

# State of Minnesota



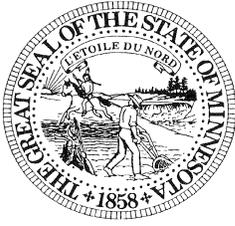
## Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

On the Cover:

*Showy Lady's Slipper (Cypripedium reginae)*

The showy lady's slipper is Minnesota's state flower. The showy lady's slipper is one of 43 orchid species that grow in Minnesota. The flowers bloom from early June to mid-July. It grows in spruce and tamarack bogs, swamps, wet meadows, wet prairies, and cool, damp woods. It may be found anywhere in Minnesota where these habitats exist.



State of Minnesota

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# Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

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Prepared by the Minnesota  
Department of Finance  
Tom J. Hanson, Commissioner  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155

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State of Minnesota

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2007  
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The State of Minnesota Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Department of Finance  
400 Centennial Office Building  
658 Cedar Street  
Saint Paul, Minnesota 55155-1489  
651-201-8145

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

The State of Minnesota Comprehensive Annual Financial Report is available at the following website:

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

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# Introduction

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State of Minnesota

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## 2007 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Finance

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December 7, 2007



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

The Honorable Tim Pawlenty, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, 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, 2007. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.
- Financial Section – Includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, and the general obligation debt 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.
- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

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

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2007. 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, 2007. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2008.

AN EQUAL OPPORTUNITY EMPLOYER

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

### **Financial Reporting Entity and Responsibilities**

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

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

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, Petroleum Tank Cleanup, Minnesota Resources, Natural Resources, Game and Fish, Environmental, Remediation, Special Compensation, and Health Care Access funds.

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

### **Economic Condition and Outlook**

Minnesota's economy grew during the 2007 fiscal year, but it failed to keep pace with the national averages on a number of key measures. Payroll employment increased by 35,000 between June 2006 and June 2007. This amount was almost identical to that seen in fiscal 2006, leaving the state with 1.3 percent more jobs than at the start of the fiscal year. However, U.S. payroll employment is currently reported to have grown by 1.4 percent over that same period. Minnesota's unemployment rate was identical to the U.S. rate of 4.5 percent in June 2007, an increase of 0.7 percentage points from the 3.8

percent rate reported for the state for June 2006. The U.S. rate fell 0.1 percentage point during that same period.

Personal income growth during fiscal year 2007 again failed to keep pace with the U.S. average. Personal income in Minnesota grew by 5.2 percent between the second quarter of 2006 and the second quarter of 2007. The U.S. average growth rate was 6.4 percent. Personal income growth in Minnesota has been slipping compared to its national counterpart for more than two years. In calendar year 2006, the most recent year for which data is available, Minnesota personal income was \$200.2 billion, 1.83 percent of the U.S. total. During calendar year 2006, personal income grew by 5.1 percent, 1.5 percentage points less than the comparable national growth rate of 6.6 percent. Per capita personal income in Minnesota was \$38,751 in calendar 2006, 5.8 percent more than the U.S. average. In calendar 2005, per capita personal income in Minnesota was 7.1 percent more than the U.S. average. In calendar 2003 and in calendar 2004, personal income was 9.0 percent more than its U.S. counterpart.

Most forecasters expect slower than trend growth for the national economy in fiscal 2008. Global Insight, the state's national economic consultant, calls for real Gross Domestic Product (GDP) to grow at a 2.3 percent annual rate over the fiscal year. Much of that growth occurred during the first quarter of the fiscal year when a real GDP growth rate of 4.9 percent was reported. Global Insight's November baseline forecast calls for growth during the remaining three quarters of the fiscal year to average just 1.2 percent at an annual rate. Extended weakness in the housing sector, credit problems, and higher energy prices are the reasons for the slow growth forecast.

The Minnesota outlook for fiscal 2008 is slightly more pessimistic than the national outlook. State employment is projected to decline by 11,000 jobs between the third quarter of calendar 2007 and the third quarter of calendar 2008. Employment in the construction and manufacturing sectors remains a concern. The housing slump seems to have had a more severe impact on Minnesota's economy than on the national economy. Personal income growth in Minnesota is forecast to be 3.9 percent. Nationally, a growth of 4.7 percent is projected. Personal income growth in Minnesota will again be boosted by strong farm sector earnings.

## **Major Program Initiatives**

Revenues exceeded spending estimates by \$1.0 billion in the fiscal year 2007 budget forecasts. The state used some of these funds to restore the General Fund budgetary reserves as well as reverse the shifts in school aid payments and property tax recognition that had been utilized to balance 2004-05 biennial budget.

A significant portion of the 2007 tax and spending changes were the result of initiatives enacted during the 2005 special session that initially adopted the biennial budget. Supplemental funding was added during the 2006 session for some agencies for fiscal year 2007, including additional funding for the cost of employee contracts in a variety of state institutions that provide direct services to individuals.

During the 2007 legislative session, no significant tax law changes occurred. The budget adopted for the 2008/09 biennium included budgeted increases for a wide array of state agencies and programs, representing an easing of the fiscal constraints of the previous two biennia. The enacted budget authorized spending of \$34.6 billion. The \$1.0 billion one-time surplus of revenue resulting from fiscal year 2007 receipts was a major portion of the \$3.0 billion increase in spending over the previous biennium (9.6 percent increase). Both K-12 education and health and human services have adopted budgets that exceed the previous biennium by more than \$1.0 billion.

Shortly after the enactment of the fiscal year 2008/2009 budget, two major events occurred in Minnesota that changed the outlook from the time of the budget's original adoption. On August 1, 2007, the I-35W bridge over the Mississippi River collapsed in Minneapolis. Reconstruction of this span began quickly, and with federal assistance, the structure should be replaced by December 2008. Further, flooding in southeastern Minnesota in mid-August 2007 resulted a special session that increased spending and bonding authorizations for recovery efforts.

General Fund budgetary reserves are higher in fiscal 2007 than they will be in the future. During the 2006/2007 biennium, there was a temporary \$110 million Tax Relief Account, which is treated like a reserve in the General Fund. This account balance was released to the General Fund on July 1, 2007 as part of legislation adopted in 2006.

## **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, 2006. This was the twenty-second 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 black ink that reads "Tom J. Hanson". The signature is written in a cursive style with a long horizontal line extending from the top of the first letter.

Tom J. Hanson  
Commissioner

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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.



*Clare S. Cox*

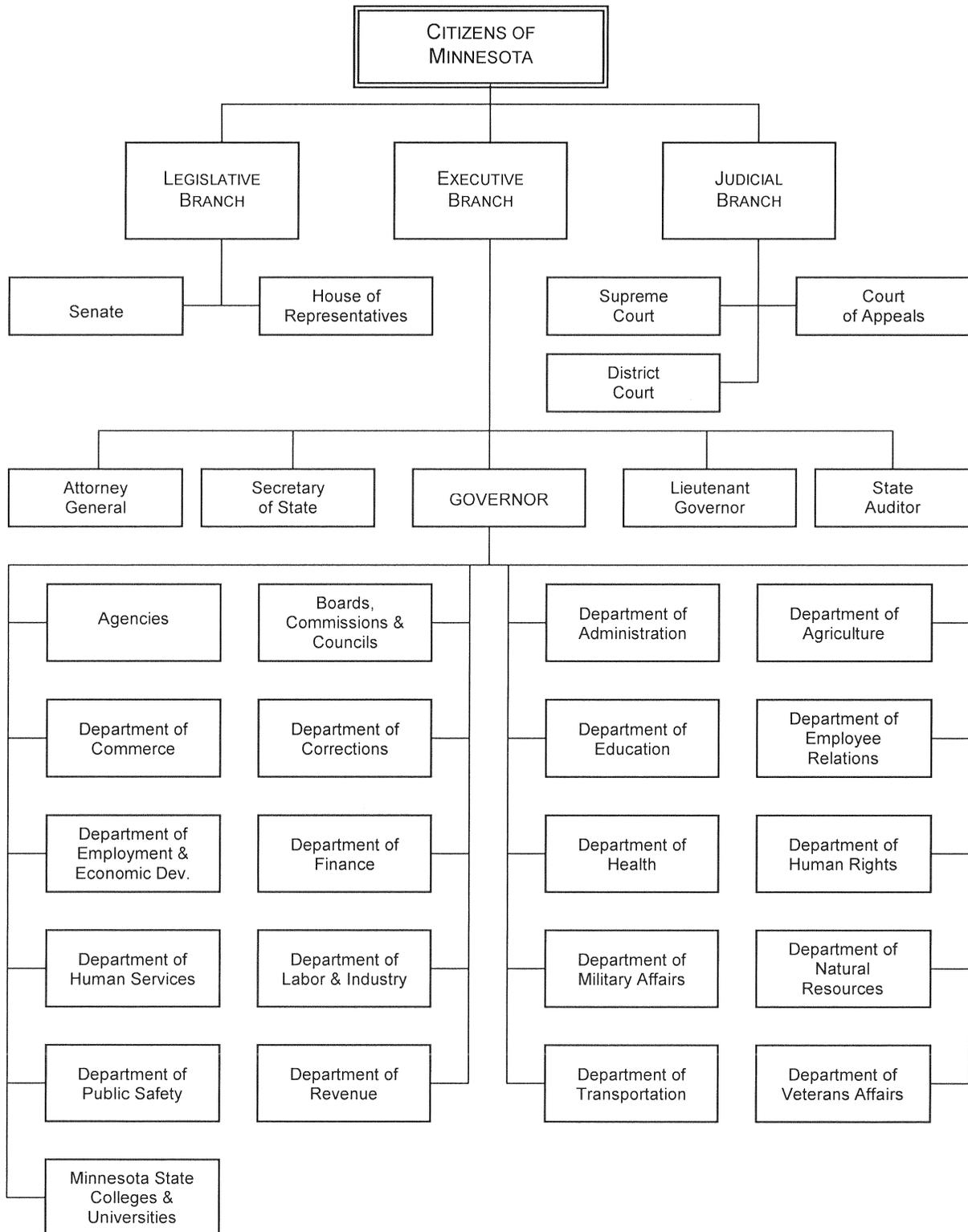
President

*Jeffrey R. Emery*

Executive Director



2007 Comprehensive Annual Financial Report  
State Organization Chart





**2007 Comprehensive Annual Financial Report**  
**State Principal Officials**

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**Executive Branch**

Governor	Tim Pawlenty
Lieutenant Governor	Carol Molnau
Attorney General	Lori Swanson
Secretary of State	Mark Richie
State Auditor	Rebecca Otto

**Legislative Branch**

Speaker of the House of Representatives	Margaret Anderson Kelliher
President of the Senate	James Metzen

**Judicial Branch**

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

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# Financial Section

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### Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, 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, 2007, 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 69 percent, 64 percent, and 37 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 ClearWay Minnesota, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. 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  
Mr. Tom Hanson, 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, 2007, 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 7, 2007, 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 Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor

December 7, 2007





## 2007 Comprehensive Annual Financial Report Management's Discussion and Analysis

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### Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2007, 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
- ClearWay Minnesota
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

### **State Fund and Component Unit Financial Statements**

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

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

The state's funds are divided into three categories:

#### **Governmental Funds**

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

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

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

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

The state maintains 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 17 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net assets and in the proprietary funds *statement of revenues, expenses, and changes in net assets*. Information from the 8 nonmajor enterprise funds and the 7 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

### Fiduciary Funds

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

The state maintains 19 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which accounts for the transactions, assets, liabilities, and fund equity of the external investment 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.

## 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, 2007, by \$12.9 billion (presented as *net assets*). Of this amount, \$1.3 billion was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution.
- The state's total net assets increased by \$1.5 billion (13.1 percent) during fiscal year 2007. Net assets of governmental activities increased by \$1.2 billion (12.5 percent), while net assets of the business-type activities showed an increase of \$290 million (16.3 percent).

### Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$5.4 billion, an increase of \$859 million compared to the prior year. This amount includes an unreserved fund balance of \$3.2 billion.

### Long-Term Debt

- The state's total long-term debt obligations increased by \$536 million (9.7 percent) during the current fiscal year. The increase is primarily due to the issuance of general obligation bonds for trunk highway projects and other various state purposes and revenue bonds for grants to school districts in the taconite assistance area, a public safety radio communication system, and the Minnesota State Colleges and Universities.

## 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 \$12.9 billion at the end of 2007, compared to \$11.4 billion at the end of the previous year.

<b>Net Assets</b>						
<b>June 30, 2007 and 2006</b>						
<b>(In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 10,341,404	\$ 8,953,370	\$ 1,522,925	\$ 1,233,116	\$ 11,864,329	\$ 10,186,486
Noncurrent Assets:						
Capital Assets	9,799,769	9,171,111	1,308,504	1,186,102	11,108,273	10,357,213
Other Assets	784,933	738,563	134,667	89,839	919,600	828,402
Total Assets	<u>\$ 20,926,106</u>	<u>\$ 18,863,044</u>	<u>\$ 2,966,096</u>	<u>\$ 2,509,057</u>	<u>\$ 23,892,202</u>	<u>\$ 21,372,101</u>
Current Liabilities	\$ 5,087,004	\$ 4,616,173	\$ 361,293	\$ 304,511	\$ 5,448,297	\$ 4,920,684
Noncurrent Liabilities	5,036,122	4,646,661	531,219	421,395	5,567,341	5,068,056
Total Liabilities	<u>\$ 10,123,126</u>	<u>\$ 9,262,834</u>	<u>\$ 892,512</u>	<u>\$ 725,906</u>	<u>\$ 11,015,638</u>	<u>\$ 9,988,740</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 6,781,966	\$ 6,468,103	\$ 1,016,955	\$ 931,297	\$ 7,798,921	\$ 7,399,400
Restricted	2,703,598	2,482,626	1,058,032	852,943	3,761,630	3,335,569
Unrestricted	1,317,416	649,481	(1,403)	(1,089)	1,316,013	648,392
Total Net Assets	<u>\$ 10,802,980</u>	<u>\$ 9,600,210</u>	<u>\$ 2,073,584</u>	<u>\$ 1,783,151</u>	<u>\$ 12,876,564</u>	<u>\$ 11,383,361</u>

The largest portion, \$7.8 billion of \$12.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$3.8 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 \$1.3 billion 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 \$1.5 billion (13.1 percent) over the course of this fiscal year. This resulted from a \$1.2 billion (12.5 percent) increase in net assets of governmental activities, and a \$290 million (16.3 percent) increase in net assets of business-type activities.

<b>Changes in Net Assets</b>						
<b>Fiscal Years Ended June 30, 2007 and 2006</b>						
<b>(In Thousands)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,117,489	\$ 1,358,286	\$2,350,238	\$ 2,376,805	\$ 3,467,727	\$ 3,735,091
Operating Grants and Contributions	6,500,439	5,694,003	187,530	176,023	6,687,969	5,870,026
Capital Grants	236,700	452,197	1,839	1,963	238,539	454,160
<b>General Revenues:</b>						
Individual Income Taxes	7,463,959	7,069,242	-	-	7,463,959	7,069,242
Corporate Income Taxes	1,160,380	1,189,328	-	-	1,160,380	1,189,328
Sales Taxes	4,600,984	4,439,667	-	-	4,600,984	4,439,667
Property Taxes	667,395	633,288	-	-	667,395	633,288
Motor Vehicle Taxes*	1,025,820	1,037,593	-	-	1,025,820	1,037,593
Fuel Taxes	647,168	659,980	-	-	647,168	659,980
Other Taxes*	2,154,689	2,165,814	-	-	2,154,689	2,165,814
Tobacco Settlement	184,924	184,139	-	-	184,924	184,139
Investment/Interest Income	155,016	101,803	26,786	18,300	181,802	120,103
Other Revenues	91,867	28,447	17,811	17,141	109,678	45,588
Total Revenues	<u>\$26,006,830</u>	<u>\$25,013,787</u>	<u>\$2,584,204</u>	<u>\$ 2,590,232</u>	<u>\$28,591,034</u>	<u>\$27,604,019</u>
<b>Expenses:</b>						
Public Safety and Corrections	\$ 855,328	\$ 818,192	\$ -	\$ -	\$ 855,328	\$ 818,192
Transportation	1,795,056	1,791,316	-	-	1,795,056	1,791,316
Agricultural and Environmental Resources	614,295	525,251	-	-	614,295	525,251
Economic and Workforce Development*	595,085	179,966	-	-	595,085	179,966
General Education	7,323,406	7,336,455	-	-	7,323,406	7,336,455
Higher Education	921,339	786,563	-	-	921,339	786,563
Health and Human Services*	9,717,294	8,916,659	-	-	9,717,294	8,916,659
General Government	771,733	718,996	-	-	771,733	718,996
Intergovernmental Aid	1,489,439	1,400,479	-	-	1,489,439	1,400,479
Interest	208,719	172,612	-	-	208,719	172,612
State Colleges and Universities	-	-	1,550,936	1,479,519	1,550,936	1,479,519
Unemployment Insurance	-	-	735,987	690,713	735,987	690,713
Lottery	-	-	311,893	332,031	311,893	332,031
Other	-	-	215,005	183,043	215,005	183,043
Total Expenses	<u>\$24,291,694</u>	<u>\$22,646,489</u>	<u>\$2,813,821</u>	<u>\$ 2,685,306</u>	<u>\$27,105,515</u>	<u>\$25,331,795</u>
<b>Excess (Deficiency) Before Transfers</b>						
Transfers	\$ 1,715,136	\$ 2,367,298	\$ (229,617)	\$ (95,074)	\$ 1,485,519	\$ 2,272,224
Transfers	(510,578)	(474,090)	510,578	474,090	-	-
Change in Net Assets	<u>\$ 1,204,558</u>	<u>\$ 1,893,208</u>	<u>\$ 280,961</u>	<u>\$ 379,016</u>	<u>\$ 1,485,519</u>	<u>\$ 2,272,224</u>
Net Assets, Beginning	\$ 9,600,210	\$ 7,722,231	\$1,783,151	\$ 1,404,135	\$11,383,361	\$ 9,126,366
Prior Period Adjustments	7,684	(15,229)	-	-	7,684	(15,229)
Change in Fund Structure	(9,472)	-	9,472	-	-	-
Net Assets, Ending	<u>\$10,802,980</u>	<u>\$ 9,600,210</u>	<u>\$2,073,584</u>	<u>\$ 1,783,151</u>	<u>\$12,876,564</u>	<u>\$11,383,361</u>

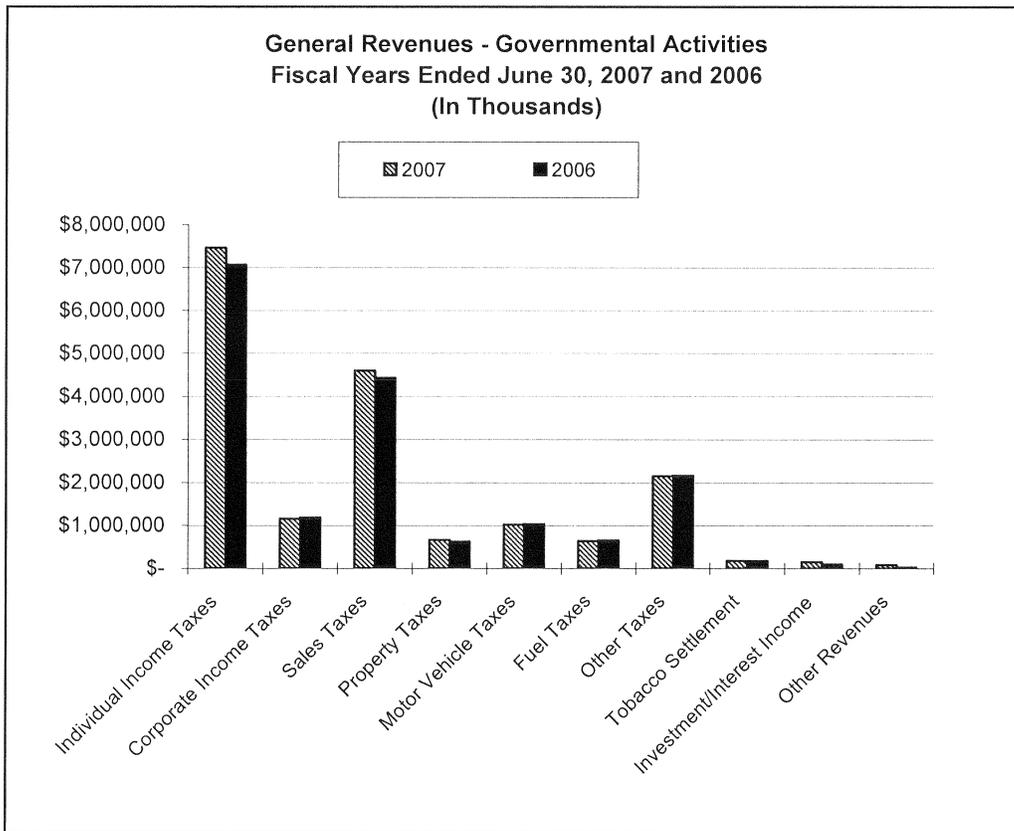
\* 2006 has been restated for reclassifications to be consistent with 2007 presentation.

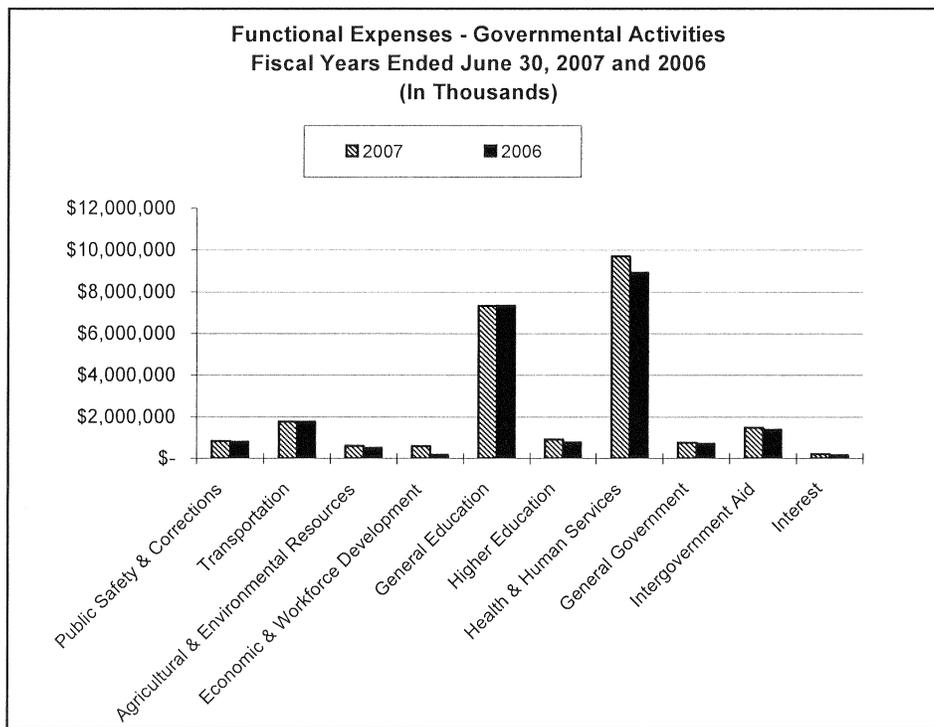
Approximately 62 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 24 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 2 percent 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 \$1.2 billion. The increase in revenues was primarily attributable to the growth in the economy. The increase in operating grants and contributions was primarily attributable to the federal governments share of the increase in medical assistance expenditures.

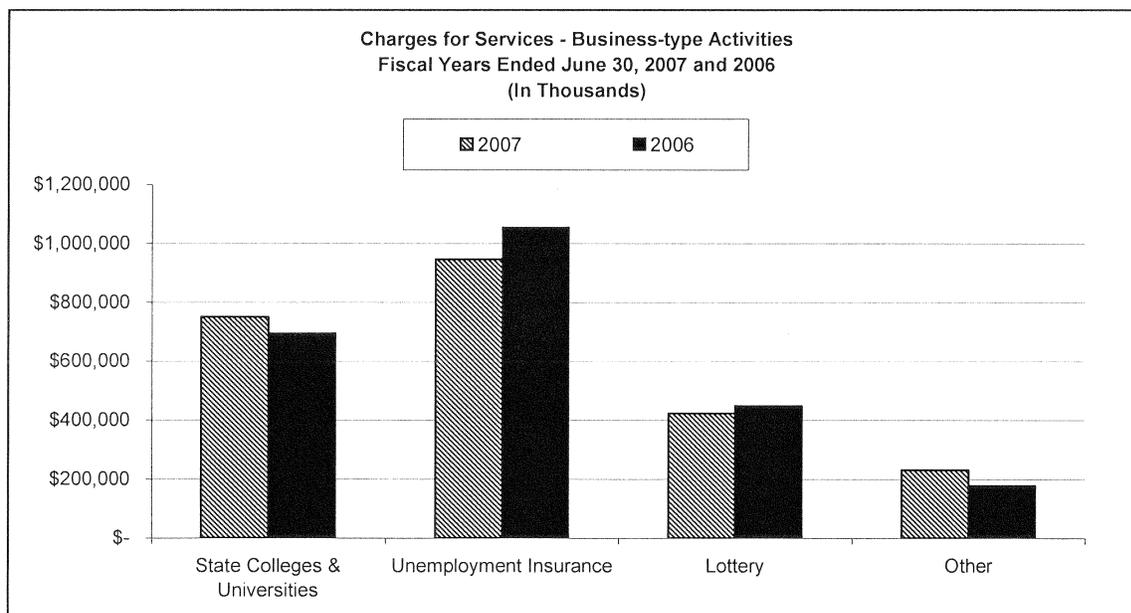




The increase in revenues was partially offset by an increase in Health and Human Services and Higher Education expenditures, and Intergovernmental Aid. Health and Human Services expenditures increased primarily due to an increase in the number of eligible participants for medical assistance and increased average health care costs. As stated above, this increase was partially offset by the increase in the federal governments share of these expenditures. Higher Education expenditures increased primarily due to grants to the University of Minnesota (component unit) for increases in capital projects, while the increase in Intergovernmental Aid is due to an increase in property tax credits and increased aid to local governments. The increase in Economic and Workforce Development primarily resulted from a one-time decrease in the prior year due to discounting the liability related to the supplementary and second injury workers' compensations injuries to present value.

**Business-type Activities**

The state's proprietary funds net assets increased by \$290 million during the current year. This primarily resulted from a \$175 million increase in net assets in the Unemployment Insurance Fund, which compared to a \$301 million increase in the prior year. A one-time assessment of 14% caused the premiums to increase in the prior year. The remaining increase of \$115 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 \$5.4 billion, an increase of \$859 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 \$1.1 billion, an increase of \$514 million in comparison with the prior year. This improvement primarily resulted from an increase in income tax receipts due to a growth in the economy. The increase in revenues was also partially offset by increases in Health and Human Services and Higher Education expenditures, and Intergovernmental Aid. The increase in Health and Human Services expenditures resulting from the increase in medical assistance expenditures was partially offset by an increase in operating grants and contributions for the federal governments share of these expenditures. An increase in capital expenditures for the University of Minnesota (component unit) caused an increase in capital grants for the state's share of these expenditures. The increase in Intergovernmental Aid results from an increase in property tax credits and increased aid to local governments.

### **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 \$290 million during the current year. This primarily resulted from a \$175 million increase in net assets in the Unemployment Insurance Fund and an increase of \$126 million in net assets of the State Colleges and Universities Fund.

## **General Fund Budgetary Highlights**

Based on the November 2006 forecast, the state's financial outlook has improved since enactment of the fiscal year 2007 budget during the 2005 legislative session. This improvement was primarily caused by a projected increase in revenues from income and corporate taxes. Based on the November 2006 and February 2007 forecasts, expenditures remained consistent with the originally enacted 2007 budget.

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, 2007, was \$13.2 billion, less accumulated depreciation of \$2.1 billion, resulting in a net book value of \$11.1 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.

<b>Capital Assets</b>						
<b>June 30, 2007 and 2006</b>						
<b>(In Thousands)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Capital Assets not Depreciated:</b>						
Land	\$ 1,807,456	\$ 1,680,456	\$ 79,488	\$ 76,365	\$ 1,886,944	\$ 1,756,821
Buildings, Structures, Improvements	28,975	27,328	-	-	28,975	27,328
Construction in Progress	183,997	108,217	132,191	104,354	316,188	212,571
Infrastructure	6,351,250	5,965,253	-	-	6,351,250	5,965,253
Art and Historical Treasures	500	500	-	-	500	500
<b>Total Capital Assets not Depreciated</b>	<b>\$ 8,372,178</b>	<b>\$ 7,781,754</b>	<b>\$ 211,679</b>	<b>\$ 180,719</b>	<b>\$ 8,583,857</b>	<b>\$ 7,962,473</b>
<b>Capital Assets Depreciated:</b>						
Buildings, Structures, Improvements	\$ 1,925,399	\$ 1,871,213	\$ 1,918,343	\$ 1,779,350	\$ 3,843,742	\$ 3,650,563
Infrastructure	65,505	49,250	-	-	65,505	49,250
Library Collections	-	-	48,264	48,505	48,264	48,505
Equipment, Furniture, Fixtures	390,001	388,834	282,764	275,915	672,765	664,749
<b>Total Capital Assets Depreciated</b>	<b>\$ 2,380,905</b>	<b>\$ 2,309,297</b>	<b>\$ 2,249,371</b>	<b>\$ 2,103,770</b>	<b>\$ 4,630,276</b>	<b>\$ 4,413,067</b>
Less: Accumulated Depreciation	953,314	919,940	1,152,546	1,098,387	2,105,860	2,018,327
<b>Capital Assets Net of Depreciation</b>	<b>\$ 1,427,591</b>	<b>\$ 1,389,357</b>	<b>\$ 1,096,825</b>	<b>\$ 1,005,383</b>	<b>\$ 2,524,416</b>	<b>\$ 2,394,740</b>
<b>Total</b>	<b>\$ 9,799,769</b>	<b>\$ 9,171,111</b>	<b>\$ 1,308,504</b>	<b>\$ 1,186,102</b>	<b>\$ 11,108,273</b>	<b>\$ 10,357,213</b>

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 2,900 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 2006, 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 five years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2006, indicated that 97 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.

Actual spending on pavement was significantly below the original budgeted amount for 2007 primarily as a result of the delay in the reconstruction of the I-35W and Highway 62 interchange.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets and in the required supplementary information, respectively. Additional information on the collapse of the I-35W bridge over the Mississippi River is included in Note 22 – Subsequent Events.

### **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.

<b>Outstanding Bonded Debt</b>						
<b>June 30, 2007 and 2006</b>						
<b>(In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General Obligation	\$ 3,791,494	\$ 3,414,239	\$ 188,096	\$ 156,896	\$ 3,979,590	\$ 3,571,135
Revenue	15,145	-	170,941	95,780	186,086	95,780
Total	<u>\$ 3,806,639</u>	<u>\$ 3,414,239</u>	<u>\$ 359,037</u>	<u>\$ 252,676</u>	<u>\$ 4,165,676</u>	<u>\$ 3,666,915</u>

During fiscal year 2007, the state issued the following bonds:

- \$616.5 million in general obligation state various purpose bonds
- \$128.6 million in general obligation state trunk highway bonds
- \$3.5 million in general obligation Rural Finance Authority bonds
- \$43.1 million in revenue bonds for Minnesota State Colleges and Universities
- \$35.0 million in revenue bonds for a public safety radio communication system
- \$15.1 million in revenue bonds for grants to school districts in the taconite assistance area

In addition to the general obligation bonds noted above, the state issued \$264.1 million of refunding bonds in April 2007.

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

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# Basic Financial Statements

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2007  
Comprehensive  
Annual  
Financial Report

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State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Government-wide Financial Statements

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STATE OF MINNESOTA

STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 5,370,634	\$ 1,018,291	\$ 6,388,925	\$ 809,054
Investments.....	1,310,553	28,891	1,339,444	1,061,042
Accounts Receivable.....	1,985,938	436,980	2,422,918	353,813
Due from Component Units.....	19,052	-	19,052	-
Due from Primary Government.....	-	-	-	155,659
Accrued Investment/Interest Income.....	71,477	17	71,494	47,779
Federal Aid Receivable.....	772,669	12,997	785,666	1,833
Inventories.....	22,514	17,860	40,374	37,233
Loans and Notes Receivable.....	57,973	8,482	66,455	98,028
Internal Balances.....	36,396	(36,396)	-	-
Securities Lending Collateral.....	692,436	33,145	725,581	221,172
Other Assets.....	1,762	2,658	4,420	73,819
Total Current Assets.....	\$ 10,341,404	\$ 1,522,925	\$ 11,864,329	\$ 2,859,432
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 109,188	\$ 109,188	\$ 779,749
Investments-Restricted.....	-	-	-	458,808
Accounts Receivable-Restricted.....	-	-	-	26,177
Due from Primary Government.....	-	-	-	27,998
Other Assets-Restricted.....	-	95	95	16,906
Due from Component Units.....	101,020	-	101,020	-
Investments.....	-	-	-	3,492,851
Accounts Receivable.....	364,629	-	364,629	438,676
Loans and Notes Receivable.....	268,219	25,384	293,603	4,227,814
Depreciable Capital Assets (Net).....	1,427,591	1,096,825	2,524,416	3,891,250
Nondepreciable Capital Assets.....	2,020,928	211,679	2,232,607	550,959
Infrastructure (Not depreciated).....	6,351,250	-	6,351,250	-
Other Assets.....	51,065	-	51,065	11,141
Total Noncurrent Assets.....	\$ 10,584,702	\$ 1,443,171	\$ 12,027,873	\$ 13,922,329
Total Assets.....	\$ 20,926,106	\$ 2,966,096	\$ 23,892,202	\$ 16,781,761
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 3,178,115	\$ 218,117	\$ 3,396,232	\$ 292,618
Due to Component Units.....	106,031	-	106,031	-
Due to Primary Government.....	-	-	-	24,536
Unearned Revenue.....	517,726	48,402	566,128	153,407
Accrued Interest Payable.....	70,189	317	70,506	73,037
General Obligation Bonds Payable.....	359,137	13,373	372,510	200,721
Bond Premium Payable.....	18,139	-	18,139	-
Loans and Notes Payable.....	4,854	995	5,849	205,758
Revenue Bonds Payable.....	645	5,375	6,020	576,884
Claims Payable.....	92,094	-	92,094	104,634
Compensated Absences Payable.....	27,655	16,305	43,960	153,055
Workers' Compensation Liability.....	14,090	1,756	15,846	-
Capital Leases Payable.....	5,893	2,726	8,619	-
Securities Lending Liabilities.....	692,436	33,145	725,581	221,172
Other Liabilities.....	-	20,782	20,782	12,972
Total Current Liabilities.....	\$ 5,087,004	\$ 361,293	\$ 5,448,297	\$ 2,018,794
Noncurrent Liabilities:				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 94,600
Unearned Revenue-Restricted.....	-	-	-	75,838
Accrued Interest Payable-Restricted.....	-	-	-	8,650
Due to Primary Government.....	-	-	-	101,020
Unearned Revenue.....	-	-	-	4,134
General Obligation Bonds Payable.....	3,432,357	174,723	3,607,080	1,209,505
Bond Premium Payable.....	227,070	11,594	238,664	-
Loans and Notes Payable.....	55,640	4,424	60,064	7,152
Revenue Bonds Payable.....	14,500	165,566	180,066	3,475,865
Claims Payable.....	776,154	-	776,154	619,894
Compensated Absences Payable.....	227,282	113,099	340,381	19,961
Workers' Compensation Liability.....	93,818	4,099	97,917	-
Capital Leases Payable.....	166,839	22,656	189,495	-
Funds Held in Trust.....	-	-	-	89,789
Due to Component Units.....	22,594	-	22,594	-
Other Liabilities.....	19,868	35,058	54,926	110,369
Total Noncurrent Liabilities.....	\$ 5,036,122	\$ 531,219	\$ 5,567,341	\$ 5,816,777
Total Liabilities.....	\$ 10,123,126	\$ 892,512	\$ 11,015,638	\$ 7,835,571

CONTINUED

STATE OF MINNESOTA

STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2007  
(IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 6,781,966	\$ 1,016,955	\$ 7,798,921	\$ 2,902,616
Restricted for:				
Debt Service.....	\$ 471,990	\$ -	\$ 471,990	\$ -
Transportation.....	718,965	-	718,965	-
Environmental Resources.....	639,112	-	639,112	-
Economic and Workforce Development.....	62,783	4,830	67,613	-
School Aid-Nonexpendable .....	721,173	-	721,173	-
School Aid-Expendable.....	89,575	-	89,575	-
Health & Human Services.....	-	27,942	27,942	-
Unemployment Benefits.....	-	693,189	693,189	-
State Colleges and Universities.....	-	318,397	318,397	-
Other Purposes.....	-	13,674	13,674	-
Component Units.....	-	-	-	5,304,776
Total Restricted.....	\$ 2,703,598	\$ 1,058,032	\$ 3,761,630	\$ 5,304,776
Unrestricted .....	\$ 1,317,416	\$ (1,403)	\$ 1,316,013	\$ 738,798
Total Net Assets.....	\$ 10,802,980	\$ 2,073,584	\$ 12,876,564	\$ 8,946,190

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007  
 (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.....	\$ 855,328	\$ 130,830	\$ 141,046	\$ -
Transportation.....	1,795,056	18,796	497,689	216,988
Agricultural and Environmental Resources.....	614,295	217,702	72,601	2,112
Economic and Workforce Development.....	595,085	162,519	214,022	-
General Education.....	7,323,406	42,943	719,133	-
Higher Education.....	921,339	-	-	-
Health and Human Services.....	9,717,294	265,853	4,730,232	-
General Government.....	771,733	278,846	125,716	17,600
Intergovernment Aid.....	1,489,439	-	-	-
Interest.....	208,719	-	-	-
Total Governmental Activities.....	\$ 24,291,694	\$ 1,117,489	\$ 6,500,439	\$ 236,700
Business-type Activities:				
State Colleges and Universities.....	\$ 1,550,936	\$ 750,742	\$ 183,141	\$ 1,839
Unemployment Insurance.....	735,987	946,269	4,389	-
Lottery.....	311,893	422,570	-	-
Other.....	215,005	230,657	-	-
Total Business-type Activities.....	\$ 2,813,821	\$ 2,350,238	\$ 187,530	\$ 1,839
Total Primary Government.....	\$ 27,105,515	\$ 3,467,727	\$ 6,687,969	\$ 238,539
Component Units:				
University of Minnesota.....	\$ 2,403,139	\$ 1,109,730	\$ 807,209	\$ 226,658
Metropolitan Council.....	712,332	322,011	170,044	74,442
Housing Finance.....	359,001	176,452	174,541	-
Others.....	428,938	186,793	52,115	-
Total Component Units.....	\$ 3,903,410	\$ 1,794,986	\$ 1,203,909	\$ 301,100
General Revenues:				
Taxes:				
Individual Income Taxes.....				
Corporate Income Taxes.....				
Sales Taxes.....				
Property Taxes.....				
Motor Vehicle Taxes.....				
Fuel Taxes.....				
Other Taxes.....				
Tobacco Settlement.....				
Unallocated Investment/Interest Income.....				
Other Revenues.....				
State Grants Not Restricted.....				
Transfers.....				
Total General Revenues and Transfers.....				
Change in Net Assets.....				
Net Assets, Beginning, as Reported.....				
Prior Period Adjustments.....				
Change in Fund Structure.....				
Net Assets, Beginning, as Restated.....				
Net Assets, Ending.....				

