges and Universities is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$150,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, student union, and food service purposes at state colleges and universities.

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

Giants Ridge Outstanding Defeased Debt (In Thousands)				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2006 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
November 1, 2000	\$ 3,710	\$ 3,710	\$ 2,960	October 1, 2012

Claims

Municipal solid waste landfill liability of \$193,993,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Remediation Fund (special revenue fund) and the General Fund.

Claims of \$50,026,000 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 \$80,394,000 are for certain employees who qualify for postretirement benefits upon retirement at age 55 under terms of their employment contract. See Note 9 – Postretirement Benefits for the amount paid in fiscal year 2006.

The remaining claim amount of \$568,200,000 is for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00%) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. For 2005 and earlier years, the estimated cost was not discounted. A decrease of \$318,400,000 is attributable to application of the discounting method in fiscal year 2006. Without alteration by settlements, the liability is expected to extend to approximately the year 2049 for supplementary benefits and 2033 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$246,363,000 and \$121,970,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The governmental activities and business-type activities liability for workers' compensation of \$109,405,000 and \$5,411,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2006, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2006, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

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

Long-Term Debt Repayment Schedule		
Fiduciary Funds		
(In Thousands)		
Revenue Bonds – SERF, TRF, and PERF		
<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 550	\$ 1,539
2008	575	1,509
2009	600	1,479
2010	625	1,446
2011	675	1,413
2012-2016	3,925	6,472
2017-2021	5,225	5,227
2022-2026	7,050	3,501
2027-2031	7,400	1,142
Total	<u>\$ 26,625</u>	<u>\$ 23,728</u>

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed \$3,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of bonds outstanding on June 30, 2006, was \$1,946,091,000.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the full faith and credit and taxing powers of MC. MC had \$1,070,583,000 in general obligation bonds outstanding, net of unamortized premium, and \$10,645,000 of revenue bonds outstanding on December 31, 2005.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2006, the principal amount of revenue bonds outstanding was \$74,603,000 and the principal amount of general obligation bonds outstanding was \$399,037,000. The University Gateway Corporation, component unit of U of M, issued revenue bonds. As of June 30, 2006, the outstanding principal amount on these bonds was \$67,103,000. This amount is not included in the debt repayment schedule.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2006, the principal amount of revenue bonds outstanding was \$24,215,000.

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, 2006, the outstanding principal of revenue bonds was \$487,000,000.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed \$1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2006, was \$972,928,000.

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

<u>Fiscal Year(s)</u>	<u>U of M</u>		<u>MC⁽¹⁾</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 124,967	\$ 26,262	\$ 90,820	\$ 41,081
2008	114,846	20,643	86,207	35,679
2009	86,467	8,697	93,054	32,516
2010	5,125	3,196	68,903	29,287
2011	5,715	2,948	62,327	26,558
2012-2016	9,600	12,584	282,217	97,705
2017-2021	11,900	10,268	246,990	47,439
2022-2026	15,400	7,347	120,489	9,542
2027-2031	19,500	3,633	-	-
2032-2036	<u>4,500</u>	<u>197</u>	<u>-</u>	<u>-</u>
	\$ 398,020	\$ 95,775	\$ 1,051,007	\$ 319,807
Unamortized Discounts/Premiums				
and Issuance Costs	<u>1,017</u>	<u>-</u>	<u>19,576</u>	<u>-</u>
Total	<u>\$ 399,037</u>	<u>\$ 95,775</u>	<u>\$ 1,070,583</u>	<u>\$ 319,807</u>

⁽¹⁾MC fiscal year ends December 31.

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

Fiscal Year(s)	U of M		HFA		MC ⁽²⁾	
	Principal ⁽¹⁾	Interest	Principal	Interest	Principal	Interest
2007	\$ 955	\$ 448	\$ 398,030	\$ 81,901	\$ 845	\$ 535
2008	1,015	389	40,865	73,034	890	494
2009	1,080	327	37,060	71,532	935	449
2010	1,140	261	44,370	69,898	985	402
2011	1,095	191	42,260	68,105	1,035	351
2012-2016	2,215	260	240,605	308,798	6,070	861
2017-2021	-	-	246,850	251,159	-	-
2022-2026	-	-	276,885	188,082	-	-
2027-2031	-	-	324,555	113,349	-	-
2032-2036	-	-	261,555	39,018	-	-
2037-2041	-	-	26,785	2,486	-	-
2042-2046	-	-	4,135	660	-	-
2047-2052	-	-	530	25	-	-
	<u>\$ 7,500</u>	<u>\$ 1,876</u>	<u>\$ 1,944,485</u>	<u>\$ 1,268,047</u>	<u>\$ 10,760</u>	<u>\$ 3,092</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	1,606	-	(115)	-
Total	<u>\$ 7,500</u>	<u>\$ 1,876</u>	<u>\$ 1,946,091</u>	<u>\$ 1,268,047</u>	<u>\$ 10,645</u>	<u>\$ 3,092</u>

⁽¹⁾Does not include foundation issued bonds.

⁽²⁾MC fiscal year ends December 31.

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

Fiscal Year(s)	OHE		PFA		AEDB	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	\$ 22,248	\$ 41,690	\$ 46,218	\$ 5,495	\$ 1,316
2008	-	22,248	46,250	44,175	1,810	1,097
2009	-	22,248	49,440	41,957	1,825	997
2010	-	22,248	49,255	39,553	1,910	891
2011	-	22,247	55,720	37,361	1,780	779
2012-2016	-	111,239	313,565	143,889	6,340	2,702
2017-2021	28,160	111,027	280,045	67,397	5,055	847
2022-2026	127,580	94,741	110,500	10,521	-	-
2027-2031	139,500	65,985	-	-	-	-
2032-2036	131,340	37,820	-	-	-	-
2037-2041	60,420	8,156	-	-	-	-
	\$ 487,000	\$ 540,207	\$ 946,465	\$ 431,071	\$ 24,215	\$ 8,629
Unamortized Discounts/Premiums and Issuance Costs	-	-	26,463	-	-	-
Total	<u>\$ 487,000</u>	<u>\$ 540,207</u>	<u>\$ 972,928</u>	<u>\$ 431,071</u>	<u>\$ 24,215</u>	<u>\$ 8,629</u>

Variable Rate Debt

University of Minnesota

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

The interest rate on the taxable Series 1999A bonds, taxable Series 2002A bonds, tax-exempt Series 2002B bonds, taxable Series 2003A bonds, tax-exempt Series 2003B bonds, taxable Series 2004A bonds, tax-exempt Series 2004B bonds, taxable Series 2005A bonds, and tax-exempt Series 2005B bonds reset every 7, 7, 7, 28, 35, 28, 35, 28, and 35 days, respectively, based on a determination by the auction agent through auction proceedings. The rate cannot exceed the lesser of the applicable London InterBank Offered Rate (LIBOR) rate plus 1.00 percent or 17.00 percent. The interest rate as of June 30, 2006, for the Series 1999A bonds was 5.19 percent. The interest rates as of June 30, 2006, for the Series 2002A and 2002B bonds were 5.15 percent and 3.62 percent, respectively. The interest rates as of June 30, 2006, for the Series 2003A and 2003B bonds were 5.00 percent, and 3.62 percent, respectively. The interest rates as of June 30, 2006, for the Series 2004A and 2004B bonds were 5.00 percent and 3.97 percent, respectively. The interest rate as of June 30, 2006, for the Series 2005A and 2005B bonds was 5.35 percent and 3.58 percent, respectively.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was \$271,635,000 with \$185,570,000 outstanding as of June 30, 2006. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M financial statements.

During the fiscal year ended December 31, 2005, Metropolitan Council issued \$38,205,000 in general obligation bonds which refunded the remaining maturities of the Series 1996B, 1999B and 2000A general obligation bonds. The transactions resulted in an economic gain of \$2,444,000 and a reduction of \$3,144,000 in future debt service payments.

Public Facilities Authority had \$349,790,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2006.

Note 14 – Landfill Closure and Postclosure

Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. There are currently 109 closed sites in the program. Up to three additional sites could enter the program in the near future. The state becomes responsible for the long-term care of these closed municipal solid waste facilities only after certain eligibility requirements are met. The state is responsible, in perpetuity, for performing cleanup and final closure work as well as all maintenance and monitoring functions at these qualifying sites. Funding for the state's perpetual obligation at these landfills comes from the Remediation Fund (special revenue fund) which includes revenues from the Solid Waste Management Tax authorized by Minnesota Statutes, Chapter 297H, insurance recovery proceeds, and financial assurance from previous owners and operators. Additional revenue from the sale of state general obligation bonds is used for design and construction work at the publicly-owned landfills in the program. As of June 30, 2006, cumulative expenditures of about \$245 million have been disbursed by the Remediation Fund and the issuance of bonds. Estimates show that the total of all payments for the program may reach \$557 million. These estimates include costs for planned response actions, costs representing future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Actual costs could become higher because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

Note 15 – Segment Information

Primary Government Segment Information Financial Data Year Ended June 30, 2006 (In Thousands)

	Minnesota State Colleges and Universities (MnSCU)				
	Giants Ridge	Revenue Fund	Vermilion Residence Halls	Modular Housing	Itasca Residence Halls
Condensed Statement of Net Assets					
Assets:					
Current Assets	\$ 4,674	\$ 48,089	\$ 65	\$ 48	\$ (114)
Restricted Assets	2,070	61,666	457	142	373
Capital Assets	21,643	126,897	1,313	779	3,986
Total Assets	<u>\$ 28,387</u>	<u>\$ 236,652</u>	<u>\$ 1,835</u>	<u>\$ 969</u>	<u>\$ 4,245</u>
Liabilities:					
Current Liabilities	\$ 1,328	\$ 16,320	\$ 361	\$ 106	\$ 158
Noncurrent Liabilities	13,883	87,505	-	414	2,311
Total Liabilities	<u>\$ 15,211</u>	<u>\$ 103,825</u>	<u>\$ 361</u>	<u>\$ 520</u>	<u>\$ 2,469</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	\$ 9,177	\$ 92,223	\$ 1,313	\$ 364	\$ 1,601
Restricted	-	40,604	206	73	314
Unrestricted	3,999	-	(45)	12	(139)
Total Net Assets	<u>\$ 13,176</u>	<u>\$ 132,827</u>	<u>\$ 1,474</u>	<u>\$ 449</u>	<u>\$ 1,776</u>
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets					
Operating Revenues - Customer Charges	\$ 4,562	\$ 72,828	\$ 434	\$ 217	\$ 318
Depreciation Expense	(1,162)	(7,835)	(64)	(28)	(71)
Other Operating Expenses	(5,139)	(57,496)	(330)	(136)	(194)
Operating Income (Loss)	<u>\$ (1,739)</u>	<u>\$ 7,497</u>	<u>\$ 40</u>	<u>\$ 53</u>	<u>\$ 53</u>
Nonoperating Revenues (Expenses):					
Interest Income	\$ 131	\$ 4,073	\$ 12	\$ 4	\$ 25
Interest Expense	(1,045)	(3,496)	(26)	(29)	(134)
Other	(5)	3	10	-	657
Transfers-In (Out)	2,032	-	-	-	-
Change in Net Assets	<u>\$ (626)</u>	<u>\$ 8,077</u>	<u>\$ 36</u>	<u>\$ 28</u>	<u>\$ 601</u>
Beginning Net Assets	13,802	124,750	1,438	421	1,175
Ending Net Assets	<u>\$ 13,176</u>	<u>\$ 132,827</u>	<u>\$ 1,474</u>	<u>\$ 449</u>	<u>\$ 1,776</u>
Condensed Statement of Cash Flows					
Net Cash Provided (Used) By:					
Operating Activities	\$ (312)	\$ 14,737	\$ 212	\$ 123	\$ 130
Noncapital Financing Activities	2,032	-	-	-	-
Capital and Related Financing Activities	(2,082)	30,930	(126)	(87)	(1,770)
Investing Activities	131	4,055	13	5	25
Net Increase (Decrease)	<u>\$ (231)</u>	<u>\$ 49,722</u>	<u>\$ 99</u>	<u>\$ 41</u>	<u>\$ (1,615)</u>
Beginning Cash and Cash Equivalents	\$ 4,923	\$ 45,639	\$ 419	\$ 141	\$ 1,848
Ending Cash and Cash Equivalents	<u>\$ 4,692</u>	<u>\$ 95,361</u>	<u>\$ 518</u>	<u>\$ 182</u>	<u>\$ 233</u>

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

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

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

Note 16 – Contingent Liabilities

Primary Government

The Minnesota Supreme Court issued a final ruling in the *Hutchinson Technology* case in June 2005 that allows some corporations increased use of both the Minnesota foreign operating corporation designation and the Minnesota foreign royalty and fee subtractions. This ruling results in additional tax deductions and subtractions in the calculation of Minnesota corporate franchise tax for those corporations resulting in lower Minnesota corporate franchise tax collection (or higher refunds). The ruling affects both past and future tax years. Financial impacts on future tax years will be recognized in the state's forecast and budget process. At June 30, 2005, there was uncertainty about exactly which corporations and past tax years are impacted and to what extent; therefore, an estimated liability of \$265 million was recognized. The remaining liability as of June 30, 2006, of \$60 million, plus accrued interest of \$23 million was recorded in the General Fund. This estimated liability was reduced in the current year as actual amended returns processed were significantly less than originally projected.

In addition to the pension trust funds included in the reporting entity (see Note 8 – Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state's contributions to these local funds. Funding is provided in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The pension trust funds involved, the year-end for which the most current data is available, and the unfunded liabilities are described below (in thousands):

<u>Fund</u>	<u>Liability As Of</u>	<u>Unfunded Liability</u>
Minneapolis Employee Retirement Fund	June 30, 2006	\$ 127,373
St. Paul Teachers Retirement Fund	June 30, 2005	\$ 394,539
Local Police and Fire Fund ⁽¹⁾	December 31, 2005	\$ 150,016
⁽¹⁾ The Local Police and Fire Fund consists of four local plans.		

Component Units

Housing Finance Agency (HFA) is engaged in a continuing dialog with HUD regarding the use of contracts for deed to convey HOME-assisted single-family homes to families that would not qualify for market rate mortgage financing. Effective March 15, 2006, HUD rescinded its prior approval of contracts for deed as an acceptable alternative form of homeownership in the Federal-HOME program. HFA believes it has been and remains in compliance with the HOME program's regulations and requirements but has notified its grantees to not sell any properties approved by the MHFA after March 15, 2006, via contracts for deed until further notice.

Since January 18, 2000, Metropolitan Council (MC) has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for \$2,696,000, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska, and MC. The city must reimburse MC for any money paid by MC for debt service on the bonds. These bonds have a final maturity on January 1, 2030.

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

Workers' Compensation Assigned Risk Plan (WCARP) contracts with six servicing contractors to provide policy issuance, premium accounting, and claim settlement services in exchange for a service fee based upon a standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general service agreement.

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts in force at December 31, 2005, was approximately \$3.9 million.

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

Note 17 – Northwest Airlines Maintenance Facilities

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

As of June 30, 2006, \$36,850,000 of the revenue bonds remained outstanding. Of this amount, \$21,225,000 is payable primarily from lease payments of NWA, and \$15,625,000 is payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event these revenues are insufficient to make the debt service payments on the revenue bonds, the state may apply certain state-aid payments otherwise payable to the city of Duluth.

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

NWA is required under the terms of the agreements for the maintenance facility to pledge to the state collateral with a value of at least 125 percent of the principal amount of bonds outstanding. The collateral pledged to the state as of June 30, 2006, consisted of: 1) the maintenance facility that was valued at \$14,546,000 on May 3, 2004, and 2) a \$39,000,000 Promissory Note issued to NWA by Champion Air in June 2003, which had value of \$38,000,000 on March 8, 2005.

Note 18 – Equity

Restricted Net Assets – Government-wide Statement of Net Assts

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

Primary Government Restricted Net Asset Balances As of June 30, 2006 (In Thousands)				
	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Capital Projects	\$ 15,886	\$ -	\$ -	\$ 15,886
Debt Service	385,870	-	-	385,870
Transportation	291,516	416,958	-	708,474
Environmental Resources	-	574,619	6,703	581,322
Economic and Workforce Development	-	59,334	3,999	63,333
School Aid - Nonexpendable	642,695	-	-	642,695
School Aid - Expendable	11,443	77,602	-	89,045
Health & Human Services	-	-	28,724	28,724
Unemployment Benefits	-	-	518,336	518,336
State Colleges and Universities	-	-	277,878	277,878
Other Purposes	-	-	24,006	24,006
Total Restricted Net Assets	<u>\$ 1,347,410</u>	<u>\$ 1,128,513</u>	<u>\$ 859,646</u>	<u>\$ 3,335,569</u>

Fund Balances – Primary Government

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

Primary Government Fund Balances As of June 30, 2006 (In Thousands)			
	<u>General</u>	<u>Federal</u>	<u>Nonmajor Governmental</u>
Fund Balances:			
Reserved for Encumbrances	\$ 177,643	\$ -	\$ 184,028
Reserved for Inventory	-	-	18,723
Reserved for Long-Term Receivables	50,997	65	259,385
Reserved for Long-Term Commitments	-	-	269,857
Reserved for Local Governments	-	-	410,179
Reserved for Trust Principal	-	-	1,041,547
Reserved for Debt Requirements	-	-	614,960
Reserved for Other	-	6,638	-
Total Reserved Fund Balances	\$ 228,640	\$ 6,703	\$ 2,798,679
Unreserved Fund Balances:			
Designated for Appropriation Carryover	\$ 190,094	\$ -	\$ 246,521
Budgetary Reserve	420,073	-	-
Designated for Fund Purposes	-	-	468,681
Total Designated Fund Balance	\$ 610,167	\$ -	\$ 715,202
Undesignated	-	-	191,415
Total Unreserved Fund Balance	\$ 610,167	\$ -	\$ 906,617
Total Fund Balance	<u>\$ 838,807</u>	<u>\$ 6,703</u>	<u>\$ 3,705,296</u>

Reserved Fund Balance

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

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

Reserved for Other of \$6,638,000 in the Federal Fund consists primarily of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

Unreserved Fund Balance

Unreserved Fund Balance consists of: 1) designated fund balances indicating tentative managerial plans for future use of resources, and 2) undesignated fund balances indicating those unreserved financial resources available for appropriation.

Designated for Fund Purposes consists of fund balances for non-appropriated funds to be used for the following purposes:

Fund Balance Designated for Fund Purposes As of June 30, 2006 (In Thousands)		
		Special Revenue Funds
Public Safety and Corrections	\$	27,226
Transportation		122,731
Environmental Resources		50,931
Economic and Workforce Development		85,452
General Education		6,610
Higher Education		5,086
Health and Human Services		115,501
General Government		51,620
Intergovernmental Aids		3,524
Total	\$	<u>468,681</u>

Deficit Fund Balance

A \$11,072,000 deficit total fund balance in the Transportation Fund (nonmajor capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

Note 19 – Risk Management

Primary Government

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

Risk Management Fund

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

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$2,000,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach \$5,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a \$25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of \$300,000 bodily injury and property damage per person, and \$1,000,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides \$10,000,000 excess of the tort cap 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 is not able to self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

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

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

Tort Claims

Tort claims against the state are limited to \$300,000 bodily injury and property damage per person, and \$1,000,000 bodily injury and property damage per occurrence. State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation related claims and is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of \$1,560,000. The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. These costs are paid from each agency's operating budget. During fiscal year 2006, no significant change in claim liability occurred.

State Employee Group Insurance Program

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

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

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

Public Employees Insurance Program

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

PEIP's membership as of June 30, 2006, was 1,700 members and their dependents. The members of the pool include 15 school districts, 55 cities/townships, 3 counties, and 16 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for Stop-Loss coverage for claims in excess of \$65,000.

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

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2006, and 2005:

Self-Insured Claim Liabilities
As of June 30, 2006 (In Thousands)

	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
Risk Management Fund				
Fiscal Year Ended 6/30/05	\$ 8,141	\$ 6,959	\$ 5,027	\$ 10,073
Fiscal Year Ended 6/30/06	\$ 10,073	\$ 3,237	\$ 3,643	\$ 9,667
Tort Claims ⁽¹⁾				
Fiscal Year Ended 6/30/05	\$ -	\$ 1,164	\$ 1,164	\$ -
Fiscal Year Ended 6/30/06	\$ -	\$ 890	\$ 890	\$ -
Workers' Compensation				
Fiscal Year Ended 6/30/05	\$ 116,738	\$ 15,723	\$ 16,304	\$ 116,157
Fiscal Year Ended 6/30/06	\$ 116,157	\$ 12,694	\$ 14,035	\$ 114,816
State Employee Insurance Plans				
Fiscal Year Ended 6/30/05	\$ 36,683	\$ 399,753	\$ 398,133	\$ 38,303
Fiscal Year Ended 6/30/06	\$ 38,303	\$ 427,447	\$ 427,818	\$ 37,932

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

Public Employee Insurance
Medical
(In Thousands)

	<u>Year Ended June 30</u>	
	<u>2006</u>	<u>2005</u>
Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year	\$ 1,695	\$ 1,810
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	12,551	16,499
Increases (Decreases) in Provision for Insured Events of Prior Years	(455)	283
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 12,096</u>	<u>\$ 16,782</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 11,437	\$ 14,822
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,229	2,075
Total Payments	<u>\$ 12,666</u>	<u>\$ 16,897</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 1,125</u>	<u>\$ 1,695</u>

Component Units

Metropolitan Council

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

Liability

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

Workers' Compensation

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 6 percent. The self-insurance retention limit for workers' compensation is \$1,560,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

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

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

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2004, and 2005 or June 30, 2005, and 2006, as applicable:

	Claims Liabilities (In Thousands)			
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
Metropolitan Council				
Fiscal Year Ended 12/31/04	\$ 21,795	\$ 3,606	\$ 6,892	\$ 18,509
Fiscal Year Ended 12/31/05	\$ 18,509	\$ 5,436	\$ 6,804	\$ 17,141
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/05	\$ 7,459	\$ 1,906	\$ 3,059	\$ 6,306
Fiscal Year Ended 6/30/06	\$ 6,306	\$ 2,556	\$ 2,133	\$ 6,729
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/05	\$ 11,000	\$ 1,229	\$ 3,229	\$ 9,000
Fiscal Year Ended 6/30/06	\$ 9,000	\$ 676	\$ 2,676	\$ 7,000
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/05	\$ 18,419	\$ 144,138	\$ 148,104	\$ 14,453
Fiscal Year Ended 6/30/06	\$ 14,453	\$ 166,635	\$ 165,240	\$ 15,848

Note 20 – Budgetary Basis vs GAAP

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

Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2006 (In Thousands)		<u>General Fund</u>
GAAP Basis Fund Balance:	\$	838,807
Less: Reserved Fund Balance		228,640
Less: Designated Fund Balance		610,167
Undesignated Fund Balance	\$	<u>-</u>
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	\$	(444,760)
Tax Refunds Payable		508,538
Human Services Receivable		(11,638)
Other Receivables		(36,674)
Permanent School Fund Reimbursement		(1,800)
Investments at Market		(1,211)
Expenditure Accruals/Adjustments:		
Medical Assistance		336,666
Human Services Grants Payable		58,657
Education Aids		656,284
Police and Fire Aid		80,625
Other Payables		21,852
Fund Structure Differences:		
Terminally Funded Pension Plans		8,655
Designated for Appropriation Carryover and Budgetary Reserve		(692,587)
Perspective Differences:		
Reserve for Long-Term Receivable		<u>50,997</u>
Budgetary Basis:		
Undesignated Fund Balance	\$	<u>533,604</u>

Note 21 – Prior Period Adjustments

Prior Period Adjustments

Primary Government

The government-wide loan payable and accrued interest payable balances include prior period adjustments of \$14,677,000 and \$552,000 respectively. These adjustments represent loans received prior to the current year from local governmental entities to finance Trunk Highway projects that will be repaid in future years.