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
\$ (583,452)		\$ (583,452)	
(1,061,583)		(1,061,583)	
(321,880)		(321,880)	
(218,544)		(218,544)	
(6,561,330)		(6,561,330)	
(921,339)		(921,339)	
(4,721,209)		(4,721,209)	
(349,571)		(349,571)	
(1,489,439)		(1,489,439)	
(208,719)		(208,719)	
<u>\$ (16,437,066)</u>		<u>\$ (16,437,066)</u>	
	\$ (615,214)	\$ (615,214)	
	214,671	214,671	
	110,677	110,677	
	15,652	15,652	
	<u>\$ (274,214)</u>	<u>\$ (274,214)</u>	
<u>\$ (16,437,066)</u>	<u>\$ (274,214)</u>	<u>\$ (16,711,280)</u>	
			\$ (259,542)
			(145,835)
			(8,008)
			<u>(190,030)</u>
			<u>\$ (603,415)</u>
\$ 7,463,959	\$ -	\$ 7,463,959	\$ -
1,160,380	-	1,160,380	-
4,600,984	-	4,600,984	-
667,395	-	667,395	-
1,025,820	-	1,025,820	-
647,168	-	647,168	-
2,154,689	-	2,154,689	185,157
184,924	-	184,924	-
155,016	26,786	181,802	187,403
91,867	17,811	109,678	149,684
-	-	-	902,061
(510,578)	510,578	-	-
<u>\$ 17,641,624</u>	<u>\$ 555,175</u>	<u>\$ 18,196,799</u>	<u>\$ 1,424,305</u>
<u>\$ 1,204,558</u>	<u>\$ 280,961</u>	<u>\$ 1,485,519</u>	<u>\$ 820,890</u>
\$ 9,600,210	\$ 1,783,151	\$ 11,383,361	\$ 8,125,300
7,684	-	7,684	-
(9,472)	9,472	-	-
<u>\$ 9,598,422</u>	<u>\$ 1,792,623</u>	<u>\$ 11,391,045</u>	<u>\$ 8,125,300</u>
<u>\$ 10,802,980</u>	<u>\$ 2,073,584</u>	<u>\$ 12,876,564</u>	<u>\$ 8,946,190</u>





State of Minnesota

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# Fund Financial Statements

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# Major Governmental Funds

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## **General Fund**

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

## **Federal Fund**

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

**STATE OF MINNESOTA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2007  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 2,618,415	\$ 7,498	\$ 2,529,377	\$ 5,155,290
Investments.....	23,926	-	1,266,566	1,290,492
Accounts Receivable.....	1,839,119	142,435	363,914	2,345,468
Interfund Receivables.....	59,618	3,353	187,515	250,486
Due from Component Units.....	32	-	120,040	120,072
Accrued Investment/Interest Income.....	60,358	-	10,778	71,136
Federal Aid Receivable.....	-	702,342	70,327	772,669
Inventories.....	-	-	21,568	21,568
Loans and Notes Receivable.....	45,481	40	280,671	326,192
Advances to Other Funds.....	1,750	-	-	1,750
Securities Lending Collateral.....	249,619	-	423,760	673,379
Investment in Land.....	-	-	15,478	15,478
<b>Total Assets .....</b>	<b>\$ 4,898,318</b>	<b>\$ 855,668</b>	<b>\$ 5,289,994</b>	<b>\$ 11,043,980</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 1,919,746	\$ 806,129	\$ 391,286	\$ 3,117,161
Interfund Payables.....	26,953	12,183	174,821	213,957
Due to Component Units.....	100,440	752	1,463	102,655
Deferred Revenue.....	1,302,853	29,276	176,523	1,508,652
Accrued Interest Payable.....	18,600	-	-	18,600
Securities Lending Liabilities.....	249,619	-	423,760	673,379
<b>Total Liabilities.....</b>	<b>\$ 3,618,211</b>	<b>\$ 848,340</b>	<b>\$ 1,167,853</b>	<b>\$ 5,634,404</b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances:</b>				
Reserved for Encumbrances.....	\$ 108,754	\$ -	\$ 219,348	\$ 328,102
Reserved for Trust Principal.....	-	-	1,191,878	1,191,878
Other Reserved Fund Balances.....	47,231	7,328	602,056	656,615
<b>Total Reserved Fund Balances.....</b>	<b>\$ 155,985</b>	<b>\$ 7,328</b>	<b>\$ 2,013,282</b>	<b>\$ 2,176,595</b>
<b>Unreserved Fund Balances:</b>				
<b>Designated for:</b>				
General Fund.....	\$ 1,124,122	\$ -	\$ -	\$ 1,124,122
Special Revenue Funds .....	-	-	1,139,133	1,139,133
Debt Service Fund .....	-	-	704,800	704,800
Permanent Funds .....	-	-	15,690	15,690
<b>Undesignated, reported in:</b>				
Capital Project Funds.....	-	-	6,044	6,044
Special Revenue Funds.....	-	-	243,192	243,192
<b>Total Unreserved Fund Balance.....</b>	<b>\$ 1,124,122</b>	<b>\$ -</b>	<b>\$ 2,108,859</b>	<b>\$ 3,232,981</b>
<b>Total Fund Balances.....</b>	<b>\$ 1,280,107</b>	<b>\$ 7,328</b>	<b>\$ 4,122,141</b>	<b>\$ 5,409,576</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 4,898,318</b>	<b>\$ 855,668</b>	<b>\$ 5,289,994</b>	<b>\$ 11,043,980</b>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

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

JUNE 30, 2007  
(IN THOUSANDS)

Total Fund Balance for Governmental Funds..... \$ 5,409,576

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.....	\$ 6,351,250	
Depreciable Capital Assets.....	2,297,197	
Nondepreciable Capital Assets.....	2,005,450	
Accumulated Depreciation.....	<u>(897,325)</u>	
Total Capital Assets.....		9,756,572

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..... 995,456

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..... 50,610

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..... 181,144

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.....	\$ (3,791,494)	
Bond Premium Payable.....	(245,209)	
Revenue Bonds Payable.....	(15,145)	
Accrued Interest Payable on Bonds.....	(51,589)	
Loans and Notes Payable.....	(42,618)	
Claims Payable.....	(868,248)	
Workers' Compensation Liability.....	(107,908)	
Capital Leases Payable.....	(172,732)	
Compensated Absences Payable.....	(249,597)	
Net Pension Obligation.....	(19,868)	
Due to Component Units.....	<u>(25,970)</u>	
Total Liabilities.....		(5,590,378)

Net Assets of Governmental Activities..... \$ 10,802,980

**STATE OF MINNESOTA**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>Net Revenues:</b>				
Individual Income Taxes.....	\$ 7,412,381	\$ -	\$ -	\$ 7,412,381
Corporate Income Taxes.....	1,163,095	-	-	1,163,095
Sales Taxes.....	4,512,957	-	495	4,513,452
Property Taxes.....	665,746	-	-	665,746
Motor Vehicle Taxes.....	368,279	-	657,541	1,025,820
Fuel Taxes.....	-	-	648,078	648,078
Other Taxes.....	1,232,758	-	676,965	1,909,723
Tobacco Settlement.....	183,911	-	-	183,911
Federal Revenues.....	7,328	5,839,254	487,104	6,333,686
Licenses and Fees.....	254,026	-	482,724	736,750
Departmental Services.....	44,170	13,561	186,418	244,149
Investment/Interest Income.....	108,689	940	280,497	390,126
Securities Lending Income.....	10,063	-	20,492	30,555
Other Revenues.....	284,756	32,122	215,675	532,553
Net Revenues.....	<u>\$ 16,248,159</u>	<u>\$ 5,885,877</u>	<u>\$ 3,655,989</u>	<u>\$ 25,790,025</u>
<b>Expenditures:</b>				
Current:				
Public Safety and Corrections.....	\$ 540,999	\$ 109,661	\$ 162,976	\$ 813,636
Transportation.....	230,195	223,423	1,311,792	1,765,410
Agricultural and Environmental Resources.....	177,342	41,936	387,636	606,914
Economic and Workforce Development.....	128,870	214,802	289,133	632,805
General Education.....	6,614,672	624,769	81,050	7,320,491
Higher Education.....	784,191	-	138,581	922,772
Health and Human Services.....	4,377,724	4,603,967	721,148	9,702,839
General Government.....	641,915	12,069	45,601	699,585
Intergovernment Aid.....	1,489,229	-	210	1,489,439
Securities Lending Rebates and Fees.....	9,956	-	19,973	29,929
Total Current Expenditures.....	<u>\$ 14,995,093</u>	<u>\$ 5,830,627</u>	<u>\$ 3,158,100</u>	<u>\$ 23,983,820</u>
Capital Outlay.....	4,783	8,320	679,938	693,041
Debt Service.....	36,059	407	535,650	572,116
Total Expenditures.....	<u>\$ 15,035,935</u>	<u>\$ 5,839,354</u>	<u>\$ 4,373,688</u>	<u>\$ 25,248,977</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 1,212,224</u>	<u>\$ 46,523</u>	<u>\$ (717,699)</u>	<u>\$ 541,048</u>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ 705,300	\$ 705,300
Revenue Bond Issuance.....	-	-	15,145	15,145
Loan Proceeds.....	-	-	24,610	24,610
Proceeds from Refunding Bonds.....	-	-	264,050	264,050
Payment to Refunded Bonds Escrow Agent.....	-	-	(264,050)	(264,050)
Bond Issue Premium.....	-	-	57,918	57,918
Transfers-In.....	500,911	1,468	2,293,451	2,795,830
Transfers-Out.....	(1,271,835)	(48,146)	(1,955,447)	(3,275,428)
Capital Leases.....	-	780	310	1,090
Net Other Financing Sources (Uses).....	<u>\$ (770,924)</u>	<u>\$ (45,898)</u>	<u>\$ 1,141,287</u>	<u>\$ 324,465</u>
Net Change in Fund Balances.....	<u>\$ 441,300</u>	<u>\$ 625</u>	<u>\$ 423,588</u>	<u>\$ 865,513</u>
Fund Balances, Beginning, as Reported.....	\$ 838,807	\$ 6,703	\$ 3,705,296	\$ 4,550,806
Change in Fund Structure.....	-	-	(9,588)	(9,588)
Fund Balances, Beginning, as Restated.....	<u>\$ 838,807</u>	<u>\$ 6,703</u>	<u>\$ 3,695,708</u>	<u>\$ 4,541,218</u>
Change in Inventory.....	-	-	2,845	2,845
Fund Balances, Ending.....	<u>\$ 1,280,107</u>	<u>\$ 7,328</u>	<u>\$ 4,122,141</u>	<u>\$ 5,409,576</u>

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, 2007  
(IN THOUSANDS)

<b>Net Change in Fund Balances for Governmental Funds</b> .....	\$ 865,513
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of \$67,879 in the current period.....	625,162
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.....	(4,476)
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.....	2,860
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.....	2,845
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....	150,567
Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets.....	(1,067,023)
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.....	(1,090)
Repayment of bonds and loans are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.....	608,656
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.....	21,544
<b>Change in Net Assets of Governmental Activities</b> .....	<u>\$ 1,204,558</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, 2007  
(IN THOUSANDS)**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 6,948,365	\$ 7,093,500	\$ 7,230,856
Corporate Income Taxes.....	883,250	1,177,900	1,171,101
Sales Taxes.....	4,624,077	4,519,337	4,478,675
Property Taxes.....	663,930	663,372	665,744
Motor Vehicle Taxes.....	379,799	363,337	368,317
Other Taxes.....	1,209,011	1,245,168	1,217,446
Departmental Earnings/Licenses & Fees.....	339,640	343,826	283,918
Investment/Interest Income.....	22,000	86,500	105,149
Tobacco Settlement.....	173,267	180,605	183,911
Other Revenues.....	373,407	398,495	420,322
Net Revenues.....	<u>\$ 15,616,746</u>	<u>\$ 16,072,040</u>	<u>\$ 16,125,439</u>
Expenditures:			
Public Safety and Corrections.....	\$ 561,793	\$ 563,321	\$ 558,215
Transportation.....	227,667	232,389	231,973
Agricultural and Environmental Resources.....	188,576	195,728	193,402
Economic and Workforce Development.....	110,663	106,762	97,588
General Education.....	6,617,516	6,597,007	6,591,196
Higher Education.....	812,685	812,685	811,589
Health and Human Services.....	4,325,795	4,301,090	4,233,419
General Government.....	681,338	694,072	648,257
Intergovernment Aid.....	1,584,149	1,504,422	1,504,395
Total Expenditures.....	<u>\$ 15,110,182</u>	<u>\$ 15,007,476</u>	<u>\$ 14,870,034</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ 506,564</u>	<u>\$ 1,064,564</u>	<u>\$ 1,255,405</u>
Other Financing Sources (Uses):			
Transfers-In.....	\$ 613,825	\$ 389,775	\$ 400,273
Transfers-Out.....	(1,238,215)	(1,252,955)	(1,252,955)
Net Other Financing Sources (Uses).....	<u>\$ (624,390)</u>	<u>\$ (863,180)</u>	<u>\$ (852,682)</u>
Net Change in Fund Balances.....	<u>\$ (117,826)</u>	<u>\$ 201,384</u>	<u>\$ 402,723</u>
Fund Balances, Beginning, as Reported .....	\$ 1,884,109	\$ 1,884,109	\$ 1,884,109
Prior Period Adjustments.....	-	-	27,837
Fund Balances, Beginning, as Restated.....	<u>\$ 1,884,109</u>	<u>\$ 1,884,109</u>	<u>\$ 1,911,946</u>
Budgetary Fund Balances, Ending.....	\$ 1,766,283	\$ 2,085,493	\$ 2,314,669
Less: Appropriation Carryover.....	-	-	38,832
Less: Reserved for Long-Term Receivables.....	-	-	45,481
Less: Budgetary Reserve.....	-	-	1,112,660
Undesignated Fund Balances, Ending.....	<u>\$ 1,766,283</u>	<u>\$ 2,085,493</u>	<u>\$ 1,117,696</u>

The notes are an integral part of the financial statements.



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# Major Proprietary Funds

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## **State Colleges and Universities Fund**

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

## **Unemployment Insurance Fund**

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

STATE OF MINNESOTA

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents.....	\$ 511,199	\$ 412,462	\$ 94,630	\$ 1,018,291	\$ 215,344
Investments.....	28,891	-	-	28,891	20,061
Accounts Receivable.....	37,334	367,710	31,936	436,980	20,472
Interfund Receivables.....	30,363	-	-	30,363	-
Accrued Investment/Interest Income.....	-	-	17	17	341
Federal Aid Receivable.....	11,692	1,305	-	12,997	-
Inventories.....	10,370	-	7,490	17,860	946
Deferred Costs.....	274	-	407	681	1,762
Loans and Notes Receivable.....	8,482	-	-	8,482	-
Securities Lending Collateral.....	33,145	-	-	33,145	19,057
Other Assets.....	-	-	1,977	1,977	-
Total Current Assets.....	\$ 671,750	\$ 781,477	\$ 136,457	\$ 1,589,684	\$ 277,983
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 107,561	\$ -	\$ 1,627	\$ 109,188	\$ -
Other Assets-Restricted.....	95	-	-	95	-
Deferred Costs.....	-	-	-	-	455
Loans and Notes Receivable.....	25,384	-	-	25,384	-
Depreciable Capital Assets (Net).....	1,064,344	-	32,481	1,096,825	27,719
Nondepreciable Capital Assets.....	210,000	-	1,679	211,679	-
Total Noncurrent Assets.....	\$ 1,407,384	\$ -	\$ 35,787	\$ 1,443,171	\$ 28,174
Total Assets.....	\$ 2,079,134	\$ 781,477	\$ 172,244	\$ 3,032,855	\$ 306,157
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable.....	\$ 167,121	\$ 26,296	\$ 24,700	\$ 218,117	\$ 76,327
Interfund Payables.....	-	50,446	16,313	66,759	133
Unearned Revenue.....	35,578	11,546	1,278	48,402	4,530
Accrued Bond Interest Payable.....	-	-	317	317	-
General Obligation Bonds Payable.....	13,114	-	259	13,373	-
Loans and Notes Payable.....	995	-	-	995	4,854
Revenue Bonds Payable.....	2,080	-	3,295	5,375	-
Workers' Compensation Liability.....	1,756	-	-	1,756	-
Capital Leases.....	2,677	-	49	2,726	-
Compensated Absences Payable.....	14,436	-	1,869	16,305	464
Securities Lending Liabilities.....	33,145	-	-	33,145	19,057
Other Liabilities.....	20,742	-	40	20,782	-
Total Current Liabilities.....	\$ 291,644	\$ 88,288	\$ 48,120	\$ 428,052	\$ 105,365
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	\$ 171,831	\$ -	\$ 2,892	\$ 174,723	\$ -
Loans and Notes Payable.....	4,424	-	-	4,424	13,022
Revenue Bonds Payable.....	120,271	-	45,295	165,566	-
Workers' Compensation Liability.....	4,099	-	-	4,099	-
Capital Leases.....	21,819	-	837	22,656	-
Compensated Absences Payable.....	103,184	-	9,915	113,099	4,876
Advances from Other Funds.....	-	-	-	-	1,750
Other Liabilities.....	44,530	-	2,122	46,652	-
Total Noncurrent Liabilities.....	\$ 470,158	\$ -	\$ 61,061	\$ 531,219	\$ 19,648
Total Liabilities.....	\$ 761,802	\$ 88,288	\$ 109,181	\$ 959,271	\$ 125,013
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt.....					
	\$ 998,935	\$ -	\$ 18,020	\$ 1,016,955	\$ 9,995
Restricted for:					
Bond Covenants.....	\$ 45,042	\$ -	\$ -	\$ 45,042	\$ -
Debt Service.....	19,989	-	-	19,989	-
Capital Projects.....	12,175	-	-	12,175	-
Economic and Workforce Development.....	-	-	4,830	4,830	-
Health and Human Services.....	-	-	27,942	27,942	-
Other Purposes.....	13,984	-	13,674	27,658	-
Total Restricted.....	\$ 91,190	\$ -	\$ 46,446	\$ 137,636	\$ -
Unrestricted.....	\$ 227,207	\$ 693,189	\$ (1,403)	\$ 918,993	\$ 171,149
Total Net Assets.....	\$ 1,317,332	\$ 693,189	\$ 63,063	\$ 2,073,584	\$ 181,144

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, 2007  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 648,413	\$ -	\$ -	\$ 648,413	\$ -
Net Sales.....	-	-	467,011	467,011	17,866
Rental and Service Fees.....	-	-	170,880	170,880	158,813
Insurance Premiums.....	-	890,362	12,958	903,320	559,185
Federal Revenues.....	169,629	-	-	169,629	-
State Grants.....	85,166	-	-	85,166	-
Other Income.....	17,163	55,907	2,378	75,448	6,425
Total Operating Revenues.....	\$ 920,371	\$ 946,269	\$ 653,227	\$ 2,519,867	\$ 742,289
Less: Cost of Goods Sold.....	-	-	310,271	310,271	5,680
Gross Margin.....	\$ 920,371	\$ 946,269	\$ 342,956	\$ 2,209,596	\$ 736,609
Operating Expenses:					
Purchased Services.....	\$ 195,894	\$ -	\$ 44,097	\$ 239,991	\$ 158,707
Salaries and Fringe Benefits.....	1,071,585	-	115,962	1,187,547	47,175
Student Financial Aid.....	27,577	-	-	27,577	-
Unemployment Benefits.....	-	735,987	-	735,987	-
Claims.....	-	-	9,739	9,739	478,117
Depreciation.....	72,131	-	4,147	76,278	9,249
Amortization.....	-	-	71	71	237
Supplies and Materials.....	83,377	-	6,430	89,807	8,604
Repairs and Maintenance.....	39,185	-	-	39,185	-
Indirect Costs.....	-	-	9,078	9,078	1,821
Other Expenses.....	38,072	-	6,272	44,344	2,813
Total Operating Expenses.....	\$ 1,527,821	\$ 735,987	\$ 195,796	\$ 2,459,604	\$ 706,723
Operating Income (Loss).....	\$ (607,450)	\$ 210,282	\$ 147,160	\$ (250,008)	\$ 29,886
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 21,968	\$ 23	\$ 4,780	\$ 26,771	\$ 12,398
Private Grants.....	13,512	-	-	13,512	-
Grants and Subsidies.....	1,839	4,389	-	6,228	-
Securities Lending Income.....	1,361	-	-	1,361	852
Other Nonoperating Revenues.....	-	17,410	56	17,466	58
Interest and Financing Costs.....	(14,078)	-	(2,411)	(16,489)	(414)
Grants, Aids and Subsidies.....	(9,037)	-	(14,978)	(24,015)	-
Securities Lending Rebates and Fees.....	(1,346)	-	-	(1,346)	(843)
Other Nonoperating Expenses.....	-	-	(3,442)	(3,442)	(8,533)
Gain (Loss) on Disposal of Capital Assets.....	189	-	156	345	(219)
Total Nonoperating Revenues (Expenses).....	\$ 14,408	\$ 21,822	\$ (15,839)	\$ 20,391	\$ 3,299
Income (Loss) Before Transfers & Contributions.....	\$ (593,042)	\$ 232,104	\$ 131,321	\$ (229,617)	\$ 33,185
Capital Contributions.....	117,174	-	-	117,174	655
Transfers-In.....	602,194	-	3,782	605,976	-
Transfers-Out.....	-	(57,251)	(155,321)	(212,572)	(30,980)
Change in Net Assets.....	\$ 126,326	\$ 174,853	\$ (20,218)	\$ 280,961	\$ 2,860
Net Assets, Beginning, as Reported.....	\$ 1,191,006	\$ 518,336	\$ 73,809	\$ 1,783,151	\$ 178,284
Change in Fund Structure.....	-	-	9,472	9,472	-
Net Assets, Beginning, as Restated.....	\$ 1,191,006	\$ 518,336	\$ 83,281	\$ 1,792,623	\$ 178,284
Net Assets, Ending.....	\$ 1,317,332	\$ 693,189	\$ 63,063	\$ 2,073,584	\$ 181,144

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers.....	\$ 720,160	\$ 965,080	\$ 651,114	\$ 2,336,354	\$ 739,190
Receipts from Grants.....	254,507	-	-	254,507	-
Receipts from Other Revenues.....	-	-	2,202	2,202	7,341
Receipts from Repayment of Program Loans.....	6,468	-	-	6,468	-
Financial Aid Disbursements.....	(28,906)	-	-	(28,906)	-
Payments to Claimants.....	-	(734,094)	(260,717)	(994,811)	(475,804)
Payments to Suppliers.....	(402,211)	-	(98,379)	(500,590)	(168,537)
Payments to Employees.....	(1,056,157)	-	(114,856)	(1,171,013)	(46,436)
Payments to Others.....	-	-	(25,363)	(25,363)	(6,440)
Payments of Program Loans.....	(6,112)	-	-	(6,112)	-
Net Cash Flows from Operating Activities.....	\$ (512,251)	\$ 230,986	\$ 154,001	\$ (127,264)	\$ 49,314
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grant Receipts.....	\$ 13,512	\$ 3,085	\$ -	\$ 16,597	\$ -
Grant Disbursements.....	-	-	(16,003)	(16,003)	-
Transfers-In.....	602,194	-	3,782	605,976	-
Transfers-Out.....	-	(50,591)	(149,787)	(200,378)	(30,212)
Advances from Other Funds.....	-	-	-	-	2,000
Repayments of Advances from Other Funds.....	-	-	-	-	(3,886)
Proceeds from Bonds.....	-	-	37,298	37,298	-
Interest Paid.....	-	-	(976)	(976)	-
Other Nonoperating Expenses.....	(6,056)	-	(3,440)	(9,496)	(8,488)
Other Nonoperating Revenues.....	-	17,308	-	17,308	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 609,650	\$ (30,198)	\$ (129,126)	\$ 450,326	\$ (40,586)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions.....	\$ 106,852	\$ -	\$ -	\$ 106,852	\$ -
Investment in Capital Assets.....	(175,290)	-	(3,441)	(178,731)	(11,504)
Proceeds from Disposal of Capital Assets.....	20	-	112	132	2,544
Proceeds from Capital Debt.....	88,811	-	-	88,811	-
Proceeds from Loans.....	-	-	-	-	9,557
Capital Lease Payments.....	(2,603)	-	(126)	(2,729)	-
Repayment of Loan Principal.....	(1,101)	-	-	(1,101)	(8,561)
Repayment of Bond Principal.....	(14,909)	-	(912)	(15,821)	-
Interest Paid.....	(15,194)	-	(1,376)	(16,570)	(717)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (13,414)	\$ -	\$ (5,743)	\$ (19,157)	\$ (8,681)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sales and Maturities of Investments.....	\$ 1,783	\$ -	\$ -	\$ 1,783	\$ 12,704
Purchase of Investments.....	(3,654)	-	-	(3,654)	(12,640)
Investment Earnings.....	19,578	126	4,883	24,587	12,409
Net Cash Flows from Investing Activities.....	\$ 17,707	\$ 126	\$ 4,883	\$ 22,716	\$ 12,473
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 101,692	\$ 200,914	\$ 24,015	\$ 326,621	\$ 12,520
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 517,068	\$ 211,548	\$ 64,248	\$ 792,864	\$ 202,824
Change in Fund Structure.....	-	-	7,994	7,994	-
Cash and Cash Equivalents, Beginning, as Restated.....	\$ 517,068	\$ 211,548	\$ 72,242	\$ 800,858	\$ 202,824
Cash and Cash Equivalents, Ending.....	\$ 618,760	\$ 412,462	\$ 96,257	\$ 1,127,479	\$ 215,344

STATE OF MINNESOTA

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2007**  
**(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>					
Operating Income (Loss).....	\$ (607,450)	\$ 210,282	\$ 147,160	\$ (250,008)	\$ 29,886
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation.....	\$ 72,131	\$ -	\$ 4,147	\$ 76,278	\$ 9,249
Amortization.....	-	-	71	71	237
Loan Principal Repayments.....	6,468	-	-	6,468	-
Loans Issued.....	(6,112)	-	-	(6,112)	-
Provision for Loan Defaults.....	155	-	-	155	-
Loans Forgiven.....	652	-	-	652	-
Change in Valuation of Assets.....	2,367	-	-	2,367	-
Change in Assets and Liabilities:					
Accounts Receivable.....	(3,060)	20,853	768	18,561	3,943
Inventories.....	(708)	-	1,185	477	(75)
Other Assets.....	77	-	1,398	1,475	(369)
Accounts Payable.....	11,667	(2,138)	1,394	10,923	6,483
Compensated Absences Payable.....	9,286	-	629	9,915	496
Unearned Revenues.....	3,879	1,989	(2,754)	3,114	(662)
Other Liabilities.....	(1,603)	-	3	(1,600)	126
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 95,199	\$ 20,704	\$ 6,841	\$ 122,744	\$ 19,428
Net Cash Flows from Operating Activities.....	\$ (512,251)	\$ 230,986	\$ 154,001	\$ (127,264)	\$ 49,314
<b>Noncash Investing, Capital and Financing Activities:</b>					
Donated Assets.....	\$ 1,034	\$ -	\$ -	\$ 1,034	\$ -
Change in Fair Value of Investments.....	995	-	-	995	-
Capital Assets Purchased on Account.....	33,716	-	-	33,716	-
Disposal of Capital Assets.....	-	-	-	-	431
Buildings Capitalized under Notes Payable.....	592	-	-	592	-
Investment Earning on Account.....	686	-	-	686	1,066
Bond Premium Amortization.....	804	-	174	978	-

The notes are an integral part of the financial statements.





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# Fiduciary Funds

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## **Pension Trust Funds**

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

## **Investment Trust Funds**

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

## **Agency Fund**

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

# STATE OF MINNESOTA

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 9,132	\$ -	\$ 121,440
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 3,632,621	\$ 17,546	\$ -
Investments:			
Commercial Paper.....	\$ 184,400	\$ 1,676	\$ -
Debt Securities.....	12,320,578	125,829	-
Equity Securities.....	36,552,394	354,798	-
Mutual Funds.....	4,301,626	-	-
Total Investments.....	\$ 53,358,998	\$ 482,303	\$ -
Accrued Interest and Dividends.....	\$ 151,987	\$ 1,567	\$ -
Securities Trades Receivables (Payables).....	(1,683,962)	(15,445)	-
Total Investment Pool Participation.....	\$ 55,459,644	\$ 485,971	\$ -
Receivables:			
Employer Contributions.....	\$ 20,472	\$ -	\$ -
Member Contributions.....	9,744	-	-
Accounts Receivable.....	-	-	15,314
Interfund Receivables.....	5,155	-	-
Other Receivables.....	43,106	-	-
Accrued Interest and Dividends.....	321	-	-
Total Receivables.....	\$ 78,798	\$ -	\$ 15,314
Securities Lending Collateral.....	\$ 8,055,519	\$ 98,291	\$ -
Depreciable Capital Assets (Net).....	26,865	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	\$ 63,630,387	\$ 584,262	\$ 136,754
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 52,755	\$ 81	\$ 136,754
Interfund Payables.....	5,155	-	-
Accrued Expense.....	42	-	-
Revenue Bonds Payable.....	26,075	-	-
Bond Interest.....	79	-	-
Compensated Absences Payable.....	2,039	-	-
Securities Lending Liabilities.....	8,055,519	98,291	-
Total Liabilities.....	\$ 8,141,664	\$ 98,372	\$ 136,754
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 55,488,723	\$ 485,890	\$ -

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, 2007  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 713,875	\$ -
Member.....	938,924	-
Contributions From Other Sources.....	44,563	-
Participating Plans.....	-	97,948
Total Contributions.....	<u>\$ 1,697,362</u>	<u>\$ 97,948</u>
Net Investment Income:		
Investment Income.....	\$ 8,614,720	\$ 65,921
Less: Investment Expense.....	(69,799)	(339)
Net Investment Income.....	<u>\$ 8,544,921</u>	<u>\$ 65,582</u>
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 356,067	\$ 3,593
Borrower Rebates.....	(332,670)	(3,403)
Management Fees.....	(5,411)	-
Net Securities Lending Revenue.....	<u>\$ 17,986</u>	<u>\$ 190</u>
Total Investment Income.....	<u>\$ 8,562,907</u>	<u>\$ 65,772</u>
Transfers From Other Funds.....	\$ 19,395	\$ -
Other Additions.....	17,796	-
Total Additions.....	<u>\$ 10,297,460</u>	<u>\$ 163,720</u>
Deductions:		
Benefits.....	\$ 2,916,024	\$ -
Refunds/Withdrawals.....	223,885	23,495
Administrative Expenses.....	44,686	-
Transfers to Other Funds.....	19,395	-
Total Deductions.....	<u>\$ 3,203,990</u>	<u>\$ 23,495</u>
Net Increase (Decrease).....	<u>\$ 7,093,470</u>	<u>\$ 140,225</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	<u>\$ 48,395,253</u>	<u>\$ 345,665</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	<u>\$ 55,488,723</u>	<u>\$ 485,890</u>

The notes are an integral part of the financial statements.





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# Major Component Unit Funds

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## **Housing Finance Agency**

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

## **Metropolitan Council**

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

## **University of Minnesota**

The multi-campus university provides 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, 2006 and JUNE 30, 2007  
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents.....	\$ 242,155	\$ 50,530	\$ 120,017	\$ 396,352	\$ 809,054
Investments.....	172,465	224,651	126,044	537,882	1,061,042
Accounts Receivable.....	2,117	17,487	286,348	47,861	353,813
Due from Other Governmental Units.....	-	17,762	-	-	17,762
Due from Primary Government.....	-	51,224	100,956	3,479	155,659
Accrued Investment/Interest Income.....	16,919	3,019	7,928	19,913	47,779
Federal Aid Receivable.....	1,442	-	-	391	1,833
Inventories.....	-	18,424	18,777	32	37,233
Deferred Costs.....	15,206	-	-	6,087	21,293
Loans and Notes Receivable.....	-	-	13,061	84,967	98,028
Securities Lending Collateral.....	-	-	194,840	26,332	221,172
Other Assets.....	2,727	539	28,067	3,431	34,764
Total Current Assets.....	\$ 453,031	\$ 383,636	\$ 896,038	\$ 1,126,727	\$ 2,859,432
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 540,947	\$ 67,657	\$ 164,626	\$ 6,519	\$ 779,749
Investments-Restricted.....	304,677	-	134,089	20,042	458,808
Accounts Receivable-Restricted.....	-	23,493	-	2,684	26,177
Due from Primary Government-Restricted.....	-	5,507	-	22,491	27,998
Other Assets-Restricted.....	-	16,906	-	-	16,906
Investments.....	-	-	3,346,352	146,499	3,492,851
Accounts Receivable.....	-	-	67,282	371,394	438,676
Loans and Notes Receivable.....	2,091,381	35,983	58,091	2,042,359	4,227,814
Depreciable Capital Assets (Net).....	4,385	2,040,439	1,845,822	604	3,891,250
Nondepreciable Capital Assets.....	-	286,492	264,097	370	550,959
Other Assets.....	-	-	5,235	5,906	11,141
Total Noncurrent Assets.....	\$ 2,941,390	\$ 2,476,477	\$ 5,885,594	\$ 2,618,868	\$ 13,922,329
Total Assets.....	\$ 3,394,421	\$ 2,860,113	\$ 6,781,632	\$ 3,745,595	\$ 16,781,761
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable.....	\$ 13,051	\$ 68,795	\$ 191,964	\$ 15,025	\$ 288,835
Payable to Other Governmental Units.....	-	426	-	-	426
Due to Primary Government.....	-	-	5,420	19,116	24,536
Unearned Revenue.....	-	9,361	111,242	32,804	153,407
Accrued Bond Interest Payable.....	47,593	3,760	6,676	15,008	73,037
General Obligation Bonds Payable.....	-	87,192	113,529	-	200,721
Loans and Notes Payable.....	-	-	205,100	658	205,758
Revenue Bonds Payable.....	525,475	890	4,204	46,315	576,884
Grants Payable.....	-	-	-	3,357	3,357
Claims Payable.....	-	8,686	16,679	79,269	104,634
Compensated Absences Payable.....	158	2,657	150,170	70	153,055
Securities Lending Liabilities.....	-	-	194,840	26,332	221,172
Other Liabilities.....	-	510	11,409	1,053	12,972
Total Current Liabilities.....	\$ 586,277	\$ 182,277	\$ 1,011,233	\$ 239,007	\$ 2,018,794
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ 38,443	\$ 56,157	\$ -	\$ 94,600
Unearned Revenue-Restricted.....	-	75,838	-	-	75,838
Accrued Bond Interest Payable-Restricted.....	-	8,650	-	-	8,650
Due to Primary Government.....	-	-	51,830	49,190	101,020
Unearned Revenue.....	-	-	4,134	-	4,134
General Obligation Bonds Payable.....	-	947,081	262,424	-	1,209,505
Loans and Notes Payable.....	-	1,405	-	5,747	7,152
Revenue Bonds Payable.....	1,873,513	8,923	150,055	1,443,374	3,475,865
Claims Payable.....	-	8,646	11,517	599,731	619,894
Compensated Absences Payable.....	1,588	5,259	12,350	764	19,961
Funds Held in Trust.....	81,404	-	8,385	-	89,789
Other Liabilities.....	-	14,173	92,424	3,772	110,369
Total Noncurrent Liabilities.....	\$ 1,956,505	\$ 1,108,418	\$ 649,276	\$ 2,102,578	\$ 5,816,777
Total Liabilities.....	\$ 2,542,782	\$ 1,290,695	\$ 1,660,509	\$ 2,341,585	\$ 7,835,571
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt.....	\$ 4,385	\$ 1,440,727	\$ 1,456,530	\$ 974	\$ 2,902,616
Restricted-Expendable.....	847,254	109,068	2,243,433	1,180,570	4,380,325
Restricted-Nonexpendable.....	-	-	924,451	-	924,451
Unrestricted.....	-	19,623	496,709	222,466	738,798
Total Net Assets.....	\$ 851,639	\$ 1,569,418	\$ 5,121,123	\$ 1,404,010	\$ 8,946,190

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**COMPONENT UNIT FUNDS  
STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2006 AND JUNE 30, 2007  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 359,001	\$ 712,332	\$ 2,403,139	\$ 428,938	\$ 3,903,410
Program Revenues:					
Charges for Services.....	\$ 176,452	\$ 322,011	\$ 1,109,730	\$ 186,793	\$ 1,794,986
Operating Grants and Contributions.....	174,541	170,044	807,209	52,115	1,203,909
Capital Grants and Contributions.....	-	74,442	226,658	-	301,100
Net (Expense) Revenue.....	\$ (8,008)	\$ (145,835)	\$ (259,542)	\$ (190,030)	\$ (603,415)
General Revenues:					
Taxes.....	\$ -	\$ 185,157	\$ -	\$ -	\$ 185,157
Investment Income.....	-	22,661	117,661	47,081	187,403
Other Revenues.....	817	170	146,679	2,018	149,684
Total General Revenues before Grants.....	\$ 817	\$ 207,988	\$ 264,340	\$ 49,099	\$ 522,244
State Grants Not Restricted.....	36,256	-	645,619	220,186	902,061
Total General Revenues.....	\$ 37,073	\$ 207,988	\$ 909,959	\$ 269,285	\$ 1,424,305
Change in Net Assets.....	\$ 29,065	\$ 62,153	\$ 650,417	\$ 79,255	\$ 820,890
Net Assets, Beginning, as Reported .....	\$ 822,574	\$ 1,507,265	\$ 4,470,706	\$ 1,324,755	\$ 8,125,300
Net Assets, Ending.....	\$ 851,639	\$ 1,569,418	\$ 5,121,123	\$ 1,404,010	\$ 8,946,190

The notes are an integral part of the financial statements.





2007 Comprehensive Annual Financial Report
Index of Notes to the Financial Statements

Table with 2 columns: Note description and Page number. Includes entries for Note 1 through Note 22, such as 'Note 1 - Summary of Significant Accounting and Reporting Policies' on page 49.





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## 2007 Comprehensive Annual Financial Report

### Notes to the Financial Statements

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

#### **Note 1 – Summary of Significant Accounting and Reporting Policies**

##### **Basis of Presentation**

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

##### **Financial Reporting Entity of the State of Minnesota**

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

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

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

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.

- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- 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.
- ClearWay Minnesota – ClearWay Minnesota issues grants to health, community, and academic organizations throughout Minnesota to support research and cessation activities that will encourage and help tobacco users quit. It is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of ClearWay Minnesota's governing board and is neither able to impose its will on ClearWay Minnesota nor is there a potential financial benefit/burden to the state, the state believes that excluding ClearWay Minnesota from the reporting entity would fail to provide a complete overview of tobacco settlement funds. 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 various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The 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 Two Appletree Square, Suite 400 8011 34 <sup>th</sup> Avenue South Minneapolis, Minnesota 55425
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	National Sports Center Foundation National Sports Center 1700 105 <sup>th</sup> 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 <sup>st</sup> 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.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

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

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

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

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

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

### **Classification of Funds**

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

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

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

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

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

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

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

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

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

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

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

(WCARP) (component unit), the government has elected not to follow subsequent private-sector guidance. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989, that do not contradict GASB pronouncements.

### **Cash Equivalents and Investments**

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

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

### **Inventories**

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

### **Securities Lending**

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

### **Restricted Assets**

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted assets. In the enterprise funds, restricted assets remaining after liabilities from restricted assets are paid, will be used for bond payments.

### **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 funds are reported only in the government-wide Statement of Net Assets. All other fund types report the liability for compensated absences as a liability of the specific fund.

### **Capital Assets**

Capital assets, which include land, buildings, 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 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.

### **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, Municipal State-Aid Street, County State-Aid Highway, Environmental and Natural Resources, Iron Range Resources and Rehabilitation, Douglas J Johnson Economic Protection

Trust, Endowment, Maximum Effort School Loan, Health Impact Fee, Medical Education and Research, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

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

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

### **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.

### **Change in Fund Structure**

Laws of Minnesota 2005 authorized the sale of revenue bonds to pay for the enhancement of the state's 911 emergency response system. Activities relating to the issuance and use of these bonds, as well as the collection of the related 911 fees, has been moved from the Miscellaneous Special Revenue Fund and the Debt Service Fund to the 911 Services Fund (enterprise fund).

## **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, 2007, are presented below using the Standard & Poor's (S & P) rating scale.

<b>Primary Government Governmental, Proprietary, and Agency Funds Investments and Cash Equivalent Investments As of June 30, 2007 (In Thousands)</b>						
	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating			
			AA or Better	BBB to A	BB or Lower	Not Rated
<b>Debt Securities:</b>						
U.S. Treasury	\$ 201,172	4.34	100%	-	-	-
U.S. Agencies	526,655	6.58	100%	-	-	-
Mortgage-backed Securities	171,992	21.95	83%	17%	-	-
State or Local Government Bonds	156,372	1.28	99%	1%	-	-
Corporate Bonds	1,894,196	2.59	83%	13%	1%	3%
Commercial Paper	3,484,431	0.12	100%	-	-	-
Repurchase Agreements	155,608	0.08	-	-	-	100%
Short-term Securities	<u>120,887</u>	0.20	78%	22%	-	-
<b>Total Debt Securities</b>	<b><u>\$ 6,711,313</u></b>					
<b>Equity Investments:</b>						
Corporate Stock	\$ 737,232					
Alternative Equities	<u>8,069</u>					
<b>Total Equity Investments</b>	<b><u>\$ 745,301</u></b>					
<b>Other Investments</b>						
Escheat Property	\$ 8,943					
Money Market Accounts	<u>8,786</u>					
<b>Total Other Investments</b>	<b><u>\$ 17,729</u></b>					
<b>Total Investments</b>	<b><u>\$ 7,474,343</u></b> <sup>(1)</sup>					

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

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

<b>Primary Government  Pension Trust and Investment Trust Funds Investments  As of June 30, 2007  (In Thousands)</b>						
	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating			
			AA or Better	BBB to A	BB or Lower	Not Rated
<b>Debt Securities:</b>						
U.S. Treasury	\$ 1,900,357	6.56	100%	-	-	-
U.S. Agencies	1,165,669	4.00	98%	1%	-	1%
Mortgage-backed Securities	6,659,678	25.25	99%	-	-	1%
State or Local Government Bonds	244,868	5.67	92%	7%	-	1%
Corporate Bonds	2,639,415	9.75	20%	64%	14%	2%
Commercial Paper	186,076	0.15	80%	-	-	20%
Asset-backed Securities	707,345	12.53	92%	5%	-	3%
Short-term Securities	2,779,242	0.14	64%	30%	-	6%
Total Debt Securities	<u>\$ 16,282,650</u>					
<b>Equity Investments:</b>						
Corporate Stock	\$ 31,531,795					
Stock Options	40,397					
Alternative Equities	5,335,000					
Mutual Funds	4,301,626					
Total Equity Investments	<u>\$ 41,208,818</u>					
Total Investments	<u>\$ 57,491,468</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, 2007, in the Federal National Mortgage Association (FNMA). FNMA represented 15.4 percent of the primary government's total debt securities investments and 5.5 percent of the state's total investments. The pension trust and investment trust funds included in the primary government had 21.8 percent of debt securities investments and 6.2 percent of 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, 2007.

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

<b>Pension Trust and Investment Trust Funds Foreign Currency Risk International Investment Securities at Fair Value (In Thousands) As of June 30, 2007</b>			
<u>Currency</u>	<u>Cash</u>	<u>Debt</u>	<u>Equity</u>
Australian Dollar	\$ 8,245	\$ -	\$ 299,040
Brazilian Real	565	-	77,421
Canadian Dollar	8,108	1,373	381,011
Euro Currency	33,484	6,410	2,195,094
Hong Kong Dollar	1,190	-	276,061
Indian Rupee	665	-	100,602
Japanese Yen	26,601	-	1,191,055
New Taiwan Dollar	1,538	-	113,439
Pound Sterling	12,117	-	1,321,655
Singapore Dollar	363	-	80,872
South African Rand	546	-	89,717
South Korean Won	1,092	-	140,787
Swedish Krona	4,347	-	167,797
Swiss Franc	4,720	-	405,071
Other	1,697	-	326,038
Total	<u>\$ 105,278</u>	<u>\$ 7,783</u>	<u>\$ 7,165,660</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 separately managed funds of SBI.

<b>Primary Government <sup>(1)</sup> Securities Lending Analysis As of June 30, 2007 (In Thousands)</b>		
	<u>Wells Fargo</u>	<u>State Street</u>
Fair Value of Securities on Loan	\$ 534,886	\$ 9,225,511
Collateral Held	\$ 545,458	\$ 9,567,384
Average Duration	80 days	N/A
Average Weighted Maturity	80 days	53 days
<sup>(1)</sup> Including securities lending for certain component units that invest through SBI.		

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, 2007, 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

As of June 30, 2007, University of Minnesota (U of M), including its discretely presented component units, had \$284,643,000 of cash and cash equivalents and \$3,606,485,000 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 \$233,896,000 and investments of \$1,692,235,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2007, \$13,575,000 of the U of M's bank balance of \$13,675,000 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. 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, 2007, \$542,064,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$368,313,000 was rated AAA
- \$118,079,000 was rated A to AA
- \$54,562,000 was rated BB to BBB
- \$1,110,000 was not rated

The securities subject to interest rate risk were comprised of:

- \$277,944,000 in government agencies with an average duration of 2.12 years
- \$88,741,000 in corporate bonds with an average duration of 0.72 years
- \$55,361,000 in mortgage backed securities with an average duration of 4.27 years
- \$80,014,000 in cash and cash equivalents with an average duration of .010 year
- \$40,004,000 in other types of securities (primarily mutual funds) with an average duration of 2.43 years

As of June 30, 2007, U of M had \$175,128,000 of equity investments subject to foreign currency risk. The three largest components of this amount (in thousands) are as follows:

Euro Currency	\$	69,424
Japanese Yen	\$	41,701
Pound Sterling	\$	37,328

## Metropolitan Council

As of December 31, 2006, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of \$342,838,000. Of this amount, \$309,839,000 was subject to rating. \$231,040,000 of these investments were rated Aaa using the Moody's rating scale. \$21,202,000 was commercial paper rated at A-1 or P-1, while \$57,597,000 was not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Off the \$233,583,000 United States Treasury and agency investments, MC has a custodial credit risk exposure of \$2,982,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted the simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2006. The investment portfolio has an average yield of 5.38 percent, modified duration of 6.38 years, effective duration of 4.31 years, and convexity of -.56.

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

	Estimated Fair Value
December 31, 2006	\$ 324,196
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	\$ 318,460
100 Points	\$ 312,091
150 Points	\$ 305,897
200 Points	\$ 299,963

## Housing Finance Agency

As of June 30, 2007, Housing Finance Agency (HFA) had \$1,260,244,000 of cash, cash equivalents, and investments. As of June 30, 2007, \$189,947,000 of deposits and \$333,121,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from .1 - .3 years (commercial paper) to 10.4 - 12.9 to years (US Treasuries).

HFA cash equivalents included \$590,166,000 of investment agreements, which are generally uncollateralized interest bearing contracts. As of June 30, 2007, all investment agreement providers had 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 as of June 30, 2007. The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

HFA investments had an estimated fair market value of \$477,142,000 as of June 30, 2007. Of these investments, \$437,301,000 were primarily as agency investments having a Standard & Poor's rating of 'AAA' and Moody's rating of 'Aaa.'

HFA investments in any single issuer as of June 30, 2007, excluding investments issued or explicitly guaranteed by the US Government, exceeding five percent of total investments. These investments amounted to \$772,356,000 and involved Federal Home Loan Bank, Wells Fargo, Rabobank, Depfa Bank, FSA Capital Management, and Bayerische Landesbank investment agreements.

#### Nonmajor Component Units

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

<u>Component Unit</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Agricultural and Economic Development Board	\$ 6,379	\$ 20,042
ClearWay Minnesota	28	178,380
National Sports Center Foundation	666	-
Office of Higher Education	218,091	17,695
Public Facilities Authority	158,084	9,250
Rural Finance Authority	10,091	-
Workers' Compensation Assigned Risk Plan	<u>9,532</u>	<u>332,557</u>
Total	<u>\$ 402,871</u>	<u>\$ 557,924</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, 2007:

<b>Components of Net Receivables As of June 30, 2007 (In Thousands)</b>				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	
<b>Taxes:</b>				
Corporate and Individual	\$ 586,145	\$ -	\$ -	\$ 586,145
Sales and Use	401,303	-	-	401,303
Property	361,406	-	-	361,406
Health Care Provider	183,646	-	85,884	269,530
Highway Users	-	-	79,589	79,589
Child Support	91,020	91,461	-	182,481
Workers' Compensation	-	-	104,493	104,493
Other	215,599	50,974	99,047	365,620
<b>Net Receivables</b>	<b>\$ 1,839,119</b>	<b>\$ 142,435</b>	<b>\$ 369,013</b>	<b>\$ 2,350,567</b>
<b>Business-type Activities</b>				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	\$ -	\$ 367,710	\$ -	\$ 367,710
Tuition and Fees	37,334	-	-	37,334
Other	-	-	31,936	31,936
<b>Net Receivables</b>	<b>\$ 37,334</b>	<b>\$ 367,710</b>	<b>\$ 31,936</b>	<b>\$ 436,980</b>
<b>Total Government-wide Net Receivables</b>				<b>\$ 2,787,547</b>
<sup>(1)</sup> Includes \$5,099 Internal Service Funds.				

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

- Corporate and Individual Taxes \$133,449,000
- Sales and Use Taxes \$24,144,000
- Child Support \$370,119,000
- Other Receivables \$52,178,000

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

- Corporate and Individual Taxes \$104,544,000

- Sales and Use Taxes \$29,670,000
- Child Support \$138,762,000
- Health Care Provider \$71,159,000
- Other Receivables \$20,494,000

**Note 4 – Loans and Notes Receivable**

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2007, consisted of the following:

<b>Primary Government Loans and Notes Receivable As of June 30, 2007 (In Thousands)</b>					
	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	\$ -	\$ -	\$ -	\$ -	\$ 33,866
Economic Development	45,406	-	70,255	4,134	-
School Districts	-	-	117,012	-	-
Agricultural	75	-	50,103	-	-
Transportation	-	-	19,490	-	-
Resources	-	-	18,575	-	-
Other	-	40	950	152	-
Total	<u>\$ 45,481</u>	<u>\$ 40</u>	<u>\$ 276,385</u>	<u>\$ 4,286</u>	<u>\$ 33,866</u>

<b>Component Units Loans and Notes Receivable As of June 30, 2007 (In Thousands)</b>	
Housing Finance Authority	\$ 2,091,381
Metropolitan Council	35,983
University of Minnesota	71,152
Agricultural and Economic Development Board	15,739
Office of Higher Education	643,850
Public Facilities Authority	1,413,839
Rural Finance Authority	53,898
Total	<u>\$ 4,325,842</u>

## Note 5 – Interfund Transactions

### Primary Government

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

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

<b>Interfund Receivables and Payables</b>	
<b>As of June 30, 2007 (In Thousands)</b>	
Due to the General Fund From:	
Federal Fund	\$ 11,606
Nonmajor Governmental Funds	35,294
Nonmajor Enterprise Funds	12,585
Internal Service Funds	133
Total Due to General Fund From Other Funds	<u>\$ 59,618</u>
Due to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 3,353
Total Due to Federal Fund From Other Funds	<u>\$ 3,353</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 30,363
Total Due to State Colleges and Universities From Other Funds	<u>\$ 30,363</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 5,155
Total Due to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 5,155</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 26,953
Federal Fund	577
Unemployment Insurance Fund	50,446
Nonmajor Governmental Funds	105,811
Nonmajor Enterprise Funds	3,728
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 187,515</u>

The Central Motor Pool Fund had an outstanding advance of \$1,750,000 from the General Fund as of June 30, 2007. This advance is not expected to be repaid within one year.

**Interfund Transfers**  
**Year Ended June 30, 2007**  
**(In Thousands)**

Transfers to the General Fund From:	
Federal Fund	\$ 19,231
Nonmajor Governmental Funds	398,579
Nonmajor Enterprise Funds	60,919
Internal Service Funds	<u>22,182</u>
Total Transfers to General Fund From Other Funds	<u>\$ 500,911</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	<u>\$ 1,468</u>
Total Transfers to Federal Fund From Other Funds	<u>\$ 1,468</u>
Transfers to the State Colleges and Universities Fund From:	
General Fund	\$ 602,194
Nonmajor Governmental Funds – Capital Contributions	<u>117,174</u>
Total Transfers to State Colleges and Universities From Other Funds	<u>\$ 719,368</u>
Transfers to the Internal Service Funds From:	
Governmental Capital Assets – Capital Contributions	<u>\$ 655</u>
Total Transfers to Internal Service Funds From Other Funds	<u>\$ 655</u>
Transfers to Fiduciary Funds From:	
Fiduciary Funds	<u>\$ 19,395</u>
Total Transfers to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 19,395</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 669,641
Federal Fund	28,915
Unemployment Insurance Fund	55,783
Nonmajor Governmental Funds	1,435,912
Nonmajor Enterprise Funds	94,402
Internal Service Funds	<u>8,798</u>
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 2,293,451</u>
Transfers to the Nonmajor Enterprise Funds From:	
Nonmajor Governmental Funds	<u>\$ 3,782</u>
Total Transfers to Nonmajor Enterprise Funds From Other Funds	<u>\$ 3,782</u>

## Component Units

Receivables and payables as of June 30, 2007, between the primary government and component units, are summarized as follows:

<b>Primary Government and Component Units Receivables and Payables As of June 30, 2007 (In Thousands)</b>		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
<b>Component Units</b>		
Major Component Units:		
Metropolitan Council	\$ 56,731	\$ -
University of Minnesota	<u>100,956</u>	<u>57,250</u>
Total Major Component Units	<u>\$ 157,687</u>	<u>\$ 57,250</u>
Nonmajor Component Units	<u>\$ 25,970</u>	<u>\$ 68,306</u>
Total Component Units	<u>\$ 183,657</u>	<u>\$ 125,556</u>
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
<b>Primary Government</b>		
Major Governmental Funds:		
General Fund	\$ 32	\$ 100,440
Federal Fund	<u>-</u>	<u>752</u>
Total Major Governmental Funds	<u>\$ 32</u>	<u>\$ 101,192</u>
Nonmajor Governmental Funds	<u>\$ 120,040</u>	<u>\$ 1,463</u>
Total Primary Government	<u>\$ 120,072</u>	<u>\$ 102,655</u> <sup>(1)</sup>

<sup>(1)</sup> Due to component units on the Government-wide Statement of Net Assets totals \$128,625, including \$25,970 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by \$5,484,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The same is true for the \$81,002,000 difference between the Due From Primary Government balance and the Due To Component Units balance.

## Note 6 – Capital Assets

### Primary Government

<b>Capital Asset Activity</b>				
<b>Year Ended June 30, 2007 (In Thousands)</b>				
	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 1,680,456	\$ 132,233	\$ (5,233)	\$ 1,807,456
Buildings, Structures, Improvements	27,328	1,647	-	28,975
Construction in Progress	108,217	124,624	(48,844)	183,997
Infrastructure	5,965,253	403,537	(17,540)	6,351,250
Art and Historical Treasures	500	-	-	500
Total Capital Assets not Depreciated	<u>\$ 7,781,754</u>	<u>\$ 662,041</u>	<u>\$ (71,617)</u>	<u>\$ 8,372,178</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 1,871,213	\$ 80,497	\$ (26,311)	\$ 1,925,399
Infrastructure	49,250	16,255	-	65,505
Equipment, Furniture, Fixtures	388,834	31,238	(30,071)	390,001
Total Capital Assets Depreciated	<u>\$ 2,309,297</u>	<u>\$ 127,990</u>	<u>\$ (56,382)</u>	<u>\$ 2,380,905</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (675,644)	\$ (44,544)	\$ 24,291	\$ (695,897)
Infrastructure	(5,990)	(7,967)	-	(13,957)
Equipment, Furniture, Fixtures	(238,306)	(30,835)	25,681	(243,460)
Total Accumulated Depreciation	<u>\$ (919,940)</u>	<u>\$ (83,346)</u>	<u>\$ 49,972</u>	<u>\$ (953,314)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,389,357</u>	<u>\$ 44,644</u>	<u>\$ (6,410)</u>	<u>\$ 1,427,591</u>
Governmental Act. Capital Assets, Net	<u>\$ 9,171,111</u>	<u>\$ 706,685</u>	<u>\$ (78,027)</u>	<u>\$ 9,799,769</u>
<b>Business-type Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 76,365	\$ 3,123	\$ -	\$ 79,488
Construction in Progress	104,354	165,916	(138,079)	132,191
Total Capital Assets not Depreciated	<u>\$ 180,719</u>	<u>\$ 169,039</u>	<u>\$ (138,079)</u>	<u>\$ 211,679</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 1,779,350	\$ 139,065	\$ (72)	\$ 1,918,343
Library Collections	48,505	7,023	(7,264)	48,264
Equipment, Furniture, Fixtures	275,915	22,398	(15,549)	282,764
Total Capital Assets Depreciated	<u>\$ 2,103,770</u>	<u>\$ 168,486</u>	<u>\$ (22,885)</u>	<u>\$ 2,249,371</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (874,449)	\$ (49,131)	\$ -	\$ (923,580)
Library Collections	(27,772)	(6,911)	7,264	(27,419)
Equipment, Furniture, Fixtures	(196,166)	(20,236)	14,855	(201,547)
Total Accumulated Depreciation	<u>\$ (1,098,387)</u>	<u>\$ (76,278)</u>	<u>\$ 22,119</u>	<u>\$ (1,152,546)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,005,383</u>	<u>\$ 92,208</u>	<u>\$ (766)</u>	<u>\$ 1,096,825</u>
Business-type Act. Capital Assets, Net	<u>\$ 1,186,102</u>	<u>\$ 261,247</u>	<u>\$ (138,845)</u>	<u>\$ 1,308,504</u>
<b>Fiduciary Funds</b>				
Capital Assets not Depreciated:				
Land	\$ 429	\$ -	\$ -	\$ 429
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429</u>
Capital Assets Depreciated:				
Buildings	\$ 29,547	\$ -	\$ -	\$ 29,547
Equipment, Furniture, Fixtures	6,067	375	(712)	5,730
Total Capital Assets Depreciated	<u>\$ 35,614</u>	<u>\$ 375</u>	<u>\$ (712)</u>	<u>\$ 35,277</u>
Accumulated Depreciation for:				
Buildings	\$ (3,687)	\$ (739)	\$ -	\$ (4,426)
Equipment, Furniture, Fixtures	(4,026)	(672)	712	(3,986)
Total Accumulated Depreciation	<u>\$ (7,713)</u>	<u>\$ (1,411)</u>	<u>\$ 712</u>	<u>\$ (8,412)</u>
Total Capital Assets Depreciated, Net	<u>\$ 27,901</u>	<u>\$ (1,036)</u>	<u>\$ -</u>	<u>\$ 26,865</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 28,330</u>	<u>\$ (1,036)</u>	<u>\$ -</u>	<u>\$ 27,294</u>

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

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

<b>Primary Government Depreciation Expense Year Ended June 30, 2007 (In Thousands)</b>	
Governmental Activities:	
Public Safety and Corrections	\$ 15,412
Transportation	19,067
Agricultural and Environmental Resources	6,670
Economic and Workforce Development	611
General Education	3,129
Higher Education	39
Health and Human Services	18,024
General Government	4,927
Internal Service Funds	<u>9,486</u>
Total Governmental Activities	<u>\$ 77,365</u>
Business-type Activities:	
State Colleges and Universities	\$ 72,131
Lottery	442
Other	<u>3,705</u>
Total Business-type Activities	<u>\$ 76,278</u>

During fiscal year 2007, depreciable infrastructure cost increased by \$13,665,000 and accumulated depreciation by \$5,981,000 as a result of capitalizing infrastructure not previously reported. The net impact on the Statement of Activities was a prior period adjustment of \$7,684,000.

Capital outlay expenditures in the governmental funds totaled \$693,041,000 for fiscal year 2007. Donations of general capital assets received during fiscal year 2007 were valued at \$19,903,000. Transfers were \$50,672,000 primarily from construction in progress. Additions in internal service funds were \$12,720,000, and \$30,000 in the Permanent School Fund.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2007, 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, 2007, for the largest construction in progress projects consisted of the following (in thousands):

	Administration Projects	Military Affairs	Transportation	Zoological Board
Authorization	\$ 144,844	\$ 20,494	\$ 22,048	\$ 35,640
Expended through June 30, 2007	123,351	14,010	14,392	15,839
Unexpended Commitment	<u>19,466</u>	<u>1,410</u>	<u>7,649</u>	<u>13,060</u>
Available Authorization	<u>\$ 2,027</u>	<u>\$ 5,074</u>	<u>\$ 7</u>	<u>\$ 6,741</u>

Land in the Permanent School Fund totaling 2,521,310 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, 2006, or June 30, 2007, as applicable:

<b>Capital Assets</b>					
<b>As of December 31, 2006 or June 30, 2007</b>					
<b>(In Thousands)</b>					
	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Land and Improvements	\$ -	\$ 87,157	\$ 64,028	\$ 370	\$ 151,555
Construction in Progress	-	199,335	159,582	-	358,917
Museums and Collections	-	-	40,487	-	40,487
Buildings and Improvements	-	2,649,038	2,454,244	844	5,104,126
Equipment	7,064	553,838	705,929	1,694	1,268,525
Infrastructure	-	-	<u>336,774</u>	-	<u>336,774</u>
Total	<u>\$ 7,064</u>	<u>\$ 3,489,368</u>	<u>\$ 3,761,044</u>	<u>\$ 2,908</u>	<u>\$ 7,260,384</u>
Less: Accumulated Depreciation	<u>2,679</u>	<u>1,162,437</u>	<u>1,702,596</u>	<u>1,934</u>	<u>2,869,646</u>
Net Total	<u>\$ 4,385</u>	<u>\$ 2,326,931</u>	<u>\$ 2,058,448</u> <sup>(1)</sup>	<u>\$ 974</u>	<u>\$ 4,390,738</u>

<sup>(1)</sup> In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of \$51,471 as of June 30, 2007.

## 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, 2007:

<b>Components of Accounts Payable</b>				
<b>As of June 30, 2007</b>				
<b>(In Thousands)</b>				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	
School Aid Programs	\$ 664,624	\$ 132,571	\$ -	\$ 797,195
Tax Refunds	521,861	-	-	521,861
Medical Assistance	377,927	401,637	-	779,564
Grants	187,065	215,303	194,557	596,925
Salaries and Benefits	64,300	8,962	47,227	120,489
Vendors/Service Providers	69,450	39,077	195,205	303,732
Other	34,519	8,579	15,251	58,349
Net Payables	\$ 1,919,746	806,129	452,240	3,178,115
	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	\$ 101,617	\$ -	\$ 6,361	\$ 107,978
Vendors/Service Providers	57,075	-	3,798	60,873
Other	8,429	26,296	14,541	49,266
Net Payables	\$ 167,121	\$ 26,296	\$ 24,700	\$ 218,117
Total Government-wide Net Payables				\$ 3,396,232

<sup>(1)</sup>Includes \$60,954 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, 2007, 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. 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. 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	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352	352C	490	3A	352B	352	354
Required Contribution Rate of Active Members (%)	5.69	N/A	8.15	9.00	8.40	4.00	5.00
Required Contribution Rate of Employer (%)	7.98	N/A	20.50	N/A	12.60	4.00	5.00

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

		<u>SERF</u>	<u>TRF</u>
Required Contributions:			
Employee	2007	\$ 89,448	\$ 199,869
	2006	\$ 85,379	\$ 177,085
	2005	\$ 83,101	\$ 160,982
Employer <sup>(1)</sup>	2007	\$ 86,493	\$ 187,339
	2006	\$ 82,645	\$ 179,022
	2005	\$ 80,312	\$ 157,693

<sup>(1)</sup>Contributions were at least 100 percent of required contributions.

**Single Employer Plan Disclosures as of June 30, 2007  
(In Thousands)**

	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Required Contributions (ARC) <sup>(1)</sup>	\$ 39,147	\$ 10,496	\$ 2,954	\$ 15,454
Interest on Net Pension Obligation (NPO) <sup>(1)</sup>	386	(739)	(903)	(2,922)
Amortization Adjustment to ARC <sup>(1)</sup>	<u>(244)</u>	<u>796</u>	<u>922</u>	<u>1,850</u>
Annual Pension Cost	\$ 39,289	\$ 10,553	\$ 2,973	\$ 14,382
Contributions	<u>(23,959)</u>	<u>(10,364)</u>	<u>(2,011)</u>	<u>(12,448)</u>
Increase (Decrease) in NPO	\$ 15,330	\$ 189	\$ 962	\$ 1,934
NPO, Beginning Balance (as restated)	<u>\$ 4,538</u>	<u>\$ (8,698)</u>	<u>\$ (10,627)</u>	<u>\$ (34,371)</u>
NPO, Ending (Asset)	<u>\$ 19,868</u>	<u>\$ (8,509)</u>	<u>\$ (9,665)</u>	<u>\$ (32,437)</u>

<sup>(1)</sup>Components of annual pension cost.

<b>Single Employer Plan Disclosures (In Thousands)</b>					
		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2007	\$ 39,289	\$ 10,553	\$ 2,973	\$ 14,382
	2006	\$ 25,836	\$ 9,639	\$ 3,186	\$ 9,784
	2005	\$ 24,115	\$ 10,347	\$ 3,101	\$ 8,677
Percentage of APC Contributed	2007	61%	98%	68%	87%
	2006	82%	106%	187%	120%
	2005	79%	96%	71%	129%
NPO (End of Year)	2007	\$ 19,869	\$ (8,509)	\$ (9,665)	\$ (32,436)
	2006	\$ 4,538	\$ (8,698)	\$ (10,627)	\$ (34,371)
	2005	\$ (182)	\$ (8,135)	\$ (7,920)	\$ (32,381)

#### 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, 2006.
- The calculation of the actuarial valuation of assets for active employees is the fair market value smoothed over five years. For retired employees, assets are valued at the level of reserves necessary to fully fund the actuarial liability at the time of retirement in accordance with Minnesota Statutes.
- 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 for JRF is through July 1, 2020 and for CERF and SPRF is through July 1, 2036.
- 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.

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

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 2007  
(In Thousands)**

	<u>UERF</u>	<u>DCF</u>	<u>PHCBF</u>	<u>CURF</u>	<u>HCSRF</u>
Employee Contributions	\$ 5,476	\$ 1,254	\$ 59,515	\$ 27,295	\$ 640
Employer Contributions	\$ 6,258	\$ 1,374	N/A	\$ 32,186	\$ 640

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

## **Note 9 – Termination and Postretirement Benefits**

### **Primary Government – Termination Benefits**

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

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Approximately 270 former faculty members currently receive this benefit. The cost of the benefits was \$4,291,000 during fiscal year 2007.

### **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 2007, 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 state had an actuarial valuation to determine the impact of implementing this standard. Based on this actuarial valuation, the estimated unfunded actuarial liability at the beginning of the year is \$659 million, which will be amortized over a 30-year amortization period. The estimated annual required contribution for the period ended June 30, 2008 is \$66 million.

Pending implementation of Statement No. 45 in fiscal year 2008, the state will continue to recognize the cost of these benefits as eligible employees retire. Approximately 1,000 former employees currently receive this benefit. The cost of the benefits was \$7,716,000 during fiscal year 2007.

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 \$6,960,000 for the year ended December 31, 2006, for health care and life insurance benefits for 1,148 former employees who met specific eligibility requirements. MC also earmarked approximately \$58,022,000 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, 2007, were as follows:

<b>Primary Government Long-Term Commitments As of June 30, 2007 (In Thousands)</b>	
Special Revenue Fund:	
Trunk Highway Fund	\$ 784,875
Capital Projects Funds:	
General Projects Fund	1,871
Transportation Fund	45,865
Building Fund	394,997
Enterprise Funds:	
State Colleges and Universities	<u>151,122</u>
Total Primary Government	<u>\$ 1,378,730</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 a significant portion 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 November 2007, the Petrofund has reimbursed eligible applicants approximately \$385 million since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at as yet undiscovered leak sites. 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 \$555.2 million 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, 2007, were as follows:

<b>University of Minnesota Required Steam Plant Payments (In Thousands)</b>	
<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2008	\$ 742
2009	<u>650</u>
Total Commitments	<u>\$ 1,392</u>

Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2006, unpaid commitments for Metro Transit Bus services were approximately \$45.4 million. Future commitments for Metro Transit Light Rail were approximately \$9.3 million. Future commitments for Regional Transit services were approximately \$108.4 million. Finally, future commitments for Environmental Services were approximately \$48.9 million.

As of June 30, 2007, Public Facilities Authority (PFA) had committed approximately \$127 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$3.7 million for disbursement of non point-source pollution control awards and \$12.1 million for grants.

## Note 11 – Operating Lease Agreements

### Operating Leases

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

Lease expenditures for the year ended June 30, 2007, totaled approximately \$71,531,000 and \$17,551,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2006, totaled approximately \$1,400,000 for component units.