Note 22 – Litigation

- 1) Payment of tort claims against the State is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The tort claims appropriations for the fiscal year ended June 30, 2005, were \$761,000 and for the fiscal year ending June 30, 2006, are also \$761,000. The maximum limits of liability for tort claims arising in Minnesota are \$300,000 for any one claim and \$1,000,000 for any number of claims arising out of a single occurrence.
- 2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the State, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of State moneys of over \$10,000,000 in excess of current levels.
 - a. At any one time, there are hundreds of Department of Transportation eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the State for property which has been, or will be, acquired exceeds \$10 million. Liability arising out of decisions unfavorable to the State may impact the State's Trunk Highway Fund.
 - b. *Council of Independent Tobacco Manufacturers of America, et al., v. The State of Minnesota, et al.* (Minnesota Supreme Court). Minn. Stat. § 297F.24 (2003) imposes a 35-cent per pack fee on "non-settlement cigarettes". A non-settlement cigarette "means a cigarette manufactured by a person other than a manufacturer [1] that ... is making annual Division Managers payments to the State of Minnesota under a settlement of the lawsuit styled as *State v. Philip Morris Inc.*" or [2] that has entered into a similar agreement also requiring annual payments. Plaintiffs challenged enforcement of the statute alleging that it abridges free speech, violates equal protection and due process guarantees, and is a bill of attainder. On November 19, 2003, the District Court upheld § 297F.24 against all of plaintiffs' challenges. On August 24, 2004, the Minnesota Court of Appeals affirmed. On May 16, 2005, the Minnesota Supreme Court affirmed the lower court's decision. Final judgment was entered on June 15, 2006. On September 14, 2006, plaintiffs filed a petition for writ of certiorari in the U.S. Supreme Court. The fee is expected to generate an estimated \$11.4 million over the 06/07 biennium.
 - c. *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for \$178,327 and seeks a \$5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of \$10 million. Trial is currently scheduled for June 2007.

- d. *Medical Assistance Supplemental Payments to Government Owned Facilities.* The federal Centers for Medicaid and Medicare Services ("CMS") has disapproved a Minnesota Medicaid state plan amendment that provides for increased payments to local government owned nursing homes. Department of Human Services is challenging the disapproval through an administrative appeal and anticipates appeals in the federal courts. In addition, CMS has disallowed and seeks to recover the federal share of the increased supplemental payments through a separate administrative proceeding, which will also likely lead to appeals in the federal courts. If CMS is successful in the present disapproval litigation and its threatened disapproval of other similar state plan amendments, the State would lose federal financial participation of approximately \$11 million per year. In the disapproval litigation, the parties have conducted discovery and submitted the matter on the briefs for dispositive determination by the federal hearing officer. In the disallowance litigation, the federal Department of Appeals Board issued an order on May 12, 2005, granting the State's motion to stay the State's disallowance appeal, pending determination of the disapproval litigation. The federal hearing officer in the disapproval litigation issued a decision and order on May 12, 2006, upholding CMS's disapproval of the State plan amendment. DHS filed exception to the decision. On July 10, 2006, the CMS Administrator affirmed the disapproval of the State plan amendment. A petition for review was filed to the Eighth Circuit Court of Appeals on September 8, 2006.
- e. *Merrill Lynch Pierce Fenner & Smith, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff engages in securities transactions sometimes on a commission basis and sometimes as a principal. Plaintiff's principal contention is that the Department of Revenue erred in using net rather than gross receipts in the apportionment formula sales factor for principal transactions. Plaintiff also alleges that the Department erred in the method used to "source" receipts from principal and commission transactions involving Minnesota customers and in excluding certain intangibles from the apportionment formula property factor denominator. Finally, Plaintiff alleges, on various grounds, that the Department's approach violates the Equal Protection, Uniformity and Due Process clauses of the Minnesota or Federal Constitutions and the Commerce Clause of the Federal Constitution. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of \$10 million. Trial is currently scheduled for October 2007.
- f. *State of Minnesota and Blue Cross and Blue Shield of Minnesota v. Philip Morris, et al.* and related case *Liggett Group v. State* (both in Ramsey County District Court). Cigarette manufacturers and the State executed settlement agreements under which the manufacturers agreed to make annual payments in perpetuity to the State, and the State released the manufacturers from all future claims for reimbursement for healthcare costs. Effective August 1, 2005, the Legislature imposed a tobacco use health impact fee to recover State health costs related to tobacco use and to deter youth smoking. All revenue from the fee must be credited to the Health Impact Fund. The manufacturers have moved to enforce their settlement agreements alleging that imposition of the fee violates the agreements' release of claims provisions. The Department of Revenue estimates that decisions favorable to the manufacturers would have an estimated \$340 million impact on the Health Impact Fund for the current biennium. The Minnesota Supreme Court issued a decision in the *Philip Morris* case upholding the health impact fee, and plaintiffs filed a petition for writ of certiorari in the U.S. Supreme Court. See Note 1b. above. Although the *Liggett* case involves a separate settlement agreement and is still pending in state district court, it appears that the Minnesota Supreme Court's reasoning in *Philip Morris* will apply equally to defeat Liggett's challenge to imposition of the health impact fee on its products. On November 6, 2006, Plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court.
- g. *Stewart Title Guaranty Company v. Commissioner of Revenue* (Minnesota Tax Court). The Commissioner assessed Plaintiff for additional insurance premium tax and interest. The issue is whether title insurance premium receipts retained by Plaintiff's agents (rather than transmitted to Plaintiff) are subject to the premium tax. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of \$10 million. Trial is currently scheduled for February 2007.

- h. *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* (Federal District Court, No. CV 04-924 JRT/JSM). Plaintiffs, two railroad common carriers, challenge the imposition of Minnesota's sales and use tax on their purchase and use in Minnesota of diesel fuel for locomotives and off-road vehicles. Plaintiffs allege that the tax is discriminatory under the Railroad Revitalization and Regulatory Reform Act of 1976 ("4 R Act") because their principal competitors, motor carriers, airlines, and barges, are not taxed under the same regime or pay little or no tax. The plaintiffs are seeking declaratory and injunctive relief prohibiting enforcement and collection of the tax. A determination in plaintiffs' favor could result in revenue collection losses in excess of \$10 million when applied to plaintiffs and other railroad common carriers operating in Minnesota. A decision is expected from the district court in early 2006. On August 22, 2006, the United States District Court filed a decision rejecting Plaintiffs' challenges and upholding enforcement and collection of the tax. On September 19, 2006, Plaintiffs filed an appeal in the United States Court of Appeal for the Eighth Circuit. A decision is expected during the summer of 2007.

Note 23 – Subsequent Events

Primary Government

On July 20, 2006, the state sold \$3,500,000 of general obligation bonds at a true interest rate of 5.46 percent. These bonds will be used to finance the cost of state Rural Finance Authority programs and are backed by the full faith and credit and taxing power of the state.

On July 18, 2006, the state sold \$289,450,000 of general obligation various purpose bonds and \$55,550,000 general obligation state trunk highway bonds at a true interest rate of 4.35 percent. The State Colleges and Universities (enterprise fund) will pay one-third of the debt service on \$42,000,000 of the general obligation various purpose bonds. These bonds are backed by the full faith and credit and taxing power of the state.

On July 26, 2006, the state sold \$15,145,000 of Educational Facilities Iron Range Resources and Rehabilitation revenue bonds at a true interest rate of 4.47 percent. These bonds will provide grants to school districts located in the Taconite Assistance Area to pay for health, safety, and maintenance improvements. These bonds are payable with specific appropriations from the annual distribution of taconite production tax revenues to Iron Range Resources and Rehabilitation and the Douglas J. Johnson Economic Protection Trust funds (special revenue funds).

On October 24, 2006, the state sold \$327,000,000 of general obligation various purpose bonds and \$73,000,000 of general obligation state trunk highway bonds at a true interest rate of 4.11 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On November 14, 2006, the state sold \$35,000,000 in revenue bonds at a true interest rate of 3.76 percent. These bonds will provide funding for implementation of statewide 911 emergency response communication system. The revenue bonds are secured by a monthly statewide 911 surcharge applied to subscribers of any basic telephone service capable to originating a 911 call.

Component Units

The University of Minnesota signed the contract and finalized the official statement to issue \$137,250,000 in bonds. The bonds will be sold in December 2006. The proceeds of the bonds are to be used to finance a portion of the cost of a football stadium on the Twin Cities campus and to pay costs of issuance. The state will provide up to \$10,250,000 per year for no more than 25 years to reimburse the University for the annual debt service on these bonds.



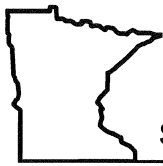


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Required Supplementary Information





2006 Comprehensive Annual Financial Report Required Supplementary Information

Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

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

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

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

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

Established Condition Level

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

Assessed Conditions

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

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2005	3.37	3.22
2004	3.30	3.14
2003	3.40	3.24
2002	3.39	3.30

Bridges and Tunnels

Measurement Scale

Mn/DOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the 3,234 bridges under Mn/DOT's jurisdiction.

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

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

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

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

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

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

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

Established Condition Level

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

Assessed Conditions

<u>Principal Arterial</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Fair to Good	96.3%	96.1%	96.0%

<u>All Other Systems</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Fair to Good	95.2%	94.8%	96.6%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the years ended June 30, 2006, 2005, 2004, 2003, and 2002 (in thousands):

			<u>Costs to be Capitalized</u>	<u>Maintenance of System</u>	<u>Total Construction Program</u>
Budget	2006	\$	773,735	\$ 301,852	\$ 1,075,587
	2005 ⁽¹⁾		393,467	200,765	594,232
	2004		260,900	426,000	686,900
	2003		719,300	316,400	1,035,700
	2002		296,500	417,400	713,900
Actual	2006	\$	451,935	\$ 360,835	\$ 812,770
	2005		465,960	223,809	689,769
	2004		504,288	227,996	732,284
	2003		333,605	304,029	637,634
	2002		258,803	357,823	616,626

⁽¹⁾ Reflects change in budgeting project costs.

Mn/DOT projects may span several years. Project costs through fiscal year 2004 were budgeted in the first year, but spent throughout the life of the project. This process did not allow an accurate comparison of the amounts budgeted and spent within a fiscal year due to funding carryover between two or more fiscal years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past year, the state spending has been in line with the budgeted amounts and other tables contained within this narrative demonstrate that the state has met its desired condition levels.

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

Actuarial Measures of Pension Funding Progress

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

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

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

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

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		CERF	JRF	LRF ⁽²⁾	SPRF
Actuarial Valuation Date	2005 ⁽¹⁾	7/1/2005	7/1/2005	7/1/2005	7/1/2005
	2004	7/1/2004	7/1/2004	7/1/2004	7/1/2004
	2003	7/1/2003	7/1/2003	-	7/1/2003
	2002	7/1/2002	7/1/2002	7/1/2002	7/1/2002
Actuarial Value of Plan Assets	2005	\$ 503,573	\$ 144,465	\$ 45,523	\$ 601,220
	2004	\$ 486,617	\$ 138,948	\$ 46,155	\$ 594,785
	2003	\$ 470,716	\$ 134,142	-	\$ 591,521
	2002	\$ 457,416	\$ 131,379	\$ 45,501	\$ 591,383
Actuarial Accrued Liability	2005	\$ 546,118	\$ 191,414	\$ 81,836	\$ 566,764
	2004	\$ 524,215	\$ 190,338	\$ 83,197	\$ 545,244
	2003	\$ 484,974	\$ 176,291	-	\$ 538,980
	2002	\$ 446,426	\$ 171,921	\$ 78,070	\$ 510,344
Total Unfunded Actuarial Liability (Asset)	2005	\$ 42,544	\$ 46,949	\$ 36,314	\$ (34,456)
	2004	\$ 37,598	\$ 51,390	\$ 37,042	\$ (49,541)
	2003	\$ 14,258	\$ 42,149	-	\$ (52,541)
	2002	\$ (10,990)	\$ 40,542	\$ 32,569	\$ (81,039)
Funded Ratio ⁽³⁾	2005	92%	75%	56%	106%
	2004	93%	73%	55%	109%
	2003	97%	76%	-	110%
	2002	102%	76%	58%	116%
Annual Covered Payroll	2005	\$ 132,335	\$ 35,941	\$ 3,014	\$ 55,142
	2004	\$ 133,172	\$ 34,683	\$ 3,815	\$ 51,619
	2003	\$ 131,328	\$ 33,771	-	\$ 54,175
	2002	\$ 124,373	\$ 31,078	\$ 5,089	\$ 49,278
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2005	32%	131%	1204%	(62%)
	2004	28%	148%	971%	(96%)
	2003	11%	125%	-	(97%)
	2002	(9%)	130%	640%	(164%)

⁽¹⁾The July 1, 2005, Annual Valuation Report is the most recently issued report available.

⁽²⁾Annual Valuation Report not available for the LRF in 2003.

⁽³⁾Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

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

	Fiscal and Policy Year Ended (In Thousands)								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Required Contribution and Investment Revenue:									
Earned	\$ 2,564	\$ 7,713	\$ 10,995	\$ 18,005	\$ 22,149	\$ 23,458	\$ 22,764	\$ 19,177	\$ 14,942
Ceded	195	624	1,031	1,972	2,243	2,321	2,231	1,736	1,491
Net Earned	\$ 2,369	\$ 7,089	\$ 9,964	\$ 16,033	\$ 19,906	\$ 21,137	\$ 20,533	\$ 17,441	\$ 13,451
2. Unallocated Expenses	\$ 538	\$ 1,458	\$ 1,983	\$ 2,535	\$ 2,715	\$ 2,528	\$ 2,296	\$ 1,904	\$ 1,638
3. Estimated Claims and Expenses End of Policy Year:									
Incurred	\$ 2,002	\$ 5,800	\$ 9,972	\$ 16,550	\$ 21,055	\$ 19,715	\$ 19,466	\$ 16,499	\$ 12,551
Ceded	91	171	772	760	2,513	1,570	1,980	1,913	1,382
Net Incurred	\$ 1,911	\$ 5,629	\$ 9,200	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169
4. Net Paid (Cumulative) as of:									
End of Policy Year	\$ 1,376	\$ 4,678	\$ 7,944	\$ 13,228	\$ 15,824	\$ 15,848	\$ 15,699	\$ 12,909	\$ 10,055
One Year Later	1,849	5,817	9,240	15,908	18,091	17,572	17,367	14,141	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764		
Three Years Later	1,850	5,818	9,243	15,963	18,034	17,579			
Four Years Later	1,850	5,818	9,243	15,963	18,034				
Five Years Later	1,850	5,818	9,243	15,963					
Six Years Later	1,850	5,818	9,243						
Seven Years Later	1,850	5,818							
Eight Years Later	1,850								
5. Re-estimated Ceded Claims and Expenses	\$ 91	\$ 171	\$ 772	\$ 760	\$ 2,513	\$ 1,570	\$ 1,980	\$ 1,913	\$ 1,382
6. Re-estimated Net Incurred Claims and Expenses:									
End of Policy Year	\$ 1,911	\$ 5,629	\$ 9,200	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169
One Year Later	1,854	5,828	9,253	15,935	18,114	17,595	17,385	14,152	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764		
Three Years Later	1,850	5,818	9,243	15,963	18,034	17,579			
Four Years Later	1,850	5,818	9,243	15,963	18,034				
Five Years Later	1,850	5,818	9,243	15,963					
Six Years Later	1,850	5,818	9,243						
Seven Years Later	1,850	5,818							
Eight Years Later	1,850								
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses									
From End of Policy Year	\$ (61)	\$ 189	\$ 43	\$ 173	\$ (508)	\$ (566)	\$ 278	\$ (434)	\$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.





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Combining and Individual Fund Statements – Nonmajor Funds





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

Debt Service

Debt Service Fund

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

Permanent Fund

Permanent School Fund

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

STATE OF MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE COMBINING BALANCE SHEET

JUNE 30, 2006
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents.....	\$ 1,877,353	\$ 458,177	\$ 39,879	\$ 17,887	\$ 2,393,296
Investments.....	509,337	54,339	598,245	-	1,161,921
Accounts Receivable.....	372,249	-	2,515	-	374,764
Interfund Receivables.....	159,064	512	-	-	159,576
Due from Component Units.....	-	120,525	-	-	120,525
Accrued Investment/Interest Income.....	5,627	571	4,356	-	10,554
Federal Aid Receivable.....	90,877	-	-	-	90,877
Inventories.....	18,723	-	-	-	18,723
Loans and Notes Receivable.....	256,406	-	-	38,206	294,612
Securities Lending Collateral.....	180,980	38,220	121,149	-	340,349
Investment in Land.....	-	-	15,448	-	15,448
Total Assets.....	<u>\$ 3,470,616</u>	<u>\$ 672,344</u>	<u>\$ 781,592</u>	<u>\$ 56,093</u>	<u>\$ 4,980,645</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 365,352	\$ -	\$ 5	\$ 39,204	\$ 404,561
Interfund Payables.....	324,798	15,847	6,300	4,789	351,734
Due to Component Units.....	3,558	-	-	5,994	9,552
Deferred Revenue.....	165,836	3,317	-	-	169,153
Securities Lending Liabilities.....	180,980	38,220	121,149	-	340,349
Total Liabilities.....	<u>\$ 1,040,524</u>	<u>\$ 57,384</u>	<u>\$ 127,454</u>	<u>\$ 49,987</u>	<u>\$ 1,275,349</u>
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances.....	\$ 169,225	\$ -	\$ -	\$ 14,803	\$ 184,028
Reserved for Local Governments.....	401,036	-	9,143	-	410,179
Reserved for Trust Principal.....	396,552	-	644,995	-	1,041,547
Other Reserved Fund Balances.....	508,478	614,960	-	39,487	1,162,925
Total Reserved Fund Balances.....	<u>\$ 1,475,291</u>	<u>\$ 614,960</u>	<u>\$ 654,138</u>	<u>\$ 54,290</u>	<u>\$ 2,798,679</u>
Unreserved Fund Balances:					
Designated for Appropriation Carryover.....	\$ 246,521	\$ -	\$ -	\$ -	\$ 246,521
Designated for Special Revenue Funds	468,681	-	-	-	468,681
Undesignated, reported in:					
Capital Project Funds.....	-	-	-	(48,184)	(48,184)
Debt Service Fund.....	-	-	-	-	-
Special Revenue Funds.....	239,599	-	-	-	239,599
Total Unreserved Fund Balances.....	<u>\$ 954,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,184)</u>	<u>\$ 906,617</u>
Total Fund Balances	<u>\$ 2,430,092</u>	<u>\$ 614,960</u>	<u>\$ 654,138</u>	<u>\$ 6,106</u>	<u>\$ 3,705,296</u>
Total Liabilities and Fund Balances	<u>\$ 3,470,616</u>	<u>\$ 672,344</u>	<u>\$ 781,592</u>	<u>\$ 56,093</u>	<u>\$ 4,980,645</u>

STATE OF MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes.....	\$ -	\$ 1,282	\$ -	\$ -	\$ 1,282
Motor Vehicle Taxes.....	664,713	-	-	-	664,713
Fuel Taxes.....	659,647	-	-	-	659,647
Other Taxes.....	646,228	-	-	-	646,228
Federal Revenues.....	478,977	-	-	-	478,977
Licenses and Fees.....	474,472	-	-	-	474,472
Departmental Services.....	203,682	-	21,234	-	224,916
Investment/Interest Income.....	98,001	25,449	26,665	102	150,217
Penalties and Fines.....	14,627	-	20	-	14,647
Securities Lending Income.....	6,851	2,235	3,858	-	12,944
Other Revenues.....	232,103	2,379	1,006	-	235,488
Net Revenues.....	\$ 3,479,301	\$ 31,345	\$ 52,783	\$ 102	\$ 3,563,531
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ 183,007	\$ -	\$ -	\$ 1,257	\$ 184,264
Transportation.....	1,301,377	-	-	55,060	1,356,437
Agricultural and Environmental Resources.....	303,184	-	10,789	33,432	347,405
Economic and Workforce Development.....	205,303	-	-	60,543	265,846
General Education.....	25,286	-	21,099	6,073	52,458
Higher Education.....	23,050	-	-	40,686	63,736
Health and Human Services.....	573,886	-	-	380	574,266
General Government.....	63,860	67	-	23,568	87,495
Intergovernment Aid.....	214	-	-	-	214
Securities Lending Rebates and Fees.....	6,673	2,206	3,627	-	12,506
Total Current Expenditures.....	\$ 2,685,840	\$ 2,273	\$ 35,515	\$ 220,999	\$ 2,944,627
Capital Outlay.....	464,902	-	-	165,890	630,792
Debt Service.....	9,078	443,824	-	-	452,902
Total Expenditures.....	\$ 3,159,820	\$ 446,097	\$ 35,515	\$ 386,889	\$ 4,028,321
Excess of Revenues Over (Under)					
Expenditures.....	\$ 319,481	\$ (414,752)	\$ 17,268	\$ (386,787)	\$ (464,790)
Other Financing Sources (Uses):					
General Obligation Bond Issuance.....	\$ 2,000	\$ 5,500	\$ -	\$ 370,449	\$ 377,949
Loan Proceeds.....	24,388	-	-	-	24,388
Refunding Bonds Sale.....	-	160,960	-	-	160,960
Payment to Refunded Bonds Escrow Agent.....	-	(160,960)	-	-	(160,960)
Bond Issue Premium.....	-	45,141	-	-	45,141
Transfers-In.....	1,728,127	395,485	-	5,300	2,128,912
Transfers-Out.....	(1,786,385)	-	-	(79,143)	(1,865,528)
Net Other Financing Sources (Uses).....	\$ (31,870)	\$ 446,126	\$ -	\$ 296,606	\$ 710,862
Net Change in Fund Balances.....	\$ 287,611	\$ 31,374	\$ 17,268	\$ (90,181)	\$ 246,072
Fund Balances, Beginning, as Reported.....	\$ 2,140,268	\$ 583,586	\$ 636,870	\$ 96,287	\$ 3,457,011
Change in Inventory.....	2,213	-	-	-	2,213
Fund Balances, Ending.....	\$ 2,430,092	\$ 614,960	\$ 654,138	\$ 6,106	\$ 3,705,296



State of Minnesota

2006
Comprehensive
Annual
Financial Report

Nonmajor Special Revenue Funds

Trunk Highway Fund

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

Highway User Tax Distribution Fund

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

State Airports Fund

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

Municipal State-Aid Street Fund

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

County State-Aid Highway Fund

The fund receives 30.75 percent of the revenue received by the Highway User Tax Distribution Fund primarily for distribution to counties for improvement of county roads.