<b>Future Minimum Lease Payments</b>								
<b>(In Thousands)</b>								
<u>Primary Government</u>			<u>Component Units</u>					
<u>Year Ending</u>			<u>Year Ending</u>			<u>Year Ending</u>		
<u>June 30</u>	<u>Amount</u>		<u>June 30</u>	<u>Amount</u>		<u>December 31</u>		
						<u>Amount</u>		
2008	\$	66,933	2008	\$	15,673	2007	\$	742
2009		61,343	2009		11,971	2008		351
2010		57,904	2010		7,219	2009		322
2011		53,681	2011		6,317	2010		230
2012		49,390	2012		5,682	2011		141
2013-2017		152,867	2013-2017		9,989	2012-2016		354
2018-2022		<u>31,186</u>	2018-2022		<u>273</u>	2017-2021		<u>98</u>
Total	\$	<u>473,304</u>	Total	\$	<u>57,124</u>	Total	\$	<u>2,238</u>

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

The following table is a summary of long-term liabilities as of June 30, 2007, and the changes during fiscal year 2007:

<b>Long-Term Liabilities</b>					
<b>Year Ended June 30, 2007</b>					
<b>(In Thousands)</b>					
	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities</b>					
Liabilities For:					
General Obligation Bonds	\$ 3,414,239	\$ 969,350	\$ 592,095	\$ 3,791,494	\$ 359,137
Bond Premium	201,142	57,918	13,851	245,209	18,139
Revenue Bonds	-	15,145	-	15,145	645
Loans	45,918	31,137	16,561	60,494	4,854
Due to Component Unit	29,910	3,030	6,970	25,970	3,376
Claims	892,613	70,949	95,314	868,248	92,094
Compensated Absences	246,363	211,279	202,705	254,937	27,655
Workers' Compensation	109,405	14,009	15,506	107,908	14,090
Capital Leases	<u>182,930</u>	<u>1,090</u>	<u>11,288</u>	<u>172,732</u>	<u>5,893</u>
Total	<u>\$ 5,122,520</u>	<u>\$ 1,373,907</u>	<u>\$ 954,290</u>	<u>\$ 5,542,137</u>	<u>\$ 525,883</u>
<b>Business-type Activities</b>					
Liabilities For:					
General Obligation Bonds	\$ 156,896	\$ 43,200	\$ 12,000	\$ 188,096	\$ 13,373
Bond Premium	7,735	4,839	980	11,594	-
Loans	5,832	688	1,101	5,419	995
Revenue Bonds	95,780	78,070	2,909	170,941	5,375
Compensated Absences	121,970	61,193	53,759	129,404	16,305
Workers' Compensation	5,411	3,007	2,563	5,855	1,756
Capital Leases	<u>26,520</u>	<u>1,465</u>	<u>2,603</u>	<u>25,382</u>	<u>2,726</u>
Total	<u>\$ 420,144</u>	<u>\$ 192,462</u>	<u>\$ 75,915</u>	<u>\$ 536,691</u>	<u>\$ 40,530</u>

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:

<b>Primary Government Resources for Repayment of Long-Term Liabilities (In Thousands)</b>				
	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Business- type Activities</u>	
Liabilities For:				
General Obligation Bonds	\$ 3,044,667	\$ 746,827	\$ 188,096	\$ 3,979,590
Bond Premium	245,209	-	11,594	256,803
Loans	-	60,494	5,419	65,913
Due to Component Unit	-	25,970	-	25,970
Revenue Bonds	-	15,145	170,941	186,086
Claims	80,294	787,954	-	868,248
Compensated Absences	120,467	134,470	129,404	384,341
Workers' Compensation	84,387	23,521	5,855	113,763
Capital Leases	171,514	1,218	25,382	198,114
<b>Total</b>	<b><u>\$ 3,746,538</u></b>	<b><u>\$ 1,795,599</u></b>	<b><u>\$ 536,691</u></b>	<b><u>\$ 6,078,828</u></b>

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.

<b>Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)</b>						
<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>
		\$				
2008	\$ 359,137	181,411	\$ 13,373	\$ 9,190	\$ 372,510	\$ 190,601
2009	317,734	167,696	13,391	8,520	331,125	176,216
2010	304,441	151,953	13,414	7,845	317,855	159,798
2011	284,847	136,937	12,918	7,183	297,765	144,120
2012	281,519	122,685	12,946	6,536	294,465	129,221
2013-2017	1,137,773	421,589	57,377	23,601	1,195,150	445,190
2018-2022	774,443	176,378	44,622	10,523	819,065	186,901
2023-2027	331,600	31,733	20,055	2,040	351,655	33,773
<b>Total</b>	<b><u>\$ 3,791,494</u></b>	<b><u>\$ 1,390,382</u></b>	<b><u>\$ 188,096</u></b>	<b><u>\$ 75,438</u></b>	<b><u>\$ 3,979,590</u></b>	<b><u>\$ 1,465,820</u></b>

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

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 645	\$ 639	\$ 5,375	\$ 8,692	\$ 6,020	\$ 9,331
2009	785	611	6,775	8,122	7,560	8,733
2010	815	579	8,410	7,763	9,225	8,342
2011	845	546	8,740	7,355	9,585	7,901
2012	880	511	9,095	7,391	9,975	7,902
2013-2017	4,990	1,963	48,940	28,032	53,930	29,995
2018-2022	6,185	721	40,195	16,190	46,380	16,911
2023-2027	-	-	31,205	6,709	31,205	6,709
2028-2032	-	-	9,920	1,859	9,920	1,859
2033-2037	-	-	2,286	57	2,286	57
Total	<u>\$ 15,145</u>	<u>\$ 5,570</u>	<u>\$ 170,941</u>	<u>\$ 92,170</u>	<u>\$ 186,086</u>	<u>\$ 97,740</u>

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

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 8,230	\$ 1,712	\$ 995	\$ 328	\$ 9,225	\$ 2,040
2009	14,860	2,482	670	274	15,530	2,756
2010	21,154	942	704	238	21,858	1,180
2011	13,802	4,985	729	200	14,531	5,185
2012	7,542	372	719	161	8,261	533
2013-2017	19,766	999	1,386	255	21,152	1,254
2018-2022	1,110	75	216	11	1,326	86
Total	<u>\$ 86,464</u>	<u>\$ 11,567</u>	<u>\$ 5,419</u>	<u>\$ 1,467</u>	<u>\$ 91,883</u>	<u>\$ 13,034</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
2008	\$ 5,893	\$ 8,332	\$ 2,726	\$ 1,261	\$ 8,619	\$ 9,593
2009	5,907	8,145	2,388	1,132	8,295	9,277
2010	6,016	7,933	2,221	1,009	8,237	8,942
2011	6,191	7,697	1,661	924	7,852	8,621
2012	6,250	7,451	1,604	578	7,854	8,029
2013-2017	35,343	32,608	6,132	3,155	41,475	35,763
2018-2022	44,837	22,603	6,687	1,744	51,524	24,347
2023-2027	56,958	10,112	922	403	57,880	10,515
2028-2032	5,337	232	1,041	128	6,378	360
Total	<u>\$ 172,732</u>	<u>\$ 105,113</u>	<u>\$ 25,382</u>	<u>\$ 10,334</u>	<u>\$ 198,114</u>	<u>\$ 115,447</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 2007, the Department of Finance made the necessary transfers to the Debt Service Fund as follows:

<b>Primary Government Transfers to Debt Service Fund Year Ended June 30, 2007 (In Thousands)</b>	
General Fund	\$ 399,678
Special Revenue Funds:	
Game and Fish Fund	\$ 3
Trunk Highway Fund	53,752
Natural Resources Funds	10
Maximum Effort School Loan Fund	2,264
Miscellaneous Special Revenue Fund	370
Total Special Revenue Funds	\$ 56,399
Capital Projects Funds:	
Building Fund	\$ 37,502
Total Operating Transfers to Debt Service Fund	<u>\$ 493,579</u>

#### General Obligation Bond Issues

On August 1, 2006, \$289,450,000 in general obligation state various purpose bonds and \$55,550,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.35 percent and \$3,500,000 in general obligation Rural Finance Authority bonds were issued at a true interest rate of 5.46 percent. On November 1, 2006, \$327,000,000 in general obligation state various purpose bonds and \$73,000,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.11 percent. On April 25, 2007, \$264,050,000 in general obligation advance refunding bonds were issued at a true interest rate of 3.77 percent. During fiscal year 2007, \$604,095,000 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 \$19,102,000, which resulted in an economic gain of \$14,905,000. The balance outstanding for all extinguished debt as of June 30, 2007, was \$273,770,000, which is shown below. The state remains contingently liable to pay the advance refunded general obligation bonds.

<b>General Obligation Bonds Outstanding Defeased Debt (In Thousands)</b>				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2007 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
April 25, 2007	\$ 97,868	\$ 101,470	\$ 101,470	August 1, 2008
April 25, 2007	\$ 78,992	\$ 81,900	\$ 81,900	June 1, 2009
April 25, 2007	\$ 87,190	\$ 90,400	\$ 90,400	November 1, 2009

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2007. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

<b>General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding As of June 30, 2007 (In Thousands)</b>			
<u>Purpose</u>	<u>Authorized But Unissued</u>	<u>Amount Outstanding</u>	<u>Interest Rates Range - %</u>
State Building	\$ 1,051	\$ 444,270	3.00 – 6.00
State Operated Community Services	-	3,151	3.75 – 7.56
State Transportation	-	138,664	3.00 – 6.38
Waste Management	-	2,190	4.00 – 6.00
Water Pollution Control	-	34,570	3.00 – 6.00
Maximum Effort School Loan	-	73,200	4.00 – 6.00
Reinvest in Minnesota	-	60	4.00 – 6.00
Rural Finance Authority	-	66,100	3.50 – 7.05
Refunding Bonds	-	853,612	1.50 – 5.40
Municipal Energy Building	-	875	3.00 – 6.00
Game and Fish Building	-	8	1.50 – 5.00
Trunk Highway	19,975	534,955	1.50 – 5.50
Airport Facilities	-	35,815	5.30 – 7.95
Landfill	-	5,340	4.25 – 6.00
Various Purpose	<u>1,299,690</u>	<u>1,786,780</u>	3.00 – 5.62
Total	<u>\$ 1,320,716</u>	<u>\$ 3,979,590</u>	

#### Capital Leases

In 2006, the state entered into capital lease agreements with St Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The state has other capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option and the equipment at any time during the lease period.

#### Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of \$42,618,000 were from local government entities to finance certain trunk highway projects. In addition, \$25,970,000 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

On July 26, 2006, \$15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds, secured by the pledge of appropriations of the annual distribution of taconite production tax revenues of the Iron Range Resources and Rehabilitation Fund and the D. J. Johnson Economic Protection Trust Fund (special revenue funds). The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014 are subject to optional redemption.

The state is authorized by Minnesota Statutes, Section 403.275 and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. Payments of principal and interest will be made from 911 fee revenues of the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$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 February 1, 2007, MnSCU issued revenue bonds in the amount of \$43,070,000 in three series, A, B, and C, of \$33,770,000, \$5,980,000, and \$3,320,000 and terms through April 26, 2026, October 1, 2019, and October 1, 2026, respectively. The Bond series 2007A, 2007B, and 2007C bear interest rates of 4.00% - 4.50%, 3.75% - 4.25%, and 5.25% - 5.75%, respectively. Bond series 2007A, 2007B, and 2007C maturing on and after October 1, 2016, October 1, 2007, and October 1, 2016, respectively, are subject to optional redemption.

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.

<b>Giants Ridge Outstanding Defeased Debt (In Thousands)</b>				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2007 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
November 1, 2000	\$ 3,710	\$ 3,710	\$ 2,845	October 1, 2012

## Claims

Municipal solid waste landfill liability of \$195,436,000 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 \$51,400,000 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 \$91,812,000 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 2007.

The remaining claim amount of \$529,600,000 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 2050 for supplementary benefits and 2033 for second injuries.

## Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$254,937,000 and \$12,404,000, 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 \$107,908,000 and \$5,855,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2007, 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 2007, 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>
2008	\$ 575	\$ 1,509
2009	600	1,478
2010	625	1,446
2011	675	1,413
2012	700	1,376
2013-2017	4,150	6,254
2018-2022	5,550	4,925
2023-2027	7,475	3,086
2028-2032	5,725	701
Total	<u>\$ 26,075</u>	<u>\$ 22,188</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 revenue bonds outstanding on June 30, 2007, net of unamortized premium, was \$2,398,988,000.

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 \$1,034,273,000 in general obligation bonds outstanding, net of unamortized premium, and \$9,813,000 of revenue bonds outstanding on December 31, 2006.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2007, the principal amount of revenue bonds outstanding was \$154,259,000 and the principal amount of general obligation bonds outstanding was \$375,953,000.

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, 2007, the outstanding principal of revenue bonds was \$557,000,000.

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, 2007, net of unamortized premium, was \$913,969,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2007, the principal amount of revenue bonds outstanding was \$18,720,000.

Fiscal Year(s)	Component Units General Obligation Bonds Major Component Units (In Thousands)			
	U of M		MC <sup>(1)</sup>	
	Principal	Interest	Principal	Interest
2008	\$ 113,529	\$ 31,773	\$ 87,192	\$ 36,796
2009	106,879	20,207	96,499	34,030
2010	33,230	11,551	70,520	30,711
2011	33,565	8,170	64,224	27,940
2012	29,450	4,762	59,898	25,420
2013-2017	10,050	12,162	284,246	93,090
2018-2022	12,700	9,746	251,780	43,041
2023-2027	16,150	6,671	102,070	7,137
2028-2032	<u>20,400</u>	<u>2,777</u>	-	-
	\$ 375,953	\$ 107,819	\$ 1,016,429	\$ 298,165
Unamortized Discounts/Premiums and Issuance Costs	-	-	17,844	-
Total	<u>\$ 375,953</u>	<u>\$ 107,819</u>	<u>\$ 1,034,273</u>	<u>\$ 298,165</u>

<sup>(1)</sup>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 <sup>(2)</sup>	
	Principal <sup>(1)</sup>	Interest	Principal	Interest	Principal	Interest
2008	\$ 4,204	\$ 7,921	\$ 525,475	\$ 103,395	\$ 890	\$ 494
2009	5,294	6,835	42,805	89,236	935	449
2010	5,524	6,601	48,705	87,396	985	402
2011	5,669	6,341	46,650	85,424	1,035	351
2012	5,564	6,086	48,155	83,365	1,090	298
2013-2017	28,484	26,670	269,395	380,709	4,980	563
2018-2022	33,954	19,659	282,415	315,920	-	-
2023-2027	42,919	10,686	337,605	242,520	-	-
2028-2032	22,647	1,273	404,065	149,920	-	-
2033-2037	-	-	347,210	53,641	-	-
2038-2042	-	-	36,915	3,105	-	-
2043-2047	-	-	3,660	459	-	-
2048-2053	-	-	135	3	-	-
	<u>\$ 154,259</u>	<u>\$ 92,072</u>	<u>\$ 2,393,190</u>	<u>\$ 1,595,093</u>	<u>\$ 9,915</u>	<u>\$ 2,557</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	5,798	-	(102)	-
Total	<u>\$ 154,259</u>	<u>\$ 92,072</u>	<u>\$ 2,398,988</u>	<u>\$ 1,595,093</u>	<u>\$ 9,813</u>	<u>\$ 2,557</u>

<sup>(1)</sup>Does not include foundation issued bonds.

<sup>(2)</sup>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
2008	\$ -	\$ 25,450	\$ 44,505	\$ 43,415	\$ 1,810	\$ 1,097
2009	-	25,450	49,030	41,201	1,825	998
2010	-	25,450	48,300	38,837	1,910	891
2011	-	25,450	53,490	36,707	1,780	779
2012	-	25,450	55,455	34,125	1,180	689
2013-2017	-	127,248	303,840	127,225	6,430	2,319
2018-2022	62,240	125,832	270,320	53,686	3,785	540
2023-2027	126,067	105,196	64,830	5,193	-	-
2028-2032	162,833	69,644	-	-	-	-
2033-2037	150,593	32,240	-	-	-	-
2038-2041	55,267	4,622	-	-	-	-
	<u>\$ 557,000</u>	<u>\$ 592,032</u>	<u>\$ 889,770</u>	<u>\$ 380,389</u>	<u>\$ 18,720</u>	<u>\$ 7,313</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	24,199	-	-	-
Total	<u>\$ 557,000</u>	<u>\$ 592,032</u>	<u>\$ 913,969</u>	<u>\$ 380,389</u>	<u>\$ 18,720</u>	<u>\$ 7,313</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.

## **Office of Higher Education**

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, tax-exempt Series 2005B bonds, and tax-exempt Series 2006 bonds are reset every 7, 7, 7, 28, 35, 28, 35, 28, 35, 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, 2007, for the Series 1999A bonds was 5.32 percent. The interest rates as of June 30, 2007, for the Series 2002A and 2002B bonds were 5.05 percent and 3.90 percent, respectively. The interest rates as of June 30, 2007, for the Series 2003A and 2003B bonds were 5.24 percent, and 3.90 percent, respectively. The interest rates as of June 30, 2007, for the Series 2004A and 2004B bonds were 5.23 percent and 3.82 percent, respectively. The interest rate as of June 30, 2007, for the Series 2005A and 2005B bonds was 5.28 percent and 3.96 percent, respectively. The interest rate as of June 30, 2007, for the Series 2006 bonds was 3.80 percent.

## **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 \$179,520,000 outstanding as of June 30, 2007. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M financial statements.

Public Facilities Authority had \$292,380,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2007.

## **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, 2007, cumulative expenditures of about \$271 million have been disbursed by the Remediation and the Building funds. Estimates show that the total of all payments for the program may reach \$596 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

<b>Primary Government</b> <b>Segment Information Financial Data</b> <b>Year Ended June 30, 2007</b> <b>(In Thousands)</b>						
	Minnesota State Colleges and Universities (MnSCU)					
	Giants Ridge	911 Services	Revenue Fund	Vermilion		Itasca
			Residence Hall	Modular Housing	Residence Halls	
<b>Condensed Statement of Net Assets</b>						
<b>Assets:</b>						
Current Assets	\$ 5,435	\$ 24,833	\$ 63,652	\$ 355	\$ 27	\$ 19
Restricted Assets	1,627	-	106,946	-	146	346
Capital Assets	21,118	-	128,061	1,289	782	3,901
<b>Total Assets</b>	<b>\$ 28,180</b>	<b>\$ 24,833</b>	<b>\$ 298,659</b>	<b>\$ 1,644</b>	<b>\$ 955</b>	<b>\$ 4,266</b>
<b>Liabilities:</b>						
Current Liabilities	\$ 1,319	\$ 4,075	\$ 28,508	\$ 8	\$ 89	\$ 128
Noncurrent Liabilities	13,159	34,637	127,813	-	355	2,245
<b>Total Liabilities</b>	<b>\$ 14,478</b>	<b>\$ 38,712</b>	<b>\$ 156,321</b>	<b>\$ 8</b>	<b>\$ 444</b>	<b>\$ 2,373</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 8,872	\$ -	\$ 85,557	\$ 1,289	\$ 427	\$ 1,581
Restricted	-	-	56,781	-	74	346
Unrestricted	4,830	(13,879)	-	347	10	(34)
<b>Total Net Assets</b>	<b>\$ 13,702</b>	<b>\$ (13,879)</b>	<b>\$ 142,338</b>	<b>\$ 1,636</b>	<b>\$ 511</b>	<b>\$ 1,893</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets</b>						
Operating Revenues - Customer Charges	\$ 4,047	\$ 49,527	\$ 76,856	\$ 464	\$ 227	\$ 347
Depreciation Expense	(1,165)	-	(8,043)	(66)	(31)	(119)
Other Operating Expenses	(5,293)	(15,052)	(60,778)	(252)	(114)	(201)
<b>Operating Income (Loss)</b>	<b>\$ (2,411)</b>	<b>\$ 34,475</b>	<b>\$ 8,035</b>	<b>\$ 146</b>	<b>\$ 82</b>	<b>\$ 27</b>
<b>Nonoperating Revenues (Expenses):</b>						
Interest Income	\$ 157	\$ 1,061	\$ 6,217	\$ 12	\$ 7	\$ 17
Interest Expense	(1,000)	(939)	(4,663)	(11)	(27)	(132)
Other	(2)	(14,978)	(78)	-	-	-
Transfers-In (Out)	3,782	(42,970)	-	15	-	205
<b>Change in Net Assets</b>	<b>\$ 526</b>	<b>\$ (23,351)</b>	<b>\$ 9,511</b>	<b>\$ 162</b>	<b>\$ 62</b>	<b>\$ 117</b>
Beginning Net Assets	13,176	9,472	132,827	1,474	449	1,776
<b>Ending Net Assets</b>	<b>\$ 13,702</b>	<b>\$ (13,879)</b>	<b>\$ 142,338</b>	<b>\$ 1,636</b>	<b>\$ 511</b>	<b>\$ 1,893</b>
<b>Condensed Statement of Cash Flows</b>						
<b>Net Cash Provided (Used) By:</b>						
Operating Activities	\$ (1,267)	\$ 33,700	\$ 15,423	\$ 109	\$ 93	\$ 158
Noncapital Financing Activities	3,782	(22,651)	-	-	-	-
Capital and Related Financing Activities	(2,312)	-	23,744	(303)	(117)	(60)
Investing Activities	158	1,016	5,567	11	7	17
<b>Net Increase (Decrease)</b>	<b>\$ 361</b>	<b>\$ 12,065</b>	<b>\$ 44,734</b>	<b>\$ (183)</b>	<b>\$ (17)</b>	<b>\$ 115</b>
Beginning Cash and Cash Equivalents	\$ 4,692	\$ 7,994	\$ 95,361	\$ 518	\$ 182	\$ 233
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 5,053</b>	<b>\$ 20,059</b>	<b>\$ 140,095</b>	<b>\$ 335</b>	<b>\$ 165</b>	<b>\$ 348</b>

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.
- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.
- 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

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, 2007	\$ 227,139
St. Paul Teachers Retirement Fund	June 30, 2006	\$ 419,701
Local Police and Fire Fund <sup>(1)</sup>	December 31, 2006	\$ 101,927

<sup>(1)</sup>The Local Police and Fire Fund consists of four local plans.

### Component Units

As part of its operations, Metropolitan Council (MC) enters into contracts for various purposes including construction projects and transit services, among others. The majority of MC's contracts are renegotiated annually with terms generally coinciding with the calendar year. However, some of the contracts span several years. Unpaid commitments for transit services totaled approximately \$45.4 million as of December 31, 2006. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$9.3 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$108.4 million as of December 31, 2006. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund

construction contracts totaled approximately \$48.9 million as December 31, 2006. These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

Since January 18, 2000, 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, 2006, was approximately \$3.7 million.

National Sports Center Foundation (NSCF), 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.

During 2006, the NSCF began construction on a four sheet ice arena expansion to the Super Rink. This expansion is expected to cost \$10,500,000 and is being financed by \$6,600,000 of revenue bonds, in addition to grants and contributions from other parties, and proceeds from the sale of the Columbia Arena. Once construction is complete, the NSCF will be paying approximately \$42,000 per month through 2026 in debt service. In addition to the monthly debt service, the NSCF is required to make monthly payments of \$832 into a reserve account to be used for capital improvements of the Super Rink.

## **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 maintenance facility. In May 1995, the state issued \$47,670,000 of revenue bonds to finance the construction and equipping of an aircraft maintenance facility in Duluth, with Northwest Airlines, Inc. (NWA) as the lessee. The bonds were structured so that the initial bonds, together with expected later refunding bond issuances, would provide financing for the facility over a 30-year period.

NWA used the facility for aircraft maintenance. When NWA's mechanics went on strike in August 2005, the maintenance facility was closed. NWA filed for bankruptcy in September 2005.

In May 2007, the Commissioner of Finance on behalf of the state of Minnesota, the city of Duluth, the Duluth Economic Development Authority, St. Louis County and ALLETE, Inc. entered into a settlement with NWA regarding the maintenance facility.

The agreement provided the state with general unsecured claims in NWA's bankruptcy case that were sold by the state for an amount sufficient to fully redeem the outstanding state bonds. Following NWA's bankruptcy filing, the city of Duluth, St. Louis County and ALLETE made debt service payments on the bonds and under the terms of the settlement, those amounts were also to be repaid from the proceeds on the sale of the claims.

Under the terms of the original financing agreements, NWA had provided certain assets as collateral securing its obligations on the bonds. The terms of the settlement required the state to return the collateral to NWA when the bonds were redeemed.

In July 2007, the state redeemed the remaining outstanding principal balance on the bonds of \$35,815,000 and the city of Duluth and St Louis County were repaid. The state then returned the collateral to NWA.

The Duluth Economic Development Authority owns the maintenance facility debt free and intends to market the property to other potential tenants.

## 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:

<b>Primary Government Restricted Net Asset Balances</b>				
<b>As of June 30, 2007</b>				
<b>(In Thousands)</b>				
	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Debt Service	\$ 471,990	\$ -	\$ -	\$ 471,990
Transportation	288,723	430,242	-	718,965
Environmental Resources	-	631,784	7,328	639,112
Economic and Workforce Development	-	62,783	4,830	67,613
School Aid - Nonexpendable	721,173	-	-	721,173
School Aid - Expendable	15,690	73,885	-	89,575
Health & Human Services	-	-	27,942	27,942
Unemployment Benefits	-	-	693,189	693,189
State Colleges and Universities	-	-	318,397	318,397
Other Purposes	-	-	13,674	13,674
Total Restricted Net Assets	<u>\$ 1,497,576</u>	<u>\$ 1,198,694</u>	<u>\$ 1,065,360</u>	<u>\$ 3,761,630</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:

<b>Primary Government Fund Balances</b> <b>As of June 30, 2007</b> <b>(In Thousands)</b>			
	<u>General</u>	<u>Federal</u>	<u>Nonmajor Governmental</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	\$ 108,754	\$ -	\$ 219,348
Reserved for Inventory	-	-	21,568
Reserved for Long-Term Receivables	47,231	40	237,544
Reserved for Long-Term Commitments	-	-	342,944
Reserved for Trust Principal	-	-	1,191,878
Reserved for Other	-	7,288	-
Total Reserved Fund Balances	<u>\$ 155,985</u>	<u>\$ 7,328</u>	<u>\$ 2,013,282</u>
<b>Unreserved Fund Balances:</b>			
Designated for Appropriation Carryover	\$ 38,832	\$ -	\$ 160,301
Budgetary Reserve	1,085,290	-	-
Designated for Fund Purposes	-	-	1,699,322
Total Designated Fund Balance	<u>\$ 1,124,122</u>	<u>\$ -</u>	<u>\$ 1,859,623</u>
Undesignated	-	-	249,236
Total Unreserved Fund Balance	<u>\$ 1,124,122</u>	<u>\$ -</u>	<u>\$ 2,108,859</u>
Total Fund Balance	<u>\$ 1,280,107</u>	<u>\$ 7,328</u>	<u>\$ 4,122,141</u>

### Reserved Fund Balance

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

Reserved for Other of \$7,288,000 in the Federal Fund consists of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

### Unreserved Fund Balance

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

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

**Fund Balance Designated for Fund Purposes  
As of June 30, 2007  
(In Thousands)**

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total
Designated For:				
Public Safety and Corrections	\$ 31,635	\$ -	\$ -	\$ 31,635
Transportation	453,563	-	-	453,563
Environmental Resources	162,697	-	-	162,697
Economic and Workforce Development	132,272	-	-	132,272
General Education	7,164	-	15,690	22,854
Higher Education	2,847	-	-	2,847
Health & Human Services	119,676	-	-	119,676
General Government	65,388	704,800	-	770,188
Intergovernmental Aids	3,590	-	-	3,590
Total	<u>\$ 978,832</u>	<u>\$ 704,800</u>	<u>\$ 15,690</u>	<u>\$ 1,699,322</u>

**Deficit Equity Balances**

A \$2,570,000 deficit total fund balance in the Building Fund (capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

A \$13,879,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state's emergency communication system. The deficit will be resolved through future 911 fee revenues.

**Note 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 auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All state agencies with vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,500,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach

\$4,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a \$25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of \$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 \$1,600,000. 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 2007, the Worker's Compensation Program experienced higher costs due mainly to the increasing cost of medical care. The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits, related to the reported claim.

#### State Employee Group Insurance Program

The Minnesota State Legislature created 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. Beginning in fiscal year 1998, medical benefits, provided through PEIP, became a self-insured program.

PEIP's membership as of June 30, 2007, was 1,600 members and their dependents. The members of the pool include 15 school districts, 50 cities/townships, 3 counties, and 17 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 \$80,000.

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, 2007, and 2006:

**Self-Insured Claim Liabilities  
As of June 30, 2007 (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>
<b>Risk Management Fund</b>				
Fiscal Year Ended 6/30/06	\$ 10,073	\$ 3,237	\$ 3,643	\$ 9,667
Fiscal Year Ended 6/30/07	\$ 9,667	\$ 3,399	\$ 4,006	\$ 9,060
<b>Tort Claims <sup>(1)</sup></b>				
Fiscal Year Ended 6/30/06	\$ -	\$ 890	\$ 890	\$ -
Fiscal Year Ended 6/30/07	\$ -	\$ 4,132	\$ 4,132	\$ -
<b>Workers' Compensation</b>				
Fiscal Year Ended 6/30/06	\$ 116,157	\$ 12,694	\$ 14,035	\$ 114,816
Fiscal Year Ended 6/30/07	\$ 114,816	\$ 16,695	\$ 17,748	\$ 113,763
<b>State Employee Insurance Plans</b>				
Fiscal Year Ended 6/30/06	\$ 38,303	\$ 427,447	\$ 427,818	\$ 37,932
Fiscal Year Ended 6/30/07	\$ 37,932	\$ 474,718	\$ 472,814	\$ 39,836

<sup>(1)</sup>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>2007</u>	<u>2006</u>
Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year	\$ 1,125	\$ 1,695
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	11,206	12,551
Increases (Decreases) in Provision for Insured Events of Prior Years	111	(455)
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 11,317</u>	<u>\$ 12,096</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 10,008	\$ 11,437
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,224	1,229
Total Payments	<u>\$ 11,232</u>	<u>\$ 12,666</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 1,210</u>	<u>\$ 1,125</u>

## Component Units

### Metropolitan Council

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

#### 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 5.25 percent. The self-insurance retention limit for workers' compensation is \$1,600,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

### University of Minnesota

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors and officers liability, and automobile liability through RUMINCO, Ltd., a wholly owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 6 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M 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, 2005, and 2006 or June 30, 2006, and 2007, as applicable:

	<b>Claims Liabilities (In Thousands)</b>			
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>
<b>Metropolitan Council</b>				
Fiscal Year Ended 12/31/05	\$ 18,509	\$ 5,436	\$ 6,804	\$ 17,141
Fiscal Year Ended 12/31/06	\$ 17,141	\$ 7,950	\$ 7,759	\$ 17,332
<b>University of Minnesota – RUMINCO, Ltd.</b>				
Fiscal Year Ended 6/30/06	\$ 6,306	\$ 2,556	\$ 2,133	\$ 6,729
Fiscal Year Ended 6/30/07	\$ 6,729	\$ 1,533	\$ 1,772	\$ 6,490
<b>University of Minnesota – Workers' Compensation</b>				
Fiscal Year Ended 6/30/06	\$ 9,000	\$ 676	\$ 2,676	\$ 7,000
Fiscal Year Ended 6/30/07	\$ 7,000	\$ 4,595	\$ 3,642	\$ 7,953
<b>University of Minnesota – Medical/Dental</b>				
Fiscal Year Ended 6/30/06	\$ 14,453	\$ 166,635	\$ 165,240	\$ 15,848
Fiscal Year Ended 6/30/07	\$ 15,848	\$ 176,792	\$ 178,887	\$ 13,753

## 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.

<b>Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2007 (In Thousands)</b>	
	<u>General Fund</u>
GAAP Basis Fund Balance:	\$ 1,280,107
Less: Reserved Fund Balance	155,985
Less: Designated Fund Balance	1,124,122
Undesignated Fund Balance	<u>\$ -</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (473,970)
Tax Refunds Payable	501,368
Human Services Receivable	(29,625)
Deferred Revenue	25,782
Escheat Asset	(8,943)
Other Receivables	(35,277)
Permanent School Fund Reimbursement	(3,441)
Investments at Market	(6,691)
Expenditure Accruals/Adjustments:	
Medical Assistance	384,645
Human Services Grants Payable	47,926
Education Aids	650,366
Police and Fire Aid	83,004
Fund Structure Differences:	
Terminally Funded Pension Plans	8,172
Perspective Differences:	
Reserve for Long-Term Advances	1,750
Designated for Appropriation Carryover and Budgetary Reserve	<u>(27,370)</u>
Budgetary Basis:	
Undesignated Fund Balance	<u>\$ 1,117,696</u>

## Note 21 – 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, 2006, were \$761,000 and for the fiscal year ending June 30, 2007, are also \$761,000. A material number of tort claims arising out of the Interstate 35W bridge collapse for damages are likely. The current 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. For tort claims arising in Minnesota on or after January 1, 2008, the maximum limits are \$400,000 for any one claim and \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after January 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.
- 2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the State, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of State moneys of over \$15 million in excess of current levels.
  - a. At any one time, there are hundreds of 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 \$15 million. Liability arising out of decisions unfavorable to the State may impact the State's Trunk Highway Fund.
  - b. *Administrative Services Provided by Public School Personnel - Disallowance of Federal Funding.* On May 11, 2007, the Center for Medicare/Medicaid Services (CMS) notified the Department of Human Services (DHS) that it was disallowing \$9.7 million in federal financial participation for school-based administrative costs in Minnesota from July 10, 2003, through June 30, 2004. The disallowance states that DHS used an improper "Medicaid Eligibility Ratio" in reporting costs. Specifically, CMS states that DHS's ratio improperly included children and adults, instead of children only. DHS believes that its reporting was consistent with a methodology that CMS had approved in the past, and further believes that revising the methodology to eliminate the data for services to adults would increase, rather than decrease, the federal portion. DHS is submitting a letter of appeal to CMS.
  - c. *Great Lakes Gas Transmission LP v. Commissioner of Revenue, Northern Border Pipeline Co. v. Commissioner of Revenue, Viking Gas Transmission Co. v. Commissioner of Revenue* (Ramsey County District Court). Plaintiff pipeline companies transport natural gas under applicable Federal Energy Regulatory Commission (FERC) tariffs and use a portion of the shipped gas to run their compressor engines. Pursuant to provisions contained in Minn. Stat. § 297A.63, subd. 1, Minnesota imposes a use tax upon "the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property purchased for use, storage, distribution, or consumption in this state." Plaintiffs allege that under FERC tariffs they do not "purchase" the gas they use, and are challenging the State's imposition of a use tax upon compressor gas on the grounds that such taxation violates Minn. Stat. § 297A.63, subd. 1 along with the Supremacy, Commerce and Equal Protection Clauses of the United States Constitution. The Department of Revenue estimates the value of these issues at approximately \$20 million annually. This case has been tentatively set for trial in spring 2008.
  - d. *Kracum, et al. v. McCormack, et al.* (U.S. District Court). Plaintiffs' claim on behalf of themselves and other Minnesota residents that defendants, current and former employees of the Minnesota Department of Public Safety (DPS), violated the federal Driver's Privacy Protection Act by causing advertisements to be placed in envelopes containing official licensure correspondence.

Plaintiffs also allege that defendants violated 42 U.S.C. § 1983 by invading plaintiffs' privacy by the same conduct. The case was filed May 1, 2007, and a class has not been certified. The DPS estimates that a decision favorable to plaintiffs would result in damages greater than \$15 million.

- e. *In the Matter of the Commission Inquiry Regarding Potential Proscribed Ex Parte Contact Regarding Commissioner Scott; In the Matter of the Minnesota Department of Commerce Against Qwest Corporation Regarding Unfiled Agreement; In the Matter of the Complaint of A T & T Communications of the Midwest, Inc. against Qwest Corporation* (Minnesota Court of Appeals). The Public Utilities Commission (PUC) required Qwest to pay a penalty of \$25,955,000 for failing to make public and seek PUC approval for interconnection agreements entered into with competitive local exchange carriers in a decision upheld by the U.S. District Court and the Eighth Circuit Court of Appeals. Subsequently, the PUC investigated allegedly improper communications between a former PUC commissioner and a former senior regulatory counsel with A T & T and concluded the penalty determination was reasonable and not the result of undue influence. Qwest appealed. The Court of Appeals affirmed the PUC's determination that the alleged communications did not constitute impermissible ex parte communications as supported by substantial evidence but vacated the penalty and remanded for re-deliberation of the penalty on grounds that record indicates the penalty was at least partially the result of improper influence. Qwest and the PUC have agreed to place the amount of the penalty in a special account in the State Treasury pending further proceeding before the PUC.
- f. *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for \$178,327 and seeks a \$5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of \$15 million. The deadline for submitting motions for summary judgment has been set for November 2007. Trial is currently scheduled for February 2008.
- g. *Medical Assistance Supplemental Payments to Government Owned Nursing Facilities*. The federal Centers for Medicaid and Medicare Services ("CMS") disapproved a Minnesota Medicaid state plan amendment that provides for increased supplemental payments to local government owned nursing homes. In addition, CMS has disallowed and seeks to recover the federal share of the nursing homes' total supplemental payments through a separate administrative proceeding. If CMS is successful in both the disapproval litigation and its disallowance of the supplemental payments, the State would lose federal financial participation of approximately \$11 million per year for FY 2006 and 2007 and \$1.5 million per year for FY 2003, 2004 and 2005. The Department of Human Services (DHS) challenged the disapproval and disallowance. 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. On July 10, 2006, the CMS Administrator affirmed the disapproval of the State plan amendment. On July 31, 2007, the Eighth Circuit Court of Appeals denied Minnesota's petition and affirmed the final determination of the Secretary of Health and Human Services disapproving the state plan amendment increasing the county nursing homes' annual supplemental payments and thus reducing federal participation by \$1.5 million per year for FY 2003 thru FY2007. Future federal payments to DHS will be adjusted to reflect this determination. DHS has administratively challenged the disallowance of \$9.5 million -- the federal share of the supplemental payments that are part of Minnesota's approved state medicaid plan for FY 2006 and intends to challenge the disallowance of the \$9.5 million federal share for FY 2007. If CMS is successful and Minnesota loses its appeals, CMS will withhold the disallowed amounts from Minnesota's future medicaid grant.
- h. *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 \$15 million. Trial is currently scheduled for June 2008.

- i. *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 \$15 million. Cross-motions for summary judgment were filed in July 2007.
- j. *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. Plaintiffs are seeking declaratory and injunctive relief prohibiting enforcement and collection of the tax. The Department estimates a determination in plaintiffs’ favor could result in revenue collection losses of \$30 million when applied to plaintiffs and other railroad common carriers operating in Minnesota that paid the fuel tax and have timely filed claims for refunds. On August 22, 2006, the United States District Court filed a decision rejecting plaintiffs’ challenges and upholding enforcement and collection of the tax. On November 6, 2007, the Eighth Circuit Court of Appeals reversed the decision and remanded the case to the District Court to enjoin the Commissioner from continuing to enforce the tax. The Department will file a petition to the Eighth Circuit for rehearing en banc.

## **Note 22 – Subsequent Events**

### **Primary Government**

On August 1, 2007, the I-35W bridge over the Mississippi River in Minneapolis collapsed. The cost of the bridge collapse and related impacts is approximately \$400 million. Mn/DOT has received commitments of \$178.5 million from the Federal Highway Administration (FHWA) Emergency Relief program, which provides for the repair and restoration of highway facilities suffering loss from natural disasters or catastrophic failures. Congress has authorized, but not yet appropriated an additional \$195 million in Emergency Relief funds for the response to this event. Construction of the new bridge, which began in October 2007, is expected to be complete by the end of December 2008.

On September 19, 2007, the Minnesota Department of Transportation (Mn/DOT) awarded a contract in the amount of \$233,763,000 for reconstructing the bridge to a consortium of contractors led by Flatiron Constructors and Manson Construction Company.

On September 12, 2007, a bill resulting from a special session was signed appropriating \$157 million of disaster relief funding for the flooding in the southeastern counties in Minnesota. The primary sources of the funds are \$72 million from the General Fund and \$56 million in general obligation bonds. The funds will be used to help individuals and businesses, and rebuild public infrastructure including roads and bridges.

On August 1, 2007, the state sold \$8,000,000 of general obligation bonds at a true interest rate of 5.14 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 August 1, 2007, the state sold \$656,000,000 of general obligation various purpose bonds and \$14,000,000 general obligation state trunk highway bonds at a true interest rate of 4.30 percent.





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Required Supplementary Information

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## 2007 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 2,900 bridges and tunnels maintained by the state.

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

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

### Lane Miles of Pavement

#### Measurement Scale

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

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

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

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

#### Established Condition Level

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

## Assessed Conditions

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

	<u>Principal Arterial Average PQI</u>	<u>Non-Principal Arterial Average PQI</u>
2006	3.37	3.21
2005	3.37	3.22
2004	3.30	3.14

## Bridges and Tunnels

### Measurement Scale

Mn/DOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the 2,924 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>2006</u>	<u>2005</u>	<u>2004</u>
Fair to Good	96.8%	96.3%	96.1%

<u>All Other Systems</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Fair to Good	95.3%	95.2%	94.8%

#### 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 year ended June 30, 2007 (in thousands):

		<u>Costs to be Capitalized</u>			<u>Maintenance of System</u>			<u>Total Construction Program</u>
		<u>Bridges</u>	<u>Pavement</u>	<u>Total Costs</u>	<u>Bridges</u>	<u>Pavement</u>	<u>Total Costs</u>	
Budget	2007	\$ 148,320	\$ 480,900	\$ 629,220	\$ 63,835	\$ 223,476	\$ 287,311	\$ 916,531
Actual	2007	\$ 150,497	\$ 253,040	\$ 403,537	\$ 15,125	\$ 312,567	\$ 327,692	\$ 731,229

Due to system limitations, bridge and pavement costs are combined for the years ended June 30, 2006, 2005, 2004, and 2003. The state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" (in thousands):

			Costs to be Capitalized	Maintenance of System	Total Construction Program
Budget	2006	\$	773,735	\$ 301,852	\$ 1,075,587
	2005 <sup>(1)</sup>		393,467	200,765	594,232
	2004		260,900	426,000	686,900
	2003		719,300	316,400	1,035,700
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

<sup>(1)</sup>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	SPRF
Actuarial Valuation Date	2006 <sup>(1)</sup>	7/1/2006	7/1/2006	7/1/2006	7/1/2006
	2005	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
Actuarial Value of Plan Assets	2006	\$ 535,357	\$ 151,850	\$ 48,504	\$ 618,990
	2005	\$ 503,573	\$ 144,465	\$ 45,523	\$ 601,220
	2004	\$ 486,617	\$ 138,948	\$ 46,155	\$ 594,785
Actuarial Accrued Liability	2006	\$ 647,480	\$ 202,301	\$ 81,361	\$ 641,479
	2005	\$ 546,118	\$ 191,414	\$ 81,836	\$ 566,764
	2004	\$ 524,215	\$ 190,338	\$ 83,197	\$ 545,244
Total Unfunded Actuarial Liability (Asset)	2006	\$ 112,123	\$ 50,451	\$ 32,858	\$ 22,489
	2005	\$ 42,544	\$ 46,949	\$ 36,314	\$ (34,456)
	2004	\$ 37,598	\$ 51,390	\$ 37,042	\$ (49,541)
Funded Ratio <sup>(2)</sup>	2006	83%	75%	60%	96%
	2005	92%	75%	56%	106%
	2004	93%	73%	55%	109%
Annual Covered Payroll	2006	\$ 145,879	\$ 36,529	\$ 2,894	\$ 57,765
	2005	\$ 132,335	\$ 35,941	\$ 3,014	\$ 55,142
	2004	\$ 133,172	\$ 34,683	\$ 3,815	\$ 51,619
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2006	77%	138%	1135%	39%
	2005	32%	131%	1204%	(62%)
	2004	28%	148%	971%	(96%)

<sup>(1)</sup>The July 1, 2006, Annual Valuation Report is the most recently issued report available.

<sup>(2)</sup>Actuarial value of assets as a percent of actuarial accrued liability.

## Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	\$ 13,219
Ceded	195	624	1,031	1,972	2,243	2,321	2,231	1,736	1,491	1,347
Net Earned	\$ 2,369	\$ 7,089	\$ 9,964	\$ 16,033	\$ 19,906	\$ 21,137	\$ 20,533	\$ 17,441	\$ 13,451	\$ 11,872
2. Unallocated Expenses	\$ 538	\$ 1,458	\$ 1,983	\$ 2,535	\$ 2,715	\$ 2,528	\$ 2,296	\$ 1,904	\$ 1,638	\$ 1,547
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	\$ 11,206
Ceded	91	171	772	760	2,513	1,570	1,980	1,913	1,382	1,782
Net Incurred	\$ 1,911	\$ 5,629	\$ 9,200	\$ 15,790	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424
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	\$ 8,226
One Year Later	1,849	5,817	9,240	15,908	18,091	17,572	17,367	14,141	11,282	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764	14,139		
Three Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764			
Four Years Later	1,850	5,818	9,243	15,963	18,034	17,579				
Five Years Later	1,850	5,818	9,243	15,963	18,034					
Six Years Later	1,850	5,818	9,243	15,963						
Seven Years Later	1,850	5,818	9,243							
Eight Years Later	1,850	5,818								
Nine 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	\$ 1,782
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	\$ 9,424
One Year Later	1,854	5,828	9,253	15,935	18,114	17,595	17,385	14,152	11,294	
Two Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764	14,139		
Three Years Later	1,850	5,818	9,243	15,963	18,034	17,579	17,764			
Four Years Later	1,850	5,818	9,243	15,963	18,034	17,579				
Five Years Later	1,850	5,818	9,243	15,963	18,034					
Six Years Later	1,850	5,818	9,243	15,963						
Seven Years Later	1,850	5,818	9,243							
Eight Years Later	1,850	5,818								
Nine 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	\$ (447)	\$ 125	\$ -

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

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## **Debt Service**

### **Debt Service Fund**

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

## **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, 2007  
 (IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 1,817,154	\$ 564,217	\$ 67,059	\$ 80,947	\$ 2,529,377
Investments.....	571,960	41,532	653,074	-	1,266,566
Accounts Receivable.....	360,028	-	3,886	-	363,914
Interfund Receivables.....	187,515	-	-	-	187,515
Due from Component Units.....	-	120,040	-	-	120,040
Accrued Investment/Interest Income.....	6,006	240	4,532	-	10,778
Federal Aid Receivable.....	70,327	-	-	-	70,327
Inventories.....	21,568	-	-	-	21,568
Loans and Notes Receivable.....	276,385	-	-	4,286	280,671
Securities Lending Collateral.....	226,188	69,643	127,929	-	423,760
Investment in Land.....	-	-	15,478	-	15,478
<b>Total Assets.....</b>	<b>\$ 3,537,131</b>	<b>\$ 795,672</b>	<b>\$ 871,958</b>	<b>\$ 85,233</b>	<b>\$ 5,289,994</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 354,188	\$ 1,240	\$ 17	\$ 35,841	\$ 391,286
Interfund Payables.....	137,178	19,989	7,149	10,505	174,821
Due to Component Units.....	1,463	-	-	-	1,463
Deferred Revenue.....	176,523	-	-	-	176,523
Securities Lending Liabilities.....	226,188	69,643	127,929	-	423,760
<b>Total Liabilities.....</b>	<b>\$ 895,540</b>	<b>\$ 90,872</b>	<b>\$ 135,095</b>	<b>\$ 46,346</b>	<b>\$ 1,167,853</b>
<b>Fund Balances:</b>					
<b>Reserved Fund Balances:</b>					
Reserved for Encumbrances.....	\$ 192,662	\$ -	\$ -	\$ 26,686	\$ 219,348
Reserved for Trust Principal.....	470,705	-	721,173	-	1,191,878
Other Reserved Fund Balances.....	595,899	-	-	6,157	602,056
<b>Total Reserved Fund Balances.....</b>	<b>\$ 1,259,266</b>	<b>\$ -</b>	<b>\$ 721,173</b>	<b>\$ 32,843</b>	<b>\$ 2,013,282</b>
<b>Unreserved Fund Balances:</b>					
Designated for Appropriation Carryover.....	\$ 160,301	\$ -	\$ -	\$ -	\$ 160,301
Designated for Special Revenue Funds.....	978,832	-	-	-	978,832
Designated for Debt Service Fund.....	-	704,800	-	-	704,800
Designated for Permanent Funds.....	-	-	15,690	-	15,690
<b>Undesignated, reported in:</b>					
Capital Project Funds.....	-	-	-	6,044	6,044
Special Revenue Funds.....	243,192	-	-	-	243,192
<b>Total Unreserved Fund Balances.....</b>	<b>\$ 1,382,325</b>	<b>\$ 704,800</b>	<b>\$ 15,690</b>	<b>\$ 6,044</b>	<b>\$ 2,108,859</b>
<b>Total Fund Balances.....</b>	<b>\$ 2,641,591</b>	<b>\$ 704,800</b>	<b>\$ 736,863</b>	<b>\$ 38,887</b>	<b>\$ 4,122,141</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 3,537,131</b>	<b>\$ 795,672</b>	<b>\$ 871,958</b>	<b>\$ 85,233</b>	<b>\$ 5,289,994</b>

STATE OF MINNESOTA

**NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2007**  
**(IN THOUSANDS)**

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
<b>Net Revenues:</b>					
Sales Taxes.....	\$ -	\$ 495	\$ -	\$ -	\$ 495
Motor Vehicle Taxes.....	657,541	-	-	-	657,541
Fuel Taxes.....	648,078	-	-	-	648,078
Other Taxes.....	676,965	-	-	-	676,965
Federal Revenues.....	487,104	-	-	-	487,104
Licenses and Fees.....	482,724	-	-	-	482,724
Departmental Services.....	161,097	-	25,321	-	186,418
Investment/Interest Income.....	152,270	39,991	88,173	63	280,497
Penalties and Fines.....	14,757	-	8	-	14,765
Securities Lending Income.....	10,076	3,376	7,040	-	20,492
Other Revenues.....	195,358	4,848	704	-	200,910
Net Revenues.....	\$ 3,485,970	\$ 48,710	\$ 121,246	\$ 63	\$ 3,655,989
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety and Corrections.....	\$ 159,897	\$ -	\$ -	\$ 3,079	\$ 162,976
Transportation.....	1,236,127	-	-	75,665	1,311,792
Agricultural and Environmental Resources.....	333,713	-	7,150	46,773	387,636
Economic and Workforce Development.....	213,286	-	-	75,847	289,133
General Education.....	48,514	-	24,593	7,943	81,050
Higher Education.....	26,132	-	-	112,449	138,581
Health and Human Services.....	721,148	-	-	-	721,148
General Government.....	38,803	190	-	6,608	45,601
Intergovernment Aid.....	210	-	-	-	210
Securities Lending Rebates and Fees.....	9,855	3,340	6,778	-	19,973
Total Current Expenditures.....	\$ 2,787,685	\$ 3,530	\$ 38,521	\$ 328,364	\$ 3,158,100
Capital Outlay.....	465,418	-	-	214,520	679,938
Debt Service.....	17,452	518,198	-	-	535,650
Total Expenditures.....	\$ 3,270,555	\$ 521,728	\$ 38,521	\$ 542,884	\$ 4,373,688
Excess of Revenues Over (Under) Expenditures.....	\$ 215,415	\$ (473,018)	\$ 82,725	\$ (542,821)	\$ (717,699)
<b>Other Financing Sources (Uses):</b>					
General Obligation Bond Issuance.....	\$ 8,500	\$ 12,500	\$ -	\$ 684,300	\$ 705,300
Revenue Bond Issuance.....	15,145	-	-	-	15,145
Loan Proceeds.....	24,610	-	-	-	24,610
Refunding Bonds Sale.....	-	264,050	-	-	264,050
Payment to Refunded Bonds Escrow Agent.....	-	(264,050)	-	-	(264,050)
Bond Issue Premium.....	-	57,918	-	-	57,918
Transfers-In.....	1,753,889	493,579	-	45,983	2,293,451
Transfers-Out.....	(1,800,766)	-	-	(154,681)	(1,955,447)
Capital Leases.....	310	-	-	-	310
Net Other Financing Sources (Uses).....	\$ 1,688	\$ 563,997	\$ -	\$ 575,602	\$ 1,141,287
Net Change in Fund Balances.....	\$ 217,103	\$ 90,979	\$ 82,725	\$ 32,781	\$ 423,588
Fund Balances, Beginning, as Reported.....	\$ 2,430,092	\$ 614,960	\$ 654,138	\$ 6,106	\$ 3,705,296
Change in Fund Structure.....	(8,449)	(1,139)	-	-	(9,588)
Fund Balances, Beginning, as Restated.....	\$ 2,421,643	\$ 613,821	\$ 654,138	\$ 6,106	\$ 3,695,708
Change in Inventory.....	2,845	-	-	-	2,845
Fund Balances, Ending.....	\$ 2,641,591	\$ 704,800	\$ 736,863	\$ 38,887	\$ 4,122,141



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# Nonmajor Special Revenue Funds

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## **Trunk Highway Fund**

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

## **Highway User Tax Distribution Fund**

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

## **State Airports Fund**

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

## **Municipal State-Aid Street Fund**

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

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

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

## **Petroleum Tank Cleanup Fund**

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

## **Minnesota Resources Fund**

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

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# Nonmajor Special Revenue Funds – Cont'd.

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## **Natural Resources Fund**

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

## **Game and Fish Fund**

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

## **Environment and Natural Resources Fund**

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

## **Environmental Fund**

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

## **Remediation Fund**

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

## **Iron Range Resources and Rehabilitation Fund**

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

## **Douglas J. Johnson Economic Protection Trust Fund**

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

## **Endowment Fund**

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

## **Maximum Effort School Loan Fund**

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

## **Special Compensation Fund**

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

## **Health Care Access Fund**

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

## **Health Impact Fund**

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

## **Medical Education and Research Fund**

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

## **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, 2007  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 321,281	\$ 3,099	\$ 18,000	\$ 107,268
Investments.....	-	-	-	-
Accounts Receivable.....	5,975	79,589	743	668
Interfund Receivables.....	41,802	-	-	6,039
Accrued Investment/Interest Income.....	-	-	-	-
Federal Aid Receivable.....	68,643	-	-	-
Inventories.....	21,568	-	-	-
Loans and Notes Receivable.....	-	-	2,894	-
Securities Lending Collateral.....	31,610	2,659	-	10,441
<b>Total Assets.....</b>	<b><u>\$ 490,879</u></b>	<b><u>\$ 85,347</u></b>	<b><u>\$ 21,637</u></b>	<b><u>\$ 124,416</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable.....	\$ 104,774	\$ 310	\$ 3,068	\$ 22,328
Interfund Payables.....	-	77,820	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	1,017	4,014	-	-
Securities Lending Liabilities.....	31,610	2,659	-	10,441
<b>Total Liabilities.....</b>	<b><u>\$ 137,401</u></b>	<b><u>\$ 84,803</u></b>	<b><u>\$ 3,068</u></b>	<b><u>\$ 32,769</u></b>
<b>Fund Balances:</b>				
<b>Reserved Fund Balances:</b>				
Reserved for Encumbrances.....	\$ 43,139	\$ 544	\$ 12,544	\$ 447
Reserved for Inventory.....	21,568	-	-	-
Reserved for Long-Term Receivables.....	-	-	2,894	-
Reserved for Long-Term Commitments.....	283,990	-	-	-
Reserved for Trust Principal.....	-	-	-	-
<b>Total Reserved Fund Balances.....</b>	<b><u>\$ 348,697</u></b>	<b><u>\$ 544</u></b>	<b><u>\$ 15,438</u></b>	<b><u>\$ 447</u></b>
<b>Unreserved Fund Balances:</b>				
Designated for Appropriation Carryover.....	\$ 4,781	\$ -	\$ 1,445	\$ -
Designated for Fund Purposes.....	-	-	1,686	91,200
Undesignated.....	-	-	-	-
<b>Total Unreserved Fund Balances.....</b>	<b><u>\$ 4,781</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,131</u></b>	<b><u>\$ 91,200</u></b>
<b>Total Fund Balances.....</b>	<b><u>\$ 353,478</u></b>	<b><u>\$ 544</u></b>	<b><u>\$ 18,569</u></b>	<b><u>\$ 91,647</u></b>
<b>Total Liabilities and Fund Balances.....</b>	<b><u>\$ 490,879</u></b>	<b><u>\$ 85,347</u></b>	<b><u>\$ 21,637</u></b>	<b><u>\$ 124,416</u></b>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON- MENTAL
\$ 366,198	\$ 29,991	\$ 441	\$ 45,070	\$ 33,740	\$ 68,741	\$ 42,666
-	-	-	-	5,084	449,270	-
3,132	148	-	2,285	901	8	12,553
22,992	-	-	12,530	815	2,042	7,745
-	-	-	-	25	2,147	-
12	-	-	-	1,672	-	-
-	-	-	-	-	-	-
-	6	-	-	-	-	1,412
35,563	3,117	-	2,686	4,026	62,258	4,107
<u>\$ 427,897</u>	<u>\$ 33,262</u>	<u>\$ 441</u>	<u>\$ 62,571</u>	<u>\$ 46,263</u>	<u>\$ 584,466</u>	<u>\$ 68,483</u>
\$ 72,308	\$ 5,149	\$ 60	\$ 4,543	\$ 7,694	\$ 1,435	\$ 3,793
-	387	93	-	-	-	22,875
-	-	-	469	-	984	-
-	147	-	3	105	-	5,565
35,563	3,117	-	2,686	4,026	62,258	4,107
<u>\$ 107,871</u>	<u>\$ 8,800</u>	<u>\$ 153</u>	<u>\$ 7,701</u>	<u>\$ 11,825</u>	<u>\$ 64,677</u>	<u>\$ 36,340</u>
\$ 1,716	\$ 7,478	\$ 77	\$ 7,058	\$ 8,214	\$ 8,561	\$ 7,383
-	-	-	-	-	-	-
-	6	-	-	-	-	1,412
-	-	-	-	-	-	-
-	-	-	-	-	470,705	-
<u>\$ 1,716</u>	<u>\$ 7,484</u>	<u>\$ 77</u>	<u>\$ 7,058</u>	<u>\$ 8,214</u>	<u>\$ 479,266</u>	<u>\$ 8,795</u>
\$ -	\$ 2,888	\$ 211	\$ 4,746	\$ 2,213	\$ 6,558	\$ 2,481
318,310	14,090	-	43,066	24,011	33,965	20,867
-	-	-	-	-	-	-
<u>\$ 318,310</u>	<u>\$ 16,978</u>	<u>\$ 211</u>	<u>\$ 47,812</u>	<u>\$ 26,224</u>	<u>\$ 40,523</u>	<u>\$ 23,348</u>
<u>\$ 320,026</u>	<u>\$ 24,462</u>	<u>\$ 288</u>	<u>\$ 54,870</u>	<u>\$ 34,438</u>	<u>\$ 519,789</u>	<u>\$ 32,143</u>
<u>\$ 427,897</u>	<u>\$ 33,262</u>	<u>\$ 441</u>	<u>\$ 62,571</u>	<u>\$ 46,263</u>	<u>\$ 584,466</u>	<u>\$ 68,483</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2007**  
**(IN THOUSANDS)**

ASSETS	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT
Cash and Cash Equivalents.....	\$ 7,957	\$ 40,473	\$ 62,649	\$ 11,789
Investments.....	50,150	-	66,317	1,139
Accounts Receivable.....	184	8,119	850	387
Interfund Receivables.....	23,262	-	-	-
Accrued Investment/Interest Income.....	74	-	443	5
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	-	-	-
Loans and Notes Receivable.....	-	14,428	31,424	-
Securities Lending Collateral.....	1,588	3,950	18,556	155
Total Assets.....	<u>\$ 83,215</u>	<u>\$ 66,970</u>	<u>\$ 180,239</u>	<u>\$ 13,475</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable.....	\$ 9,810	\$ 237	\$ 60	\$ 435
Interfund Payables.....	-	-	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	-	58	-	-
Securities Lending Liabilities.....	1,588	3,950	18,556	155
Total Liabilities.....	<u>\$ 11,398</u>	<u>\$ 4,245</u>	<u>\$ 18,616</u>	<u>\$ 590</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances.....	\$ 6,815	\$ 16,785	\$ 17,452	\$ 601
Reserved for Inventory.....	-	-	-	-
Reserved for Long-Term Receivables.....	-	14,428	31,424	-
Reserved for Long-Term Commitments.....	57,083	-	-	-
Reserved for Trust Principal.....	-	-	-	-
Total Reserved Fund Balances.....	<u>\$ 63,898</u>	<u>\$ 31,213</u>	<u>\$ 48,876</u>	<u>\$ 601</u>
Unreserved Fund Balances:				
Designated for Appropriation Carryover.....	\$ 5,258	\$ 31,512	\$ 91,717	\$ -
Designated for Fund Purposes.....	2,661	-	21,030	12,284
Undesignated.....	-	-	-	-
Total Unreserved Fund Balances.....	<u>\$ 7,919</u>	<u>\$ 31,512</u>	<u>\$ 112,747</u>	<u>\$ 12,284</u>
Total Fund Balances.....	<u>\$ 71,817</u>	<u>\$ 62,725</u>	<u>\$ 161,623</u>	<u>\$ 12,885</u>
Total Liabilities and Fund Balances.....	<u>\$ 83,215</u>	<u>\$ 66,970</u>	<u>\$ 180,239</u>	<u>\$ 13,475</u>

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 656	\$ 38,813	\$ 172,308	\$ -	\$ 38,862	\$ 407,152	\$ 1,817,154
-	-	-	-	-	-	571,960
-	104,493	85,884	23,720	16	30,373	360,028
-	-	-	-	5,064	65,224	187,515
3,312	-	-	-	-	-	6,006
-	-	-	-	-	-	70,327
-	-	-	-	-	-	21,568
117,012	-	-	-	-	109,209	276,385
-	4,328	27,106	-	-	14,038	226,188
<u>\$ 120,980</u>	<u>\$ 147,634</u>	<u>\$ 285,298</u>	<u>\$ 23,720</u>	<u>\$ 43,942</u>	<u>\$ 625,996</u>	<u>\$ 3,537,131</u>
\$ -	\$ 7,536	\$ 39,410	\$ -	\$ 235	\$ 71,003	\$ 354,188
-	-	3,353	23,720	-	8,930	137,178
-	-	-	-	10	-	1,463
47,095	103,938	7,324	-	-	7,257	176,523
-	4,328	27,106	-	-	14,038	226,188
<u>\$ 47,095</u>	<u>\$ 115,802</u>	<u>\$ 77,193</u>	<u>\$ 23,720</u>	<u>\$ 245</u>	<u>\$ 101,228</u>	<u>\$ 895,540</u>
\$ -	\$ 111	\$ 3,235	\$ -	\$ 1,642	\$ 48,860	\$ 192,662
-	-	-	-	-	-	21,568
73,885	-	-	-	-	109,209	233,258
-	-	-	-	-	-	341,073
-	-	-	-	-	-	470,705
<u>\$ 73,885</u>	<u>\$ 111</u>	<u>\$ 3,235</u>	<u>\$ -</u>	<u>\$ 1,642</u>	<u>\$ 158,069</u>	<u>\$ 1,259,266</u>
\$ -	\$ 2,758	\$ 3,733	\$ -	\$ -	\$ -	\$ 160,301
-	28,963	-	-	-	366,699	978,832
-	-	201,137	-	42,055	-	243,192
<u>\$ -</u>	<u>\$ 31,721</u>	<u>\$ 204,870</u>	<u>\$ -</u>	<u>\$ 42,055</u>	<u>\$ 366,699</u>	<u>\$ 1,382,325</u>
\$ 73,885	\$ 31,832	\$ 208,105	\$ -	\$ 43,697	\$ 524,768	\$ 2,641,591
<u>\$ 120,980</u>	<u>\$ 147,634</u>	<u>\$ 285,298</u>	<u>\$ 23,720</u>	<u>\$ 43,942</u>	<u>\$ 625,996</u>	<u>\$ 3,537,131</u>

**STATE OF MINNESOTA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
<b>Net Revenues:</b>				
Motor Vehicle Taxes.....	\$ -	\$ 639,918	\$ 13,258	\$ 905
Fuel Taxes.....	-	644,357	3,721	-
Other Taxes.....	-	-	-	-
Federal Revenues.....	456,621	-	-	280
Licenses and Fees.....	6,114	-	428	-
Departmental Services.....	1,319	-	-	-
Investment/Interest Income.....	11,507	1,954	709	5,386
Penalties and Fines.....	-	516	-	-
Securities Lending Income.....	1,010	155	-	473
Other Revenues.....	17,259	178	162	-
Net Revenues.....	<u>\$ 493,830</u>	<u>\$ 1,287,078</u>	<u>\$ 18,278</u>	<u>\$ 7,044</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety and Corrections.....	\$ 73,693	\$ 7,848	\$ -	\$ -
Transportation.....	675,929	401	13,968	121,013
Agricultural and Environmental Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	272	2,129	-	-
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	999	153	-	468
Total Current Expenditures.....	<u>\$ 750,893</u>	<u>\$ 10,531</u>	<u>\$ 13,968</u>	<u>\$ 121,481</u>
Capital Outlay.....	448,145	-	62	-
Debt Service.....	16,293	-	-	-
Total Expenditures.....	<u>\$ 1,215,331</u>	<u>\$ 10,531</u>	<u>\$ 14,030</u>	<u>\$ 121,481</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (721,501)</u>	<u>\$ 1,276,547</u>	<u>\$ 4,248</u>	<u>\$ (114,437)</u>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -
Revenue Bond Issuance.....	-	-	-	-
Loan Proceeds.....	24,610	-	-	-
Transfers-In.....	758,111	-	-	109,258
Transfers-Out.....	(53,856)	(1,277,469)	-	-
Capital Leases.....	-	-	-	-
Net Other Financing Sources (Uses).....	<u>\$ 728,865</u>	<u>\$ (1,277,469)</u>	<u>\$ -</u>	<u>\$ 109,258</u>
Net Change in Fund Balances.....	<u>\$ 7,364</u>	<u>\$ (922)</u>	<u>\$ 4,248</u>	<u>\$ (5,179)</u>
Fund Balances, Beginning, as Reported.....	\$ 343,269	\$ 1,466	\$ 14,321	\$ 96,826
Change in Fund Structure.....	-	-	-	-
Fund Balances, Beginning, as Restated.....	\$ 343,269	\$ 1,466	\$ 14,321	\$ 96,826
Change in Inventory.....	2,845	-	-	-
Fund Balances, Ending.....	<u><u>\$ 353,478</u></u>	<u><u>\$ 544</u></u>	<u><u>\$ 18,569</u></u>	<u><u>\$ 91,647</u></u>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRONMENTAL
\$ 3,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	46,814
452	-	-	958	17,810	-	-
-	26,731	-	18,391	56,933	-	19,734
-	-	-	21,466	304	-	-
16,813	1,357	50	1,174	2,281	68,893	2,208
-	200	-	76	295	-	646
1,476	119	-	110	173	3,351	192
-	-	-	1,451	334	26	18
<u>\$ 22,201</u>	<u>\$ 28,407</u>	<u>\$ 50</u>	<u>\$ 43,626</u>	<u>\$ 78,130</u>	<u>\$ 72,270</u>	<u>\$ 69,612</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49
407,982	-	-	4,570	-	1,000	-
-	17,009	382	62,255	87,104	11,614	56,208
-	-	-	-	-	395	-
-	-	-	135	-	-	-
-	-	-	-	-	2,049	-
-	-	-	-	-	-	-
-	-	-	-	-	430	363
-	-	-	-	-	-	-
1,460	118	-	109	172	3,223	190
<u>\$ 409,442</u>	<u>\$ 17,127</u>	<u>\$ 382</u>	<u>\$ 67,069</u>	<u>\$ 87,276</u>	<u>\$ 18,711</u>	<u>\$ 56,810</u>
-	-	689	1,007	2,869	2,301	138
-	-	-	-	-	-	-
<u>\$ 409,442</u>	<u>\$ 17,127</u>	<u>\$ 1,071</u>	<u>\$ 68,076</u>	<u>\$ 90,145</u>	<u>\$ 21,012</u>	<u>\$ 56,948</u>
<u>\$ (387,241)</u>	<u>\$ 11,280</u>	<u>\$ (1,021)</u>	<u>\$ (24,450)</u>	<u>\$ (12,015)</u>	<u>\$ 51,258</u>	<u>\$ 12,664</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
410,316	1,622	-	28,117	11,796	29,595	-
(8,860)	(10,429)	(90)	(14)	(3)	-	(26,304)
-	-	-	-	-	-	-
<u>\$ 401,456</u>	<u>\$ (8,807)</u>	<u>\$ (90)</u>	<u>\$ 28,103</u>	<u>\$ 11,793</u>	<u>\$ 29,595</u>	<u>\$ (26,304)</u>
<u>\$ 14,215</u>	<u>\$ 2,473</u>	<u>\$ (1,111)</u>	<u>\$ 3,653</u>	<u>\$ (222)</u>	<u>\$ 80,853</u>	<u>\$ (13,640)</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>\$ 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>\$ 320,026</u>	<u>\$ 24,462</u>	<u>\$ 288</u>	<u>\$ 54,870</u>	<u>\$ 34,438</u>	<u>\$ 519,789</u>	<u>\$ 32,143</u>

CONTINUED

STATE OF MINNESOTA

**NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2007**  
**(IN THOUSANDS)**

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT
<b>Net Revenues:</b>				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-
Other Taxes.....	795	22,851	4,272	-
Federal Revenues.....	-	-	-	-
Licenses and Fees.....	588	-	-	-
Departmental Services.....	151	123	131	-
Investment/Interest Income.....	10,643	2,694	3,225	548
Penalties and Fines.....	718	-	-	-
Securities Lending Income.....	72	186	953	8
Other Revenues.....	5,180	39	5	8,527
<b>Net Revenues.....</b>	<b>\$ 18,147</b>	<b>\$ 25,893</b>	<b>\$ 8,586</b>	<b>\$ 9,083</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ 25
Transportation.....	-	-	-	-
Agricultural and Environmental Resources.....	45,572	-	-	2,870
Economic and Workforce Development.....	734	26,759	4,732	304
General Education.....	-	15,000	-	1,546
Higher Education.....	-	-	-	-
Health and Human Services.....	230	-	-	733
General Government.....	4,124	-	-	523
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	68	184	925	8
<b>Total Current Expenditures.....</b>	<b>\$ 50,728</b>	<b>\$ 41,943</b>	<b>\$ 5,657</b>	<b>\$ 6,009</b>
Capital Outlay.....	1,229	618	-	4,220
Debt Service.....	-	307	222	-
<b>Total Expenditures.....</b>	<b>\$ 51,957</b>	<b>\$ 42,868</b>	<b>\$ 5,879</b>	<b>\$ 10,229</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>\$ (33,810)</b>	<b>\$ (16,975)</b>	<b>\$ 2,707</b>	<b>\$ (1,146)</b>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ -	\$ -
Revenue Bond Issuance.....	-	15,145	-	-
Loan Proceeds.....	-	-	-	-
Transfers-In.....	32,349	9,066	-	-
Transfers-Out.....	(1,622)	(3,785)	-	(559)
Capital Leases.....	-	-	-	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ 30,727</b>	<b>\$ 20,426</b>	<b>\$ -</b>	<b>\$ (559)</b>
<b>Net Change in Fund Balances.....</b>	<b>\$ (3,083)</b>	<b>\$ 3,451</b>	<b>\$ 2,707</b>	<b>\$ (1,705)</b>
Fund Balances, Beginning, as Reported.....	\$ 74,900	\$ 59,274	\$ 158,916	\$ 14,590
Change in Fund Structure.....	-	-	-	-
Fund Balances, Beginning, as Restated.....	\$ 74,900	\$ 59,274	\$ 158,916	\$ 14,590
Change in Inventory.....	-	-	-	-
<b>Fund Balances, Ending.....</b>	<b>\$ 71,817</b>	<b>\$ 62,725</b>	<b>\$ 161,623</b>	<b>\$ 12,885</b>

MAXIMUM EFFORT SCHOOL LOAN	SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 657,541
-	-	-	-	-	-	648,078
-	97,192	473,649	-	-	31,392	676,965
-	-	-	-	-	10,983	487,104
-	76	-	223,507	-	130,222	482,724
-	706	21,110	-	-	115,787	161,097
1,742	3,100	10,190	186	-	7,610	152,270
-	4,129	-	-	-	8,177	14,757
-	254	895	-	-	649	10,076
-	1,240	3,817	-	193	156,929	195,358
<u>\$ 1,742</u>	<u>\$ 106,697</u>	<u>\$ 509,661</u>	<u>\$ 223,693</u>	<u>\$ 193</u>	<u>\$ 461,749</u>	<u>\$ 3,485,970</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,282	\$ 159,897
-	-	-	-	-	11,264	1,236,127
-	-	-	-	-	50,699	333,713
-	93,260	-	-	-	87,102	213,286
11,695	-	-	-	-	20,138	48,514
-	-	-	-	-	24,083	26,132
-	-	322,539	-	66,504	331,142	721,148
-	6,857	1,859	-	-	22,246	38,803
-	-	-	-	-	210	210
-	251	885	-	-	642	9,855
<u>\$ 11,695</u>	<u>\$ 100,368</u>	<u>\$ 325,283</u>	<u>\$ -</u>	<u>\$ 66,504</u>	<u>\$ 625,808</u>	<u>\$ 2,787,685</u>
-	-	706	-	-	3,434	465,418
-	-	428	-	-	202	17,452
<u>\$ 11,695</u>	<u>\$ 100,368</u>	<u>\$ 326,417</u>	<u>\$ -</u>	<u>\$ 66,504</u>	<u>\$ 629,444</u>	<u>\$ 3,270,555</u>
<u>\$ (9,953)</u>	<u>\$ 6,329</u>	<u>\$ 183,244</u>	<u>\$ 223,693</u>	<u>\$ (66,311)</u>	<u>\$ (167,695)</u>	<u>\$ 215,415</u>
\$ 8,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500
-	-	-	-	-	-	15,145
-	-	-	-	-	-	24,610
-	-	-	-	85,927	277,732	1,753,889
(2,264)	(3)	(127,167)	(223,693)	(17,400)	(47,248)	(1,800,766)
-	-	-	-	-	310	310
<u>\$ 6,236</u>	<u>\$ (3)</u>	<u>\$ (127,167)</u>	<u>\$ (223,693)</u>	<u>\$ 68,527</u>	<u>\$ 230,794</u>	<u>\$ 1,688</u>
<u>\$ (3,717)</u>	<u>\$ 6,326</u>	<u>\$ 56,077</u>	<u>\$ -</u>	<u>\$ 2,216</u>	<u>\$ 63,099</u>	<u>\$ 217,103</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>
-	-	-	-	-	(8,449)	(8,449)
<u>\$ 77,602</u>	<u>\$ 25,506</u>	<u>\$ 152,028</u>	<u>\$ -</u>	<u>\$ 41,481</u>	<u>\$ 461,669</u>	<u>\$ 2,421,643</u>
-	-	-	-	-	-	2,845
<u>\$ 73,885</u>	<u>\$ 31,832</u>	<u>\$ 208,105</u>	<u>\$ -</u>	<u>\$ 43,697</u>	<u>\$ 524,768</u>	<u>\$ 2,641,591</u>