Petroleum Tank Cleanup Fund

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

Minnesota Resources Fund

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

Nonmajor Special Revenue Funds – Cont'd.

Natural Resources Fund

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

Game and Fish Fund

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

Environment and Natural Resources Fund

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

Environmental Fund

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

Remediation Fund

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

Iron Range Resources and Rehabilitation Fund

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

Douglas J. Johnson Economic Protection Trust Fund

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

Endowment Fund

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

Maximum Effort School Loan Fund

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

Special Compensation Fund

The fund receives assessments on all insurers for administration of the state workers' compensation program, including enforcement, for reimbursement of certain supplemental benefits, and for payment of claims to employees of uninsured and bankrupt firms.

Health Care Access Fund

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

Health Impact Fund

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

Medical Education and Research Fund

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

Miscellaneous Special Revenue Fund

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

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

JUNE 30, 2006

(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents.....	\$ 271,215	\$ 2,829	\$ 14,746	\$ 122,566
Investments.....	-	-	-	-
Accounts Receivable.....	15,985	85,195	914	658
Interfund Receivables.....	45,352	-	-	6,349
Accrued Investment/Interest Income.....	-	-	-	-
Federal Aid Receivable.....	90,661	-	-	-
Inventories.....	18,723	-	-	-
Loans and Notes Receivable.....	-	-	2,478	-
Securities Lending Collateral.....	19,081	2,157	-	8,927
Total Assets.....	<u>\$ 461,017</u>	<u>\$ 90,181</u>	<u>\$ 18,138</u>	<u>\$ 138,500</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 95,780	\$ 754	\$ 3,817	\$ 32,747
Interfund Payables.....	-	81,472	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	2,887	4,332	-	-
Securities Lending Liabilities.....	19,081	2,157	-	8,927
Total Liabilities.....	<u>\$ 117,748</u>	<u>\$ 88,715</u>	<u>\$ 3,817</u>	<u>\$ 41,674</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 34,477	\$ 313	\$ 5,551	\$ 334
Reserved for Inventory.....	18,723	-	-	-
Reserved for Long-Term Receivables.....	-	-	2,478	-
Reserved for Long-Term Commitments.....	221,604	-	-	-
Reserved for Local Governments.....	-	-	-	96,492
Reserved for Trust Principal.....	-	-	-	-
Total Reserved Fund Balances.....	<u>\$ 274,804</u>	<u>\$ 313</u>	<u>\$ 8,029</u>	<u>\$ 96,826</u>
Unreserved Fund Balances:				
Designated for Appropriation Carryover.....	\$ 68,465	\$ 1,153	\$ 3,237	\$ -
Designated for Fund Purposes.....	-	-	3,055	-
Undesignated.....	-	-	-	-
Total Unreserved Fund Balances.....	<u>\$ 68,465</u>	<u>\$ 1,153</u>	<u>\$ 6,292</u>	<u>\$ -</u>
Total Fund Balances.....	<u>\$ 343,269</u>	<u>\$ 1,466</u>	<u>\$ 14,321</u>	<u>\$ 96,826</u>
Total Liabilities and Fund Balances.....	<u>\$ 461,017</u>	<u>\$ 90,181</u>	<u>\$ 18,138</u>	<u>\$ 138,500</u>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL
\$ 357,521	\$ 26,906	\$ 1,682	\$ 41,020	\$ 34,696	\$ 38,694	\$ 45,236
-	-	-	-	4,022	398,600	-
2,427	157	-	3,015	1,833	-	15,498
24,170	-	-	12,423	4	1,421	5,822
-	-	-	-	18	1,924	-
-	-	-	-	216	-	-
-	-	-	-	-	-	-
-	10	-	-	-	-	998
25,335	2,114	-	-	569	55,576	3,195
<u>\$ 409,453</u>	<u>\$ 29,187</u>	<u>\$ 1,682</u>	<u>\$ 56,458</u>	<u>\$ 41,358</u>	<u>\$ 496,215</u>	<u>\$ 70,749</u>
\$ 78,307	\$ 4,385	\$ 149	\$ 4,972	\$ 6,129	\$ 1,486	\$ 3,014
-	552	134	-	-	-	13,688
-	-	-	143	-	217	-
-	147	-	126	-	-	5,069
25,335	2,114	-	-	569	55,576	3,195
<u>\$ 103,642</u>	<u>\$ 7,198</u>	<u>\$ 283</u>	<u>\$ 5,241</u>	<u>\$ 6,698</u>	<u>\$ 57,279</u>	<u>\$ 24,966</u>
\$ 1,267	\$ 10,559	\$ 1,120	\$ 5,362	\$ 3,945	\$ 8,998	\$ 1,698
-	-	-	-	-	-	-
-	10	-	-	-	-	998
-	-	-	-	-	-	-
304,544	-	-	-	-	-	-
-	-	-	-	-	396,552	-
<u>\$ 305,811</u>	<u>\$ 10,569</u>	<u>\$ 1,120</u>	<u>\$ 5,362</u>	<u>\$ 3,945</u>	<u>\$ 405,550</u>	<u>\$ 2,696</u>
\$ -	\$ -	\$ 279	\$ 9,895	\$ 8,894	\$ 5,549	\$ 7,183
-	11,420	-	-	21,821	27,837	35,904
-	-	-	35,960	-	-	-
<u>\$ -</u>	<u>\$ 11,420</u>	<u>\$ 279</u>	<u>\$ 45,855</u>	<u>\$ 30,715</u>	<u>\$ 33,386</u>	<u>\$ 43,087</u>
<u>\$ 305,811</u>	<u>\$ 21,989</u>	<u>\$ 1,399</u>	<u>\$ 51,217</u>	<u>\$ 34,660</u>	<u>\$ 438,936</u>	<u>\$ 45,783</u>
<u>\$ 409,453</u>	<u>\$ 29,187</u>	<u>\$ 1,682</u>	<u>\$ 56,458</u>	<u>\$ 41,358</u>	<u>\$ 496,215</u>	<u>\$ 70,749</u>

CONTINUED

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING BALANCE SHEET JUNE 30, 2006 (IN THOUSANDS)

	REMEDICATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT
ASSETS				
Cash and Cash Equivalents.....	\$ 21,542	\$ 45,984	\$ 65,311	\$ 14,004
Investments.....	45,345	-	60,440	930
Accounts Receivable.....	350	6,933	891	420
Interfund Receivables.....	14,240	-	-	-
Accrued Investment/Interest Income.....	54	-	427	7
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	-	-	-
Loans and Notes Receivable.....	-	8,418	31,927	-
Securities Lending Collateral.....	3,444	3,086	16,244	186
Total Assets.....	<u>\$ 84,975</u>	<u>\$ 64,421</u>	<u>\$ 175,240</u>	<u>\$ 15,547</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 6,631	\$ 2,001	\$ 73	\$ 771
Interfund Payables.....	-	-	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	-	60	7	-
Securities Lending Liabilities.....	3,444	3,086	16,244	186
Total Liabilities.....	<u>\$ 10,075</u>	<u>\$ 5,147</u>	<u>\$ 16,324</u>	<u>\$ 957</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 8,297	\$ 19,605	\$ 19,093	\$ 1,369
Reserved for Inventory.....	-	-	-	-
Reserved for Long-Term Receivables.....	-	8,418	31,927	-
Reserved for Long-Term Commitments.....	46,972	-	-	-
Reserved for Local Governments.....	-	-	-	-
Reserved for Trust Principal.....	-	-	-	-
Total Reserved Fund Balances.....	<u>\$ 55,269</u>	<u>\$ 28,023</u>	<u>\$ 51,020</u>	<u>\$ 1,369</u>
Unreserved Fund Balances:				
Designated for Appropriation Carryover.....	\$ 11,781	\$ 31,251	\$ 86,767	\$ -
Designated for Fund Purposes.....	7,850	-	-	13,221
Undesignated.....	-	-	21,129	-
Total Unreserved Fund Balances.....	<u>\$ 19,631</u>	<u>\$ 31,251</u>	<u>\$ 107,896</u>	<u>\$ 13,221</u>
Total Fund Balances.....	<u>\$ 74,900</u>	<u>\$ 59,274</u>	<u>\$ 158,916</u>	<u>\$ 14,590</u>
Total Liabilities and Fund Balances.....	<u>\$ 84,975</u>	<u>\$ 64,421</u>	<u>\$ 175,240</u>	<u>\$ 15,547</u>

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 4,175	\$ 35,933	\$ 122,909	\$ 188,508	\$ 36,980	\$ 384,896	\$ 1,877,353
-	-	-	-	-	-	509,337
-	101,497	74,099	24,386	-	37,991	372,249
-	-	-	-	4,773	44,510	159,064
3,197	-	-	-	-	-	5,627
-	-	-	-	-	-	90,877
-	-	-	-	-	-	18,723
112,829	-	-	-	-	99,746	256,406
-	2,950	15,586	13,210	-	9,320	180,980
<u>\$ 120,201</u>	<u>\$ 140,380</u>	<u>\$ 212,594</u>	<u>\$ 226,104</u>	<u>\$ 41,753</u>	<u>\$ 576,463</u>	<u>\$ 3,470,616</u>
\$ -	\$ 10,681	\$ 37,542	\$ -	\$ 245	\$ 75,868	\$ 365,352
-	-	5,661	212,894	-	10,397	324,798
-	-	-	-	27	3,171	3,558
42,599	101,243	1,777	-	-	7,589	165,836
-	2,950	15,586	13,210	-	9,320	180,980
<u>\$ 42,599</u>	<u>\$ 114,874</u>	<u>\$ 60,566</u>	<u>\$ 226,104</u>	<u>\$ 272</u>	<u>\$ 106,345</u>	<u>\$ 1,040,524</u>
\$ -	\$ 204	\$ 2,299	\$ -	\$ 500	\$ 44,234	\$ 169,225
-	-	-	-	-	-	18,723
77,602	-	-	-	-	99,746	221,179
-	-	-	-	-	-	268,576
-	-	-	-	-	-	401,036
-	-	-	-	-	-	396,552
<u>\$ 77,602</u>	<u>\$ 204</u>	<u>\$ 2,299</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 143,980</u>	<u>\$ 1,475,291</u>
\$ -	\$ 3,867	\$ 8,200	\$ -	\$ -	\$ -	\$ 246,521
-	21,435	-	-	-	326,138	468,681
-	-	141,529	-	40,981	-	239,599
<u>\$ -</u>	<u>\$ 25,302</u>	<u>\$ 149,729</u>	<u>\$ -</u>	<u>\$ 40,981</u>	<u>\$ 326,138</u>	<u>\$ 954,801</u>
<u>\$ 77,602</u>	<u>\$ 25,506</u>	<u>\$ 152,028</u>	<u>\$ -</u>	<u>\$ 41,481</u>	<u>\$ 470,118</u>	<u>\$ 2,430,092</u>
<u>\$ 120,201</u>	<u>\$ 140,380</u>	<u>\$ 212,594</u>	<u>\$ 226,104</u>	<u>\$ 41,753</u>	<u>\$ 576,463</u>	<u>\$ 3,470,616</u>

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2006

(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ 650,988	\$ 9,315	\$ 914
Fuel Taxes.....	-	656,184	3,462	-
Other Taxes.....	111	-	-	-
Federal Revenues.....	406,502	-	-	151
Licenses and Fees.....	6,109	1	404	-
Departmental Services.....	1,046	-	-	-
Investment/Interest Income.....	8,254	1,581	650	4,767
Penalties and Fines.....	34	614	-	-
Securities Lending Income.....	723	130	-	417
Other Revenues.....	91,192	183	148	-
Net Revenues.....	\$ 513,971	\$ 1,309,681	\$ 13,979	\$ 6,249
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 69,064	\$ 6,271	\$ -	\$ -
Transportation.....	694,266	737	21,281	132,856
Agricultural and Environmental Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	334	2,006	-	-
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	714	128	-	412
Total Current Expenditures.....	\$ 764,378	\$ 9,142	\$ 21,281	\$ 133,268
Capital Outlay.....	447,935	283	-	-
Debt Service.....	6,307	-	-	-
Total Expenditures.....	\$ 1,218,620	\$ 9,425	\$ 21,281	\$ 133,268
Excess of Revenues Over (Under) Expenditures.....	\$ (704,649)	\$ 1,300,256	\$ (7,302)	\$ (127,019)
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -
Loan Proceeds.....	24,388	-	-	-
Transfers-In.....	777,282	-	-	115,882
Transfers-Out.....	(36,347)	(1,306,358)	-	-
Net Other Financing Sources (Uses).....	\$ 765,323	\$ (1,306,358)	\$ -	\$ 115,882
Net Change in Fund Balances.....	\$ 60,674	\$ (6,102)	\$ (7,302)	\$ (11,137)
Fund Balances, Beginning, as Reported.....	\$ 280,382	\$ 7,568	\$ 21,623	\$ 107,963
Change in Inventory.....	2,213	-	-	-
Fund Balances, Ending.....	\$ 343,269	\$ 1,466	\$ 14,321	\$ 96,826

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL
\$ 3,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	49,791
202	-	-	3,400	18,184	-	-
-	26,461	-	19,313	56,715	-	22,084
-	-	-	21,995	536	-	-
13,532	1,091	118	846	1,445	24,236	1,643
-	135	-	64	352	-	650
1,185	96	-	-	19	1,810	145
-	9	-	1,722	169	-	161
<u>\$ 18,415</u>	<u>\$ 27,792</u>	<u>\$ 118</u>	<u>\$ 47,340</u>	<u>\$ 77,420</u>	<u>\$ 26,046</u>	<u>\$ 74,474</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49
436,113	-	-	4,570	-	1,000	-
-	8,942	528	54,413	85,226	10,790	51,076
-	-	-	-	-	92	-
-	-	-	135	-	-	-
-	-	-	-	-	813	-
-	-	-	-	-	4	-
-	-	-	-	-	392	233
-	-	-	-	-	-	-
1,170	94	-	-	17	1,700	143
<u>\$ 437,283</u>	<u>\$ 9,036</u>	<u>\$ 528</u>	<u>\$ 59,118</u>	<u>\$ 85,243</u>	<u>\$ 14,791</u>	<u>\$ 51,501</u>
-	-	-	1,499	1,607	2,113	4
-	-	-	-	-	-	-
<u>\$ 437,283</u>	<u>\$ 9,036</u>	<u>\$ 528</u>	<u>\$ 60,617</u>	<u>\$ 86,850</u>	<u>\$ 16,904</u>	<u>\$ 51,505</u>
<u>\$ (418,868)</u>	<u>\$ 18,756</u>	<u>\$ (410)</u>	<u>\$ (13,277)</u>	<u>\$ (9,430)</u>	<u>\$ 9,142</u>	<u>\$ 22,969</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
419,649	1,185	-	28,136	11,385	32,493	546
(16,040)	(9,340)	(1,174)	(11)	(8)	-	(13,822)
<u>\$ 403,609</u>	<u>\$ (8,155)</u>	<u>\$ (1,174)</u>	<u>\$ 28,125</u>	<u>\$ 11,377</u>	<u>\$ 32,493</u>	<u>\$ (13,276)</u>
<u>\$ (15,259)</u>	<u>\$ 10,601</u>	<u>\$ (1,584)</u>	<u>\$ 14,848</u>	<u>\$ 1,947</u>	<u>\$ 41,635</u>	<u>\$ 9,693</u>
<u>\$ 321,070</u>	<u>\$ 11,388</u>	<u>\$ 2,983</u>	<u>\$ 36,369</u>	<u>\$ 32,713</u>	<u>\$ 397,301</u>	<u>\$ 36,090</u>
-	-	-	-	-	-	-
<u><u>\$ 305,811</u></u>	<u><u>\$ 21,989</u></u>	<u><u>\$ 1,399</u></u>	<u><u>\$ 51,217</u></u>	<u><u>\$ 34,660</u></u>	<u><u>\$ 438,936</u></u>	<u><u>\$ 45,783</u></u>

CONTINUED

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	REMEDICATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-
Other Taxes.....	715	17,311	3,299	-
Federal Revenues.....	-	-	-	-
Licenses and Fees.....	568	-	-	-
Departmental Services.....	117	302	127	-
Investment/Interest Income.....	4,894	2,053	14,155	379
Penalties and Fines.....	512	-	-	-
Securities Lending Income.....	180	150	573	6
Other Revenues.....	10,519	51	-	8,585
Net Revenues.....	\$ 17,505	\$ 19,867	\$ 18,154	\$ 8,970
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ 153
Transportation.....	-	-	-	-
Agricultural and Environmental Resources.....	38,509	-	-	3,816
Economic and Workforce Development.....	670	23,823	1,992	293
General Education.....	-	-	-	1,297
Higher Education.....	-	-	-	-
Health and Human Services.....	168	-	-	496
General Government.....	126	-	-	378
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	173	148	570	6
Total Current Expenditures.....	\$ 39,646	\$ 23,971	\$ 2,562	\$ 6,439
Capital Outlay.....	350	-	-	1,369
Debt Service.....	-	-	-	-
Total Expenditures.....	\$ 39,996	\$ 23,971	\$ 2,562	\$ 7,808
Excess of Revenues Over (Under) Expenditures.....	\$ (22,491)	\$ (4,104)	\$ 15,592	\$ 1,162
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -
Loan Proceeds.....	-	-	-	-
Transfers-In.....	23,028	4,721	5	-
Transfers-Out.....	(1,185)	(2,037)	-	-
Net Other Financing Sources (Uses).....	\$ 21,843	\$ 2,684	\$ 5	\$ -
Net Change in Fund Balances.....	\$ (648)	\$ (1,420)	\$ 15,597	\$ 1,162
Fund Balances, Beginning, as Reported.....	\$ 75,548	\$ 60,694	\$ 143,319	\$ 13,428
Change in Inventory.....	-	-	-	-
Fund Balances, Ending.....	\$ 74,900	\$ 59,274	\$ 158,916	\$ 14,590

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 664,713
-	-	-	-	-	1	659,647
-	97,439	446,016	-	-	31,546	646,228
-	-	-	-	-	50,538	478,977
-	78	-	209,972	-	132,767	474,472
-	747	22,143	-	-	156,669	203,682
2,298	2,263	4,791	2,918	-	6,087	98,001
-	4,066	-	-	-	8,200	14,627
-	198	420	256	-	543	6,851
-	1,000	4,222	-	23	114,119	232,103
\$ 2,298	\$ 105,791	\$ 477,592	\$ 213,146	\$ 23	\$ 500,470	\$ 3,479,301
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,470	\$ 183,007
-	-	-	-	-	10,554	1,301,377
-	-	-	-	-	49,884	303,184
-	95,119	-	-	-	83,314	205,303
5,268	-	-	-	-	18,586	25,286
-	-	-	-	-	22,237	23,050
-	-	298,036	-	2,173	273,009	573,886
-	7,675	1,707	-	-	51,009	63,860
-	-	-	-	-	214	214
-	196	414	252	-	536	6,673
\$ 5,268	\$ 102,990	\$ 300,157	\$ 252	\$ 2,173	\$ 616,813	\$ 2,685,840
-	-	272	-	-	9,470	464,902
-	-	496	-	-	2,275	9,078
\$ 5,268	\$ 102,990	\$ 300,925	\$ 252	\$ 2,173	\$ 628,558	\$ 3,159,820
\$ (2,970)	\$ 2,801	\$ 176,667	\$ 212,894	\$ (2,150)	\$ (128,088)	\$ 319,481
\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
-	-	-	-	-	-	24,388
-	-	-	-	57,277	256,538	1,728,127
(1,900)	-	(106,622)	(212,894)	(17,400)	(61,247)	(1,786,385)
\$ 100	\$ -	\$ (106,622)	\$ (212,894)	\$ 39,877	\$ 195,291	\$ (31,870)
\$ (2,870)	\$ 2,801	\$ 70,045	\$ -	\$ 37,727	\$ 67,203	\$ 287,611
\$ 80,472	\$ 22,705	\$ 81,983	\$ -	\$ 3,754	\$ 402,915	\$ 2,140,268
-	-	-	-	-	-	2,213
\$ 77,602	\$ 25,506	\$ 152,028	\$ -	\$ 41,481	\$ 470,118	\$ 2,430,092

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ 646,836	\$ 646,836
Fuel Taxes.....	-	-	652,752	652,752
Other Taxes.....	110	110	-	-
Federal Revenues.....	361,175	361,175	-	-
Licenses and Fees.....	9,169	9,169	-	-
Departmental Services.....	4,996	4,996	-	-
Investment/Interest Income.....	8,262	8,262	1,581	1,581
Other Revenues.....	111,441	111,441	798	798
Net Revenues.....	\$ 495,153	\$ 495,153	\$ 1,301,967	\$ 1,301,967
Expenditures:				
Public Safety and Corrections.....	\$ 74,049	\$ 68,717	\$ 6,359	\$ 6,158
Transportation.....	1,149,018	1,089,198	737	737
Agricultural and Environmental Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	350	350	2,097	2,028
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	\$ 1,223,417	\$ 1,158,265	\$ 9,193	\$ 8,923
Excess of Revenues Over (Under)				
Expenditures.....	\$ (728,264)	\$ (663,112)	\$ 1,292,774	\$ 1,293,044
Other Financing Sources (Uses):				
Transfers-In.....	\$ 766,532	\$ 768,191	\$ -	\$ -
Transfers-Out.....	(36,347)	(36,347)	(1,291,051)	(1,291,051)
Net Other Financing Sources (Uses).....	\$ 730,185	\$ 731,844	\$ (1,291,051)	\$ (1,291,051)
Net Change in Fund Balances.....	\$ 1,921	\$ 68,732	\$ 1,723	\$ 1,993
Fund Balances, Beginning, as Reported.....	\$ 59,986	\$ 59,986	\$ 1,680	\$ 1,680
Prior Period Adjustments.....	-	(22,777)	-	2
Fund Balances, Beginning, as Restated.....	\$ 59,986	\$ 37,209	\$ 1,680	\$ 1,682
Fund Balances, Ending.....	\$ 61,907	\$ 105,941	\$ 3,403	\$ 3,675
Less Appropriation Carryover.....	-	68,465	-	1,153
Undesignated Fund Balances, Ending.....	\$ 61,907	\$ 37,476	\$ 3,403	\$ 2,522

STATE AIRPORTS		MINNESOTA RESOURCES		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,526	3,526	-	-	-	-
9,316	9,316	-	-	10,588	10,588
-	-	-	-	3,400	3,400
500	401	-	-	18,973	18,973
-	-	-	-	10,284	10,284
374	649	118	118	845	845
148	148	-	-	13,497	13,497
<u>\$ 13,864</u>	<u>\$ 14,040</u>	<u>\$ 118</u>	<u>\$ 118</u>	<u>\$ 57,587</u>	<u>\$ 57,587</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,902	17,660	-	-	4,570	4,570
-	-	1,076	1,076	71,749	64,691
-	-	-	-	-	-
-	-	-	-	135	135
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,902</u>	<u>\$ 17,660</u>	<u>\$ 1,076</u>	<u>\$ 1,076</u>	<u>\$ 76,454</u>	<u>\$ 69,396</u>
<u>\$ (6,038)</u>	<u>\$ (3,620)</u>	<u>\$ (958)</u>	<u>\$ (958)</u>	<u>\$ (18,867)</u>	<u>\$ (11,809)</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,715	\$ 22,125
-	-	(1,100)	(1,040)	(11)	(11)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,100)</u>	<u>\$ (1,040)</u>	<u>\$ 21,704</u>	<u>\$ 22,114</u>
<u>\$ (6,038)</u>	<u>\$ (3,620)</u>	<u>\$ (2,058)</u>	<u>\$ (1,998)</u>	<u>\$ 2,837</u>	<u>\$ 10,305</u>
<u>\$ 11,273</u>	<u>\$ 11,273</u>	<u>\$ 2,146</u>	<u>\$ 2,146</u>	<u>\$ 21,694</u>	<u>\$ 21,694</u>
-	645	-	257	-	609
<u>\$ 11,273</u>	<u>\$ 11,918</u>	<u>\$ 2,146</u>	<u>\$ 2,403</u>	<u>\$ 21,694</u>	<u>\$ 22,303</u>
<u>\$ 5,235</u>	<u>\$ 8,298</u>	<u>\$ 88</u>	<u>\$ 405</u>	<u>\$ 24,531</u>	<u>\$ 32,608</u>
-	3,237	-	279	-	9,895
<u>\$ 5,235</u>	<u>\$ 5,061</u>	<u>\$ 88</u>	<u>\$ 126</u>	<u>\$ 24,531</u>	<u>\$ 22,713</u>

CONTINUED

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2006

(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-
Other Taxes.....	10,585	10,585	45,504	45,504
Federal Revenues.....	18,092	18,092	-	-
Licenses and Fees.....	56,536	56,536	22,131	22,131
Departmental Services.....	-	-	-	-
Investment/Interest Income.....	1,223	1,223	1,646	1,646
Other Revenues.....	1,063	1,063	876	733
Net Revenues.....	\$ 87,499	\$ 87,499	\$ 70,157	\$ 70,014
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 49	\$ 49
Transportation.....	-	-	-	-
Agricultural and Environmental Resources.....	91,125	84,115	56,185	51,750
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	-	-	436	228
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	\$ 91,125	\$ 84,115	\$ 56,670	\$ 52,027
Excess of Revenues Over (Under)				
Expenditures.....	\$ (3,626)	\$ 3,384	\$ 13,487	\$ 17,987
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,069	\$ 1,069	\$ 546	\$ 546
Transfers-Out.....	(8)	(8)	(13,822)	(13,822)
Net Other Financing Sources (Uses).....	\$ 1,061	\$ 1,061	\$ (13,276)	\$ (13,276)
Net Change in Fund Balances.....	\$ (2,565)	\$ 4,445	\$ 211	\$ 4,711
Fund Balances, Beginning, as Reported.....	\$ 24,625	\$ 24,625	\$ 31,256	\$ 31,256
Prior Period Adjustments.....	-	102	-	16
Fund Balances, Beginning, as Restated.....	\$ 24,625	\$ 24,727	\$ 31,256	\$ 31,272
Fund Balances, Ending.....	\$ 22,060	\$ 29,172	\$ 31,467	\$ 35,983
Less Appropriation Carryover.....	-	8,894	-	7,183
Undesignated Fund Balances, Ending.....	\$ 22,060	\$ 20,278	\$ 31,467	\$ 28,800

REMEDATION		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
716	716	101,524	101,524	440,980	440,980
-	-	-	-	-	-
511	568	6,511	6,511	-	-
116	116	268	268	20,670	20,670
1,208	1,278	2,304	2,304	3,408	4,797
11,041	11,041	-	-	4,197	4,197
\$ 13,592	\$ 13,719	\$ 110,607	\$ 110,607	\$ 469,255	\$ 470,644
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
46,008	45,291	-	-	-	-
700	700	96,325	94,667	-	-
-	-	-	-	-	-
200	166	-	-	306,202	298,149
484	126	7,452	7,225	1,782	1,662
-	-	-	-	496	496
\$ 47,392	\$ 46,283	\$ 103,777	\$ 101,892	\$ 308,480	\$ 300,307
\$ (33,800)	\$ (32,564)	\$ 6,830	\$ 8,715	\$ 160,775	\$ 170,337
\$ 31,628	\$ 23,029	\$ -	\$ -	\$ -	\$ -
(3,606)	(3,606)	-	-	(108,779)	(108,779)
\$ 28,022	\$ 19,423	\$ -	\$ -	\$ (108,779)	\$ (108,779)
\$ (5,778)	\$ (13,141)	\$ 6,830	\$ 8,715	\$ 51,996	\$ 61,558
\$ 28,992	\$ 28,992	\$ 24,109	\$ 24,109	\$ 54,132	\$ 54,132
-	3,780	-	77	-	106
\$ 28,992	\$ 32,772	\$ 24,109	\$ 24,186	\$ 54,132	\$ 54,238
\$ 23,214	\$ 19,631	\$ 30,939	\$ 32,901	\$ 106,128	\$ 115,796
-	11,781	-	3,867	-	8,200
\$ 23,214	\$ 7,850	\$ 30,939	\$ 29,034	\$ 106,128	\$ 107,596

CONTINUED

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2006

(IN THOUSANDS)

	COMBINED TOTALS	
	FINAL BUDGET	ACTUAL
Net Revenues:		
Motor Vehicle Taxes.....	\$ 646,836	\$ 646,836
Fuel Taxes.....	656,278	656,278
Other Taxes.....	619,323	619,323
Federal Revenues.....	382,667	382,667
Licenses and Fees.....	114,331	114,289
Departmental Services.....	36,334	36,334
Investment/Interest Income.....	20,969	22,703
Other Revenues.....	143,061	142,918
Net Revenues.....	\$ 2,619,799	\$ 2,621,348
Expenditures:		
Public Safety and Corrections.....	\$ 80,457	\$ 74,924
Transportation.....	1,174,227	1,112,165
Agricultural and Environmental Resources.....	266,143	246,923
Economic and Workforce Development.....	97,025	95,367
Higher Education.....	135	135
Health and Human Services.....	306,402	298,315
General Government.....	12,601	11,619
Intergovernment Aid.....	496	496
Total Expenditures.....	\$ 1,937,486	\$ 1,839,944
Excess of Revenues Over (Under)		
Expenditures.....	\$ 682,313	\$ 781,404
Other Financing Sources (Uses):		
Transfers-In.....	\$ 821,490	\$ 814,960
Transfers-Out.....	(1,454,724)	(1,454,664)
Net Other Financing Sources (Uses).....	\$ (633,234)	\$ (639,704)
Net Change in Fund Balances.....	\$ 49,079	\$ 141,700
Fund Balances, Beginning, as Reported.....	\$ 259,893	\$ 259,893
Prior Period Adjustments.....	-	(17,183)
Fund Balances, Beginning, as Restated.....	\$ 259,893	\$ 242,710
Fund Balances, Ending.....	\$ 308,972	\$ 384,410
Less Appropriation Carryover.....	-	122,954
Undesignated Fund Balances, Ending.....	\$ 308,972	\$ 261,456

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, 2006
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Minnesota Resources	Natural Resources	Game and Fish	Environmental	Remediation	Special Compensation	Health Care Access
GAAP Basis Fund Balances:	\$ 343,269	\$ 1,466	\$ 14,321	\$ 1,399	\$ 51,217	\$ 34,660	\$ 45,783	\$ 74,900	\$ 25,506	\$ 152,028
Less: Reserved Fund Balances	274,804	313	8,029	1,120	5,362	3,945	2,696	55,269	204	2,299
Less: Designated Fund Balances	68,465	1,153	6,292	279	9,895	30,715	43,087	19,631	25,302	8,200
Undesignated Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,529</u>
Basis of Accounting Differences										
Revenue Accruals/Adjustments:										
Taxes Receivable	\$ -	\$ (50,260)	\$ (472)	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (71,445)
Human Services Receivable	-	-	-	-	-	-	-	-	-	(2)
Deferred Revenue	2,887	-	-	-	-	-	5,069	-	101,243	1,777
Other Receivables	(18,985)	-	-	-	(5,701)	(737)	(12,173)	-	(101,412)	(1,109)
Expenditure Accruals/Adjustments:										
Family Support, Medical Assistance	-	-	-	-	-	-	-	-	-	35,757
Other Payables	-	-	-	(8)	401	(73)	-	-	7,768	1,089
Other Financial Sources (Uses):										
Transfers-In	(33,875)	-	-	-	(7,947)	(733)	-	-	-	-
Transfers-Out	-	52,782	-	134	-	-	-	-	-	-
Perspective Differences:										
Reserve for Long-Term										
Commitments	87,449	-	2,478	-	-	-	-	-	-	-
Designated for Fund Purposes	-	-	3,055	-	-	21,821	35,904	7,850	21,435	-
Budgetary Basis Undesignated Fund Balances	<u>\$ 37,476</u>	<u>\$ 2,522</u>	<u>\$ 5,061</u>	<u>\$ 126</u>	<u>\$ 22,713</u>	<u>\$ 20,278</u>	<u>\$ 28,800</u>	<u>\$ 7,850</u>	<u>\$ 29,034</u>	<u>\$ 107,596</u>





State of Minnesota

2006
Comprehensive
Annual
Financial Report

Nonmajor Capital Projects Funds

Building Fund

The fund receives revenue from the sale of state bonds to provide funds for the acquisition, maintenance, and betterment of state lands and buildings and to make grants and loans to local governments for the acquisition and betterment of other public land and buildings.

General Projects Fund

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

Transportation Fund

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

STATE OF MINNESOTA

NONMAJOR CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2006 (IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 9,743	\$ 1,539	\$ 6,605	\$ 17,887
Loans and Notes Receivable.....	38,195	11	-	38,206
Total Assets	<u>\$ 47,938</u>	<u>\$ 1,550</u>	<u>\$ 6,605</u>	<u>\$ 56,093</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 22,759	\$ 258	\$ 16,187	\$ 39,204
Interfund Payables.....	3,299	-	1,490	4,789
Due to Component Units.....	5,994	-	-	5,994
Total Liabilities.....	<u>\$ 32,052</u>	<u>\$ 258</u>	<u>\$ 17,677</u>	<u>\$ 49,987</u>
Fund Balances:				
Reservd for Encumbrances.....	\$ -	\$ -	\$ 14,803	\$ 14,803
Reserved for Long-Term Receivables.....	38,195	11	-	38,206
Reserved for Long-Term Commitments.....	-	1,281	-	1,281
Total Reserved Fund Balances.....	<u>\$ 38,195</u>	<u>\$ 1,292</u>	<u>\$ 14,803</u>	<u>\$ 54,290</u>
Unreserved Fund Balance:				
Undesignated.....	\$ (22,309)	\$ -	\$ (25,875)	\$ (48,184)
Total Fund Balances	<u>\$ 15,886</u>	<u>\$ 1,292</u>	<u>\$ (11,072)</u>	<u>\$ 6,106</u>
Total Liabilities and Fund Balances	<u>\$ 47,938</u>	<u>\$ 1,550</u>	<u>\$ 6,605</u>	<u>\$ 56,093</u>

STATE OF MINNESOTA

NONMAJOR CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 100	\$ 2	\$ -	\$ 102
Net Revenues.....	\$ 100	\$ 2	\$ -	\$ 102
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 1,257	\$ -	\$ -	\$ 1,257
Transportation.....	7,001	737	47,322	55,060
Agricultural and Environmental Resources.....	32,981	451	-	33,432
Economic and Workforce Development.....	60,378	165	-	60,543
General Education.....	6,073	-	-	6,073
Higher Education.....	40,686	-	-	40,686
Health and Human Services.....	376	4	-	380
General Government.....	20,695	2,833	40	23,568
Total Current Expenditures.....	\$ 169,447	\$ 4,190	\$ 47,362	\$ 220,999
Capital Outlay.....	31,159	1,468	133,263	165,890
Total Expenditures.....	\$ 200,606	\$ 5,658	\$ 180,625	\$ 386,889
Excess of Revenues Over (Under) Expenditures.....	\$ (200,506)	\$ (5,656)	\$ (180,625)	\$ (386,787)
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ 220,428	\$ -	\$ 150,021	\$ 370,449
Transfers-In.....	5,000	300	-	5,300
Transfers-Out.....	(74,473)	(4,670)	-	(79,143)
Net Other Financing Sources (Uses).....	\$ 150,955	\$ (4,370)	\$ 150,021	\$ 296,606
Net Change in Fund Balances.....	\$ (49,551)	\$ (10,026)	\$ (30,604)	\$ (90,181)
Fund Balances, Beginning, as Reported.....	\$ 65,437	\$ 11,318	\$ 19,532	\$ 96,287
Fund Balances, Ending.....	\$ 15,886	\$ 1,292	\$ (11,072)	\$ 6,106





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Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

Public Employees Insurance Fund

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

State Lottery Fund

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

State Operated Community Services Fund

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

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006

(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 6,057	\$ 4,448	\$ 2,622	\$ 11,298
Accounts Receivable.....	12,714	1,466	67	3,711
Interfund Receivables.....	450	-	-	-
Accrued Investment/Interest Income.....	-	-	18	-
Inventories.....	-	665	255	6,880
Deferred Costs.....	-	2	-	-
Other Assets.....	-	-	1,712	1,570
Total Current Assets.....	\$ 19,221	\$ 6,581	\$ 4,674	\$ 23,459
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 2,070	\$ -
Depreciable Capital Assets (Net).....	1,168	674	20,750	3,881
Nondepreciable Capital Assets	-	-	893	-
Total Noncurrent Assets.....	\$ 1,168	\$ 674	\$ 23,713	\$ 3,881
Total Assets.....	\$ 20,389	\$ 7,255	\$ 28,387	\$ 27,340
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 2,843	\$ 3,267	\$ 379	\$ 1,890
Interfund Payables.....	-	-	-	-
Unearned Revenue.....	-	187	48	2,557
Accrued Bond Interest Payable.....	-	-	170	-
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	665	-
Capital Leases.....	-	-	37	-
Compensated Absences Payable.....	362	28	29	93
Other Liabilities.....	-	-	-	22
Total Current Liabilities.....	\$ 3,205	\$ 3,482	\$ 1,328	\$ 4,562
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable.....	-	-	13,590	-
Capital Leases.....	-	-	143	-
Compensated Absences Payable.....	1,966	308	150	856
Total Noncurrent Liabilities.....	\$ 1,966	\$ 308	\$ 13,883	\$ 856
Total Liabilities.....	\$ 5,171	\$ 3,790	\$ 15,211	\$ 5,418
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 1,168	\$ 674	\$ 9,177	\$ 3,881
Unrestricted	14,050	2,791	3,999	18,041
Total Net Assets.....	\$ 15,218	\$ 3,465	\$ 13,176	\$ 21,922

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 4,893	\$ 15,494	\$ 17,366	\$ 62,178
302	3,152	6,094	27,506
-	-	636	1,086
-	-	-	18
-	874	-	8,674
-	380	-	382
-	-	97	3,379
<u>\$ 5,195</u>	<u>\$ 19,900</u>	<u>\$ 24,193</u>	<u>\$ 103,223</u>
\$ -	\$ -	\$ -	\$ 2,070
-	1,089	5,660	33,222
-	-	786	1,679
<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ 6,446</u>	<u>\$ 36,971</u>
<u>\$ 5,195</u>	<u>\$ 20,989</u>	<u>\$ 30,639</u>	<u>\$ 140,194</u>
\$ 1,315	\$ 8,561	\$ 3,349	\$ 21,604
-	10,769	-	10,769
677	563	-	4,032
-	-	48	218
-	-	247	247
-	-	-	665
-	-	136	173
2	88	1,039	1,641
-	-	-	22
<u>\$ 1,994</u>	<u>\$ 19,981</u>	<u>\$ 4,819</u>	<u>\$ 39,371</u>
\$ -	\$ -	\$ 3,150	\$ 3,150
-	-	-	13,590
-	-	733	876
27	1,008	5,083	9,398
<u>\$ 27</u>	<u>\$ 1,008</u>	<u>\$ 8,966</u>	<u>\$ 27,014</u>
<u>\$ 2,021</u>	<u>\$ 20,989</u>	<u>\$ 13,785</u>	<u>\$ 66,385</u>
\$ -	\$ 1,089	\$ 2,180	\$ 18,169
3,174	(1,089)	14,674	55,640
<u>\$ 3,174</u>	<u>\$ -</u>	<u>\$ 16,854</u>	<u>\$ 73,809</u>

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ -	\$ 2,110	\$ 4,274	\$ 41,543
Rental and Service Fees.....	34,300	7,228	133	-
Insurance Premiums.....	-	-	-	-
Other Income.....	3	-	155	1,946
Total Operating Revenues.....	\$ 34,303	\$ 9,338	\$ 4,562	\$ 43,489
Less: Cost of Goods Sold.....	-	671	-	24,115
Gross Margin.....	\$ 34,303	\$ 8,667	\$ 4,562	\$ 19,374
Operating Expenses:				
Purchased Services.....	\$ 3,186	\$ 1,220	\$ 2,261	\$ 4,244
Salaries and Fringe Benefits.....	24,870	2,947	2,416	9,155
Claims.....	-	-	-	-
Depreciation.....	170	70	1,162	651
Amortization.....	-	-	71	-
Supplies and Materials.....	2,869	108	221	876
Indirect Costs.....	3,034	129	-	923
Other Expenses.....	823	81	170	3,171
Total Operating Expenses.....	\$ 34,952	\$ 4,555	\$ 6,301	\$ 19,020
Operating Income (Loss).....	\$ (649)	\$ 4,112	\$ (1,739)	\$ 354
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 329	\$ -	\$ 131	\$ 390
Other Nonoperating Revenues.....	-	-	-	10
Interest and Financing Costs.....	-	-	(1,045)	-
Other Nonoperating Expenses.....	-	(3,411)	(5)	-
Gain (Loss) on Disposal of Capital Assets.....	(2)	-	-	(72)
Total Nonoperating Revenues (Expenses).....	\$ 327	\$ (3,411)	\$ (919)	\$ 328
Income (Loss) Before Transfers & Contributions.....	\$ (322)	\$ 701	\$ (2,658)	\$ 682
Transfers-In.....	-	-	2,032	-
Transfers-Out.....	-	-	-	-
Change in Net Assets.....	\$ (322)	\$ 701	\$ (626)	\$ 682
Net Assets, Beginning, as Reported.....	\$ 15,540	\$ 2,764	\$ 13,802	\$ 21,240
Net Assets, Ending.....	\$ 15,218	\$ 3,465	\$ 13,176	\$ 21,922

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ 449,711	\$ -	\$ 497,638
-	-	71,249	112,910
14,511	-	-	14,511
419	50	893	3,466
\$ 14,930	\$ 449,761	\$ 72,142	\$ 628,525
-	309,247	-	334,033
\$ 14,930	\$ 140,514	\$ 72,142	\$ 294,492
\$ 2,913	\$ 11,509	\$ 5,540	\$ 30,873
166	9,944	60,090	109,588
10,899	-	-	10,899
-	368	1,619	4,040
-	-	-	71
10	788	2,330	7,202
7	-	3,488	7,581
33	175	1,570	6,023
\$ 14,028	\$ 22,784	\$ 74,637	\$ 176,277
\$ 902	\$ 117,730	\$ (2,495)	\$ 118,215
\$ 196	\$ 1,367	\$ 739	\$ 3,152
-	-	-	10
-	-	(303)	(1,348)
-	-	-	(3,416)
-	-	(22)	(96)
\$ 196	\$ 1,367	\$ 414	\$ (1,698)
\$ 1,098	\$ 119,097	\$ (2,081)	\$ 116,517
-	-	-	2,032
-	(119,097)	-	(119,097)
\$ 1,098	\$ -	\$ (2,081)	\$ (548)
\$ 2,076	\$ -	\$ 18,935	\$ 74,357
\$ 3,174	\$ -	\$ 16,854	\$ 73,809