STATE OF MINNESOTA

**NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ 643,939	\$ 643,939
Fuel Taxes.....	-	-	644,134	644,134
Other Taxes.....	-	-	-	-
Federal Revenues.....	543,025	543,025	-	-
Departmental Services/Licenses & Fees.....	12,264	12,264	-	-
Investment/Interest Income.....	11,517	11,517	2,000	1,767
Other Revenues.....	42,190	42,190	959	882
Net Revenues.....	\$ 608,996	\$ 608,996	\$ 1,291,032	\$ 1,290,722
Expenditures:				
Public Safety and Corrections.....	\$ 79,095	\$ 75,257	\$ 8,242	\$ 8,139
Transportation.....	1,322,688	1,303,642	401	401
Agricultural and Environmental Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	1,251	272	2,416	2,163
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	\$ 1,403,034	\$ 1,379,171	\$ 11,059	\$ 10,703
Excess of Revenues Over (Under)				
Expenditures.....	\$ (794,038)	\$ (770,175)	\$ 1,279,973	\$ 1,280,019
Other Financing Sources (Uses):				
Transfers-In.....	\$ 760,782	\$ 759,846	\$ -	\$ -
Transfers-Out.....	(53,856)	(53,856)	(1,280,439)	(1,280,439)
Net Other Financing Sources (Uses).....	\$ 706,926	\$ 705,990	\$ (1,280,439)	\$ (1,280,439)
Net Change in Fund Balances.....	\$ (87,112)	\$ (64,185)	\$ (466)	\$ (420)
Fund Balances, Beginning, as Reported.....	\$ 105,941	\$ 105,941	\$ 3,675	\$ 3,675
Prior Period Adjustments.....	-	19,201	-	96
Fund Balances, Beginning, as Restated.....	\$ 105,941	\$ 125,142	\$ 3,675	\$ 3,771
Fund Balances, Ending.....	\$ 18,829	\$ 60,957	\$ 3,209	\$ 3,351
Less Appropriation Carryover.....	-	4,781	-	-
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	\$ 18,829	\$ 56,176	\$ 3,209	\$ 3,351

STATE AIRPORTS		PETROLEUM TANK CLEANUP		MINNESOTA RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,631	3,808	-	-	-	-
14,106	13,258	-	-	-	-
-	-	-	-	-	-
500	464	26,508	26,731	-	-
541	709	300	1,358	50	50
103	162	76	200	-	-
<u>\$ 18,881</u>	<u>\$ 18,401</u>	<u>\$ 26,884</u>	<u>\$ 28,289</u>	<u>\$ 50</u>	<u>\$ 50</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,123	21,409	-	-	-	-
-	-	14,353	13,905	298	298
-	-	-	-	-	-
-	-	-	-	-	-
100	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 22,223</u>	<u>\$ 21,409</u>	<u>\$ 14,353</u>	<u>\$ 13,905</u>	<u>\$ 298</u>	<u>\$ 298</u>
\$ (3,342)	\$ (3,008)	\$ 12,531	\$ 14,384	\$ (248)	\$ (248)
\$ -	\$ -	\$ 46	\$ 1,622	\$ -	\$ -
-	-	(10,429)	(10,429)	(131)	(131)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,383)</u>	<u>\$ (8,807)</u>	<u>\$ (131)</u>	<u>\$ (131)</u>
\$ (3,342)	\$ (3,008)	\$ 2,148	\$ 5,577	\$ (379)	\$ (379)
\$ 8,298	\$ 8,298	\$ 14,576	\$ 14,576	\$ 405	\$ 405
-	387	-	220	-	271
<u>\$ 8,298</u>	<u>\$ 8,685</u>	<u>\$ 14,576</u>	<u>\$ 14,796</u>	<u>\$ 405</u>	<u>\$ 676</u>
\$ 4,956	\$ 5,677	\$ 16,724	\$ 20,373	\$ 26	\$ 297
-	1,445	-	2,888	-	211
-	2,894	-	6	-	-
<u>\$ 4,956</u>	<u>\$ 1,338</u>	<u>\$ 16,724</u>	<u>\$ 17,479</u>	<u>\$ 26</u>	<u>\$ 86</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, 2007  
 (IN THOUSANDS)**

	NATURAL RESOURCES		GAME AND FISH	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ -	\$ -
Fuel Taxes.....	-	-	-	-
Other Taxes.....	10,073	9,948	10,073	9,948
Federal Revenues.....	1,240	958	19,100	17,465
Departmental Services/Licenses & Fees.....	43,654	40,263	58,366	59,399
Investment/Interest Income.....	1,007	1,256	1,504	1,555
Other Revenues.....	1,301	1,356	272	337
Net Revenues.....	<u>\$ 57,275</u>	<u>\$ 53,781</u>	<u>\$ 89,315</u>	<u>\$ 88,704</u>
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ -
Transportation.....	4,570	4,570	-	-
Agricultural and Environmental Resources.....	75,548	69,845	99,705	95,658
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	135	135	-	-
Health and Human Services.....	-	-	-	-
General Government.....	-	-	-	-
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	<u>\$ 80,253</u>	<u>\$ 74,550</u>	<u>\$ 99,705</u>	<u>\$ 95,658</u>
Excess of Revenues Over (Under)				
Expenditures.....	<u>\$ (22,978)</u>	<u>\$ (20,769)</u>	<u>\$ (10,390)</u>	<u>\$ (6,954)</u>
Other Financing Sources (Uses):				
Transfers-In.....	\$ 21,584	\$ 21,504	\$ 1,033	\$ 1,033
Transfers-Out.....	(14)	(14)	(3)	(3)
Net Other Financing Sources (Uses).....	<u>\$ 21,570</u>	<u>\$ 21,490</u>	<u>\$ 1,030</u>	<u>\$ 1,030</u>
Net Change in Fund Balances.....	<u>\$ (1,408)</u>	<u>\$ 721</u>	<u>\$ (9,360)</u>	<u>\$ (5,924)</u>
Fund Balances, Beginning, as Reported.....	\$ 32,608	\$ 32,608	\$ 29,172	\$ 29,172
Prior Period Adjustments.....	-	2,692	-	775
Fund Balances, Beginning, as Restated.....	<u>\$ 32,608</u>	<u>\$ 35,300</u>	<u>\$ 29,172</u>	<u>\$ 29,947</u>
Fund Balances, Ending.....	\$ 31,200	\$ 36,021	\$ 19,812	\$ 24,023
Less Appropriation Carryover.....	-	4,746	-	2,213
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	<u>\$ 31,200</u>	<u>\$ 31,275</u>	<u>\$ 19,812</u>	<u>\$ 21,810</u>

ENVIRONMENTAL		REMEDIATION		SPECIAL COMPENSATION	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
47,781	48,687	712	795	-	-
-	-	-	-	-	-
22,899	18,142	742	738	876	3,299
2,205	2,187	1,392	961	2,294	2,898
900	687	3,947	5,900	98,276	95,382
<u>\$ 73,785</u>	<u>\$ 69,703</u>	<u>\$ 6,793</u>	<u>\$ 8,394</u>	<u>\$ 101,446</u>	<u>\$ 101,579</u>
\$ 49	\$ 49	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
62,791	62,365	52,309	50,981	-	-
-	-	737	700	95,362	93,730
-	-	-	-	-	-
-	-	234	226	-	-
645	389	4,842	4,124	8,124	7,473
-	-	-	-	-	-
<u>\$ 63,485</u>	<u>\$ 62,803</u>	<u>\$ 58,122</u>	<u>\$ 56,031</u>	<u>\$ 103,486</u>	<u>\$ 101,203</u>
<u>\$ 10,300</u>	<u>\$ 6,900</u>	<u>\$ (51,329)</u>	<u>\$ (47,637)</u>	<u>\$ (2,040)</u>	<u>\$ 376</u>
\$ -	\$ -	\$ 36,383	\$ 32,349	\$ -	\$ -
(26,304)	(26,304)	(2,044)	(2,044)	(3)	(3)
<u>\$ (26,304)</u>	<u>\$ (26,304)</u>	<u>\$ 34,339</u>	<u>\$ 30,305</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
<u>\$ (16,004)</u>	<u>\$ (19,404)</u>	<u>\$ (16,990)</u>	<u>\$ (17,332)</u>	<u>\$ (2,043)</u>	<u>\$ 373</u>
\$ 35,983	\$ 35,983	\$ 19,631	\$ 19,631	\$ 32,901	\$ 32,901
-	1,245	-	5,620	-	200
<u>\$ 35,983</u>	<u>\$ 37,228</u>	<u>\$ 19,631</u>	<u>\$ 25,251</u>	<u>\$ 32,901</u>	<u>\$ 33,101</u>
\$ 19,979	\$ 17,824	\$ 2,641	\$ 7,919	\$ 30,858	\$ 33,474
-	2,481	-	5,258	-	2,758
-	1,412	-	-	-	-
<u>\$ 19,979</u>	<u>\$ 13,931</u>	<u>\$ 2,641</u>	<u>\$ 2,661</u>	<u>\$ 30,858</u>	<u>\$ 30,716</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, 2007  
(IN THOUSANDS)

	HEALTH CARE ACCESS		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes.....	\$ -	\$ -	\$ 643,939	\$ 643,939
Fuel Taxes.....	-	-	647,765	647,942
Other Taxes.....	465,908	463,222	548,653	545,858
Federal Revenues.....	-	-	563,365	561,448
Departmental Services/Licenses & Fees.....	18,705	21,978	184,514	183,278
Investment/Interest Income.....	6,463	10,200	29,273	34,458
Other Revenues.....	5,199	8,005	153,223	155,101
Net Revenues.....	\$ 496,275	\$ 503,405	\$ 2,770,732	\$ 2,772,024
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 87,386	\$ 83,445
Transportation.....	-	-	1,349,782	1,330,022
Agricultural and Environmental Resources.....	-	-	305,004	293,052
Economic and Workforce Development.....	-	-	96,099	94,430
Higher Education.....	-	-	135	135
Health and Human Services.....	338,110	321,973	338,344	322,199
General Government.....	1,902	1,901	19,280	16,322
Intergovernment Aid.....	428	428	428	428
Total Expenditures.....	\$ 340,440	\$ 324,302	\$ 2,196,458	\$ 2,140,033
Excess of Revenues Over (Under) Expenditures.....	\$ 155,835	\$ 179,103	\$ 574,274	\$ 631,991
Other Financing Sources (Uses):				
Transfers-In.....	\$ -	\$ -	\$ 819,828	\$ 816,354
Transfers-Out.....	(129,324)	(129,324)	(1,502,547)	(1,502,547)
Net Other Financing Sources (Uses).....	\$ (129,324)	\$ (129,324)	\$ (682,719)	\$ (686,193)
Net Change in Fund Balances.....	\$ 26,511	\$ 49,779	\$ (108,445)	\$ (54,202)
Fund Balances, Beginning, as Reported.....	\$ 115,796	\$ 115,796	\$ 398,986	\$ 398,986
Prior Period Adjustments.....	-	401	-	31,108
Fund Balances, Beginning, as Restated.....	\$ 115,796	\$ 116,197	\$ 398,986	\$ 430,094
Fund Balances, Ending.....	\$ 142,307	\$ 165,976	\$ 290,541	\$ 375,892
Less Appropriation Carryover.....	-	3,733	-	30,514
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	\$ 142,307	\$ 162,243	\$ 290,541	\$ 345,378

**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, 2007  
(In Thousands)**

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

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Minnesota Resources	Natural Resources	Game and Fish	Environmental	Remediation	Special Compensation	Health Care Access
GAAP Basis Fund Balances:	\$ 353,478	\$ 544	\$ 18,569	\$ 24,462	\$ 288	\$ 54,870	\$ 34,438	\$ 32,143	\$ 71,817	\$ 31,832	\$ 208,105
Less: Reserved Fund Balances	348,697	544	15,438	7,484	77	7,058	8,214	8,795	63,898	111	3,235
Less: Designated Fund Balances	4,781	-	3,131	16,978	211	47,812	26,224	23,348	7,919	31,721	3,733
Undesignated Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,137
<b>Basis of Accounting Differences</b>											
Revenue Accruals/Adjustments:											
Taxes Receivable	\$ -	\$ (59,946)	\$ (348)	\$ -	\$ -	\$ -	\$ -	\$ (5,082)	\$ -	\$ -	\$ (76,858)
Human Services Receivable	-	-	-	-	-	-	-	-	-	-	(6,450)
Deferred Revenue	1,017	4,014	-	147	-	3	105	5,565	-	103,938	7,324
Other Receivables	1,931	-	-	(148)	-	(5,184)	(1,491)	(7,419)	-	(103,390)	(2,328)
Expenditure Accruals/Adjustments:											
Transportation	-	-	-	-	-	-	-	-	-	-	-
Health and Human Services	-	-	-	-	-	-	-	-	-	-	36,065
Other Payables	-	-	-	3,390	-	1,390	-	-	-	1,205	-
Other Financial Sources (Uses):											
Transfers-In	(32,124)	-	-	-	-	(8,000)	(815)	-	-	-	-
Transfers-Out	-	59,283	-	-	86	-	-	-	-	-	3,353
Fund Structure Differences:											
Other	-	-	-	-	-	-	-	-	-	-	-
Perspective Differences:											
Reserve for Long-Term											
Commitments	85,352	-	-	-	-	-	-	-	-	-	-
Reserve for Long-Term Receivables	-	-	-	-	-	-	-	-	-	-	-
Designated for Fund Purposes	-	-	1,686	14,090	-	43,066	24,011	20,867	2,661	28,963	-
Budgetary Basis Undesignated Fund Balances	\$ 56,176	\$ 3,351	\$ 1,338	\$ 17,479	\$ 86	\$ 31,275	\$ 21,810	\$ 13,931	\$ 2,661	\$ 30,716	\$ 162,243





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# Nonmajor Capital Projects Funds

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## **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, 2007  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 33,800	\$ 2,475	\$ 44,672	\$ 80,947
Loans and Notes Receivable.....	4,134	152	-	4,286
Total Assets .....	<u>\$ 37,934</u>	<u>\$ 2,627</u>	<u>\$ 44,672</u>	<u>\$ 85,233</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable.....	\$ 29,999	\$ 26	\$ 5,816	\$ 35,841
Interfund Payables.....	10,505	-	-	10,505
Total Liabilities.....	<u>\$ 40,504</u>	<u>\$ 26</u>	<u>\$ 5,816</u>	<u>\$ 46,346</u>
Fund Balances:				
Reserved Fund Balance:				
Reserved for Encumbrances.....	\$ 17,265	\$ 578	\$ 8,843	\$ 26,686
Reserved for Long-Term Receivables.....	4,134	152	-	4,286
Reserved for Long-Term Commitments.....	-	1,871	-	1,871
Total Reserved Fund Balances.....	<u>\$ 21,399</u>	<u>\$ 2,601</u>	<u>\$ 8,843</u>	<u>\$ 32,843</u>
Unreserved Fund Balance:				
Undesignated.....	\$ (23,969)	\$ -	\$ 30,013	\$ 6,044
Total Fund Balances .....	<u>\$ (2,570)</u>	<u>\$ 2,601</u>	<u>\$ 38,856</u>	<u>\$ 38,887</u>
Total Liabilities and Fund Balances .....	<u>\$ 37,934</u>	<u>\$ 2,627</u>	<u>\$ 44,672</u>	<u>\$ 85,233</u>

STATE OF MINNESOTA

**NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 62	\$ 1	\$ -	\$ 63
Net Revenues.....	<u>\$ 62</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 63</u>
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 3,079	\$ -	\$ -	\$ 3,079
Transportation.....	32,041	952	42,672	75,665
Agricultural and Environmental Resources.....	46,245	528	-	46,773
Economic and Workforce Development.....	75,674	173	-	75,847
General Education.....	7,943	-	-	7,943
Higher Education.....	112,449	-	-	112,449
General Government.....	5,810	730	68	6,608
Total Current Expenditures.....	<u>\$ 283,241</u>	<u>\$ 2,383</u>	<u>\$ 42,740</u>	<u>\$ 328,364</u>
Capital Outlay.....	134,458	-	80,062	214,520
Total Expenditures.....	<u>\$ 417,699</u>	<u>\$ 2,383</u>	<u>\$ 122,802</u>	<u>\$ 542,884</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (417,637)</u>	<u>\$ (2,382)</u>	<u>\$ (122,802)</u>	<u>\$ (542,821)</u>
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ 511,570	\$ -	\$ 172,730	\$ 684,300
Transfers-In.....	42,287	3,696	-	45,983
Transfers-Out.....	(154,676)	(5)	-	(154,681)
Net Other Financing Sources (Uses).....	<u>\$ 399,181</u>	<u>\$ 3,691</u>	<u>\$ 172,730</u>	<u>\$ 575,602</u>
Net Change in Fund Balances.....	<u>\$ (18,456)</u>	<u>\$ 1,309</u>	<u>\$ 49,928</u>	<u>\$ 32,781</u>
Fund Balances, Beginning, as Reported.....	<u>\$ 15,886</u>	<u>\$ 1,292</u>	<u>\$ (11,072)</u>	<u>\$ 6,106</u>
Fund Balances, Ending.....	<u>\$ (2,570)</u>	<u>\$ 2,601</u>	<u>\$ 38,856</u>	<u>\$ 38,887</u>





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# Nonmajor Enterprise Funds

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## **Behavioral Services Fund**

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

## **Enterprise Activities Fund**

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

## **Giants Ridge Fund**

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

## **Minnesota Correctional Industries Fund**

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

## **911 Services Fund**

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

## **Public Employees Insurance Fund**

The fund provides 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, 2007  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 6,761	\$ 4,838	\$ 3,426	\$ 13,056
Accounts Receivable.....	13,265	2,553	119	3,348
Accrued Investment/Interest Income.....	-	-	17	-
Inventories.....	-	621	234	5,761
Deferred Costs.....	-	12	-	-
Other Assets.....	-	-	1,639	194
Total Current Assets.....	<u>\$ 20,026</u>	<u>\$ 8,024</u>	<u>\$ 5,435</u>	<u>\$ 22,359</u>
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 1,627	\$ -
Depreciable Capital Assets (Net).....	1,106	612	20,225	3,877
Nondepreciable Capital Assets .....	-	-	893	-
Total Noncurrent Assets.....	<u>\$ 1,106</u>	<u>\$ 612</u>	<u>\$ 22,745</u>	<u>\$ 3,877</u>
Total Assets.....	<u>\$ 21,132</u>	<u>\$ 8,636</u>	<u>\$ 28,180</u>	<u>\$ 26,236</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ 3,114	\$ 3,364	\$ 316	\$ 1,650
Interfund Payables.....	-	-	-	-
Unearned Revenue.....	-	212	64	192
Accrued Bond Interest Payable.....	-	-	163	-
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	705	-
Capital Leases.....	-	-	39	-
Compensated Absences Payable.....	373	36	32	104
Other Liabilities.....	-	-	-	40
Total Current Liabilities.....	<u>\$ 3,487</u>	<u>\$ 3,612</u>	<u>\$ 1,319</u>	<u>\$ 1,986</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable.....	-	-	12,885	-
Capital Leases.....	-	-	104	-
Compensated Absences Payable.....	2,063	367	170	829
Other Liabilities.....	-	-	-	-
Total Noncurrent Liabilities.....	<u>\$ 2,063</u>	<u>\$ 367</u>	<u>\$ 13,159</u>	<u>\$ 829</u>
Total Liabilities.....	<u>\$ 5,550</u>	<u>\$ 3,979</u>	<u>\$ 14,478</u>	<u>\$ 2,815</u>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt.....	\$ 1,106	\$ 612	\$ 8,872	\$ 3,877
Unrestricted .....	14,476	4,045	4,830	19,544
Total Net Assets.....	<u>\$ 15,582</u>	<u>\$ 4,657</u>	<u>\$ 13,702</u>	<u>\$ 23,421</u>

<u>911 SERVICES</u>	<u>PUBLIC EMPLOYEES INSURANCE</u>	<u>STATE LOTTERY</u>	<u>STATE OPERATED COMMUNITY SERVICES</u>	<u>TOTAL</u>
\$ 20,059	\$ 5,268	\$ 19,679	\$ 21,543	\$ 94,630
4,774	864	4,483	2,530	31,936
-	-	-	-	17
-	-	874	-	7,490
-	-	395	-	407
-	-	-	144	1,977
<u>\$ 24,833</u>	<u>\$ 6,132</u>	<u>\$ 25,431</u>	<u>\$ 24,217</u>	<u>\$ 136,457</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,627
-	-	1,403	5,258	32,481
-	-	-	786	1,679
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ 6,044</u>	<u>\$ 35,787</u>
<u>\$ 24,833</u>	<u>\$ 6,132</u>	<u>\$ 26,834</u>	<u>\$ 30,261</u>	<u>\$ 172,244</u>
\$ 1,276	\$ 1,539	\$ 9,243	\$ 4,198	\$ 24,700
57	-	16,256	-	16,313
-	596	214	-	1,278
139	-	-	15	317
-	-	-	259	259
2,590	-	-	-	3,295
-	-	-	10	49
13	2	92	1,217	1,869
-	-	-	-	40
<u>\$ 4,075</u>	<u>\$ 2,137</u>	<u>\$ 25,805</u>	<u>\$ 5,699</u>	<u>\$ 48,120</u>
\$ -	\$ -	\$ -	\$ 2,892	\$ 2,892
32,410	-	-	-	45,295
-	-	-	733	837
105	31	1,029	5,321	9,915
2,122	-	-	-	2,122
<u>\$ 34,637</u>	<u>\$ 31</u>	<u>\$ 1,029</u>	<u>\$ 8,946</u>	<u>\$ 61,061</u>
<u>\$ 38,712</u>	<u>\$ 2,168</u>	<u>\$ 26,834</u>	<u>\$ 14,645</u>	<u>\$ 109,181</u>
\$ -	\$ -	\$ 1,403	\$ 2,150	\$ 18,020
(13,879)	3,964	(1,403)	13,466	45,043
<u>\$ (13,879)</u>	<u>\$ 3,964</u>	<u>\$ -</u>	<u>\$ 15,616</u>	<u>\$ 63,063</u>

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>Operating Revenues:</b>				
Net Sales.....	\$ -	\$ 2,139	\$ 3,856	\$ 38,446
Rental and Service Fees.....	35,697	7,829	125	-
Insurance Premiums.....	-	-	-	-
Other Income.....	2	-	66	1,268
<b>Total Operating Revenues.....</b>	<b>\$ 35,699</b>	<b>\$ 9,968</b>	<b>\$ 4,047</b>	<b>\$ 39,714</b>
Less: Cost of Goods Sold.....	-	646	-	20,666
<b>Gross Margin.....</b>	<b>\$ 35,699</b>	<b>\$ 9,322</b>	<b>\$ 4,047</b>	<b>\$ 19,048</b>
<b>Operating Expenses:</b>				
Purchased Services.....	\$ 3,653	\$ 1,280	\$ 2,322	\$ 3,669
Salaries and Fringe Benefits.....	25,629	3,177	2,518	9,250
Claims.....	-	-	-	-
Depreciation.....	159	75	1,165	671
Amortization.....	-	-	71	-
Supplies and Materials.....	1,930	96	197	867
Indirect Costs.....	3,164	183	-	990
Other Expenses.....	1,116	119	185	2,508
<b>Total Operating Expenses.....</b>	<b>\$ 35,651</b>	<b>\$ 4,930</b>	<b>\$ 6,458</b>	<b>\$ 17,955</b>
<b>Operating Income (Loss).....</b>	<b>\$ 48</b>	<b>\$ 4,392</b>	<b>\$ (2,411)</b>	<b>\$ 1,093</b>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Income.....	\$ 169	\$ -	\$ 157	\$ 637
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	-	-	(1,000)	-
Grants, Aids and Subsidies.....	-	-	-	-
Other Nonoperating Expenses.....	-	(3,200)	(2)	(240)
Gain (Loss) on Disposal of Capital Assets.....	147	-	-	9
<b>Total Nonoperating Revenues (Expenses).....</b>	<b>\$ 316</b>	<b>\$ (3,200)</b>	<b>\$ (845)</b>	<b>\$ 406</b>
<b>Income (Loss) Before Transfers &amp; Contributions.....</b>	<b>\$ 364</b>	<b>\$ 1,192</b>	<b>\$ (3,256)</b>	<b>\$ 1,499</b>
Transfers-In.....	-	-	3,782	-
Transfers-Out.....	-	-	-	-
<b>Change in Net Assets.....</b>	<b>\$ 364</b>	<b>\$ 1,192</b>	<b>\$ 526</b>	<b>\$ 1,499</b>
<b>Net Assets, Beginning, as Reported.....</b>	<b>\$ 15,218</b>	<b>\$ 3,465</b>	<b>\$ 13,176</b>	<b>\$ 21,922</b>
Change in Fund Structure.....	-	-	-	-
<b>Net Assets, Beginning, as Restated.....</b>	<b>\$ 15,218</b>	<b>\$ 3,465</b>	<b>\$ 13,176</b>	<b>\$ 21,922</b>
<b>Net Assets, Ending.....</b>	<b>\$ 15,582</b>	<b>\$ 4,657</b>	<b>\$ 13,702</b>	<b>\$ 23,421</b>

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ -	\$ 422,570	\$ -	\$ 467,011
49,527	-	-	77,702	170,880
-	12,958	-	-	12,958
-	199	-	843	2,378
\$ 49,527	\$ 13,157	\$ 422,570	\$ 78,545	\$ 653,227
-	-	288,959	-	310,271
\$ 49,527	\$ 13,157	\$ 133,611	\$ 78,545	\$ 342,956
\$ 13,836	\$ 2,673	\$ 11,283	\$ 5,381	\$ 44,097
1,117	190	10,063	64,018	115,962
-	9,739	-	-	9,739
-	-	442	1,635	4,147
-	-	-	-	71
60	-	809	2,471	6,430
39	6	-	4,696	9,078
-	25	337	1,982	6,272
\$ 15,052	\$ 12,633	\$ 22,934	\$ 80,183	\$ 195,796
\$ 34,475	\$ 524	\$ 110,677	\$ (1,638)	\$ 147,160
\$ 1,061	\$ 266	\$ 1,618	\$ 872	\$ 4,780
-	-	56	-	56
(939)	-	-	(472)	(2,411)
(14,978)	-	-	-	(14,978)
-	-	-	-	(3,442)
-	-	-	-	156
\$ (14,856)	\$ 266	\$ 1,674	\$ 400	\$ (15,839)
\$ 19,619	\$ 790	\$ 112,351	\$ (1,238)	\$ 131,321
-	-	-	-	3,782
(42,970)	-	(112,351)	-	(155,321)
\$ (23,351)	\$ 790	\$ -	\$ (1,238)	\$ (20,218)
\$ -	\$ 3,174	\$ -	\$ 16,854	\$ 73,809
9,472	-	-	-	9,472
\$ 9,472	\$ 3,174	\$ -	\$ 16,854	\$ 83,281
\$ (13,879)	\$ 3,964	\$ -	\$ 15,616	\$ 63,063

STATE OF MINNESOTA

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers.....	\$ 34,096	\$ 9,028	\$ 4,011	\$ 38,446
Receipts from Other Revenues.....	2	-	-	1,268
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(8,427)	(2,289)	(2,797)	(28,460)
Payments to Employees.....	(25,183)	(3,136)	(2,481)	(9,250)
Payments to Others.....	-	-	-	-
Net Cash Flows from Operating Activities.....	\$ 488	\$ 3,603	\$ (1,267)	\$ 2,004
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grant Disbursements.....	\$ -	\$ -	\$ -	\$ -
Transfers-In.....	-	-	3,782	-
Transfers-Out.....	-	-	-	-
Proceeds from Bonds.....	-	-	-	-
Interest Paid.....	-	-	-	-
Other Nonoperating Expenses.....	-	(3,200)	-	(240)
Net Cash Flows from Noncapital Financing Activities.....	\$ -	\$ (3,200)	\$ 3,782	\$ (240)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Investment in Capital Assets.....	\$ (100)	\$ (23)	\$ (638)	\$ (689)
Proceeds from Disposal of Capital Assets.....	-	10	-	46
Capital Lease Payments.....	-	-	-	-
Repayment of Bond Principal.....	-	-	(665)	-
Interest Paid.....	-	-	(1,009)	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (100)	\$ (13)	\$ (2,312)	\$ (643)
<b>Cash Flows from Investing Activities:</b>				
Investment Earnings.....	\$ 316	\$ -	\$ 158	\$ 637
Net Cash Flows from Investing Activities.....	\$ 316	\$ -	\$ 158	\$ 637
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 704	\$ 390	\$ 361	\$ 1,758
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 6,057	\$ 4,448	\$ 4,692	\$ 11,298
Change in Fund Structure.....	-	-	-	-
Cash and Cash Equivalents, Beginning, as Restated.....	\$ 6,057	\$ 4,448	\$ 4,692	\$ 11,298
Cash and Cash Equivalents, Ending.....	\$ 6,761	\$ 4,838	\$ 5,053	\$ 13,056
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss).....	\$ 48	\$ 4,392	\$ (2,411)	\$ 1,093
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>				
Depreciation.....	\$ 159	\$ 75	\$ 1,165	\$ 671
Amortization.....	-	-	71	-
<b>Change in Assets and Liabilities:</b>				
Accounts Receivable.....	(101)	(1,087)	(52)	363
Inventories.....	-	44	22	1,119
Other Assets.....	-	(10)	-	1,376
Accounts Payable.....	274	97	(101)	(240)
Compensated Absences Payable.....	108	67	23	(16)
Unearned Revenues.....	-	25	16	(2,365)
Other Liabilities.....	-	-	-	3
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 440	\$ (789)	\$ 1,144	\$ 911
Net Cash Flows from Operating Activities.....	\$ 488	\$ 3,603	\$ (1,267)	\$ 2,004
<b>Noncash Investing, Capital and Financing Activities:</b>				
Bond Premium Amortization.....	\$ -	\$ -	\$ -	\$ -

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 50,218	\$ 13,102	\$ 420,946	\$ 81,267	\$ 651,114
-	-	90	842	2,202
-	(10,230)	(250,487)	-	(260,717)
(15,261)	(2,556)	(25,087)	(13,502)	(98,379)
(1,257)	(184)	(10,038)	(63,327)	(114,856)
-	(23)	(25,340)	-	(25,363)
<u>\$ 33,700</u>	<u>\$ 109</u>	<u>\$ 110,084</u>	<u>\$ 5,280</u>	<u>\$ 154,001</u>
\$ (16,003)	\$ -	\$ -	\$ -	\$ (16,003)
-	-	-	-	3,782
(42,970)	-	(106,817)	-	(149,787)
37,298	-	-	-	37,298
(976)	-	-	-	(976)
-	-	-	-	(3,440)
<u>\$ (22,651)</u>	<u>\$ -</u>	<u>\$ (106,817)</u>	<u>\$ -</u>	<u>\$ (129,126)</u>
\$ -	\$ -	\$ (756)	\$ (1,235)	\$ (3,441)
-	-	56	-	112
-	-	-	(126)	(126)
-	-	-	(247)	(912)
-	-	-	(367)	(1,376)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700)</u>	<u>\$ (1,975)</u>	<u>\$ (5,743)</u>
\$ 1,016	\$ 266	\$ 1,618	\$ 872	\$ 4,883
<u>\$ 1,016</u>	<u>\$ 266</u>	<u>\$ 1,618</u>	<u>\$ 872</u>	<u>\$ 4,883</u>
\$ 12,065	\$ 375	\$ 4,185	\$ 4,177	\$ 24,015
\$ -	\$ 4,893	\$ 15,494	\$ 17,366	\$ 64,248
7,994	-	-	-	7,994
<u>\$ 7,994</u>	<u>\$ 4,893</u>	<u>\$ 15,494</u>	<u>\$ 17,366</u>	<u>\$ 72,242</u>
<u>\$ 20,059</u>	<u>\$ 5,268</u>	<u>\$ 19,679</u>	<u>\$ 21,543</u>	<u>\$ 96,257</u>
\$ 34,475	\$ 524	\$ 110,677	\$ (1,638)	\$ 147,160
\$ -	\$ -	\$ 442	\$ 1,635	\$ 4,147
-	-	-	-	71
(662)	(562)	(1,331)	4,200	768
-	-	-	-	1,185
-	-	(15)	47	1,398
(115)	224	635	620	1,394
2	4	25	416	629
-	(81)	(349)	-	(2,754)
-	-	-	-	3
<u>\$ (775)</u>	<u>\$ (415)</u>	<u>\$ (593)</u>	<u>\$ 6,918</u>	<u>\$ 6,841</u>
<u>\$ 33,700</u>	<u>\$ 109</u>	<u>\$ 110,084</u>	<u>\$ 5,280</u>	<u>\$ 154,001</u>
<u>\$ 174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174</u>





State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Internal Service Funds

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## **Central Motor Pool Fund**

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

## **Central Services Fund**

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

## **Central Stores Fund**

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

## **Employee Insurance Fund**

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

## **Enterprise Technologies Fund**

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

## **Plant Management Fund**

The fund accounts for 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, 2007  
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 1,857	\$ 793	\$ 482	\$ 169,212
Investments.....	-	-	-	20,061
Accounts Receivable.....	1,323	1,788	656	3,916
Accrued Investment/Interest Income.....	-	-	-	341
Inventories.....	12	7	642	-
Deferred Costs.....	-	259	-	-
Securities Lending Collateral.....	-	-	-	19,057
Total Current Assets.....	<u>\$ 3,192</u>	<u>\$ 2,847</u>	<u>\$ 1,780</u>	<u>\$ 212,587</u>
Noncurrent Assets:				
Deferred Costs.....	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets (Net).....	18,559	76	7	5
Total Noncurrent Assets.....	<u>\$ 18,559</u>	<u>\$ 76</u>	<u>\$ 7</u>	<u>\$ 5</u>
Total Assets.....	<u>\$ 21,751</u>	<u>\$ 2,923</u>	<u>\$ 1,787</u>	<u>\$ 212,592</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ 592	\$ 174	\$ 270	\$ 56,282
Interfund Payables.....	-	133	-	-
Unearned Revenue.....	-	-	-	4,275
Loans Payable.....	2,439	-	-	-
Compensated Absences Payable.....	8	33	7	23
Securities Lending Liabilities.....	-	-	-	19,057
Total Current Liabilities.....	<u>\$ 3,039</u>	<u>\$ 340</u>	<u>\$ 277</u>	<u>\$ 79,637</u>
Noncurrent Liabilities:				
Loans Payable.....	\$ 9,752	\$ -	\$ -	\$ -
Compensated Absences Payable.....	95	375	73	297
Advances from Other Funds.....	1,750	-	-	-
Total Noncurrent Liabilities.....	<u>\$ 11,597</u>	<u>\$ 375</u>	<u>\$ 73</u>	<u>\$ 297</u>
Total Liabilities.....	<u>\$ 14,636</u>	<u>\$ 715</u>	<u>\$ 350</u>	<u>\$ 79,934</u>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt.....	\$ 6,368	\$ 76	\$ 7	\$ 5
Unrestricted .....	747	2,132	1,430	132,653
Total Net Assets.....	<u>\$ 7,115</u>	<u>\$ 2,208</u>	<u>\$ 1,437</u>	<u>\$ 132,658</u>

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 12,084	\$ 13,772	\$ 17,144	\$ 215,344
-	-	-	20,061
10,196	2,054	539	20,472
-	-	-	341
-	285	-	946
1,397	-	106	1,762
-	-	-	19,057
<u>\$ 23,677</u>	<u>\$ 16,111</u>	<u>\$ 17,789</u>	<u>\$ 277,983</u>
\$ 455	\$ -	\$ -	\$ 455
8,345	727	-	27,719
<u>\$ 8,800</u>	<u>\$ 727</u>	<u>\$ -</u>	<u>\$ 28,174</u>
<u>\$ 32,477</u>	<u>\$ 16,838</u>	<u>\$ 17,789</u>	<u>\$ 306,157</u>
\$ 6,958	\$ 2,854	\$ 9,197	\$ 76,327
-	-	-	133
37	-	218	4,530
2,415	-	-	4,854
249	138	6	464
-	-	-	19,057
<u>\$ 9,659</u>	<u>\$ 2,992</u>	<u>\$ 9,421</u>	<u>\$ 105,365</u>
\$ 3,270	\$ -	\$ -	\$ 13,022
2,821	1,136	79	4,876
-	-	-	1,750
<u>\$ 6,091</u>	<u>\$ 1,136</u>	<u>\$ 79</u>	<u>\$ 19,648</u>
<u>\$ 15,750</u>	<u>\$ 4,128</u>	<u>\$ 9,500</u>	<u>\$ 125,013</u>
\$ 2,812	\$ 727	\$ -	\$ 9,995
13,915	11,983	8,289	171,149
<u>\$ 16,727</u>	<u>\$ 12,710</u>	<u>\$ 8,289</u>	<u>\$ 181,144</u>

STATE OF MINNESOTA

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
<b>Operating Revenues:</b>				
Net Sales.....	\$ -	\$ 10,710	\$ 7,156	\$ -
Rental and Service Fees.....	12,893	2,240	-	-
Insurance Premiums.....	-	-	-	548,325
Other Income.....	39	-	-	5,850
<b>Total Operating Revenues.....</b>	<b>\$ 12,932</b>	<b>\$ 12,950</b>	<b>\$ 7,156</b>	<b>\$ 554,175</b>
Less: Cost of Goods Sold.....	-	-	5,680	-
<b>Gross Margin.....</b>	<b>\$ 12,932</b>	<b>\$ 12,950</b>	<b>\$ 1,476</b>	<b>\$ 554,175</b>
<b>Operating Expenses:</b>				
Purchased Services.....	\$ 1,468	\$ 8,951	\$ 478	\$ 83,499
Salaries and Fringe Benefits.....	780	3,232	599	2,846
Claims.....	-	-	-	474,718
Depreciation.....	4,525	89	3	2
Amortization.....	-	-	-	-
Supplies and Materials.....	4,259	105	24	17
Indirect Costs.....	385	75	229	225
Other Expenses.....	86	58	115	1,641
<b>Total Operating Expenses.....</b>	<b>\$ 11,503</b>	<b>\$ 12,510</b>	<b>\$ 1,448</b>	<b>\$ 562,948</b>
<b>Operating Income (Loss).....</b>	<b>\$ 1,429</b>	<b>\$ 440</b>	<b>\$ 28</b>	<b>\$ (8,773)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Income.....	\$ 517	\$ -	\$ -	\$ 10,741
Securities Lending Income.....	-	-	-	852
Other Nonoperating Revenues.....	54	-	-	-
Interest and Financing Costs.....	(204)	-	-	-
Securities Lending Rebates and Fees.....	-	-	-	(843)
Other Nonoperating Expenses.....	-	-	-	-
Gain (Loss) on Disposal of Capital Assets.....	(211)	-	-	-
<b>Total Nonoperating Revenues (Expenses).....</b>	<b>\$ 156</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,750</b>
<b>Income (Loss) Before Transfers &amp; Contributions.....</b>	<b>\$ 1,585</b>	<b>\$ 440</b>	<b>\$ 28</b>	<b>\$ 1,977</b>
Capital Contributions.....	-	-	-	-
Transfers-Out.....	-	-	-	-
<b>Change in Net Assets.....</b>	<b>\$ 1,585</b>	<b>\$ 440</b>	<b>\$ 28</b>	<b>\$ 1,977</b>
<b>Net Assets, Beginning, as Reported.....</b>	<b>\$ 5,530</b>	<b>\$ 1,768</b>	<b>\$ 1,409</b>	<b>\$ 130,681</b>
<b>Net Assets, Ending.....</b>	<b>\$ 7,115</b>	<b>\$ 2,208</b>	<b>\$ 1,437</b>	<b>\$ 132,658</b>

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ -	\$ -	\$ -	\$ 17,866
79,852	63,828	-	158,813
-	-	10,860	559,185
413	-	123	6,425
<u>\$ 80,265</u>	<u>\$ 63,828</u>	<u>\$ 10,983</u>	<u>\$ 742,289</u>
-	-	-	5,680
<u>\$ 80,265</u>	<u>\$ 63,828</u>	<u>\$ 10,983</u>	<u>\$ 736,609</u>
\$ 42,706	\$ 16,787	\$ 4,818	\$ 158,707
25,968	12,877	873	47,175
-	-	3,399	478,117
4,501	128	1	9,249
237	-	-	237
2,052	2,130	17	8,604
49	783	75	1,821
683	219	11	2,813
<u>\$ 76,196</u>	<u>\$ 32,924</u>	<u>\$ 9,194</u>	<u>\$ 706,723</u>
<u>\$ 4,069</u>	<u>\$ 30,904</u>	<u>\$ 1,789</u>	<u>\$ 29,886</u>
\$ 220	\$ -	\$ 920	\$ 12,398
-	-	-	852
4	-	-	58
(210)	-	-	(414)
-	-	-	(843)
(7,497)	-	(1,036)	(8,533)
-	(8)	-	(219)
<u>\$ (7,483)</u>	<u>\$ (8)</u>	<u>\$ (116)</u>	<u>\$ 3,299</u>
<u>\$ (3,414)</u>	<u>\$ 30,896</u>	<u>\$ 1,673</u>	<u>\$ 33,185</u>
655	-	-	655
-	(30,980)	-	(30,980)
<u>\$ (2,759)</u>	<u>\$ (84)</u>	<u>\$ 1,673</u>	<u>\$ 2,860</u>
<u>\$ 19,486</u>	<u>\$ 12,794</u>	<u>\$ 6,616</u>	<u>\$ 178,284</u>
<u>\$ 16,727</u>	<u>\$ 12,710</u>	<u>\$ 8,289</u>	<u>\$ 181,144</u>

STATE OF MINNESOTA

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers.....	\$ 12,790	\$ 12,500	\$ 6,958	\$ 546,396
Receipts from Other Revenues.....	39	-	-	5,947
Payments to Claimants.....	-	-	-	(471,508)
Payments to Suppliers.....	(6,252)	(8,890)	(6,965)	(78,702)
Payments to Employees.....	(779)	(3,194)	(580)	(2,823)
Payments to Others.....	-	(24)	-	(6,416)
Net Cash Flows from Operating Activities.....	\$ 5,798	\$ 392	\$ (587)	\$ (7,106)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers-Out.....	\$ -	\$ -	\$ -	\$ -
Advances from Other Funds.....	2,000	-	-	-
Repayments of Advances from Other Funds.....	(3,750)	(136)	-	-
Other Nonoperating Expenses.....	54	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ (1,696)	\$ (136)	\$ -	\$ -
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Investment in Capital Assets.....	\$ (7,790)	\$ -	\$ (9)	\$ -
Proceeds from Disposal of Capital Assets.....	2,521	-	-	-
Proceeds from Loans.....	7,058	-	-	-
Repayment of Loan Principal.....	(5,494)	-	-	-
Interest Paid.....	(509)	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (4,214)	\$ -	\$ (9)	\$ -
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ 12,704
Purchase of Investments.....	-	-	-	(12,640)
Investment Earnings.....	517	-	-	10,705
Net Cash Flows from Investing Activities.....	\$ 517	\$ -	\$ -	\$ 10,769
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 405	\$ 256	\$ (596)	\$ 3,663
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 1,452	\$ 537	\$ 1,078	\$ 165,549
Cash and Cash Equivalents, Ending.....	\$ 1,857	\$ 793	\$ 482	\$ 169,212
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss).....	\$ 1,429	\$ 440	\$ 28	\$ (8,773)
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>				
Depreciation.....	\$ 4,525	\$ 89	\$ 3	\$ 2
Amortization.....	-	-	-	-
<b>Change in Assets and Liabilities:</b>				
Accounts Receivable.....	(103)	(450)	(199)	(1,159)
Inventories.....	6	-	(56)	-
Other Assets.....	-	334	-	-
Accounts Payable.....	(71)	(86)	(365)	3,546
Compensated Absences Payable.....	12	65	2	(5)
Unearned Revenues.....	-	-	-	(717)
Other Liabilities.....	-	-	-	-
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 4,369	\$ (48)	\$ (615)	\$ 1,667
Net Cash Flows from Operating Activities.....	\$ 5,798	\$ 392	\$ (587)	\$ (7,106)
<b>Noncash Investing, Capital and Financing Activities:</b>				
Disposal of Capital Assets.....	\$ 431	\$ -	\$ -	\$ -
Accrual of Computer Equipment as an Investment in Capital Assets.....	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 81,201	\$ 68,344	\$ 11,001	\$ 739,190
413	942	-	7,341
-	-	(4,296)	(475,804)
(43,299)	(19,500)	(4,929)	(168,537)
(25,434)	(12,765)	(861)	(46,436)
-	-	-	(6,440)
<u>\$ 12,881</u>	<u>\$ 37,021</u>	<u>\$ 915</u>	<u>\$ 49,314</u>
\$ -	\$ (30,212)	\$ -	\$ (30,212)
-	-	-	2,000
-	-	-	(3,886)
(7,497)	-	(1,045)	(8,488)
<u>\$ (7,497)</u>	<u>\$ (30,212)</u>	<u>\$ (1,045)</u>	<u>\$ (40,586)</u>
\$ (3,498)	\$ (207)	\$ -	\$ (11,504)
-	23	-	2,544
2,499	-	-	9,557
(3,063)	(4)	-	(8,561)
(208)	-	-	(717)
<u>\$ (4,270)</u>	<u>\$ (188)</u>	<u>\$ -</u>	<u>\$ (8,681)</u>
\$ -	\$ -	\$ -	\$ 12,704
-	-	-	(12,640)
267	-	920	12,409
<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 920</u>	<u>\$ 12,473</u>
\$ 1,381	\$ 6,621	\$ 790	\$ 12,520
\$ 10,703	\$ 7,151	\$ 16,354	\$ 202,824
<u>\$ 12,084</u>	<u>\$ 13,772</u>	<u>\$ 17,144</u>	<u>\$ 215,344</u>
<u>\$ 4,069</u>	<u>\$ 30,904</u>	<u>\$ 1,789</u>	<u>\$ 29,886</u>
\$ 4,501	\$ 128	\$ 1	\$ 9,249
237	-	-	237
652	5,497	(295)	3,943
-	(25)	-	(75)
(708)	-	5	(369)
3,624	445	(610)	6,483
343	72	7	496
37	-	18	(662)
126	-	-	126
<u>\$ 8,812</u>	<u>\$ 6,117</u>	<u>\$ (874)</u>	<u>\$ 19,428</u>
<u>\$ 12,881</u>	<u>\$ 37,021</u>	<u>\$ 915</u>	<u>\$ 49,314</u>
\$ -	\$ -	\$ -	\$ 431
<u>1,066</u>	<u>-</u>	<u>-</u>	<u>1,066</u>



State of Minnesota

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2007  
Comprehensive  
Annual  
Financial Report

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# Pension Trust Funds

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## **Minnesota State Retirement System**

### **Correctional Employees Retirement Fund**

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

### **Elective State Officers Fund**

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

### **Hennepin County Supplemental Retirement Fund**

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

### **Judicial Retirement Fund**

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

### **Legislative Retirement Fund**

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

### **Postretirement Health Care Benefits Fund**

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

### **State Deferred Compensation Fund**

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

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# Pension Trust Funds – Cont'd.

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## **State Employees Retirement Fund**

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

## **State Patrol Retirement Fund**

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

## **Unclassified Employees Retirement Fund**

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

## **Public Employees Retirement Association**

### **Defined Contribution Fund**

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

### **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, 2007  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL	JUDICIAL RETIREMENT
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 11	\$ -	\$ 49	\$ 413
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 38,864	\$ -	\$ 15,811	\$ 12,002
Investments:				
Commercial Paper.....	\$ 2,181	\$ -	\$ 96	\$ 582
Debt Securities.....	144,126	-	28,795	38,467
Equity Securities.....	427,634	-	96,578	112,695
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 573,941	\$ -	\$ 125,469	\$ 151,744
Accrued Interest and Dividends.....	\$ 1,766	\$ -	\$ 465	\$ 472
Securities Trades Receivables (Payables).....	(20,302)	-	(898)	(5,426)
Total Investment Pool Participation.....	\$ 594,269	\$ -	\$ 140,847	\$ 158,792
Receivables:				
Employer Contributions.....	\$ 727	\$ -	\$ 12	\$ 151
Member Contributions.....	517	-	12	55
Interfund Receivables.....	-	-	-	1
Other Receivables.....	2	212	6	5
Accrued Interest and Dividends.....	15	-	-	3
Total Receivables.....	\$ 1,261	\$ 212	\$ 30	\$ 215
Securities Lending Collateral.....	\$ 94,308	\$ -	\$ 21,953	\$ 25,037
Depreciable Capital Assets (Net).....	-	-	-	-
Nondepreciable Capital Assets.....	-	-	-	-
Total Assets.....	\$ 689,849	\$ 212	\$ 162,879	\$ 184,457
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 90	\$ -	\$ -	\$ 17
Interfund Payables.....	393	1	5	40
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	-
Securities Lending Liabilities.....	94,308	-	21,953	25,037
Total Liabilities.....	\$ 94,791	\$ 1	\$ 21,958	\$ 25,094
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 595,058	\$ 211	\$ 140,921	\$ 159,363

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ 285	\$ -	\$ 389	\$ 6	\$ -
\$ 2,627	\$ 67,909	\$ 207,414	\$ 615,236	\$ 43,372	\$ 25,592
\$ 139	\$ 164	\$ -	\$ 34,647	\$ 2,393	\$ 226
9,201	54,526	-	2,289,789	158,151	75,849
26,155	50,192	-	6,850,353	465,132	216,656
-	-	3,420,603	-	-	-
\$ 35,495	\$ 104,882	\$ 3,420,603	\$ 9,174,789	\$ 625,676	\$ 292,731
\$ 113	\$ 611	\$ 209	\$ 28,024	\$ 1,941	\$ 986
(1,301)	(1,532)	-	(322,272)	(22,302)	(2,091)
\$ 36,934	\$ 171,870	\$ 3,628,226	\$ 9,495,777	\$ 648,687	\$ 317,218
\$ -	\$ -	\$ -	\$ 4,482	\$ 383	\$ 219
-	4,267	-	4,482	256	155
-	-	-	4,043	-	-
7,960	-	559	196	11	1
-	-	-	289	13	-
\$ 7,960	\$ 4,267	\$ 559	\$ 13,492	\$ 663	\$ 375
\$ 5,913	\$ 13,537	\$ -	\$ 1,503,424	\$ 103,122	\$ 49,086
-	-	-	5,313	-	-
-	-	-	88	-	-
\$ 50,807	\$ 189,959	\$ 3,628,785	\$ 11,018,483	\$ 752,478	\$ 366,679
\$ -	\$ -	\$ 1,629	\$ 2,105	\$ 73	\$ -
25	2,271	1,014	-	102	193
-	-	-	-	-	-
-	-	-	5,267	-	-
-	-	-	31	-	-
-	-	-	651	-	-
5,913	13,537	-	1,503,424	103,122	49,086
\$ 5,938	\$ 15,808	\$ 2,643	\$ 1,511,478	\$ 103,297	\$ 49,279
\$ 44,869	\$ 174,151	\$ 3,626,142	\$ 9,507,005	\$ 649,181	\$ 317,400

CONTINUED

STATE OF MINNESOTA

PENSION TRUST FUNDS (CONTINUED)  
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007  
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 30	\$ 1,712	\$ 327	\$ 3,174
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 2,613	\$ 359,820	\$ 12,161	\$ 901,017
Investments:				
Commercial Paper.....	\$ 30	\$ 20,144	\$ 615	\$ 50,228
Debt Securities.....	8,572	1,331,313	40,656	3,319,535
Equity Securities.....	20,755	3,974,251	125,204	9,858,899
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 29,357	\$ 5,325,708	\$ 166,475	\$ 13,228,662
Accrued Interest and Dividends.....	\$ 94	\$ 16,305	\$ 495	\$ 40,672
Securities Trades Receivables (Payables).....	(278)	(179,305)	(5,994)	(442,509)
Total Investment Pool Participation.....	\$ 31,786	\$ 5,522,528	\$ 173,137	\$ 13,727,842
Receivables:				
Employer Contributions.....	\$ -	\$ -	\$ -	\$ -
Member Contributions.....	-	-	-	-
Interfund Receivables.....	-	111	15	985
Other Receivables.....	100	16,324	1,034	16,696
Accrued Interest and Dividends.....	-	-	-	-
Total Receivables.....	\$ 100	\$ 16,435	\$ 1,049	\$ 17,681
Securities Lending Collateral.....	\$ 4,803	\$ 873,405	\$ 27,033	\$ 2,172,946
Depreciable Capital Assets (Net).....	-	-	-	10,615
Nondepreciable Capital Assets.....	-	-	-	170
Total Assets.....	\$ 36,719	\$ 6,414,080	\$ 201,546	\$ 15,932,428
<b>LIABILITIES</b>				
Accounts Payable.....	\$ -	\$ 10,330	\$ 47	\$ 29,805
Interfund Payables.....	117	682	186	126
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	10,378
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	714
Securities Lending Liabilities.....	4,803	873,405	27,033	2,172,946
Total Liabilities.....	\$ 4,920	\$ 884,417	\$ 27,266	\$ 2,213,969
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 31,799	\$ 5,529,663	\$ 174,280	\$ 13,718,459

TEACHERS RETIREMENT ASSOCIATION	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
TEACHERS RETIREMENT	COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 2,420	\$ 316	\$ 9,132
\$ 1,328,183	\$ -	\$ 3,632,621
\$ 72,955	\$ -	\$ 184,400
4,821,598	-	12,320,578
14,327,890	-	36,552,394
-	881,023	4,301,626
\$ 19,222,443	\$ 881,023	\$ 53,358,998
\$ 59,834	\$ -	\$ 151,987
(679,752)	-	(1,683,962)
\$ 19,930,708	\$ 881,023	\$ 55,459,644
\$ 14,498	\$ -	\$ 20,472
-	-	9,744
-	-	5,155
-	-	43,106
1	-	321
\$ 14,499	\$ -	\$ 78,798
\$ 3,160,952	\$ -	\$ 8,055,519
10,937	-	26,865
171	-	429
\$ 23,119,687	\$ 881,339	\$ 63,630,387
\$ 8,659	\$ -	\$ 52,755
-	-	5,155
42	-	42
10,430	-	26,075
48	-	79
674	-	2,039
3,160,952	-	8,055,519
\$ 3,180,805	\$ -	\$ 8,141,664
\$ 19,938,882	\$ 881,339	\$ 55,488,723

STATE OF MINNESOTA

**PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES  
IN NET ASSETS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 13,927	\$ -	\$ 640	\$ 7,572
Member.....	10,032	-	640	2,792
Contributions From Other Sources.....	-	427	-	-
Total Contributions.....	<u>\$ 23,959</u>	<u>\$ 427</u>	<u>\$ 1,280</u>	<u>\$ 10,364</u>
Net Investment Income:				
Investment Income.....	\$ 85,465	\$ -	\$ 20,646	\$ 25,681
Less: Investment Expense.....	(846)	-	-	(216)
Net Investment Income.....	<u>\$ 84,619</u>	<u>\$ -</u>	<u>\$ 20,646</u>	<u>\$ 25,465</u>
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 4,179	\$ -	\$ 756	\$ 1,110
Borrower Rebates.....	(3,905)	-	(702)	(1,037)
Management Fees.....	(63)	-	(12)	(17)
Net Securities Lending Revenue.....	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 56</u>
Total Investment Income.....	<u>\$ 84,830</u>	<u>\$ -</u>	<u>\$ 20,688</u>	<u>\$ 25,521</u>
Transfers From Other Funds.....	\$ 131	\$ -	\$ -	\$ -
Other Additions.....	-	-	52	-
Total Additions.....	<u>\$ 108,920</u>	<u>\$ 427</u>	<u>\$ 22,020</u>	<u>\$ 35,885</u>
Deductions:				
Benefits.....	\$ 28,565	\$ 419	\$ 5,830	\$ 14,516
Refunds/Withdrawals.....	752	-	1,677	45
Administrative Expenses.....	744	4	64	84
Transfers to Other Funds.....	18	-	-	27
Total Deductions.....	<u>\$ 30,079</u>	<u>\$ 423</u>	<u>\$ 7,571</u>	<u>\$ 14,672</u>
Net Increase (Decrease).....	<u>\$ 78,841</u>	<u>\$ 4</u>	<u>\$ 14,449</u>	<u>\$ 21,213</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....				
	<u>\$ 516,217</u>	<u>\$ 207</u>	<u>\$ 126,472</u>	<u>\$ 138,150</u>
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....				
	<u>\$ 595,058</u>	<u>\$ 211</u>	<u>\$ 140,921</u>	<u>\$ 159,363</u>

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ -	\$ -	\$ 86,493	\$ 7,461	\$ 6,258
239	59,515	217,446	89,448	4,987	5,476
1,772	-	-	-	-	-
<u>\$ 2,011</u>	<u>\$ 59,515</u>	<u>\$ 217,446</u>	<u>\$ 175,941</u>	<u>\$ 12,448</u>	<u>\$ 11,734</u>
\$ 6,846	\$ 12,693	\$ 456,868	\$ 1,513,066	\$ 100,831	\$ 68,042
(50)	-	-	(13,038)	(914)	-
<u>\$ 6,796</u>	<u>\$ 12,693</u>	<u>\$ 456,868</u>	<u>\$ 1,500,028</u>	<u>\$ 99,917</u>	<u>\$ 68,042</u>
\$ 262	\$ 519	\$ -	\$ 66,602	\$ 4,570	\$ 1,739
(245)	(481)	-	(62,229)	(4,271)	(1,609)
(4)	(9)	-	(1,012)	(69)	(30)
<u>\$ 13</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 3,361</u>	<u>\$ 230</u>	<u>\$ 100</u>
<u>\$ 6,809</u>	<u>\$ 12,722</u>	<u>\$ 456,868</u>	<u>\$ 1,503,389</u>	<u>\$ 100,147</u>	<u>\$ 68,142</u>
\$ 8	\$ -	\$ -	\$ 17,268	\$ -	\$ 1,988
3	1,031	6,036	341	3	40
<u>\$ 8,831</u>	<u>\$ 73,268</u>	<u>\$ 680,350</u>	<u>\$ 1,696,939</u>	<u>\$ 112,598</u>	<u>\$ 81,904</u>
\$ 6,390	\$ 23,470	\$ 35,285	\$ 392,058	\$ 40,582	\$ -
35	-	135,419	11,102	133	29,994
30	868	9,240	5,715	210	197
26	-	-	2,100	-	17,224
<u>\$ 6,481</u>	<u>\$ 24,338</u>	<u>\$ 179,944</u>	<u>\$ 410,975</u>	<u>\$ 40,925</u>	<u>\$ 47,415</u>
<u>\$ 2,350</u>	<u>\$ 48,930</u>	<u>\$ 500,406</u>	<u>\$ 1,285,964</u>	<u>\$ 71,673</u>	<u>\$ 34,489</u>
<u>\$ 42,519</u>	<u>\$ 125,221</u>	<u>\$ 3,125,736</u>	<u>\$ 8,221,041</u>	<u>\$ 577,508</u>	<u>\$ 282,911</u>
<u>\$ 44,869</u>	<u>\$ 174,151</u>	<u>\$ 3,626,142</u>	<u>\$ 9,507,005</u>	<u>\$ 649,181</u>	<u>\$ 317,400</u>

CONTINUED

STATE OF MINNESOTA

**PENSION TRUST FUNDS (CONTINUED)**  
**COMBINING STATEMENT OF CHANGES**  
**IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2007**  
**(IN THOUSANDS)**

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 1,374	\$ 74,707	\$ 12,499	\$ 283,419
Member.....	1,254	50,689	8,335	260,907
Contributions From Other Sources.....	-	-	-	-
Total Contributions.....	\$ 2,628	\$ 125,396	\$ 20,834	\$ 544,326
Net Investment Income:				
Investment Income.....	\$ 4,255	\$ 882,304	\$ 25,409	\$ 2,237,083
Less: Investment Expense.....	-	(7,683)	(223)	(18,946)
Net Investment Income.....	\$ 4,255	\$ 874,621	\$ 25,186	\$ 2,218,137
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 169	\$ 38,693	\$ 1,196	\$ 96,279
Borrower Rebates.....	(157)	(36,152)	(1,118)	(89,962)
Management Fees.....	(2)	(588)	(18)	(1,461)
Net Securities Lending Revenue.....	\$ 10	\$ 1,953	\$ 60	\$ 4,856
Total Investment Income.....	\$ 4,265	\$ 876,574	\$ 25,246	\$ 2,222,993
Transfers From Other Funds.....	\$ -	\$ -	\$ -	\$ -
Other Additions.....	-	1,671	22	4,229
Total Additions.....	\$ 6,893	\$ 1,003,641	\$ 46,102	\$ 2,771,548
Deductions:				
Benefits.....	\$ -	\$ 280,267	\$ 1,836	\$ 784,013
Refunds/Withdrawals.....	2,014	874	474	25,745
Administrative Expenses.....	117	926	197	11,979
Transfers to Other Funds.....	-	-	-	-
Total Deductions.....	\$ 2,131	\$ 282,067	\$ 2,507	\$ 821,737
Net Increase (Decrease).....	\$ 4,762	\$ 721,574	\$ 43,595	\$ 1,949,811
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....				
	\$ 27,037	\$ 4,808,089	\$ 130,685	\$ 11,768,648
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....				
	\$ 31,799	\$ 5,529,663	\$ 174,280	\$ 13,718,459

TEACHERS RETIREMENT ASSOCIATION	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
TEACHERS RETIREMENT	RETIREMENT	TOTAL
\$ 187,339	\$ 32,186	\$ 713,875
199,869	27,295	938,924
25,413	16,951	44,563
<u>\$ 412,621</u>	<u>\$ 76,432</u>	<u>\$ 1,697,362</u>
\$ 3,077,309	\$ 98,222	\$ 8,614,720
(27,883)	-	(69,799)
<u>\$ 3,049,426</u>	<u>\$ 98,222</u>	<u>\$ 8,544,921</u>
\$ 139,993	\$ -	\$ 356,067
(130,802)	-	(332,670)
(2,126)	-	(5,411)
<u>\$ 7,065</u>	<u>\$ -</u>	<u>\$ 17,986</u>
\$ 3,056,491	\$ 98,222	\$ 8,562,907
\$ -	\$ -	\$ 19,395
4,368	-	17,796
<u>\$ 3,473,480</u>	<u>\$ 174,654</u>	<u>\$ 10,297,460</u>
\$ 1,269,560	\$ 33,233	\$ 2,916,024
15,621	-	223,885
13,944	367	44,686
-	-	19,395
<u>\$ 1,299,125</u>	<u>\$ 33,600</u>	<u>\$ 3,203,990</u>
\$ 2,174,355	\$ 141,054	\$ 7,093,470
<u>\$ 17,764,527</u>	<u>\$ 740,285</u>	<u>\$ 48,395,253</u>
<u>\$ 19,938,882</u>	<u>\$ 881,339</u>	<u>\$ 55,488,723</u>





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# Investment Trust Funds

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## **Supplemental Retirement Fund**

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

## **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, 2007**  
**(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
<b>ASSETS</b>			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 17,079	\$ 467	\$ 17,546
Investments:			
Commercial Paper.....	\$ 1,676	\$ -	\$ 1,676
Debt Securities.....	123,194	2,635	125,829
Equity Securities.....	351,462	3,336	354,798
Total Investments.....	\$ 476,332	\$ 5,971	\$ 482,303
Accrued Interest and Dividends.....	\$ 1,529	\$ 38	\$ 1,567
Securities Trades Receivables (Payables).....	(15,445)	-	(15,445)
Total Investment Pool Participation.....	\$ 479,495	\$ 6,476	\$ 485,971
Securities Lending Collateral.....	\$ 97,221	\$ 1,070	\$ 98,291
Total Assets.....	\$ 576,716	\$ 7,546	\$ 584,262
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 81	\$ -	\$ 81
Securities Lending Liabilities.....	97,221	1,070	98,291
Total Liabilities.....	\$ 97,302	\$ 1,070	\$ 98,372
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	<u>\$ 479,414</u>	<u>\$ 6,476</u>	<u>\$ 485,890</u>

**STATE OF MINNESOTA**

**INVESTMENT TRUST FUNDS  
STATEMENT OF CHANGES  
IN PLAN NET ASSETS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 97,948	\$ -	\$ 97,948
Total Contributions.....	\$ 97,948	\$ -	\$ 97,948
Net Investment Income:			
Investment Income.....	\$ 65,120	\$ 801	\$ 65,921
Less: Investment Expense.....	(339)	-	(339)
Net Investment Income.....	\$ 64,781	\$ 801	\$ 65,582
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 3,567	\$ 26	\$ 3,593
Borrower Rebates.....	(3,379)	(24)	(3,403)
Net Securities Lending Revenue.....	\$ 188	\$ 2	\$ 190
Total Investment Income.....	\$ 64,969	\$ 803	\$ 65,772
Total Additions.....	\$ 162,917	\$ 803	\$ 163,720
Deductions:			
Refunds/Withdrawals.....	\$ 23,495	\$ -	\$ 23,495
Total Deductions.....	\$ 23,495	\$ -	\$ 23,495
Net Increase (Decrease).....	\$ 139,422	\$ 803	\$ 140,225
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 339,992	\$ 5,673	\$ 345,665
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 479,414	\$ 6,476	\$ 485,890





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# Agency Fund

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## **Agency Fund**

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

STATE OF MINNESOTA

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**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2007**  
**(IN THOUSANDS)**

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	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>MISCELLANEOUS AGENCY</b>				
ASSETS				
Cash and Cash Equivalents.....	\$ 69,569	\$ 1,163,791	\$ 1,111,920	\$ 121,440
Accounts Receivable.....	11,705	15,314	11,705	15,314
Total Assets.....	<u>\$ 81,274</u>	<u>\$ 1,179,105</u>	<u>\$ 1,123,625</u>	<u>\$ 136,754</u>
LIABILITIES				
Accounts Payable.....	\$ 81,274	\$ 1,179,105	\$ 1,123,625	\$ 136,754
Total Liabilities.....	<u>\$ 81,274</u>	<u>\$ 1,179,105</u>	<u>\$ 1,123,625</u>	<u>\$ 136,754</u>



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# Nonmajor Component Unit Funds

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## **Agricultural and Economic Development Board**

The board administers programs for agricultural and economic development.

## **ClearWay Minnesota**

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

## **National Sports Center Foundation**

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

## **Office of Higher Education**

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

## **Public Facilities Authority**

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

## **Rural Finance Authority**

The authority administers state 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, 2006 and JUNE 30, 2007  
 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 6,379	\$ 28	\$ 666	\$ 211,572
Investments.....	-	178,380	-	17,695
Accounts Receivable.....	-	17	478	7,645
Due from Primary Government.....	-	-	-	-
Accrued Investment/Interest Income.....	204	-	-	-
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	-	32	-
Deferred Costs.....	-	-	160	232
Loans and Notes Receivable.....	2,184	-	-	-
Securities Lending Collateral.....	-	-	-	8,458
Other Assets.....	-	85	3,000	-
Total Current Assets.....	<u>\$ 8,767</u>	<u>\$ 178,510</u>	<u>\$ 4,336</u>	<u>\$ 245,602</u>
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ -	\$ 6,519
Investments-Restricted.....	20,042	-	-	-
Accounts Receivable-Restricted.....	-	-	2,684	-
Due from Primary government.....	-	-	-	-
Investments.....	-	-	-	-
Accounts Receivable.....	-	-	-	-
Loans and Notes Receivable.....	13,555	-	-	643,850
Depreciable Capital Assets (Net).....	-	84	520	-
Nondepreciable Capital Assets.....	-	-	370	-
Other Assets.....	-	-	-	3,378
Total Noncurrent Assets.....	<u>\$ 33,597</u>	<u>\$ 84</u>	<u>\$ 3,574</u>	<u>\$ 653,747</u>
Total Assets.....	<u>\$ 42,364</u>	<u>\$ 178,594</u>	<u>\$ 7,910</u>	<u>\$ 899,349</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable.....	\$ -	\$ 1,114	\$ 723	\$ 7,163
Due to Primary Government.....	-	-	-	-
Unearned Revenue.....	-	-	239	453
Accrued Bond Interest Payable.....	478	-	-	-
Loans and Notes Payable.....	-	-	658	-
Revenue Bonds Payable.....	1,810	-	-	-
Grants Payable.....	-	3,357	-	-
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	47
Securities Lending Liabilities.....	-	-	-	8,458
Other Liabilities.....	-	80	-	-
Total Current Liabilities.....	<u>\$ 2,288</u>	<u>\$ 4,551</u>	<u>\$ 1,620</u>	<u>\$ 16,121</u>
Noncurrent Liabilities:				
Due to Primary Government.....	\$ -	\$ -	\$ -	\$ -
Loans and Notes Payable.....	-	-	5,747	-
Revenue Bonds Payable.....	16,910	-	-	557,000
Claims Payable.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	535
Other Liabilities.....	-	1,199	-	-
Total Noncurrent Liabilities.....	<u>\$ 16,910</u>	<u>\$ 1,199</u>	<u>\$ 5,747</u>	<u>\$ 557,535</u>
Total Liabilities.....	<u>\$ 19,198</u>	<u>\$ 5,750</u>	<u>\$ 7,367</u>	<u>\$ 573,656</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt.....	\$ -	\$ 84	\$ 890	\$ -
Restricted.....	19,776	-	-	323,432
Unrestricted.....	3,390	172,760	(347)	2,261
Total Net Assets.....	<u>\$ 23,166</u>	<u>\$ 172,844</u>	<u>\$ 543</u>	<u>\$ 325,693</u>

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
\$ 158,084	\$ 10,091	\$ 9,532	\$ 396,352
9,250	-	332,557	537,882
-	-	39,721	47,861
3,479	-	-	3,479
17,458	-	2,251	19,913
391	-	-	391
-	-	-	32
-	-	5,695	6,087
74,938	7,845	-	84,967
17,874	-	-	26,332
-	-	346	3,431
<u>\$ 281,474</u>	<u>\$ 17,936</u>	<u>\$ 390,102</u>	<u>\$ 1,126,727</u>
\$ -	\$ -	\$ -	\$ 6,519
-	-	-	20,042
-	-	-	2,684
22,491	-	-	22,491
146,499	-	-	146,499
-	-	371,394	371,394
1,338,901	46,053	-	2,042,359
-	-	-	604
-	-	-	370
2,528	-	-	5,906
<u>\$ 1,510,419</u>	<u>\$ 46,053</u>	<u>\$ 371,394</u>	<u>\$ 2,618,868</u>
<u>\$ 1,791,893</u>	<u>\$ 63,989</u>	<u>\$ 761,496</u>	<u>\$ 3,745,595</u>
\$ 2,957	\$ -	\$ 3,068	\$ 15,025
-	13,632	5,484	19,116
-	-	32,112	32,804
14,530	-	-	15,008
-	-	-	658
44,505	-	-	46,315
-	-	-	3,357
-	-	79,269	79,269
23	-	-	70
17,874	-	-	26,332
973	-	-	1,053
<u>\$ 80,862</u>	<u>\$ 13,632</u>	<u>\$ 119,933</u>	<u>\$ 239,007</u>
\$ -	\$ 49,190	\$ -	\$ 49,190
-	-	-	5,747
869,464	-	-	1,443,374
-	-	599,731	599,731
229	-	-	764
2,573	-	-	3,772
<u>\$ 872,266</u>	<u>\$ 49,190</u>	<u>\$ 599,731</u>	<u>\$ 2,102,578</u>
<u>\$ 953,128</u>	<u>\$ 62,822</u>	<u>\$ 719,664</u>	<u>\$ 2,341,585</u>
\$ -	\$ -	\$ -	\$ 974
837,362	-	-	1,180,570
1,403	1,167	41,832	222,466
<u>\$ 838,765</u>	<u>\$ 1,167</u>	<u>\$ 41,832</u>	<u>\$ 1,404,010</u>

STATE OF MINNESOTA

**NONMAJOR COMPONENT UNIT FUNDS  
COMBINING STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2006 AND JUNE 30, 2007  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:				
Total Expenses.....	\$ 1,575	\$ 16,769	\$ 9,575	\$ 234,924
Program Revenues:				
Charges for Services.....	\$ 1,259	\$ -	\$ 8,676	\$ 59,255
Operating Grants and Contributions.....	-	-	-	4,847
Net (Expense) Revenue.....	\$ (316)	\$ (16,769)	\$ (899)	\$ (170,822)
General Revenues:				
Investment Income.....	\$ 1,040	\$ 23,109	\$ 11	\$ -
Other Revenues.....	-	-	927	-
Total General Revenues before Grants.....	\$ 1,040	\$ 23,109	\$ 938	\$ -
State Grants Not Restricted.....	-	-	-	191,749
Total General Revenues.....	\$ 1,040	\$ 23,109	\$ 938	\$ 191,749
Change in Net Assets.....	\$ 724	\$ 6,340	\$ 39	\$ 20,927
Net Assets, Beginning, as Reported.....	\$ 22,442	\$ 166,504	\$ 504	\$ 304,766
Net Assets, Ending.....	<u>\$ 23,166</u>	<u>\$ 172,844</u>	<u>\$ 543</u>	<u>\$ 325,693</u>