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 31,225	\$ 8,794	\$ 4,614	\$ 41,542
Receipts from Other Revenues.....	3	-	-	1,946
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(9,812)	(2,221)	(2,510)	(30,577)
Payments to Employees.....	(25,152)	(2,860)	(2,416)	(9,155)
Payments to Others.....	-	-	-	-
Net Cash Flows from Operating Activities.....	\$ (3,736)	\$ 3,713	\$ (312)	\$ 3,756
Cash Flows from Noncapital Financing Activities:				
Transfers-In.....	\$ -	\$ -	\$ 2,032	\$ -
Transfers-Out.....	-	-	-	-
Advances to Other Funds.....	-	(70)	-	-
Repayments of Advances to Other Funds.....	-	70	-	-
Other Nonoperating Expenses.....	-	(3,411)	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ -	\$ (3,411)	\$ 2,032	\$ -
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ (18)	\$ (361)	\$ (418)	\$ (681)
Proceeds from Disposal of Capital Assets.....	-	-	-	34
Capital Lease Payments.....	-	-	-	-
Repayment of Bond Principal.....	-	-	(615)	-
Interest Paid.....	-	-	(1,049)	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (18)	\$ (361)	\$ (2,082)	\$ (647)
Cash Flows from Investing Activities:				
Investment Earnings.....	\$ 330	\$ -	\$ 131	\$ 390
Net Cash Flows from Investing Activities.....	\$ 330	\$ -	\$ 131	\$ 390
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (3,424)	\$ (59)	\$ (231)	\$ 3,499
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 9,481	\$ 4,507	\$ 4,923	\$ 7,799
Cash and Cash Equivalents, Ending.....	\$ 6,057	\$ 4,448	\$ 4,692	\$ 11,298
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ (649)	\$ 4,112	\$ (1,739)	\$ 354
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 170	\$ 70	\$ 1,162	\$ 651
Amortization.....	-	-	71	-
Change in Assets and Liabilities:				
Accounts Receivable.....	(3,525)	(550)	(28)	(566)
Inventories.....	-	93	(11)	1,998
Other Assets.....	-	(1)	69	(1,352)
Accounts Payable.....	1,564	25	99	60
Compensated Absences Payable.....	27	(42)	17	(26)
Unearned Revenues.....	-	6	48	2,557
Other Liabilities.....	(1,323)	-	-	80
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ (3,087)	\$ (399)	\$ 1,427	\$ 3,402
Net Cash Flows from Operating Activities.....	\$ (3,736)	\$ 3,713	\$ (312)	\$ 3,756
Noncash Investing, Capital and Financing Activities:				
Capital Assets Acquired Through Leases.....	\$ -	\$ -	\$ 808	\$ -

PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 14,923	\$ 448,785	\$ 72,252	\$ 622,135
-	89	870	2,908
(11,237)	(267,991)	-	(279,228)
(2,911)	(28,294)	(13,432)	(89,757)
(162)	(9,996)	(59,428)	(109,169)
(37)	(27,382)	(636)	(28,055)
\$ 576	\$ 115,211	\$ (374)	\$ 118,834
\$ -	\$ -	\$ -	\$ 2,032
-	(119,832)	-	(119,832)
-	-	-	(70)
-	-	-	70
-	-	(116)	(3,527)
\$ -	\$ (119,832)	\$ (116)	\$ (121,327)
\$ -	\$ (361)	\$ (988)	\$ (2,827)
-	27	-	61
-	-	(165)	(165)
-	-	(235)	(850)
-	-	(180)	(1,229)
\$ -	\$ (334)	\$ (1,568)	\$ (5,010)
\$ 196	\$ 1,367	\$ 739	\$ 3,153
\$ 196	\$ 1,367	\$ 739	\$ 3,153
\$ 772	\$ (3,588)	\$ (1,319)	\$ (4,350)
\$ 4,121	\$ 19,082	\$ 18,685	\$ 68,598
\$ 4,893	\$ 15,494	\$ 17,366	\$ 64,248
\$ 902	\$ 117,730	\$ (2,495)	\$ 118,215
\$ -	\$ 368	\$ 1,619	\$ 4,040
-	-	-	71
428	(1,148)	302	(5,087)
-	(493)	-	1,587
-	408	42	(834)
(759)	(1,775)	(65)	(851)
2	(52)	223	149
3	173	-	2,787
-	-	-	(1,243)
\$ (326)	\$ (2,519)	\$ 2,121	\$ 619
\$ 576	\$ 115,211	\$ (374)	\$ 118,834
\$ -	\$ -	\$ -	\$ 808





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Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Central Stores Fund

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

Employee Insurance Fund

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

Enterprise Technologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006

(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 1,452	\$ 537	\$ 1,078	\$ 165,549
Investments.....	-	-	-	20,013
Accounts Receivable.....	1,198	1,295	457	2,756
Interfund Receivables.....	-	-	-	-
Accrued Investment/Interest Income.....	-	-	-	409
Inventories.....	18	7	586	-
Deferred Costs.....	-	593	-	-
Securities Lending Collateral.....	-	-	-	13,770
Total Current Assets.....	\$ 2,668	\$ 2,432	\$ 2,121	\$ 202,497
Noncurrent Assets:				
Deferred Costs.....	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets (Net).....	18,129	72	-	7
Total Noncurrent Assets.....	\$ 18,129	\$ 72	\$ -	\$ 7
Total Assets.....	\$ 20,797	\$ 2,504	\$ 2,121	\$ 202,504
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 1,048	\$ 124	\$ 634	\$ 52,738
Interfund Payables.....	-	269	-	-
Unearned Revenue.....	-	-	-	4,991
Loans Payable.....	4,595	-	-	-
Compensated Absences Payable.....	10	29	8	24
Securities Lending Liabilities.....	-	-	-	13,770
Total Current Liabilities.....	\$ 5,653	\$ 422	\$ 642	\$ 71,523
Noncurrent Liabilities:				
Loans Payable.....	\$ 6,033	\$ -	\$ -	\$ -
Compensated Absences Payable.....	81	314	70	300
Advances from Other Funds.....	3,500	-	-	-
Total Noncurrent Liabilities.....	\$ 9,614	\$ 314	\$ 70	\$ 300
Total Liabilities.....	\$ 15,267	\$ 736	\$ 712	\$ 71,823
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 7,365	\$ 72	\$ -	\$ 7
Unrestricted	(1,835)	1,696	1,409	130,674
Total Net Assets.....	\$ 5,530	\$ 1,768	\$ 1,409	\$ 130,681

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 10,703	\$ 7,151	\$ 16,354	\$ 202,824
-	-	-	20,013
10,848	7,552	261	24,367
-	767	-	767
-	-	-	409
-	261	-	872
917	-	111	1,621
-	-	-	13,770
<u>\$ 22,468</u>	<u>\$ 15,731</u>	<u>\$ 16,726</u>	<u>\$ 264,643</u>
\$ 222	\$ -	\$ -	\$ 222
8,574	678	1	27,461
<u>\$ 8,796</u>	<u>\$ 678</u>	<u>\$ 1</u>	<u>\$ 27,683</u>
<u>\$ 31,264</u>	<u>\$ 16,409</u>	<u>\$ 16,727</u>	<u>\$ 292,326</u>
\$ 3,143	\$ 2,408	\$ 9,834	\$ 69,929
-	-	-	269
-	-	200	5,191
2,805	4	-	7,404
232	125	6	434
-	-	-	13,770
<u>\$ 6,180</u>	<u>\$ 2,537</u>	<u>\$ 10,040</u>	<u>\$ 96,997</u>
\$ 3,103	\$ -	\$ -	\$ 9,136
2,495	1,078	71	4,409
-	-	-	3,500
<u>\$ 5,598</u>	<u>\$ 1,078</u>	<u>\$ 71</u>	<u>\$ 17,045</u>
<u>\$ 11,778</u>	<u>\$ 3,615</u>	<u>\$ 10,111</u>	<u>\$ 114,042</u>
\$ 2,828	\$ 674	\$ 1	\$ 10,947
16,658	12,120	6,615	167,337
<u>\$ 19,486</u>	<u>\$ 12,794</u>	<u>\$ 6,616</u>	<u>\$ 178,284</u>

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales.....	\$ -	\$ 10,104	\$ 6,429	\$ -
Rental and Service Fees.....	12,103	1,518	-	-
Insurance Premiums.....	-	-	-	534,154
Other Income.....	380	-	-	8,458
Total Operating Revenues.....	\$ 12,483	\$ 11,622	\$ 6,429	\$ 542,612
Less: Cost of Goods Sold.....	-	-	5,042	-
Gross Margin.....	\$ 12,483	\$ 11,622	\$ 1,387	\$ 542,612
Operating Expenses:				
Purchased Services.....	\$ 1,617	\$ 8,400	\$ 535	\$ 74,657
Salaries and Fringe Benefits.....	725	2,857	615	2,861
Claims.....	-	-	-	427,447
Depreciation.....	3,691	36	-	4
Amortization.....	-	-	-	-
Supplies and Materials.....	4,261	75	9	165
Indirect Costs.....	322	65	143	239
Other Expenses.....	175	2	-	1,981
Total Operating Expenses.....	\$ 10,791	\$ 11,435	\$ 1,302	\$ 507,354
Operating Income (Loss).....	\$ 1,692	\$ 187	\$ 85	\$ 35,258
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 339	\$ -	\$ -	\$ 7,494
Securities Lending Income.....	-	-	-	613
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	(694)	-	-	-
Securities Lending Rebates and Fees.....	-	-	-	(605)
Other Nonoperating Expenses.....	-	-	-	-
Gain (Loss) on Disposal of Capital Assets.....	80	-	-	-
Total Nonoperating Revenues (Expenses).....	\$ (275)	\$ -	\$ -	\$ 7,502
Income (Loss) Before Transfers.....	\$ 1,417	\$ 187	\$ 85	\$ 42,760
Transfers-Out.....	-	-	-	-
Change in Net Assets.....	\$ 1,417	\$ 187	\$ 85	\$ 42,760
Net Assets, Beginning, as Reported.....	\$ 4,113	\$ 1,581	\$ 1,324	\$ 87,921
Net Assets, Ending.....	\$ 5,530	\$ 1,768	\$ 1,409	\$ 130,681

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ -	\$ -	\$ -	\$ 16,533
75,859	52,995	-	142,475
-	-	10,393	544,547
17	-	115	8,970
\$ 75,876	\$ 52,995	\$ 10,508	\$ 712,525
-	-	-	5,042
\$ 75,876	\$ 52,995	\$ 10,508	\$ 707,483
\$ 40,566	\$ 13,610	\$ 4,387	\$ 143,772
24,355	12,434	854	44,701
-	-	3,644	431,091
4,310	111	5	8,157
167	-	-	167
1,363	1,807	25	7,705
719	441	40	1,969
667	313	12	3,150
\$ 72,147	\$ 28,716	\$ 8,967	\$ 640,712
\$ 3,729	\$ 24,279	\$ 1,541	\$ 66,771
\$ 318	\$ -	\$ 722	\$ 8,873
-	-	-	613
37	-	49	86
(215)	-	-	(909)
-	-	-	(605)
(1,000)	-	(1,361)	(2,361)
20	8	-	108
\$ (840)	\$ 8	\$ (590)	\$ 5,805
\$ 2,889	\$ 24,287	\$ 951	\$ 72,576
-	(24,844)	-	(24,844)
\$ 2,889	\$ (557)	\$ 951	\$ 47,732
\$ 16,597	\$ 13,351	\$ 5,665	\$ 130,552
\$ 19,486	\$ 12,794	\$ 6,616	\$ 178,284

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 12,973	\$ 11,787	\$ 6,532	\$ 534,882
Receipts from Other Revenues.....	380	-	-	8,458
Payments to Claimants.....	-	-	-	(427,136)
Payments to Suppliers.....	(6,491)	(8,319)	(5,456)	(74,659)
Payments to Employees.....	(705)	(2,679)	(678)	(2,864)
Payments to Others.....	-	(184)	-	(2,126)
Net Cash Flows from Operating Activities.....	\$ 6,157	\$ 605	\$ 398	\$ 36,555
Cash Flows from Noncapital Financing Activities:				
Transfers-Out.....	\$ -	\$ -	\$ -	\$ -
Advances from Other Funds.....	4,500	-	-	-
Repayments of Advances from Other Funds.....	(5,104)	-	-	-
Other Nonoperating Expenses.....	-	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ (604)	\$ -	\$ -	\$ -
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ (7,833)	\$ (95)	\$ -	\$ -
Proceeds from Disposal of Capital Assets.....	2,136	-	-	-
Proceeds from Loans.....	5,962	70	-	-
Repayment of Loan Principal.....	(4,809)	(70)	-	-
Interest Paid.....	(376)	(497)	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (4,920)	\$ (592)	\$ -	\$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ 7,669
Purchase of Investments.....	-	-	-	(7,687)
Investment Earnings.....	339	-	-	7,907
Net Cash Flows from Investing Activities.....	\$ 339	\$ -	\$ -	\$ 7,889
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 972	\$ 13	\$ 398	\$ 44,444
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 480	\$ 524	\$ 680	\$ 121,105
Cash and Cash Equivalents, Ending.....	\$ 1,452	\$ 537	\$ 1,078	\$ 165,549
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ 1,692	\$ 187	\$ 85	\$ 35,258
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 3,691	\$ 36	\$ -	\$ 4
Amortization.....	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable.....	870	108	104	363
Inventories.....	-	3	(95)	-
Other Assets.....	-	254	-	-
Accounts Payable.....	(107)	(6)	355	621
Compensated Absences Payable.....	11	25	(51)	(17)
Unearned Revenues.....	-	(2)	-	326
Other Liabilities.....	-	-	-	-
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 4,465	\$ 418	\$ 313	\$ 1,297
Net Cash Flows from Operating Activities.....	\$ 6,157	\$ 605	\$ 398	\$ 36,555
Noncash Investing, Capital and Financing Activities:				
Disposal of Capital Assets.....	\$ 136	\$ -	\$ -	\$ -
Accrual of Computer Equipment as an Investment in Capital Assets.....	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 74,347	\$ 45,220	\$ 10,304	\$ 696,045
17	546	-	9,401
-	-	(3,923)	(431,059)
(42,726)	(15,808)	(4,446)	(157,905)
(23,957)	(12,198)	(829)	(43,910)
-	-	-	(2,310)
\$ 7,681	\$ 17,760	\$ 1,106	\$ 70,262
\$ -	\$ (25,612)	\$ -	\$ (25,612)
-	-	-	4,500
-	-	-	(5,104)
(1,000)	-	(1,299)	(2,299)
\$ (1,000)	\$ (25,612)	\$ (1,299)	\$ (28,515)
\$ (1,411)	\$ (243)	\$ -	\$ (9,582)
-	8	-	2,144
1,070	-	-	7,102
(3,424)	(12)	-	(8,315)
(212)	-	-	(1,085)
\$ (3,977)	\$ (247)	\$ -	\$ (9,736)
\$ -	\$ -	\$ -	\$ 7,669
-	-	-	(7,687)
318	-	722	9,286
\$ 318	\$ -	\$ 722	\$ 9,268
\$ 3,022	\$ (8,099)	\$ 529	\$ 41,279
\$ 7,681	\$ 15,250	\$ 15,825	\$ 161,545
\$ 10,703	\$ 7,151	\$ 16,354	\$ 202,824
\$ 3,729	\$ 24,279	\$ 1,541	\$ 66,771
\$ 4,310	\$ 111	\$ 5	\$ 8,157
167	-	-	167
(1,512)	(7,267)	(8)	(7,342)
-	(55)	-	(147)
529	-	128	911
305	582	(463)	1,287
224	110	18	320
-	-	(115)	209
(71)	-	-	(71)
\$ 3,952	\$ (6,519)	\$ (435)	\$ 3,491
\$ 7,681	\$ 17,760	\$ 1,106	\$ 70,262
\$ -	\$ -	\$ -	\$ 136
715	-	-	715



State of Minnesota

2006
Comprehensive
Annual
Financial Report

Pension Trust Funds

Minnesota State Retirement System

Correctional Employees Retirement Fund

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

Elective State Officers Fund

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

Hennepin County Supplemental Retirement Fund

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

Judicial Retirement Fund

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

Legislative Retirement Fund

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

Postretirement Health Care Benefits Fund

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

State Deferred Compensation Fund

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

Pension Trust Funds – Cont'd.

State Employees Retirement Fund

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

State Patrol Retirement Fund

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

Unclassified Employees Retirement Fund

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

Public Employees Retirement Association

Defined Contribution Fund

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

Police and Fire Fund

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

Public Employees Correctional Fund

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

Public Employees Retirement Fund

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

Teachers Retirement Association

Teachers Retirement Fund

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

State Colleges and Universities

Colleges and Universities Retirement Fund

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

STATE OF MINNESOTA

PENSION TRUST FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT
ASSETS					
Cash and Cash Equivalents.....	\$ 119	\$ -	\$ 129	\$ 700	\$ -
Investment Pools, at fair value:					
Cash Equivalent Investments.....	\$ 24,634	\$ -	\$ 22,631	\$ 8,153	\$ 2,361
Investments:					
Commercial Paper.....	\$ 1,033	\$ -	\$ 53	\$ 276	\$ 69
Debt Securities.....	126,748	-	17,200	33,899	8,532
Equity Securities.....	375,458	-	86,794	98,343	23,994
Mutual Funds.....	-	-	-	-	-
Total Investments.....	\$ 503,239	\$ -	\$ 104,047	\$ 132,518	\$ 32,595
Accrued Interest and Dividends.....	\$ 1,546	\$ -	\$ 340	\$ 414	\$ 104
Securities Trades Receivables (Payables).....	(14,028)	-	(721)	(3,765)	(951)
Total Investment Pool Participation.....	\$ 515,391	\$ -	\$ 126,297	\$ 137,320	\$ 34,109
Receivables:					
Employer Contributions.....	\$ 656	\$ -	\$ 12	\$ 144	\$ -
Member Contributions.....	462	-	12	54	-
Interfund Receivables.....	-	-	-	-	-
Other Receivables.....	6	212	22	3	8,443
Accrued Interest and Dividends.....	12	-	-	2	-
Total Receivables.....	\$ 1,136	\$ 212	\$ 46	\$ 203	\$ 8,443
Securities Lending Collateral.....	\$ 62,814	\$ -	\$ 11,196	\$ 16,859	\$ 4,270
Depreciable Capital Assets (Net).....	-	-	-	-	-
Nondepreciable Capital Assets.....	-	-	-	-	-
Total Assets.....	\$ 579,460	\$ 212	\$ 137,668	\$ 155,082	\$ 46,822
LIABILITIES					
Accounts Payable.....	\$ 96	\$ -	\$ -	\$ 15	\$ -
Interfund Payables.....	333	5	-	58	33
Accrued Expense.....	-	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-	-
Bond Interest.....	-	-	-	-	-
Compensated Absences Payable.....	-	-	-	-	-
Securities Lending Liabilities.....	62,814	-	11,196	16,859	4,270
Total Liabilities.....	\$ 63,243	\$ 5	\$ 11,196	\$ 16,932	\$ 4,303
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 516,217	\$ 207	\$ 126,472	\$ 138,150	\$ 42,519

MINNESOTA STATE RETIREMENT SYSTEM				
POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ 3,009	\$ -	\$ 20,666	\$ 417	\$ 1,413
\$ 52,663	\$ 179,974	\$ 352,724	\$ 23,912	\$ 39,333
\$ 77	\$ -	\$ 16,458	\$ 1,174	\$ 117
37,808	-	2,020,350	144,068	51,943
30,157	-	5,998,885	421,697	191,747
-	2,946,336	-	-	-
\$ 68,042	\$ 2,946,336	\$ 8,035,693	\$ 566,939	\$ 243,807
\$ 397	\$ 209	\$ 24,640	\$ 1,758	\$ 728
(1,048)	-	(223,518)	(15,977)	(1,505)
\$ 120,054	\$ 3,126,519	\$ 8,189,539	\$ 576,632	\$ 282,363
\$ -	\$ -	\$ 4,017	\$ 379	\$ 222
4,439	-	4,011	243	156
594	-	5,496	-	-
-	-	118	9	68
-	-	199	10	-
\$ 5,033	\$ -	\$ 13,841	\$ 641	\$ 446
\$ 5,635	\$ 192	\$ 1,000,799	\$ 71,553	\$ 25,579
-	-	5,568	-	-
-	-	88	-	-
\$ 133,731	\$ 3,126,711	\$ 9,230,501	\$ 649,243	\$ 309,801
\$ -	\$ -	\$ 2,045	\$ 84	\$ -
2,875	783	594	98	1,311
-	-	-	-	-
-	-	5,378	-	-
-	-	26	-	-
-	-	618	-	-
5,635	192	1,000,799	71,553	25,579
\$ 8,510	\$ 975	\$ 1,009,460	\$ 71,735	\$ 26,890
\$ 125,221	\$ 3,125,736	\$ 8,221,041	\$ 577,508	\$ 282,911

CONTINUED

STATE OF MINNESOTA

PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				TEACHERS RETIREMENT ASSOCIATION
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TEACHERS RETIREMENT
ASSETS					
Cash and Cash Equivalents.....	\$ -	\$ -	\$ -	\$ 1,543	\$ 5,858
Investment Pools, at fair value:					
Cash Equivalent Investments.....	\$ 4,321	\$ 218,518	\$ 5,182	\$ 565,301	\$ 926,648
Investments:					
Commercial Paper.....	\$ 15	\$ 9,619	\$ 257	\$ 23,733	\$ 35,515
Debt Securities.....	5,547	1,180,740	31,579	2,913,435	4,359,707
Equity Securities.....	17,319	3,492,210	96,453	8,565,640	12,858,956
Mutual Funds.....	-	-	-	-	-
Total Investments.....	\$ 22,881	\$ 4,682,569	\$ 128,289	\$ 11,502,808	\$ 17,254,178
Accrued Interest and Dividends.....	\$ 69	\$ 14,507	\$ 389	\$ 35,765	\$ 55,654
Securities Trades Receivables (Payables).....	(210)	(130,708)	(3,476)	(322,825)	(483,384)
Total Investment Pool Participation.....	\$ 27,061	\$ 4,784,886	\$ 130,384	\$ 11,781,049	\$ 17,753,096
Receivables:					
Employer Contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 14,579
Member Contributions.....	-	-	-	-	-
Interfund Receivables.....	20	892	238	1,038	-
Other Receivables.....	88	24,703	462	11,946	-
Accrued Interest and Dividends.....	-	-	-	-	6
Total Receivables.....	\$ 108	\$ 25,595	\$ 700	\$ 12,984	\$ 14,585
Securities Lending Collateral.....	\$ 2,361	\$ 571,452	\$ 15,503	\$ 1,406,240	\$ 2,036,380
Depreciable Capital Assets (Net).....	-	-	-	11,035	11,298
Nondepreciable Capital Assets.....	-	-	-	170	171
Total Assets.....	\$ 29,530	\$ 5,381,933	\$ 146,587	\$ 13,213,021	\$ 19,821,388
LIABILITIES					
Accounts Payable.....	\$ -	\$ 1,673	\$ 212	\$ 25,676	\$ 9,093
Interfund Payables.....	132	719	187	1,150	-
Accrued Expense.....	-	-	-	-	47
Revenue Bonds Payable.....	-	-	-	10,597	10,650
Bond Interest.....	-	-	-	-	51
Compensated Absences Payable.....	-	-	-	710	640
Securities Lending Liabilities.....	2,361	571,452	15,503	1,406,240	2,036,380
Total Liabilities.....	\$ 2,493	\$ 573,844	\$ 15,902	\$ 1,444,373	\$ 2,056,861
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 27,037	\$ 4,808,089	\$ 130,685	\$ 11,768,648	\$ 17,764,527

STATE COLLEGES AND UNIVERSITIES RETIREMENT		TOTAL
\$	1,461	\$ 35,315
\$	58,822	\$ 2,485,177
\$	59	\$ 88,455
	56,528	10,988,084
	218,435	32,476,088
	404,629	3,350,965
\$	679,651	\$ 46,903,592
\$	958	\$ 137,478
	(607)	(1,202,723)
\$	738,824	\$ 48,323,524
\$	-	\$ 20,009
	-	9,377
	-	8,278
	-	46,080
	-	229
\$	-	\$ 83,973
\$	28,432	\$ 5,259,265
	-	27,901
	-	429
\$	768,717	\$ 53,730,407
\$	-	\$ 38,894
	-	8,278
	-	47
	-	26,625
	-	77
	-	1,968
	28,432	5,259,265
\$	28,432	\$ 5,335,154
\$	740,285	\$ 48,395,253

STATE OF MINNESOTA

PENSION TRUST FUNDS COMBINING STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM				
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL	JUDICIAL RETIREMENT	LEGISLATIVE RETIREMENT
Additions:					
Contributions:					
Employer.....	\$ 12,152	\$ -	\$ 426	\$ 7,336	\$ -
Member.....	8,964	-	426	2,866	264
Contributions From Other Sources.....	-	417	-	-	5,685
Total Contributions.....	\$ 21,116	\$ 417	\$ 852	\$ 10,202	\$ 5,949
Net Investment Income:					
Investment Income.....	\$ 60,335	\$ -	\$ 6,627	\$ 15,610	\$ 3,577
Less: Investment Expense.....	(735)	-	-	(203)	(51)
Net Investment Income.....	\$ 59,600	\$ -	\$ 6,627	\$ 15,407	\$ 3,526
Securities Lending Revenues (Expenses):					
Securities Lending Income.....	\$ 2,746	\$ -	\$ 574	\$ 739	\$ 188
Borrower Rebates.....	(2,505)	-	(521)	(674)	(171)
Management Fees.....	(56)	-	(11)	(15)	(4)
Net Securities Lending Revenue.....	\$ 185	\$ -	\$ 42	\$ 50	\$ 13
Total Investment Income.....	\$ 59,785	\$ -	\$ 6,669	\$ 15,457	\$ 3,539
Transfers From Other Funds.....	\$ -	\$ -	\$ -	\$ -	\$ 20
Other Additions.....	-	-	24	-	-
Total Additions.....	\$ 80,901	\$ 417	\$ 7,545	\$ 25,659	\$ 9,508
Deductions:					
Benefits.....	\$ 26,163	\$ 409	\$ 3,704	\$ 14,260	\$ 6,094
Refunds/Withdrawals.....	730	-	378	-	78
Administrative Expenses.....	676	5	5	138	67
Transfers to Other Funds.....	-	-	-	-	-
Total Deductions.....	\$ 27,569	\$ 414	\$ 4,087	\$ 14,398	\$ 6,239
Net Increase (Decrease).....	\$ 53,332	\$ 3	\$ 3,458	\$ 11,261	\$ 3,269
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 462,885	\$ 204	\$ -	\$ 126,889	\$ 39,250
Change in Reporting Entity.....	-	-	-	-	-
Change in Fund Structure.....	-	-	123,014	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 462,885	\$ 204	\$ 123,014	\$ 126,889	\$ 39,250
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 516,217	\$ 207	\$ 126,472	\$ 138,150	\$ 42,519

MINNESOTA STATE RETIREMENT SYSTEM				
POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ -	\$ 82,645	\$ 7,055	\$ 5,932
52,562	211,706	85,379	4,719	4,368
-	-	-	-	-
\$ 52,562	\$ 211,706	\$ 168,024	\$ 11,774	\$ 10,300
\$ 5,072	\$ 269,420	\$ 924,710	\$ 65,558	\$ 20,755
-	-	(12,028)	(861)	-
\$ 5,072	\$ 269,420	\$ 912,682	\$ 64,697	\$ 20,755
\$ 290	\$ -	\$ 43,745	\$ 3,133	\$ 1,235
(264)	-	(39,905)	(2,859)	(1,115)
(6)	-	(890)	(64)	(27)
\$ 20	\$ -	\$ 2,950	\$ 210	\$ 93
\$ 5,092	\$ 269,420	\$ 915,632	\$ 64,907	\$ 20,848
\$ -	\$ -	\$ 11,486	\$ -	\$ 797
502	4,815	238	-	31
\$ 58,156	\$ 485,941	\$ 1,095,380	\$ 76,681	\$ 31,976
\$ 18,300	\$ 34,264	\$ 366,797	\$ 38,766	\$ -
-	121,636	12,554	52	6,172
724	7,734	5,266	291	301
-	-	817	-	11,486
\$ 19,024	\$ 163,634	\$ 385,434	\$ 39,109	\$ 17,959
\$ 39,132	\$ 322,307	\$ 709,946	\$ 37,572	\$ 14,017
\$ 86,089	\$ 2,803,429	\$ 7,511,095	\$ 539,936	\$ 268,894
-	-	-	-	-
-	-	-	-	-
\$ 86,089	\$ 2,803,429	\$ 7,511,095	\$ 539,936	\$ 268,894
\$ 125,221	\$ 3,125,736	\$ 8,221,041	\$ 577,508	\$ 282,911

CONTINUED

STATE OF MINNESOTA

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION				TEACHERS RETIREMENT ASSOCIATION
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	TEACHERS RETIREMENT
Additions:					
Contributions:					
Employer.....	\$ 1,392	\$ 63,603	\$ 11,826	\$ 255,531	\$ 179,022
Member.....	1,282	42,970	7,881	235,901	177,085
Contributions From Other Sources.....	-	-	-	-	3,182
Total Contributions.....	\$ 2,674	\$ 106,573	\$ 19,707	\$ 491,432	\$ 359,289
Net Investment Income:					
Investment Income.....	\$ 1,821	\$ 554,962	\$ 12,956	\$ 1,326,989	\$ 1,973,440
Less: Investment Expense.....	-	(6,854)	(173)	(16,745)	(27,792)
Net Investment Income.....	\$ 1,821	\$ 548,108	\$ 12,783	\$ 1,310,244	\$ 1,945,648
Securities Lending Revenues (Expenses):					
Securities Lending Income.....	\$ 116	\$ 24,987	\$ 676	\$ 61,533	\$ 90,397
Borrower Rebates.....	(106)	(22,794)	(616)	(56,139)	(82,387)
Management Fees.....	(2)	(508)	(14)	(1,250)	(1,879)
Net Securities Lending Revenue.....	\$ 8	\$ 1,685	\$ 46	\$ 4,144	\$ 6,131
Total Investment Income.....	\$ 1,829	\$ 549,793	\$ 12,829	\$ 1,314,388	\$ 1,951,779
Transfers From Other Funds.....	\$ -	\$ -	\$ -	\$ -	\$ -
Other Additions.....	-	1,917	11	4,094	29,494
Total Additions.....	\$ 4,503	\$ 658,283	\$ 32,547	\$ 1,809,914	\$ 2,340,562
Deductions:					
Benefits.....	\$ -	\$ 264,601	\$ 1,341	\$ 748,391	\$ 1,221,030
Refunds/Withdrawals.....	1,390	867	619	26,452	15,055
Administrative Expenses.....	130	1,002	190	12,122	13,769
Transfers to Other Funds.....	-	-	-	-	-
Total Deductions.....	\$ 1,520	\$ 266,470	\$ 2,150	\$ 786,965	\$ 1,249,854
Net Increase (Decrease).....	\$ 2,983	\$ 391,813	\$ 30,397	\$ 1,022,949	\$ 1,090,708
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 24,054	\$ 4,416,276	\$ 100,288	\$ 10,745,699	\$ 15,928,604
Change in Reporting Entity.....	-	-	-	-	745,215
Change in Fund Structure.....	-	-	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 24,054	\$ 4,416,276	\$ 100,288	\$ 10,745,699	\$ 16,673,819
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 27,037	\$ 4,808,089	\$ 130,685	\$ 11,768,648	\$ 17,764,527

STATE COLLEGES AND UNIVERSITIES RETIREMENT		TOTAL
\$	31,070	\$ 657,990
	28,438	864,811
	112	9,396
\$	59,620	\$ 1,532,197
\$	53,656	\$ 5,295,488
	-	(65,442)
\$	53,656	\$ 5,230,046
\$	1,606	\$ 231,965
	(1,444)	(211,500)
	(36)	(4,762)
\$	126	\$ 15,703
\$	53,782	\$ 5,245,749
\$	-	\$ 12,303
	-	41,126
\$	113,402	\$ 6,831,375
\$	34,072	\$ 2,778,192
	-	185,983
	4,769	47,189
	-	12,303
\$	38,841	\$ 3,023,667
\$	74,561	\$ 3,807,708
\$	665,724	\$ 43,719,316
	-	745,215
	-	123,014
\$	665,724	\$ 44,587,545
\$	740,285	\$ 48,395,253





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Investment Trust Funds

Supplemental Retirement Fund

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

Miscellaneous Investment Trust Fund

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

STATE OF MINNESOTA

INVESTMENT TRUST FUNDS STATEMENT OF PLAN NET ASSETS JUNE 30, 2006 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 15,311	\$ 197	\$ 15,508
Investments:			
Commercial Paper.....	\$ 847	\$ -	\$ 847
Debt Securities.....	109,562	2,426	111,988
Equity Securities.....	224,736	3,016	227,752
Total Investments.....	\$ 335,145	\$ 5,442	\$ 340,587
Accrued Interest and Dividends.....	\$ 1,275	\$ 36	\$ 1,311
Securities Trades Receivables (Payables).....	(11,664)	(2)	(11,666)
Total Investment Pool Participation.....	\$ 340,067	\$ 5,673	\$ 345,740
Securities Lending Collateral.....	\$ 47,053	\$ 1,029	\$ 48,082
Total Assets.....	\$ 387,120	\$ 6,702	\$ 393,822
LIABILITIES			
Accounts Payable.....	\$ 75	\$ -	\$ 75
Securities Lending Liabilities.....	47,053	1,029	48,082
Total Liabilities.....	\$ 47,128	\$ 1,029	\$ 48,157
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 339,992	\$ 5,673	\$ 345,665

STATE OF MINNESOTA

INVESTMENT TRUST FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 31,250	\$ 5,690	\$ 36,940
Total Contributions.....	\$ 31,250	\$ 5,690	\$ 36,940
Net Investment Income:			
Investment Income.....	\$ 29,143	\$ (19)	\$ 29,124
Less: Investment Expense.....	(307)	-	(307)
Net Investment Income.....	\$ 28,836	\$ (19)	\$ 28,817
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 2,621	\$ 33	\$ 2,654
Borrower Rebates.....	(2,445)	(31)	(2,476)
Net Securities Lending Revenue.....	\$ 176	\$ 2	\$ 178
Total Investment Income.....	\$ 29,012	\$ (17)	\$ 28,995
Total Additions.....	\$ 60,262	\$ 5,673	\$ 65,935
Deductions:			
Refunds/Withdrawals.....	\$ 65,575	\$ -	\$ 65,575
Total Deductions.....	\$ 65,575	\$ -	\$ 65,575
Net Increase (Decrease).....	\$ (5,313)	\$ 5,673	\$ 360
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 468,319	\$ -	\$ 468,319
Change in Fund Structure.....	(123,014)	-	(123,014)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 345,305	\$ -	\$ 345,305
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 339,992	\$ 5,673	\$ 345,665





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Agency Fund

Agency Fund

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

STATE OF MINNESOTA

AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents.....	\$ 63,394	\$ 1,008,337	\$ 1,002,162	\$ 69,569
Accounts Receivable.....	9,520	11,705	9,520	11,705
Total Assets.....	<u>\$ 72,914</u>	<u>\$ 1,020,042</u>	<u>\$ 1,011,682</u>	<u>\$ 81,274</u>
LIABILITIES				
Accounts Payable.....	\$ 36,077	\$ 45,478	\$ 36,077	\$ 45,478
Funds Held in Trust.....	36,837	974,564	975,605	35,796
Total Liabilities.....	<u>\$ 72,914</u>	<u>\$ 1,020,042</u>	<u>\$ 1,011,682</u>	<u>\$ 81,274</u>



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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

Minnesota Partnership for Action Against Tobacco

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

National Sports Center Foundation

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

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 agriculture programs.

Workers' Compensation Assigned Risk Plan

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

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF NET ASSETS DECEMBER 31, 2005 AND JUNE 30, 2006 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION	PUBLIC FACILITIES AUTHORITY
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 10,664	\$ 26	\$ 511	\$ 186,156	\$ 250,812
Investments.....	-	162,839	-	5,676	26,841
Accounts Receivable.....	50	10,037	306	7,669	-
Due from Primary Government.....	-	-	39	-	6,970
Accrued Investment/Interest Income.....	179	-	-	-	17,137
Federal Aid Receivable.....	-	-	-	-	107
Inventories.....	-	-	50	-	-
Deferred Costs.....	-	-	205	204	-
Loans and Notes Receivable.....	2,269	-	-	-	66,440
Securities Lending Collateral.....	-	22,506	-	5,959	19,077
Other Assets.....	-	43	-	-	-
Total Current Assets.....	\$ 13,162	\$ 195,451	\$ 1,111	\$ 205,664	\$ 387,384
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ -	\$ 6,114	\$ -
Investments-Restricted.....	19,083	-	-	-	-
Accounts Receivable-Restricted.....	-	-	3,480	-	-
Due from Primary government.....	-	-	-	-	22,940
Investments.....	-	-	-	-	147,262
Accounts Receivable.....	-	-	-	-	-
Loans and Notes Receivable.....	15,031	-	-	603,480	1,247,713
Depreciable Capital Assets (Net).....	-	68	320	6	-
Nondepreciable Capital Assets.....	-	-	2,834	-	-
Other Assets.....	-	-	-	2,947	2,454
Total Noncurrent Assets.....	\$ 34,114	\$ 68	\$ 6,634	\$ 612,547	\$ 1,420,369
Total Assets.....	\$ 47,276	\$ 195,519	\$ 7,745	\$ 818,211	\$ 1,807,753
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ -	\$ 1,189	\$ 1,618	\$ 5,267	\$ 4,079
Due to Primary Government.....	-	-	2,467	-	-
Unearned Revenue.....	-	-	181	14,673	-
Accrued Bond Interest Payable.....	619	-	-	-	15,406
Loans and Notes Payable.....	-	-	924	-	-
Revenue Bonds Payable.....	5,495	-	-	-	41,690
Grants Payable.....	-	3,177	-	-	-
Claims Payable.....	-	-	-	-	-
Compensated Absences Payable.....	-	-	-	45	19
Securities Lending Liabilities.....	-	22,506	-	5,959	19,077
Other Liabilities.....	-	53	-	-	1,841
Total Current Liabilities.....	\$ 6,114	\$ 26,925	\$ 5,190	\$ 25,944	\$ 82,112
Noncurrent Liabilities:					
Due to Primary Government.....	\$ -	\$ -	\$ -	\$ -	\$ -
Loans and Notes Payable.....	-	-	2,051	-	-
Revenue Bonds Payable.....	18,720	-	-	487,000	931,238
Claims Payable.....	-	-	-	-	-
Compensated Absences Payable.....	-	-	-	501	206
Other Liabilities.....	-	2,090	-	-	3,528
Total Noncurrent Liabilities.....	\$ 18,720	\$ 2,090	\$ 2,051	\$ 487,501	\$ 934,972
Total Liabilities.....	\$ 24,834	\$ 29,015	\$ 7,241	\$ 513,445	\$ 1,017,084
NET ASSETS					
Invested in Capital Assets, Net of Related Debt.....	\$ -	\$ 68	\$ 687	\$ 6	\$ -
Restricted.....	18,802	-	-	300,894	790,669
Unrestricted.....	3,640	166,436	(183)	3,866	-
Total Net Assets.....	\$ 22,442	\$ 166,504	\$ 504	\$ 304,766	\$ 790,669

RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
\$ 9,894	\$ 8,416	\$ 466,479
-	311,042	506,398
-	49,460	67,522
-	-	7,009
-	2,171	19,487
-	-	107
-	-	50
-	7,422	7,831
6,139	-	74,848
-	-	47,542
-	641	684
<u>\$ 16,033</u>	<u>\$ 379,152</u>	<u>\$ 1,197,957</u>
\$ -	\$ -	\$ 6,114
-	-	19,083
-	-	3,480
-	-	22,940
-	-	147,262
-	340,542	340,542
44,332	-	1,910,556
-	-	394
-	-	2,834
-	-	5,401
<u>\$ 44,332</u>	<u>\$ 340,542</u>	<u>\$ 2,458,606</u>
<u>\$ 60,365</u>	<u>\$ 719,694</u>	<u>\$ 3,656,563</u>
\$ -	\$ 4,216	\$ 16,369
16,216	7,227	25,910
-	42,446	57,300
-	-	16,025
-	-	924
-	-	47,185
-	-	3,177
-	80,317	80,317
-	-	64
-	-	47,542
-	-	1,894
<u>\$ 16,216</u>	<u>\$ 134,206</u>	<u>\$ 296,707</u>
\$ 44,084	\$ -	\$ 44,084
-	-	2,051
-	-	1,436,958
-	545,683	545,683
-	-	707
-	-	5,618
<u>\$ 44,084</u>	<u>\$ 545,683</u>	<u>\$ 2,035,101</u>
<u>\$ 60,300</u>	<u>\$ 679,889</u>	<u>\$ 2,331,808</u>
\$ -	\$ -	\$ 761
-	-	1,110,365
65	39,805	213,629
<u>\$ 65</u>	<u>\$ 39,805</u>	<u>\$ 1,324,755</u>

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2005 AND JUNE 30, 2006 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	MINNESOTA PARTNERSHIP FOR ACTION AGAINST TOBACCO	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION	PUBLIC FACILITIES AUTHORITY
Net Expenses:					
Total Expenses.....	\$ 1,779	\$ 17,291	\$ 8,837	\$ 190,406	\$ 65,627
Program Revenues:					
Charges for Services.....	\$ 1,666	\$ -	\$ 8,112	\$ 47,738	\$ 36,248
Operating Grants and Contributions.....	-	-	-	3,962	55,073
Net (Expense) Revenue.....	\$ (113)	\$ (17,291)	\$ (725)	\$ (138,706)	\$ 25,694
General Revenues:					
Investment Income.....	\$ 332	\$ 16,888	\$ -	\$ (2)	\$ -
Other Revenues.....	-	700	813	184	857
Total General Revenues before Grants.....	\$ 332	\$ 17,588	\$ 813	\$ 182	\$ 857
State Grants Not Restricted.....	-	-	-	157,755	21,115
Total General Revenues.....	\$ 332	\$ 17,588	\$ 813	\$ 157,937	\$ 21,972
Change in Net Assets.....	\$ 219	\$ 297	\$ 88	\$ 19,231	\$ 47,666
Net Assets, Beginning, as Reported.....	\$ 22,223	\$ 166,207	\$ 416	\$ 285,535	\$ 743,003
Net Assets, Ending.....	\$ 22,442	\$ 166,504	\$ 504	\$ 304,766	\$ 790,669

<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>TOTAL</u>
<u>\$ 3,503</u>	<u>\$ 99,575</u>	<u>\$ 387,018</u>
<u>\$ 2,943</u>	<u>\$ 98,691</u>	<u>\$ 195,398</u>
<u>-</u>	<u>-</u>	<u>59,035</u>
<u>\$ (560)</u>	<u>\$ (884)</u>	<u>\$ (132,585)</u>
<u>\$ -</u>	<u>\$ 3,270</u>	<u>\$ 20,488</u>
<u>-</u>	<u>-</u>	<u>2,554</u>
<u>\$ -</u>	<u>\$ 3,270</u>	<u>\$ 23,042</u>
<u>-</u>	<u>-</u>	<u>178,870</u>
<u>\$ -</u>	<u>\$ 3,270</u>	<u>\$ 201,912</u>
<u>\$ (560)</u>	<u>\$ 2,386</u>	<u>\$ 69,327</u>
<u>\$ 625</u>	<u>\$ 37,419</u>	<u>\$ 1,255,428</u>
<u>\$ 65</u>	<u>\$ 39,805</u>	<u>\$ 1,324,755</u>

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 1,457	\$ 2,939	\$ 4,396
Rental and Service Fees.....	60	4	64
Other Income.....	149	-	149
Total Operating Revenues.....	\$ 1,666	\$ 2,943	\$ 4,609
Operating Expenses:			
Economic and Manpower Development.....	\$ 281	\$ 3,503	\$ 3,784
Total Operating Expenses.....	\$ 281	\$ 3,503	\$ 3,784
Operating Income (Loss).....	\$ 1,385	\$ (560)	\$ 825
Nonoperating Revenues (Expenses):			
Bond Interest Expense.....	\$ (1,498)	\$ -	\$ (1,498)
Investment/Interest Income.....	332	-	332
Total Nonoperating Revenues (Expenses).....	\$ (1,166)	\$ -	\$ (1,166)
Change in Net Assets.....	\$ 219	\$ (560)	\$ (341)
Net Assets, Beginning, as Reported.....	\$ 22,223	\$ 625	\$ 22,848
Net Assets, Ending.....	\$ 22,442	\$ 65	\$ 22,507