<u>PUBLIC FACILITIES AUTHORITY</u>	<u>RURAL FINANCE AUTHORITY</u>	<u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u>	<u>TOTAL</u>
\$ 66,871	\$ 2,351	\$ 96,873	\$ 428,938
\$ 38,171	\$ 3,453	\$ 75,979	\$ 186,793
47,268	-	-	52,115
\$ 18,568	\$ 1,102	\$ (20,894)	\$ (190,030)
\$ -	\$ -	\$ 22,921	\$ 47,081
1,091	-	-	2,018
\$ 1,091	\$ -	\$ 22,921	\$ 49,099
28,437	-	-	220,186
\$ 29,528	\$ -	\$ 22,921	\$ 269,285
\$ 48,096	\$ 1,102	\$ 2,027	\$ 79,255
\$ 790,669	\$ 65	\$ 39,805	\$ 1,324,755
\$ 838,765	\$ 1,167	\$ 41,832	\$ 1,404,010

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, 2007  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 1,208	\$ 3,448	\$ 4,656
Rental and Service Fees.....	-	5	5
Other Income.....	51	-	51
Total Operating Revenues.....	<u>\$ 1,259</u>	<u>\$ 3,453</u>	<u>\$ 4,712</u>
Operating Expenses:			
Economic and Manpower Development.....	\$ 400	\$ 2,351	\$ 2,751
Total Operating Expenses.....	<u>\$ 400</u>	<u>\$ 2,351</u>	<u>\$ 2,751</u>
Operating Income (Loss).....	<u>\$ 859</u>	<u>\$ 1,102</u>	<u>\$ 1,961</u>
Nonoperating Revenues (Expenses):			
Bond Interest Expense.....	\$ (1,175)	\$ -	\$ (1,175)
Investment/Interest Income.....	1,040	-	1,040
Total Nonoperating Revenues (Expenses).....	<u>\$ (135)</u>	<u>\$ -</u>	<u>\$ (135)</u>
Change in Net Assets.....	<u>\$ 724</u>	<u>\$ 1,102</u>	<u>\$ 1,826</u>
Net Assets, Beginning, as Reported.....	<u>\$ 22,442</u>	<u>\$ 65</u>	<u>\$ 22,507</u>
Net Assets, Ending.....	<u><u>\$ 23,166</u></u>	<u><u>\$ 1,167</u></u>	<u><u>\$ 24,333</u></u>

STATE OF MINNESOTA

**NONMAJOR COMPONENT UNITS  
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2007  
(IN THOUSANDS)**

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers.....	\$ 3,490	\$ 9,566	\$ 13,056
Receipts from Other Revenues.....	-	12,946	12,946
Payments to Customers.....	(185)	(10,122)	(10,307)
Payments to Suppliers.....	(50)	-	(50)
Payments to Others.....	(785)	(12,193)	(12,978)
Net Cash Flows from Operating Activities.....	<u>\$ 2,470</u>	<u>\$ 197</u>	<u>\$ 2,667</u>
<b>Cash Flows from Non-Capital Financing:</b>			
Payment of Bond Interest.....	\$ (1,316)	\$ -	\$ (1,316)
Repayment of Bond Principal.....	(5,495)	-	(5,495)
Net Cash Flows from Non-Capital Financing Activities.....	<u>\$ (6,811)</u>	<u>\$ -</u>	<u>\$ (6,811)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales and Maturities of Investments.....	\$ 9,625	\$ -	\$ 9,625
Purchase of Investments.....	(10,534)	-	(10,534)
Investment Interest.....	965	-	965
Net Cash Flows from Investing Activities.....	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 56</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (4,285)</u>	<u>\$ 197</u>	<u>\$ (4,088)</u>
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 10,664	\$ 9,894	\$ 20,558
Cash and Cash Equivalents, Ending.....	<u>\$ 6,379</u>	<u>\$ 10,091</u>	<u>\$ 16,470</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>			
Operating Income (Loss).....	\$ 859	\$ 1,102	\$ 1,961
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>			
Loans Receivable.....	\$ 1,561	\$ (3,427)	\$ (1,866)
Other Receivables.....	50	-	50
Due to Primary Government.....	-	2,522	2,522
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 1,611</u>	<u>\$ (905)</u>	<u>\$ 706</u>
Net Cash Flows from Operating Activities.....	<u>\$ 2,470</u>	<u>\$ 197</u>	<u>\$ 2,667</u>





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# General Obligation Debt Schedule

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**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED**  
**June 30, 2007**  
(\$ in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building <sup>11, 12, 13, 14</sup>	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ 3.1
Building <sup>4, 8, 10, 12</sup>	1994, Ch. 643	523,874.5	523,849.0	25.5
Building <sup>2, 3, 4, 8, 11</sup>	1996, Ch. 463	478,672.9	478,525.0	147.9
Building <sup>2, 3, 4, 8</sup>	X1997, Ch. 2	37,544.5	37,335.0	209.5
Building <sup>3, 4, 5, 8</sup>	1998, Ch. 404	100,656.0	100,656.0	0.0
Building <sup>4, 5, 8, 9</sup>	1999, Ch. 240	439,530.1	438,865.0	665.1
Transportation <sup>2, 3, 4, 9</sup>	1999, Ch. 240	28,000.0	28,000.0	0.0
Transportation <sup>7</sup>	2000, Ch. 479	7,000.0	7,000.0	0.0
Trunk Highway <sup>2</sup>	2000, Ch. 479	100,100.0	99,695.0	405.0
Various Purpose <sup>2, 3, 4, 7</sup>	2000, Ch. 492	528,426.3	514,630.0	13,796.3
Various Purpose <sup>2, 4, 6</sup>	X2001, Ch. 12	117,205.0	115,125.0	2,080.0
Various Purpose <sup>2</sup>	2002, Ch. 374	75,120.0	71,935.0	3,185.0
Various Purpose <sup>2, 4, 5</sup>	2002, Ch. 393	624,712.0	591,605.0	33,107.0
Trunk Highway	X2002, Ch. 1	10,115.0	10,105.0	10.0
Various Purpose <sup>2</sup>	X2002, Ch. 1	16,315.0	13,930.0	2,385.0
Trunk Highway	X2003, Ch. 19, Art.3	400,400.0	385,250.0	15,150.0
Trunk Highway	X2003, Ch. 19, Art.4	110,110.0	105,700.0	4,410.0
Various Purpose	X2003, Ch. 20	236,915.0	201,310.0	35,605.0
Various Purpose	2005, Ch. 20	944,980.0	605,279.0	339,701.0
Rural Finance Authority	X2005, Ch. 3	18,000.0	18,000.0	0.0
Various Purpose <sup>1</sup>	2006, Ch. 258	1,006,630.0	166,800.0	839,830.0
Rural Finance Authority	2007, Ch. 16	30,000.0	0.0	30,000.0
<b>Totals</b>		<u>\$ 6,104,435.5</u>	<u>\$ 4,783,720.0</u>	<u>\$ 1,320,715.5</u>

- (1) Laws 2007, Chapter 45 reduced Building Bonds authorization in Laws 2006, Chapter 258 by \$150,000.
- (2) Minnesota Statutes 16A.642, required that on January 1, 2007 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Laws 1996, Chapter 463 by \$137,935; Special Session Laws 1997, Chapter 2 by \$112,548; and Laws 1999, Chapter 240 by \$93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$524,411; Special Session Laws 2001, Chapter 12 by \$274,734; Laws 2002, Chapter 374 by \$88,266; Laws 2002, Chapter 393 by \$6,052,781; and Special Session Laws 2002, Chapter 1 by \$875,030. The cancellation report also reduced Trunk Highway Bonds authorized by Laws 2000, Chapter 479 by \$503,054 and Transportation Bonds authorized by Laws 2002, Chapter 374 by \$590,000.
- (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

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2007  
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# Statistical Section

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

## **Financial Trends**

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

## **Revenue Capacity**

These schedules contain information to assess the state's most significant revenue source, 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.





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

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

<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 5,943,503	\$ 6,468,103	\$6,781,966
2,452,423	2,482,626	2,703,598
<u>(673,695)</u>	<u>649,481</u>	<u>1,317,416</u>
<u>\$ 7,722,231</u>	<u>\$ 9,600,210</u>	<u>\$ 10,802,980</u>
\$ 884,486	\$ 931,297	\$1,016,955
520,745	852,943	1,058,032
<u>(1,096)</u>	<u>(1,089)</u>	<u>(1,403)</u>
<u>\$ 1,404,135</u>	<u>\$ 1,783,151</u>	<u>\$ 2,073,584</u>
\$ 6,827,989	\$ 7,399,400	\$ 7,798,921
2,973,168	3,335,569	3,761,630
<u>(674,791)</u>	<u>648,392</u>	<u>1,316,013</u>
<u>\$ 9,126,366</u>	<u>\$ 11,383,361</u>	<u>\$ 12,876,564</u>

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

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

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.

<u>2006</u>	<u>2007</u>
\$ 174,807	\$130,830
19,226	18,796
218,376	217,702
214,650	162,519
38,808	42,943
-	-
447,404	265,853
245,015	278,846
4,187,909	4,730,232
1,506,094	1,770,207
452,197	236,700
\$ 7,504,486	\$ 7,854,628
\$ 694,053	\$ 750,742
1,054,227	946,269
449,761	422,570
178,764	230,657
176,023	187,530
1,963	1,839
\$ 2,554,791	\$ 2,539,607
\$ 10,059,277	\$ 10,394,235
\$ 818,192	\$ 855,328
1,791,316	1,795,056
525,251	614,295
273,510	595,085
7,336,455	7,323,406
786,563	921,339
8,823,115	9,717,294
718,996	771,733
1,400,479	1,489,439
172,612	208,719
\$ 22,646,489	\$ 24,291,694
\$ 1,479,519	\$ 1,550,936
690,713	735,987
332,031	311,893
183,043	215,005
\$ 2,685,306	\$ 2,813,821
\$ 25,331,795	\$ 27,105,515

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

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

<u>2006</u>	<u>2007</u>
\$(15,142,003)	\$(16,437,066)
<u>(130,515)</u>	<u>(274,214)</u>
<u><u>\$(15,272,518)</u></u>	<u><u>\$(16,711,280)</u></u>

\$ 7,069,242	\$ 7,463,959
1,189,328	1,160,380
4,439,667	4,600,984
633,288	667,395
539,468	1,025,820
659,980	647,168
2,663,939	2,154,689
184,139	184,924
101,803	155,016
28,447	91,867
-	-
<u>(474,090)</u>	<u>(510,578)</u>
<u>\$ 17,035,211</u>	<u>\$ 17,641,624</u>

\$ 18,300	\$ 26,786
17,141	17,811
<u>474,090</u>	<u>510,578</u>
<u>\$ 509,531</u>	<u>\$ 555,175</u>

<u><u>\$ 17,544,742</u></u>	<u><u>\$ 18,196,799</u></u>
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\$ 1,893,208	\$ 1,204,558
-	(9,472)
-	-
(15,229)	7,684
379,016	280,961
<u>-</u>	<u>9,472</u>

<u><u>\$ 2,256,995</u></u>	<u><u>\$ 1,493,203</u></u>
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**Schedule 3 - Fund Balances, Governmental Funds  
Last Six Years  
Modified Accrual Basis of Accounting  
(In Thousands)**

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

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

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

<u>2006</u>	<u>2007</u>
\$ 228,640	\$ 155,985
610,167	1,124,122
-	-
<u>\$ 838,807</u>	<u>\$ 1,280,107</u>
\$ 2,805,382	\$ 2,020,610
715,202	1,139,133
-	704,800
-	15,690
239,599	243,192
<u>(48,184)</u>	<u>6,044</u>
<u>\$ 3,711,999</u>	<u>\$ 4,129,469</u>
<u><u>\$ 4,550,806</u></u>	<u><u>\$ 5,409,576</u></u>

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

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

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.

2005	2006	2007
\$ 6,534,422	\$ 7,068,712	\$ 7,412,381
711,136	1,189,915	1,163,095
4,281,391	4,473,275	4,513,452
610,809	631,279	665,746
1,067,444	1,037,593	1,025,820
655,162	659,647	648,078
5,606,553	5,864,373	6,333,686
3,591,776	4,080,518	4,027,767
<u>\$ 23,058,693</u>	<u>\$ 25,005,312</u>	<u>\$ 25,790,025</u>
\$ 753,260	\$ 793,202	\$ 813,636
1,644,500	1,776,980	1,765,410
578,000	537,220	606,914
617,247	703,108	632,805
6,820,292	7,337,888	7,320,491
764,072	786,606	922,772
8,465,547	8,820,143	9,702,839
622,177	690,753	699,585
1,284,576	1,400,479	1,489,439
9,030	18,049	29,929
703,777	854,612	693,041
260,930	288,932	349,941
184,191	183,240	222,175
<u>\$ 22,707,599</u>	<u>\$ 24,191,212</u>	<u>\$ 25,248,977</u>
\$ 351,094	\$ 814,100	\$ 541,048
\$ 507,294	\$ 377,949	\$ 720,445
17,885	24,388	24,610
171,880	160,960	264,050
(171,880)	(160,960)	(264,050)
61,662	45,141	57,918
(387,029)	(449,246)	(479,598)
8,387	180,005	1,090
<u>\$ 208,199</u>	<u>\$ 178,237</u>	<u>\$ 324,465</u>
1,308	-	2,845
-	-	(9,588)
-	-	-
-	-	-
-	-	-
<u>\$ 560,601</u>	<u>\$ 992,337</u>	<u>\$ 858,770</u>
2.0%	2.0%	2.3%

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

	2001	2002	2003	2004
Earnings By Industry:				
Farm Earnings	\$ 448,433	\$ 568,577	\$ 1,206,135	\$ 1,601,404
Nonfarm Earnings	\$ 128,707,322	\$ 132,754,854	\$ 137,465,509	\$ 146,047,279
Private Earnings:	\$ 111,348,721	\$ 114,300,536	\$ 118,274,307	\$ 125,988,230
Forestry, Fishing, Related Activities	334,042	296,904	315,588	299,077
Mining	447,858	421,181	442,442	483,475
Utilities	1,291,243	1,244,439	1,233,917	1,427,166
Construction	8,107,925	8,390,640	8,669,532	9,261,549
Manufacturing:				
Durable Goods Manufacturing	13,730,458	13,783,606	14,422,953	15,381,737
Nondurable Goods Manufacturing	6,808,893	7,241,822	7,459,598	7,685,909
Wholesale Trade	8,436,184	8,541,667	8,900,286	9,466,177
Retail Trade	8,498,594	8,733,924	8,864,291	9,146,489
Transportation and Warehousing	5,044,792	4,786,348	4,819,387	5,241,079
Information	4,156,150	4,114,285	3,963,361	4,097,801
Finance and Insurance	10,389,923	10,848,413	11,742,023	12,593,129
Real Estate and Rental and Leasing	2,382,373	2,669,799	2,865,415	2,936,250
Professional and Technical Services	10,688,723	10,492,586	10,526,186	11,165,382
Management of Companies and Enterprises	5,890,077	5,721,902	5,622,781	6,719,305
Administrative and Waste Services	3,694,025	3,783,331	3,923,786	4,149,666
Educational Services	1,359,729	1,463,967	1,559,781	1,643,249
Health Care and Social Assistance	12,245,345	13,416,236	14,317,328	15,310,175
Arts, Entertainment, and Recreation	1,113,515	1,211,813	1,294,014	1,319,331
Accommodation and Food Services	2,874,130	2,971,855	3,124,400	3,308,548
Other Services, Except Public Administration	3,854,742	4,165,818	4,207,238	4,352,736
Government and Government Enterprises:				
Federal, Civilian	\$ 2,312,233	\$ 2,433,871	\$ 2,556,432	\$ 2,756,752
Military	381,272	477,960	676,983	755,205
State and Local	14,665,096	15,542,487	15,957,787	16,547,092
Total Earnings By Industry	\$ 129,155,755	\$ 133,323,431	\$ 138,671,644	\$ 147,648,683
Derivation of Personal Income:				
Earnings By Place of Work	\$ 129,155,755	\$ 133,323,431	\$ 138,671,644	\$ 147,648,683
Derivation of Personal Income	\$ 33,421,761	\$ 33,644,401	\$ 34,826,241	\$ 36,146,045
(Less Social Security Plus Adjustment for Residence, Dividends, Interest, Rent and Transfer Receipts)				
Personal income	\$ 162,577,516	\$ 166,967,832	\$ 173,497,885	\$ 183,794,728

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 20, 2007.

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.

2005	2006
\$ 1,931,890	\$ 1,437,709
\$ 150,646,357	\$ 156,874,124
\$ 129,691,726	\$ 134,918,581
306,590	324,463
515,418	583,072
1,446,001	1,493,945
9,421,010	9,521,522
15,476,771	15,893,487
7,744,406	7,964,400
10,035,668	10,591,310
9,159,443	9,254,263
5,341,093	5,020,249
4,242,604	4,306,897
13,039,902	13,644,817
3,151,918	3,132,551
11,791,659	12,746,087
6,925,133	7,144,537
4,348,998	4,586,309
1,711,750	1,857,609
15,937,781	17,262,645
1,324,449	1,497,896
3,397,878	3,577,403
4,373,254	4,515,119
\$ 2,836,482	\$ 2,946,066
941,359	864,048
17,176,790	18,145,429
\$ 152,578,247	\$ 158,311,833
\$ 152,578,247	\$ 158,311,833
\$ 37,950,538	\$ 41,920,320
\$ 190,528,785	\$ 200,232,153

**Schedule 6 - Revenue Rates**  
**Tax Rates and Taxable Income Brackets for 1998 Through 2007**

**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

**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

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 1998 Through 2007 - (Cont'd.)

#### Tax Year 2003

	5.35% Up To	7.05%	7.85% Over
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

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

#### Tax Year 2005

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

#### Tax Year 2006

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

#### Tax Year 2007

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

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 1998 and 2005**

**Calendar Year 1998**

<u>Federal Adjusted Gross Income</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability<sup>(1)</sup></u>	<u>Percent of Total</u>
\$ 0 – 4,999	275,545	11.73%	\$ 3,483,066	0.06%
\$ 5,000 – 9,999	219,754	9.35%	18,495,962	0.34%
\$ 10,000 – 19,999	386,943	16.47%	125,199,359	2.31%
\$ 20,000 – 29,999	323,476	13.77%	266,368,312	4.92%
\$ 30,000 – 39,999	248,494	10.58%	340,846,487	6.30%
\$ 40,000 – 49,999	204,729	8.71%	385,054,193	7.12%
\$ 50,000 – 99,999	515,844	21.96%	1,739,447,147	32.14%
\$ 100,000 – 249,999	141,508	6.02%	1,150,531,301	21.26%
\$ 250,000 – 499,999	19,845	0.84%	414,944,327	7.67%
\$ 500,000 & Over	13,296	0.57%	967,048,768	17.87%
	<u>2,349,434</u>	<u>100.00%</u>	<u>\$ 5,411,418,922</u>	<u>100.00%</u>

**Calendar Year 2005**

<u>Federal Adjusted Gross Income</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability<sup>(1)</sup></u>	<u>Percent of Total</u>
\$ 0 – 4,999	218,253	8.94%	\$ 1,940,839	0.03%
\$ 5,000 – 9,999	206,892	8.48%	9,989,577	0.15%
\$ 10,000 – 19,999	339,973	13.93%	80,298,700	1.24%
\$ 20,000 – 29,999	301,545	12.36%	185,696,816	2.87%
\$ 30,000 – 39,999	251,360	10.30%	283,035,883	4.37%
\$ 40,000 – 49,999	204,137	8.37%	319,184,450	4.93%
\$ 50,000 – 99,999	624,557	25.60%	1,802,000,103	27.83%
\$ 100,000 – 249,999	239,025	9.80%	1,687,495,165	26.06%
\$ 250,000 – 499,999	33,687	1.38%	666,292,547	10.29%
\$ 500,000 & Over	20,630	0.85%	1,439,903,166	22.24%
	<u>2,440,059</u>	<u>100.00%</u>	<u>\$ 6,475,837,246</u>	<u>100.00%</u>

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

Note: Calendar year 2005 is the most recent year available.

Source: Minnesota Department of Revenue, 1998 and 2005 (Preliminary) Individual Income Tax Sample.

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

	1998	1999	2000	2001
<b>Governmental Activities:</b>				
General Obligation Bonds	\$ 2,506,939	\$ 2,384,195	\$ 2,527,281	\$ 2,588,155
Bond Premium <sup>(1)</sup>	-	-	-	-
Loans	43,475	40,153	32,385	36,643
Revenue Bonds	132,825	108,565	56,595	16,100
Capital Leases	18,313	19,095	21,578	26,357
<b>Total</b>	<b>\$ 2,701,552</b>	<b>\$ 2,552,008</b>	<b>\$ 2,637,839</b>	<b>\$ 2,667,255</b>
<b>Business-type Activities:</b>				
General Obligation Bonds	\$ -	\$ 4,790	\$ 4,619	\$ 4,440
Bond Premium <sup>(1)</sup>	-	-	-	-
Loans	452	528	2,482	1,965
Revenue Bonds	31,960	29,680	28,910	1,410
Capital Leases	-	-	-	-
<b>Total</b>	<b>\$ 32,412</b>	<b>\$ 34,998</b>	<b>\$ 36,011</b>	<b>\$ 7,815</b>
<b>Total Debt to the Primary Government</b>	<b>\$ 2,733,964</b>	<b>\$ 2,587,006</b>	<b>\$ 2,673,850</b>	<b>\$ 2,675,070</b>
Less: Set Aside to Repay General Debt	\$ (247,722)	\$ (240,725)	\$ (252,819)	\$ (257,534)
<b>Net Debt to the Primary Government</b>	<b>\$ 2,486,242</b>	<b>\$ 2,346,281</b>	<b>\$ 2,421,031</b>	<b>\$ 2,417,536</b>
<b>Total Personal Income</b>	<b>\$ 139,553,134</b>	<b>\$ 146,721,641</b>	<b>\$ 157,963,755</b>	<b>\$ 162,577,516</b>
<b>Ratio of Total Debt to Total Personal Income</b>	<b>1.96%</b>	<b>1.76%</b>	<b>1.69%</b>	<b>1.65%</b>
<b>Per Capita (In Actual Dollars)</b>	<b>\$ 517</b>	<b>\$ 481</b>	<b>\$ 491</b>	<b>\$ 486</b>

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

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

<sup>(3)</sup> Based on projected 2007 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

2002	2003	2004	2005	2006	2007
\$ 2,923,221	\$ 3,295,545	\$ 3,055,496	\$ 3,315,282	\$ 3,414,239	\$ 3,791,494
-	92,387	117,619	168,574	201,142	245,209
39,618	24,198	19,653	17,130	45,918	60,494
-	-	-	-	-	15,145
18,027	8,846	9,085	11,037	182,930	172,732
<u>\$ 2,980,866</u>	<u>\$ 3,420,976</u>	<u>\$ 3,201,853</u>	<u>\$ 3,512,023</u>	<u>\$ 3,844,229</u>	<u>\$ 4,285,074</u>
\$ 108,874	\$ 125,950	\$ 141,859	\$ 145,028	\$ 156,896	\$ 188,096
-	1,694	3,242	4,420	7,735	11,594
4,498	135,486	275,703	87,376	5,832	5,419
53,365	52,925	51,410	52,475	95,780	170,941
8,578	12,483	14,868	26,497	26,520	25,382
<u>\$ 175,315</u>	<u>\$ 328,538</u>	<u>\$ 487,082</u>	<u>\$ 315,796</u>	<u>\$ 292,763</u>	<u>\$ 401,432</u>
<u>\$ 3,156,181</u>	<u>\$ 3,749,514</u>	<u>\$ 3,688,935</u>	<u>\$ 3,827,819</u>	<u>\$ 4,136,992</u>	<u>\$ 4,686,506</u>
\$ (243,830)	\$ (263,810)	\$ (258,925)	\$ (286,535)	\$ (313,324)	\$ (372,510)
\$ 2,912,351	\$ 3,485,704	\$ 3,430,010	\$ 3,541,284	\$ 3,823,668	\$ 4,313,996
<u>\$ 166,967,832</u>	<u>\$ 173,755,660</u>	<u>\$ 184,571,393</u>	<u>\$ 191,567,678</u>	<u>\$ 201,079,425</u>	<u>\$ 205,836,250</u> <sup>(2)</sup>
1.89%	2.16%	2.00%	2.00%	2.06%	2.28%
\$ 580	\$ 689	\$ 672	\$ 687	\$ 732	\$ 818 <sup>(3)</sup>

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

	1998	1999	2000	2001	2002
<b>State University Board Revenue Fund</b>					
Gross Revenues <sup>(1)</sup>	\$ 45,481	\$ 48,857	\$ 51,470	\$ 54,385	\$ 55,964
Less: Operating Expenses <sup>(2)</sup>	(38,321)	(40,449)	(38,543)	(42,343)	(47,830)
Net Available Revenue	<u>\$ 7,160</u>	<u>\$ 8,408</u>	<u>\$ 12,927</u>	<u>\$ 12,042</u>	<u>\$ 8,134</u>
Debt Service					
Principal	\$ 1,520	\$ 2,185	\$ 665	\$ 27,390	\$ -
Interest	2,003	1,888	1,813	2,933	-
Total Debt Service	<u>\$ 3,523</u>	<u>\$ 4,073</u>	<u>\$ 2,478</u>	<u>\$ 30,323</u>	<u>\$ -</u>
Coverage	2.03	2.06	5.22	0.40	N/A
<b>Vermilion Community College and Itasca Community College Student Housing - Segments of College and University Enterprise Activities</b>					
Gross Revenues <sup>(1)</sup>	\$ 506	\$ 536	\$ 596	\$ 555	\$ 544
Less: Operating Expenses <sup>(2)</sup>	(163)	(158)	(169)	(329)	(309)
Net Available Revenue	<u>\$ 343</u>	<u>\$ 378</u>	<u>\$ 427</u>	<u>\$ 226</u>	<u>\$ 235</u>
Debt Service					
Principal	\$ 119	\$ 99	\$ 105	\$ 110	\$ 120
Interest	134	126	118	110	101
Total Debt Service	<u>\$ 253</u>	<u>\$ 225</u>	<u>\$ 223</u>	<u>\$ 220</u>	<u>\$ 221</u>
Coverage	1.36	1.68	1.91	1.03	1.06
<b>Giants Ridge Enterprise Fund<sup>(4)</sup></b>					
Gross Revenues <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ 4,718	\$ 3,455
Less: Operating Expenses <sup>(2)</sup>	-	-	-	(3,982)	(4,070)
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736</u>	<u>\$ (615)</u>
Debt Service					
Principal <sup>(3)</sup>	\$ -	\$ -	\$ -	\$ -	\$ 200
Interest	-	-	-	1,066	151
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,066</u>	<u>\$ 351</u>
Coverage	N/A	N/A	N/A	0.69	(1.75)
<b>911 Services Fund<sup>(5)</sup></b>					
Gross Revenues <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Operating Expenses <sup>(2)</sup>	-	-	-	-	-
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	N/A	N/A	N/A	N/A	N/A

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

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

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

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

(5) Revenue bonds of \$35.0 million for 911 Services were issued on November 1, 2006.

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

2003	2004	2005	2006	2007
\$ 60,606	\$ 66,221	\$ 70,091	\$ 76,901	\$ 83,073
(47,599)	(54,221)	(53,884)	(57,496)	(60,778)
<u>\$ 13,007</u>	<u>\$ 12,000</u>	<u>\$ 16,207</u>	<u>\$ 19,405</u>	<u>\$ 22,295</u>
\$ -	\$ 1,065	\$ 1,115	\$ 1,222	\$ 1,875
2,247	1,695	1,401	3,496	4,663
<u>\$ 2,247</u>	<u>\$ 2,760</u>	<u>\$ 2,516</u>	<u>\$ 4,718</u>	<u>\$ 6,538</u>
5.79	4.35	6.44	4.11	3.41
\$ 570	\$ 595	\$ 595	\$ 1,010	\$ 1,074
(335)	(332)	(385)	(660)	(567)
<u>\$ 235</u>	<u>\$ 263</u>	<u>\$ 210</u>	<u>\$ 350</u>	<u>\$ 507</u>
\$ 130	\$ 140	\$ 150	\$ 230	\$ 370
96	86	75	189	170
<u>\$ 226</u>	<u>\$ 226</u>	<u>\$ 225</u>	<u>\$ 419</u>	<u>\$ 540</u>
1.04	1.16	0.93	0.84	0.94
\$ 3,128	\$ 4,994	\$ 5,138	\$ 4,693	\$ 4,204
(3,876)	(4,283)	(4,532)	(5,139)	(5,293)
<u>\$ (748)</u>	<u>\$ 711</u>	<u>\$ 606</u>	<u>\$ (446)</u>	<u>\$ (1,089)</u>
\$ 310	\$ 310	\$ 615	\$ 615	\$ 665
574	1,170	1,071	1,045	1,009
<u>\$ 884</u>	<u>\$ 1,480</u>	<u>\$ 1,686</u>	<u>\$ 1,660</u>	<u>\$ 1,674</u>
(0.85)	0.48	0.36	(0.27)	(0.65)
\$ -	\$ -	\$ -	\$ -	\$ 50,588
-	-	-	-	(15,052)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,536</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	976
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976</u>
N/A	N/A	N/A	N/A	36.41



**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>
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	35.5	2.8%
2000	4,933,756	\$ 157,963,755	\$ 32,017	35.4	3.1%
2001	4,985,851	\$ 162,577,516	\$ 32,608	35.7	3.8%
2002	5,024,570	\$ 166,967,832	\$ 33,230	35.9	4.5%
2003	5,059,023	\$ 173,497,885	\$ 34,295	36.2	4.8%
2004	5,094,304	\$ 183,794,728	\$ 36,078	36.4	4.6%
2005	5,126,739	\$ 190,528,785	\$ 37,164	36.6	4.1%
2006	5,167,101	\$ 200,232,153	\$ 38,751	36.8	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>1998</u>			<u>2007</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	52,676	1	2.11%	55,422	1	2.08%
Mayo Foundation	17,998	8	0.72%	35,931	2	1.35%
United States Government	33,383	2	1.34%	33,624	3	1.26%
Target Corp.	-	-	0.00%	25,125	4	0.94%
Allina Health System	21,200	5	-	22,690	5	0.85%
Wells Fargo and Company	-	-	0.00%	21,078	6	0.79%
Fairview Health Services	-	-	0.00%	19,000	7	0.71%
University of Minnesota	30,728	3	-	18,899	8	0.71%
Wal-Mart Stores Inc.	-	-	-	18,407	9	0.69%
3M Company	20,370	6	0.82%	16,614	10	0.62%
Dayton Hudson Corp.	28,265	4	1.13%	-	-	-
Northwest Airlines Corp.	19,045	7	0.76%	-	-	-
Norwest Corp.	12,296	9	0.49%	-	-	-
Hennepin County	10,384	10	0.42%	-	-	-
Total	<u>246,345</u>			<u>266,790</u>		
Total State Employment	<u>2,493,169</u>			<u>2,669,079</u>		

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

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Primary Government:				
Public Safety and Corrections	5,475	5,593	5,670	5,792
Transportation	5,253	5,310	5,397	5,461
Agriculture & Environmental Resources	4,566	4,668	4,759	4,806
Economic & Workforce Development	2,690	2,746	2,670	2,696
General Education	958	938	910	943
Higher Education	13,349	14,127	13,345	13,714
Health and Human Services	9,181	9,233	9,183	9,155
General Government	<u>4,703</u>	<u>4,898</u>	<u>5,014</u>	<u>5,404</u>
Total	<u><u>46,175</u></u>	<u><u>47,513</u></u>	<u><u>46,948</u></u>	<u><u>47,971</u></u>

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

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5,750	5,807	5,705	5,752	6,245	6,198
5,288	5,223	4,788	4,849	4,710	4,435
4,645	4,539	4,400	4,389	4,019	4,016
2,654	2,669	4,257	4,136	3,976	3,792
911	880	857	864	964	935
13,704	14,094	14,006	14,407	14,150	14,437
9,039	9,118	7,415	7,570	7,827	8,042
<u>5,498</u>	<u>5,470</u>	<u>5,761</u>	<u>6,050</u>	<u>6,520</u>	<u>6,559</u>
<u><u>47,489</u></u>	<u><u>47,800</u></u>	<u><u>47,189</u></u>	<u><u>48,017</u></u>	<u><u>48,411</u></u>	<u><u>48,414</u></u>

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

	1998	1999	2000	2001
<b>Public Safety and Corrections</b>				
Incarcerated Inmates	5,327	5,763	5,927	6,187
Offenders on Supervision	13,978	14,851	15,321	16,535
Correctional Facilities	9	9	10	10
Reassignment of Minnesota Certificates of Title	2,525,538	2,578,123	2,669,806	2,677,848
Crashes Investigated By State Patrol	21,168	23,005	25,467	24,083
<b>Transportation</b>				
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
<b>Agricultural and Environmental Resources</b>				
Recreational Fishing Licenses Issued/License Year	1,565,380	1,594,512	1,601,457	1,521,753
Watercraft Licenses Issued/Calendar Year	780,097	793,107	812,247	826,173
Acres of State Land Managed by Forestry/Fiscal Yr.	3,863,000	3,859,000	3,858,000	3,857,000
Farms/Calendar Year	80,000	81,000	81,000	81,000
Acres of Farmland/Calendar Year (1,000 Acres)	28,600	28,200	27,900	27,800
Agricultural Production-Crops/Calendar Year (In Thousands)	\$4,305,454	\$3,544,441	\$3,586,365	\$3,180,714
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$3,822,928	\$3,610,287	\$3,912,711	\$4,300,453
<b>Economic and Workforce Development</b>				
Unemployment Claims Filed	N/A	190,003	203,480	302,676
Workplace Injuries Reported	62,309	61,629	60,141	56,681
<b>General Education</b>				
Kindergarten Through Grade 12 Students <sup>(1)</sup>	835,972	842,513	843,449	842,764
School Districts	347	345	343	343
Charter Schools	27	38	53	64
Special Education Age 0-21 Childcount	105,347	108,873	110,720	112,833
<b>Higher Education</b>				
Full Year Equivalents	111,409	106,827	114,199	118,861
Number of Students Graduated	27,693	25,837	25,166	24,907
Buildings - Square Footage	N/A	23,137,533	23,393,591	23,815,342
<b>Health and Human Services</b>				
Average Monthly Cash Recipients	199,482	183,255	173,150	170,546
Average Monthly Health Care Enrollees	522,703	505,399	506,457	532,722
Health Care Providers	2,175	2,070	4,952	5,050
<b>General Government</b>				
Individual Income Tax Payers/Calendar Year	2,395,382	2,455,354	2,396,305	2,442,043
Corporate Income Tax Returns/Calendar Year	46,779	46,402	41,036	44,220
Sales Tax Permit Holders/Calendar Year	264,000	267,000	248,000	250,000

Note: N/A = Information not available.

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

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

(3) Estimate.

(4) 2007 data is as of November 3, 2007

(5) 2007 data is as of September 30, 2007

2002	2003	2004	2005	2006	2007
6,583	7,073	7,795	7,978	8,874	8,900
15,797	16,753	19,061	18,106	19,977	18,979
10	10	10	10	10	10
2,677,848	2,700,603	2,363,013	2,344,311	1,542,648 <sup>(2)</sup>	1,402,284
22,827	22,939	18,789	23,429	23,777	20,975
29,024	29,078	29,153	29,130	29,100	29,200
2,855	2,784	2,831	2,876	2,907	2,924
247,019	250,243	252,205	252,433	253,852	254,087
1,513,303	1,513,018	1,490,110	1,478,219	1,499,482	N/A
834,974	845,379	854,110	853,999	863,434	N/A
3,856,000	3,853,000	3,853,000	3,853,000	3,853,000	N/A
80,900	80,000	79,600	79,600	79,300	N/A
27,800	27,700	27,600	27,500	27,400	N/A
\$4,354,098	\$4,308,299	\$5,044,372	\$4,587,304	\$4,992,676	N/A
\$3,615,553	\$4,074,296	\$4,937,126	\$4,936,507	\$4,746,166	N/A
316,572	323,050	284,948	283,975	281,171	289,000 <sup>(3)</sup>
50,470	44,983	43,871	42,002	39,919	39,827
839,424	835,227	829,832	825,843	826,117	825,617
343	343	343	343	343	340
67	78	88	106	125	131
113,930	115,802	117,666	118,501	119,720	121,511
126,215	132,586	135,819	135,494	134,220	135,839
26,680	29,438	32,480	32,638	33,860	33,796
24,310,545	24,509,182	25,263,803	25,559,289	25,725,125	26,007,169
179,905	184,848	182,645	171,738	164,632	159,390
579,388	636,228	649,032	663,529	667,182	661,265
5,250	5,517	5,491	5,726	6,276	6,710 <sup>(4)</sup>
2,415,039	2,416,197	2,415,563	2,501,144	2,563,373	2,582,071 <sup>(5)</sup>
50,498	37,522	51,803	39,334	43,304	23,817 <sup>(6)</sup>
234,000	226,000	229,000	219,000	197,000	172,548

Source: Applicable state agencies.

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.