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2006 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers.....	\$ 6,933	\$ 17,197	\$ 24,130
Receipts from Other Revenues.....	-	443	443
Payments to Customers.....	(1,505)	(13,429)	(14,934)
Payments to Suppliers.....	(88)	-	(88)
Payments to Others.....	(399)	(11,130)	(11,529)
Net Cash Flows from Operating Activities.....	\$ 4,941	\$ (6,919)	\$ (1,978)
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest.....	\$ (1,558)	\$ -	\$ (1,558)
Repayment of Bond Principal.....	(2,595)	-	(2,595)
Net Cash Flows from Non-Capital Financing Activities.....	\$ (4,153)	\$ -	\$ (4,153)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	\$ 4,796	\$ -	\$ 4,796
Purchase of Investments.....	(5,496)	-	(5,496)
Investment Interest.....	762	-	762
Net Cash Flows from Investing Activities.....	\$ 62	\$ -	\$ 62
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 850	\$ (6,919)	\$ (6,069)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 9,814	\$ 16,813	\$ 26,627
Cash and Cash Equivalents, Ending.....	\$ 10,664	\$ 9,894	\$ 20,558
Reconciliation of Operating Income (Loss) to			
Net Cash Flows from Operating Activities:			
Operating Income (Loss).....	\$ 1,385	\$ (560)	\$ 825
Adjustments to Reconcile Operating Income to			
Net Cash Flows from Operating Activities:			
Loans Receivable.....	\$ 3,448	\$ (7,164)	\$ (3,716)
Other Receivables.....	108	-	108
Due to Primary Government.....	-	805	805
Net Reconciling Items to be Added to			
(Deducted from) Operating Income.....	\$ 3,556	\$ (6,359)	\$ (2,803)
Net Cash Flows from Operating Activities.....	\$ 4,941	\$ (6,919)	\$ (1,978)





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General Obligation Debt Schedule

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

June 30, 2006

(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building ^{10, 11, 12, 13}	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ 3.1
Building ^{3, 7, 9, 11}	1994, Ch. 643	523,874.5	523,849.0	25.5
Building ^{2, 3, 7, 10}	1996, Ch. 463	478,672.9	478,505.0	167.9
Building ^{2, 3, 7}	X1997, Ch. 2	37,544.5	37,335.0	209.5
Building ^{2, 3, 4, 7}	1998, Ch. 404	100,656.0	100,656.0	0.0
Building ^{3, 4, 7, 8}	1999, Ch. 240	439,530.1	437,665.0	1,865.1
Transportation ^{2, 3, 8}	1999, Ch. 240	28,000.0	28,000.0	0.0
Transportation ⁶	2000, Ch. 479	7,000.0	7,000.0	0.0
Trunk Highway	2000, Ch. 479	100,100.0	98,850.0	1,250.0
Various Purpose ^{2, 3, 6}	2000, Ch. 492	528,426.3	509,630.0	18,796.3
Various Purpose ^{3, 5}	X2001, Ch. 12	117,205.0	113,600.0	3,605.0
Various Purpose ¹	2002, Ch. 280	0.0	0.0	0.0
Various Purpose	2002, Ch. 374	75,120.0	69,560.0	5,560.0
Various Purpose ^{3, 4}	2002, Ch. 393	624,712.0	571,805.0	52,907.0
Trunk Highway	X2002, Ch. 1	10,115.0	10,100.0	15.0
Various Purpose	X2002, Ch. 1	16,315.0	11,930.0	4,385.0
Trunk Highway	X2003, Ch. 19, Art. 3	400,400.0	259,750.0	140,650.0
Trunk Highway	X2003, Ch. 19, Art. 4	110,110.0	103,500.0	6,610.0
Various Purpose	X2003, Ch. 20	236,915.0	168,600.0	68,315.0
Various Purpose	2005, Ch. 20	944,980.0	229,259.0	715,721.0
Rural Finance Authority	X2005, Ch. 3	18,000.0	5,500.0	12,500.0
Various Purpose	2006, Ch. 258	1,006,780.0	0.0	1,006,780.0
Totals		<u>\$ 6,074,585.5</u>	<u>\$ 4,035,220.0</u>	<u>\$ 2,039,365.5</u>

(1) Laws 2006, Chapter 258 reduced Building Bonds authorization in Laws 2002, Chapter 280 by \$7,800,000.

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

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

(4) The Governor vetoed \$352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 5 below by increasing the bond authorization of Laws 1998, Chapter 404 by \$2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the \$2,700,000.

(5) 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.

- (6) 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.
- (7) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,964,000; Laws 1996, Chapter 463 by \$1,855,000; Special Session Laws 1997, Chapter 2 by \$10,000,000; Laws 1998, Chapter 404 by \$2,700,000; and Laws 1999, Chapter 240 by \$4,000,000. The \$2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.
- (8) 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.
- (9) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by \$1,350,000. Laws 1998, Chapter 404 also reduced Transportation Bond authorization in Laws 1994, Chapter 643 by \$10,000,000.
- (10) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$295,000; Laws 1989, Chapter 300 by \$3,335,000; Laws 1990, Chapter 610 by \$9,260,000; Laws 1992, Chapter 558 by \$6,590,000; Laws 1993, Chapter 373 by \$10,000; and Laws 1996, Chapter 463 by \$37,285,000. Laws 1997, Chapter 202 also reduced; Transportation Bonds authorized in Laws 1990, Chapter 610 by \$165,000; Reinvest in Minnesota Bond authorization in Laws 1990, Chapter 610 by \$20,000; and Airport Facility Bond authorization in Laws 1991, Chapter 350 by \$48,765,000.
- (11) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$50,000; Laws 1989, Chapter 300 by \$65,000; Laws 1990, Chapter 610 by \$580,000; Laws 1992, Chapter 558 by \$5,000; and Laws 1994, Chapter 643 by \$1,245,000. Special Session Laws 1995, Chapter 2 also reduced the Transportation Bond authorization in Laws 1987, Chapter 400 by \$10,000.
- (12) Laws 1994, Chapter 643 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$240,000; Laws 1989, Chapter 300 by \$895,000; Laws 1990, Chapter 610 by \$115,000; Laws 1992, Chapter 558 by \$65,000; and Laws 1993, Chapter 373 by \$15,000.
- (13) Laws 1993, Chapter 373 reduced Building Bond authorizations as follows: Laws 1987, Chapter 400 by \$700,000; Laws 1989, Chapter 300 by \$2,550,000; and Laws 1990, Chapter 610 by \$2,500,000.





State of Minnesota

2006
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, the individual income tax. 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.



2006 Comprehensive Annual Financial Report

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

	2002	2003	2004	2005	2006
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 3,516,294	\$ 4,998,667	\$ 5,525,157	\$ 5,943,503	\$ 6,468,103
Restricted	2,300,180	2,280,661	2,387,732	2,452,423	2,482,626
Unrestricted	2,364,102	(526,251)	(987,312)	(673,695)	649,481
Total Governmental Activities Net Assets	\$ 8,180,576	\$ 6,753,077	\$ 6,925,577	\$ 7,722,231	\$ 9,600,210
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 776,233	\$ 812,780	\$ 872,804	\$ 884,486	\$ 931,297
Restricted	431,695	151,812	86,291	520,745	852,943
Unrestricted	157,403	179,009	218,797	(1,096)	(1,089)
Total Business-type Activities Net Assets	\$ 1,365,331	\$ 1,143,601	\$ 1,177,892	\$ 1,404,135	\$ 1,783,151
Primary Government:					
Invested in Capital Assets, Net of Related Debt	\$ 4,292,527	\$ 5,811,447	\$ 6,397,961	\$ 6,827,989	\$ 7,399,400
Restricted	2,731,875	2,432,473	2,474,023	2,973,168	3,335,569
Unrestricted	2,521,505	(347,242)	(768,515)	(674,791)	648,392
Total Primary Government Net Assets	\$ 9,545,907	\$ 7,896,678	\$ 8,103,469	\$ 9,126,366	\$ 11,383,361

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

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

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

	2002	2003	2004	2005	2006
Program Revenues:					
Governmental Activities:					
Charges for Services:					
Public Safety and Corrections	\$ 104,577	\$ 101,157	\$ 138,359	\$ 143,998	\$ 174,807
Transportation	3,976	16,445	15,473	17,451	19,226
Agriculture and Environmental Resources	179,838	179,037	187,779	196,047	218,376
Economic and Workforce Development	117,993	125,832	158,788	159,929	214,650
General Education	20,822	34,038	33,284	39,655	38,808
Higher Education	-	249	-	2	-
Health and Human Services	721,014	571,531	516,539	360,563	447,404
General Government	250,588	183,052	214,962	226,809	245,015
Operating Grants and Contributions					
Health and Human Services	3,229,846	3,764,754	3,874,378	4,075,420	4,187,909
All Others	1,468,115	1,454,634	1,554,481	1,480,801	1,558,434
Capital Grants and Contributions	21,508	131,632	269,786	261,236	399,857
Total Governmental Activities Program Revenues	<u>\$ 6,118,277</u>	<u>\$ 6,562,361</u>	<u>\$ 6,963,829</u>	<u>\$ 6,961,911</u>	<u>\$ 7,504,486</u>
Business-type Activities:					
Charges for Services:					
State Colleges and Universities	\$ 539,365	\$ 583,236	\$ 636,138	\$ 651,094	\$ 694,053
Unemployment Insurance	378,531	608,634	806,185	908,540	1,054,227
Lottery	352,618	351,815	387,800	408,011	449,761
Other	126,326	153,962	171,598	169,182	178,764
Operating Grants and Contributions	437,777	369,481	312,200	198,217	176,023
Capital Grants and Contributions	24,333	2,274	2,307	1,687	1,963
Total Business-type Activities Program Revenues	<u>\$ 1,858,950</u>	<u>\$ 2,069,402</u>	<u>\$ 2,316,228</u>	<u>\$ 2,336,731</u>	<u>\$ 2,554,791</u>
Total Primary Government Program Revenues	<u>\$ 7,977,227</u>	<u>\$ 8,631,763</u>	<u>\$ 9,280,057</u>	<u>\$ 9,298,642</u>	<u>\$ 10,059,277</u>
Expenses:					
Governmental Activities:					
Public Safety and Corrections	\$ 702,345	\$ 750,143	\$ 731,438	\$ 764,307	\$ 818,192
Transportation	1,619,806	1,727,604	1,662,402	1,685,256	1,791,316
Agriculture and Environmental Resources	609,199	541,828	557,414	612,566	525,251
Economic and Workforce Development	731,568	671,469	591,513	505,901	273,510
General Education	5,461,074	6,929,870	6,512,834	6,820,389	7,336,455
Higher Education	865,729	785,524	744,112	762,092	786,563
Health and Human Services	7,307,133	8,102,781	8,228,552	8,466,865	8,823,115
General Government	849,938	652,005	671,908	654,758	718,996
Intergovernmental Aid	1,287,768	1,480,533	1,355,683	1,284,576	1,400,479
Interest	161,129	169,023	181,323	184,573	172,612
Total Governmental Activities Expenses	<u>\$ 19,595,689</u>	<u>\$ 21,810,780</u>	<u>\$ 21,237,179</u>	<u>\$ 21,741,283</u>	<u>\$ 22,646,489</u>
Business-type Activities:					
State Colleges and Universities	\$ 1,296,697	\$ 1,386,493	\$ 1,385,817	\$ 1,394,893	\$ 1,479,519
Unemployment Insurance	946,562	1,054,281	931,659	686,818	690,713
Lottery	296,985	273,884	287,550	302,575	332,031
Other	132,479	153,397	166,923	172,886	183,043
Total Business-type Activities Expenses	<u>\$ 2,672,723</u>	<u>\$ 2,868,055</u>	<u>\$ 2,771,949</u>	<u>\$ 2,557,172</u>	<u>\$ 2,685,306</u>
Total Primary Government Expenses	<u>\$ 22,268,412</u>	<u>\$ 24,678,835</u>	<u>\$ 24,009,128</u>	<u>\$ 24,298,455</u>	<u>\$ 25,331,795</u>

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

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

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

	2002	2003	2004	2005	2006
Net (Expense)/Revenue:					
Governmental Activities	\$ (13,477,412)	\$ (15,248,419)	\$ (14,273,350)	\$ (14,779,372)	\$ (15,142,003)
Business-type Activities	(813,773)	(798,653)	(455,721)	(220,441)	(130,515)
Total Primary Government Net Expense	<u>\$ (14,291,185)</u>	<u>\$ (16,047,072)</u>	<u>\$ (14,729,071)</u>	<u>\$ (14,999,813)</u>	<u>\$ (15,272,518)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Individual Income Taxes	\$ 5,419,220	\$ 5,497,328	\$ 5,863,383	\$ 6,556,331	\$ 7,069,242
Corporate Income Taxes	428,614	636,214	643,442	702,839	1,189,328
Sales Taxes	3,777,259	3,924,424	3,911,496	4,269,837	4,439,667
Property Taxes	308,337	594,094	608,860	603,412	633,288
Motor Vehicle Taxes	616,616	606,137	587,223	552,856	539,468
Fuel Taxes	614,285	656,326	643,964	652,493	659,980
Other Taxes	1,862,382	1,981,468	2,190,491	2,417,175	2,663,939
Tobacco Settlement	380,024	261,525	173,173	178,177	184,139
Unallocated Investment/Interest Income	83,432	24,049	32,712	42,753	101,803
Other Revenues	71,621	203,206	178,255	63,182	28,447
Special Item	134,000	30,000	-	-	-
Transfers	(615,758)	(548,291)	(471,382)	(425,180)	(474,090)
Total Governmental Activities	<u>\$ 13,080,032</u>	<u>\$ 13,866,480</u>	<u>\$ 14,361,617</u>	<u>\$ 15,613,875</u>	<u>\$ 17,035,211</u>
Business-type Activities:					
Unallocated Investment/Interest Income	\$ 35,853	\$ 15,697	\$ 16,213	\$ 9,264	\$ 18,300
Other Revenues	721	9,294	2,417	12,240	17,141
Transfers	615,758	548,291	471,382	425,180	474,090
Total Business-type Activities	<u>\$ 652,332</u>	<u>\$ 573,282</u>	<u>\$ 490,012</u>	<u>\$ 446,684</u>	<u>\$ 509,531</u>
Total Primary Government General Revenues	<u>\$ 13,732,364</u>	<u>\$ 14,439,762</u>	<u>\$ 14,851,629</u>	<u>\$ 16,060,559</u>	<u>\$ 17,544,742</u>
Change in Net Assets:					
Governmental Activities:					
Changes in Fund Structure	\$ (397,380)	\$ (1,381,939)	\$ 88,267	\$ 834,503	\$ 1,893,208
Changes in Inventory	-	(3,641)	-	-	-
Prior Period Adjustments	2,441	-	-	-	-
Prior Period Adjustments	-	(41,919)	84,233	(37,849)	(15,229)
Business-type Activities:	(161,441)	(225,371)	34,291	226,243	379,016
Changes in Fund Structure	-	3,641	-	-	-
Total Primary Government Change in Net Assets	<u>\$ (556,380)</u>	<u>\$ (1,649,229)</u>	<u>\$ 206,791</u>	<u>\$ 1,022,897</u>	<u>\$ 2,256,995</u>

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

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

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

	2002	2003	2004	2005	2006
General Fund:					
Reserved	\$ 146,286	\$ 74,766	\$ 120,506	\$ 161,257	\$ 228,640
Designated	482,657	-	-	-	610,167
Undesignated	56,516	(1,006,866)	(448,465)	(68,292)	-
Total General Fund	<u>\$ 685,459</u>	<u>\$ (932,100)</u>	<u>\$ (327,959)</u>	<u>\$ 92,965</u>	<u>\$ 838,807</u>
All Other Governmental Funds:					
Reserved	\$ 3,755,023	\$ 3,944,156	\$ 2,543,206	\$ 2,797,593	\$ 2,805,382
Designated, Reported In:					
Special Revenue Funds	783,976	442,662	580,118	484,012	715,202
Undesignated, Reported In:					
Special Revenue Funds	472,520	396,014	262,630	189,873	239,599
Capital Projects Funds	1,608	44	(62,340)	(8,187)	(48,184)
Total All Other Governmental Funds	<u>\$ 5,013,127</u>	<u>\$ 4,782,876</u>	<u>\$ 3,323,614</u>	<u>\$ 3,463,291</u>	<u>\$ 3,711,999</u>
Total Governmental Funds	<u><u>\$ 5,698,586</u></u>	<u><u>\$ 3,850,776</u></u>	<u><u>\$ 2,995,655</u></u>	<u><u>\$ 3,556,256</u></u>	<u><u>\$ 4,550,806</u></u>

Note: Due to significant fund structure changes that occurred when the state implemented GASB 34 in fiscal year 2002, earlier financial statement information is not presented.

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

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

	2002	2003	2004	2005	2006
Revenues:					
Individual Income Taxes	\$ 5,439,186	\$ 5,477,799	\$ 5,836,790	\$ 6,534,422	\$ 7,068,712
Corporate Income Taxes	454,318	572,689	648,837	711,136	1,189,915
Sales Taxes	3,795,942	3,822,453	3,959,236	4,281,391	4,473,275
Property Taxes	305,573	585,416	599,622	610,809	631,279
Motor Vehicle Taxes	1,111,953	1,109,090	1,096,890	1,067,444	1,037,593
Gasoline and Special Fuels Taxes	611,886	645,886	651,261	655,162	659,647
Federal Revenues	4,650,483	5,265,603	5,550,606	5,606,553	5,864,373
Other Taxes and Revenues	3,121,250	3,212,677	3,396,171	3,591,776	4,080,518
Total Revenues	\$ 19,490,591	\$ 20,691,613	\$ 21,739,413	\$ 23,058,693	\$ 25,005,312
Expenditures:					
Current:					
Public Safety and Corrections	\$ 695,305	\$ 748,482	\$ 711,888	\$ 753,260	\$ 793,202
Transportation	1,610,669	1,724,106	1,647,447	1,644,500	1,776,980
Agriculture and Environmental Resources	637,139	594,696	575,363	578,000	537,220
Economic and Workforce Development	776,484	750,463	649,090	617,247	703,108
General Education	5,460,622	6,929,529	6,512,633	6,820,292	7,337,888
Higher Education	864,395	785,887	745,406	764,072	786,606
Health and Human Services	7,118,313	8,091,315	8,229,553	8,465,547	8,820,143
General Government	712,474	604,481	617,052	622,177	690,753
Intergovernment Aid	1,287,768	1,480,533	1,355,683	1,284,576	1,400,479
Securities Lending Rebates and Fees	25,408	6,968	3,854	9,030	18,049
Capital Outlay	500,458	572,534	701,372	703,777	854,612
Debt Service:					
Principal	241,855	275,718	253,127	260,930	288,932
Interest	142,567	144,940	184,833	184,191	183,240
Total Expenditures	\$ 20,073,457	\$ 22,709,652	\$ 22,187,301	\$ 22,707,599	\$ 24,191,212
Excess of Revenues Over (Under) Expenditures	\$ (582,866)	\$ (2,018,039)	\$ (447,888)	\$ 351,094	\$ 814,100
Other Financing Sources (Uses):					
Bond Proceeds	\$ 602,613	\$ 256,362	\$ 417,937	\$ 507,294	\$ 377,949
Loan Proceeds	-	14,897	-	17,885	24,388
Proceeds from Refunding Bonds	37,405	391,680	20,855	171,880	160,960
Payment of Refunding Bonds	(37,405)	-	(425,715)	(171,880)	(160,960)
Bond Issue Premium	35,476	58,252	33,455	61,662	45,141
Net Transfers In (Out)	(601,319)	(523,318)	(456,971)	(387,029)	(449,246)
Capital Leases	3,326	3,134	1,774	8,387	180,005
Total Other Financing Sources (Uses)	\$ 40,096	\$ 201,007	\$ (408,665)	\$ 208,199	\$ 178,237
Changes in Inventory	2,441	(321)	1,432	1,308	-
Changes in Fund Structure	2,241,775	(1,117)	-	-	-
Changes in Accounting Principles	67,749	-	-	-	-
Prior Period Adjustments	(26,608)	(59,340)	-	-	-
Special Item	134,000	30,000	-	-	-
Net Change in Fund Balances	\$ 1,876,587	\$ (1,847,810)	\$ (855,121)	\$ 560,601	\$ 992,337
Debt Service as a Percentage of Noncapital Expenditures	2.0%	1.9%	2.0%	2.0%	2.0%

Note: The state implemented GASB 34 in fiscal year 2002. Data begins that year.

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



**Schedule 5 - Revenue Base
Personal Income By Industry
Last Five Calendar Years
(In Millions)**

	2001	2002	2003	2004	2005
Earnings By Industry:					
Farm Earnings	\$ 448,433	\$ 568,577	\$ 1,265,445	\$ 1,587,602	\$ 1,937,374
Nonfarm Earnings	\$ 128,707,322	\$ 132,754,854	\$ 137,466,296	\$ 146,064,392	\$ 151,045,512
Private Earnings:	\$ 111,348,721	\$ 114,300,536	\$ 118,275,099	\$ 125,944,658	\$ 130,011,723
Forestry, Fishing, Related Activities	334,042	296,904	315,776	304,130	306,803
Mining	447,858	421,181	442,377	483,666	527,557
Utilities	1,291,243	1,244,439	1,233,201	1,345,362	1,353,432
Construction	8,107,925	8,390,640	8,669,326	9,267,806	9,482,234
Manufacturing:					
Durable Goods Manufacturing	13,730,458	13,783,606	14,423,090	15,491,901	15,717,430
Nondurable Goods Manufacturing	6,808,893	7,241,822	7,456,981	7,652,417	7,816,413
Wholesale Trade	8,436,184	8,541,667	8,898,927	9,523,475	10,118,131
Retail Trade	8,498,594	8,733,924	8,864,210	9,221,474	9,250,058
Transportation and Warehousing	5,044,792	4,786,348	4,819,378	5,103,713	5,142,160
Information	4,156,150	4,114,285	3,963,352	4,228,121	4,343,390
Finance and Insurance	10,389,923	10,848,413	11,742,141	12,344,731	12,753,432
Real Estate and Rental and Leasing	2,382,373	2,669,799	2,865,432	3,026,344	3,259,438
Professional and Technical Services	10,688,723	10,492,586	10,526,223	11,282,992	11,941,750
Management of Companies and Enterprises	5,890,077	5,721,902	5,627,578	6,605,873	6,767,879
Administrative and Waste Services	3,694,025	3,783,331	3,923,757	4,179,694	4,386,072
Educational Services	1,359,729	1,463,967	1,559,832	1,669,077	1,786,484
Health Care and Social Assistance	12,245,345	13,416,236	14,317,773	15,311,638	16,032,077
Arts, Entertainment, and Recreation	1,113,515	1,211,813	1,294,009	1,280,721	1,233,509
Accommodation and Food Services	2,874,130	2,971,855	3,124,437	3,267,038	3,369,922
Other Services, Except Public Administration	3,854,742	4,165,818	4,207,299	4,354,485	4,423,552
Government and Government Enterprises:					
Federal, Civilian	\$ 2,312,233	\$ 2,433,871	\$ 2,556,432	\$ 2,762,461	\$ 2,804,762
Military	381,272	477,960	676,983	756,095	1,000,534
State and Local	14,665,096	15,542,487	15,957,782	16,601,178	17,228,493
Total Earnings By Industry	\$ 129,155,755	\$ 133,323,431	\$ 138,731,741	\$ 147,651,994	\$ 152,982,886
Derivation of Personal Income:					
Earnings By Place of Work	\$ 129,155,755	\$ 133,323,431	\$ 138,731,741	\$ 147,651,994	\$ 152,982,886
Derivation of Personal Income	\$ 33,421,761	\$ 33,644,401	\$ 35,023,919	\$ 36,919,399	\$ 38,584,792
(Less Social Security Plus Adjustment for Residence, Dividends, Interest, Rent and Transfer Receipts)					
Personal income	\$ 162,577,516	\$ 166,967,832	\$ 173,755,660	\$ 184,571,393	\$ 191,567,678

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of October 10, 2006.

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

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 1997 Through 2006

Tax Year 1997

	<u>6% Up To</u>	<u>8%</u>	<u>8.5% Over</u>
Married Joint	\$ 24,140	\$24,141 - \$95,920	\$ 95,920
Married Separate	\$ 12,070	\$12,071 - \$47,960	\$ 47,960
Single	\$ 16,510	\$16,511 - \$54,250	\$ 54,250
Head of Household	\$ 20,330	\$20,331 - \$81,700	\$ 81,700

Tax Year 1998

	<u>6% Up To</u>	<u>8%</u>	<u>8.5% Over</u>
Married Joint	\$ 24,800	\$24,801 - \$98,540	\$ 98,540
Married Separate	\$ 12,400	\$12,401 - \$49,270	\$ 49,270
Single	\$ 16,960	\$16,961 - \$55,730	\$ 55,730
Head of Household	\$ 20,890	\$20,891 - \$83,930	\$ 83,930

Tax Year 1999

	<u>5.5% Up To</u>	<u>7.25%</u>	<u>8.0% Over</u>
Married Joint	\$ 25,220	\$25,221 - \$100,200	\$ 100,200
Married Separate	\$ 12,610	\$12,611 - \$ 50,100	\$ 50,100
Single	\$ 17,250	\$17,251 - \$ 56,680	\$ 56,680
Head of Household	\$ 21,240	\$21,241 - \$ 85,350	\$ 85,350

Tax Year 2000

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

Tax Year 2001

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

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 1997 Through 2006 - (Cont'd.)

Tax Year 2002

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

Tax Year 2003

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

Tax Year 2004

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

Tax Year 2005

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

Tax Year 2006

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

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 1997 and 2004**

Calendar Year 1997

<u>Federal Adjusted Gross Income</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability⁽¹⁾</u>	<u>Percent of Total</u>
\$0 - 4,999	244,351	10.94%	\$ 4,484,057	0.09%
\$5,000 - 9,999	201,519	9.03%	18,103,103	0.38%
\$10,000 - 19,999	399,334	17.88%	130,199,754	2.73%
\$20,000 - 29,999	327,146	14.65%	277,386,481	5.81%
\$30,000 - 39,999	245,885	11.01%	339,469,925	7.11%
\$40,000 - 49,999	197,203	8.83%	378,595,573	7.93%
\$50,000 - 99,999	469,492	21.03%	1,583,420,667	33.15%
\$100,000 - 249,999	119,061	5.33%	962,612,757	20.15%
\$250,000 - 499,999	17,333	0.78%	361,197,790	7.56%
\$500,000 & Over	11,537	0.52%	721,100,377	15.10%
Total	<u>2,232,861</u>	<u>100.00%</u>	<u>\$ 4,776,570,484</u>	<u>100.00%</u>

Calendar Year 2004

<u>Federal Adjusted Gross Income</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability⁽¹⁾</u>	<u>Percent of Total</u>
\$0 - 4,999	220,613	9.21%	\$ 3,375,784	0.06%
\$5,000 - 9,999	206,860	8.63%	10,898,850	0.18%
\$10,000 - 19,999	333,401	13.92%	77,549,702	1.30%
\$20,000 - 29,999	306,779	12.80%	190,486,980	3.19%
\$30,000 - 39,999	251,521	10.50%	279,519,356	4.69%
\$40,000 - 49,999	200,992	8.39%	312,265,578	5.23%
\$50,000 - 99,999	607,647	25.36%	1,763,740,723	29.56%
\$100,000 - 249,999	221,667	9.25%	1,566,218,640	26.25%
\$250,000 - 499,999	29,476	1.23%	581,638,052	9.75%
\$500,000 & Over	16,982	0.71%	1,180,420,179	19.79%
Total	<u>2,395,938</u>	<u>100.00%</u>	<u>\$ 5,966,113,844</u>	<u>100.00%</u>

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

Note: Calendar year 2004 is the most recent year available.

Source: Minnesota Department of Revenue, 1997 and 2004 Individual Income Tax Sample.

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

	1997	1998	1999	2000
Governmental Activities:				
General Obligation Bonds	\$ 2,160,719	\$ 2,506,939	\$ 2,384,195	\$ 2,527,281
Bond Premium ⁽¹⁾	-	-	-	-
Loans	55,599	43,475	40,153	32,385
Revenue Bonds	156,015	132,825	108,565	56,595
Capital Leases	15,016	18,313	19,095	21,578
Total	<u>\$ 2,387,349</u>	<u>\$ 2,701,552</u>	<u>\$ 2,552,008</u>	<u>\$ 2,637,839</u>
Business-type Activities:				
General Obligation Bonds	\$ 805	\$ -	\$ 4,790	\$ 4,619
Bond Premium ⁽¹⁾	-	-	-	-
Loans	619	452	528	2,482
Revenue Bonds	32,770	31,960	29,680	28,910
Capital Leases	-	-	-	-
Total	<u>\$ 34,194</u>	<u>\$ 32,412</u>	<u>\$ 34,998</u>	<u>\$ 36,011</u>
Total Debt to the Primary Government	<u>\$ 2,421,543</u>	<u>\$ 2,733,964</u>	<u>\$ 2,587,006</u>	<u>\$ 2,673,850</u>
Less: Set Aside to Repay General Debt	\$ (212,142)	\$ (247,722)	\$ (240,725)	\$ (252,819)
Net Debt to the Primary Government	\$ 2,209,401	\$ 2,486,242	\$ 2,346,281	\$ 2,421,031
Total Personal Income	<u>\$ 128,387,851</u>	<u>\$ 139,553,134</u>	<u>\$ 146,721,641</u>	<u>\$ 157,963,755</u>
Ratio of Total Debt to Total Personal Income	1.89%	1.96%	1.76%	1.69%
Per Capita (In Actual Dollars)	\$ 464	\$ 517	\$ 481	\$ 491

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

⁽²⁾ Estimate.

⁽³⁾ Based on projected 2006 population. U.S. Census Bureau, Population Division.

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

2001	2002	2003	2004	2005	2006
\$ 2,588,155	\$ 2,923,221	\$ 3,295,545	\$ 3,055,496	\$ 3,315,282	\$ 3,414,239
-	-	92,387	117,619	168,574	201,142
36,643	39,618	24,198	19,653	17,130	45,918
16,100	-	-	-	-	-
26,357	18,027	8,846	9,085	11,037	182,930
\$ 2,667,255	\$ 2,980,866	\$ 3,420,976	\$ 3,201,853	\$ 3,512,023	\$ 3,844,229
\$ 4,440	\$ 108,874	\$ 125,950	\$ 141,859	\$ 145,028	\$ 156,896
-	-	1,694	3,242	4,420	7,735
1,965	4,498	135,486	275,703	87,376	5,832
1,410	53,365	52,925	51,410	52,475	95,780
-	8,578	12,483	14,868	26,497	26,520
\$ 7,815	\$ 175,315	\$ 328,538	\$ 487,082	\$ 315,796	\$ 292,763
\$ 2,675,070	\$ 3,156,181	\$ 3,749,514	\$ 3,688,935	\$ 3,827,819	\$ 4,136,992
\$ (257,534)	\$ (243,830)	\$ (263,810)	\$ (258,925)	\$ (286,535)	\$ (313,324)
\$ 2,417,536	\$ 2,912,351	\$ 3,485,704	\$ 3,430,010	\$ 3,541,284	\$ 3,823,668
\$ 162,577,516	\$ 166,967,832	\$ 173,755,660	\$ 184,571,393	\$ 191,567,678	\$ 201,079,425 ⁽²⁾
1.65%	1.89%	2.16%	2.00%	2.00%	2.06%
\$ 486	\$ 580	\$ 689	\$ 672	\$ 687	\$ 732 ⁽³⁾

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

	1997	1998	1999	2000	2001
State University Board Revenue Fund					
Gross Revenues ⁽¹⁾	\$ 46,036	\$ 45,481	\$ 48,857	\$ 51,470	\$ 54,385
Less: Operating Expenses ⁽²⁾	(34,508)	(38,321)	(40,449)	(38,543)	(42,343)
Net Available Revenue	<u>\$ 11,528</u>	<u>\$ 7,160</u>	<u>\$ 8,408</u>	<u>\$ 12,927</u>	<u>\$ 12,042</u>
Debt Service					
Principal ⁽³⁾	\$ 1,450	\$ 1,520	\$ 2,185	\$ 665	\$ 27,390
Interest	1,974	2,003	1,888	1,813	2,933
Total Debt Service	<u>\$ 3,424</u>	<u>\$ 3,523</u>	<u>\$ 4,073</u>	<u>\$ 2,478</u>	<u>\$ 30,323</u>
Coverage	3.37	2.03	2.06	5.22	0.40
Vermilion Community College and Itasca Community College Student Housing					
- Segments of College and University Enterprise Activities					
Gross Revenues ⁽¹⁾	\$ 495	\$ 506	\$ 536	\$ 596	\$ 555
Less: Operating Expenses ⁽²⁾	(172)	(163)	(158)	(169)	(329)
Net Available Revenue	<u>\$ 323</u>	<u>\$ 343</u>	<u>\$ 378</u>	<u>\$ 427</u>	<u>\$ 226</u>
Debt Service					
Principal ⁽³⁾	\$ 99	\$ 119	\$ 99	\$ 105	\$ 110
Interest	145	134	126	118	110
Total Debt Service	<u>\$ 244</u>	<u>\$ 253</u>	<u>\$ 225</u>	<u>\$ 223</u>	<u>\$ 220</u>
Coverage	1.32	1.36	1.68	1.91	1.03
Giants Ridge Enterprise Fund⁽⁴⁾					
Gross Revenues ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 4,718
Less: Operating Expenses ⁽²⁾	-	-	-	-	(3,982)
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736</u>
Debt Service					
Principal ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	1,066
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,066</u>
Coverage	N/A	N/A	N/A	N/A	0.69

⁽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.

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

2002	2003	2004	2005	2006
\$ 55,964	\$ 60,606	\$ 66,221	\$ 70,091	\$ 76,901
(47,830)	(47,599)	(54,221)	(53,884)	(57,496)
<u>\$ 8,134</u>	<u>\$ 13,007</u>	<u>\$ 12,000</u>	<u>\$ 16,207</u>	<u>\$ 19,405</u>
\$ -	\$ -	\$ 1,065	\$ 1,115	\$ 1,222
-	2,247	1,695	1,401	3,496
<u>\$ -</u>	<u>\$ 2,247</u>	<u>\$ 2,760</u>	<u>\$ 2,516</u>	<u>\$ 4,718</u>
N/A	5.79	4.35	6.44	4.11
\$ 544	\$ 570	\$ 595	\$ 595	\$ 1,010
(309)	(335)	(332)	(385)	(660)
<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 263</u>	<u>\$ 210</u>	<u>\$ 350</u>
\$ 120	\$ 130	\$ 140	\$ 150	\$ 230
101	96	86	75	189
<u>\$ 221</u>	<u>\$ 226</u>	<u>\$ 226</u>	<u>\$ 225</u>	<u>\$ 419</u>
1.06	1.04	1.16	0.93	0.84
\$ 3,455	\$ 3,128	\$ 4,994	\$ 5,138	\$ 4,693
(4,070)	(3,876)	(4,283)	(4,532)	(5,139)
<u>\$ (615)</u>	<u>\$ (748)</u>	<u>\$ 711</u>	<u>\$ 606</u>	<u>\$ (446)</u>
\$ 200	\$ 310	\$ 310	\$ 615	\$ 615
151	574	1,170	1,071	1,045
<u>\$ 351</u>	<u>\$ 884</u>	<u>\$ 1,480</u>	<u>\$ 1,686</u>	<u>\$ 1,660</u>
(1.75)	(0.85)	0.48	0.36	(0.27)



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

<u>Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
1996	4,712,827	\$ 121,195,012	\$ 25,716	34.6	3.9%
1997	4,763,390	\$ 128,387,851	\$ 26,953	34.9	3.3%
1998	4,813,412	\$ 139,553,134	\$ 28,993	35.2	2.7%
1999	4,873,481	\$ 146,721,641	\$ 30,106	35.4	2.8%
2000	4,933,756	\$ 157,963,755	\$ 32,017	35.4	3.1%
2001	4,984,621	\$ 162,577,516	\$ 32,616	35.8	3.8%
2002	5,023,526	\$ 166,967,832	\$ 33,237	36.0	4.5%
2003	5,061,662	\$ 173,755,660	\$ 34,328	36.2	4.8%
2004	5,096,546	\$ 184,571,393	\$ 36,215	36.4	4.6%
2005	5,132,799	\$ 191,567,678	\$ 37,322	36.6	4.0%

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

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

<u>Employer</u>	<u>1997</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>
State of Minnesota	58,567	1	2.25%	66,321	1	2.34%
United States Government	35,031	2	1.34%	35,000	2	1.24%
Mayo Foundation	17,998	8	0.69%	32,500	3	1.15%
University of Minnesota	25,300	4	0.97%	30,240	4	1.07%
Target Corp.	-	-	-	24,294	5	0.86%
Allina Health System	20,800	5	0.80%	22,600	6	0.80%
Norwest/Wells Fargo	12,172	9	0.47%	19,100	7	0.68%
Fairview Health System	-	-	-	18,500	8	0.65%
Wal-Mart Stores Inc.	-	-	-	17,964	9	0.64%
3M Company	19,926	6	0.76%	16,289	10	0.58%
Dayton Hudson	28,544	3	1.10%	-	-	-
Northwest Airlines Corp.	18,300	7	0.70%	-	-	-
Hennepin County	10,424	10	0.40%	-	-	-
Total	<u>247,062</u>			<u>282,808</u>		
Total State Employment	<u>2,605,673</u>			<u>2,828,547</u>		

Sources: Minneapolis-Saint Paul Business Journal Book of Lists - 1997 and 2006
Minnesota Department of Employment and Economic Development

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Primary Government:				
Public Safety and Corrections	5,678	5,776	5,880	5,957
Transportation	5,230	5,253	5,310	5,397
Agriculture & Environmental Resources	4,085	4,151	4,238	4,338
Economic & Workforce Development	3,250	3,208	3,202	3,133
General Education	885	904	916	882
Higher Education	11,161	13,289	13,771	13,290
Health and Human Services	8,033	8,040	8,244	8,332
General Government	<u>5,456</u>	<u>5,555</u>	<u>5,652</u>	<u>5,621</u>
Total	<u><u>43,778</u></u>	<u><u>46,176</u></u>	<u><u>47,213</u></u>	<u><u>46,950</u></u>

Sources: Minnesota Department of Finance: Operating Budget
Minnesota State Colleges and Universities

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
6,084	6,013	6,043	5,963	6,019	6,244
5,461	5,288	5,223	4,788	4,849	4,710
4,388	4,212	4,111	3,921	3,937	4,058
3,099	3,054	3,056	2,913	2,760	3,978
901	877	879	847	855	964
13,661	13,668	14,071	13,985	14,388	14,142
8,447	8,298	8,389	8,455	8,616	7,824
<u>5,930</u>	<u>6,080</u>	<u>6,029</u>	<u>6,318</u>	<u>6,591</u>	<u>6,492</u>
<u><u>47,971</u></u>	<u><u>47,490</u></u>	<u><u>47,801</u></u>	<u><u>47,190</u></u>	<u><u>48,015</u></u>	<u><u>48,412</u></u>

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

	1997	1998	1999	2000
Public Safety and Corrections				
Incarcerated Inmates	5,048	5,327	5,763	5,927
Supervised Release Offenders	11,358	13,978	14,851	15,321
Correctional Facilities	9	9	9	10
Reassignment of Minnesota Certificates of Title	N/A	2,525,538	2,578,123	2,669,806
Crashes Investigated By State Patrol	22,675	21,168	23,005	25,467
Transportation				
Miles of Highways	N/A	N/A	N/A	N/A
Trunk Highway Bridges	N/A	N/A	N/A	N/A
Acres of Right-of-Way	N/A	N/A	N/A	N/A
Agricultural and Environmental Resources				
Recreational Fishing Licenses Issued/License Year	1,547,660	1,565,380	1,594,512	1,601,457
Watercraft Licenses Issued/Calendar Year	768,680	780,097	793,107	812,247
Acres of State Land Managed by Forestry/Fiscal Yr.	3,863,000	3,863,000	3,859,000	3,858,000
Farms/Calendar Year	81,000	80,000	81,000	81,000
Acres of Farmland/Calendar Year (1,000 Acres)	29,100	28,600	28,200	27,900
Agricultural Production-Crops/Calendar Year (In Thousands)	\$4,213,651	\$4,305,454	\$3,544,441	\$3,586,365
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$3,907,035	\$3,822,928	\$3,610,287	\$3,912,711
Economic and Workforce Development				
Unemployment Claims Filed	N/A	N/A	190,003	203,480
Workplace Injuries Reported	66,393	62,309	61,629	60,141
General Education				
Kindergarten Through Grade 12 Students ⁽¹⁾	829,265	835,972	842,513	843,449
School Districts	350	347	345	343
Charter Schools	19	27	38	53
Special Education Age 0-21 Childcount	104,589	105,347	108,873	110,720
Higher Education				
Full Year Equivalents	110,327	111,409	106,827	114,199
Number of Students Graduated	N/A	27,693	25,837	25,166
Buildings - Square Footage	N/A	N/A	23,137,533	23,393,591
Health and Human Services				
Average Monthly Cash Recipients	212,164	199,482	183,255	173,150
Average Monthly Health Care Enrollees	551,239	522,703	505,399	506,457
Health Care Providers	2,170	2,175	2,070	4,952
General Government				
Individual Income Tax Payers/Calendar Year	2,226,721	2,395,382	2,455,354	2,396,305
Corporate Income Tax Returns/Calendar Year	46,865	46,779	46,402	41,036
Sales Tax Permit Holders/Calendar Year	256,000	264,000	267,000	248,000

Note: N/A = Information not available.

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

(2) Estimate.

(3) 2006 data is as of August 10, 2006.

(4) 2006 data is as of October 21, 2006.

(5) 2006 data is as of September 30, 2006.

Source: Applicable state agencies.

2001	2002	2003	2004	2005	2006
6,187	6,583	7,073	7,795	7,978	8,874
16,535	15,797	16,753	19,061	18,106	19,977
10	10	10	10	10	10
2,677,848	2,677,848	2,700,603	2,363,013	2,344,311	2,439,000 ⁽²⁾
24,083	22,827	22,939	18,789	23,429	25,009
N/A	29,024	29,078	29,153	29,130	29,100
N/A	2,855	2,659	2,705	3,232	3,234
N/A	247,019	250,243	252,205	252,433	253,852
1,521,753	1,513,303	1,513,018	1,490,110	1,478,219	N/A
826,173	834,974	845,379	854,110	853,999	N/A
3,857,000	3,856,000	3,853,000	3,853,000	3,853,000	3,853,000
81,000	80,900	80,000	79,600	79,600	N/A
27,800	27,800	27,700	27,600	27,500	N/A
\$3,180,714	\$ 4,355,232	\$4,646,093	\$5,091,677	\$4,668,533	N/A
\$4,300,453	\$ 3,615,553	\$4,074,296	\$4,941,813	\$4,936,312	N/A
302,676	316,572	323,050	284,948	283,975	260,000 ⁽²⁾
56,681	50,470	44,983	43,871	42,002	39,919
842,764	839,424	835,227	829,832	825,843	826,117
343	343	343	343	343	343
64	67	78	88	106	125
112,833	113,930	115,802	117,666	118,501	119,720
118,861	126,215	132,586	135,819	135,494	134,220
24,907	26,680	29,438	32,480	32,638	33,545
23,815,342	24,310,545	24,509,182	25,263,803	25,559,289	25,725,125
170,546	179,905	184,848	182,645	171,738	164,632
532,722	579,388	636,228	649,032	663,529	667,182
5,050	5,250	5,517	5,491	5,726	6,186 ⁽³⁾
2,442,043	2,415,039	2,416,197	2,415,563	2,501,144	2,452,421 ⁽⁴⁾
44,220	50,498	37,522	51,803	39,334	29,899 ⁽⁵⁾
250,000	234,000	226,000	229,000	219,000	195,000

Note: Of the \$10.4 billion in capital assets owned by the state, \$7.7 billion (74.0 percent) of the assets are allocated to the Transportation function. Assets allocated to the Public Safety and Corrections, Higher Education, and General Government functions account for \$2.4 billion (23.0 percent) of total capital assets. The largest component of capital assets is the Transportation function infrastructure of \$6.0 billion.

