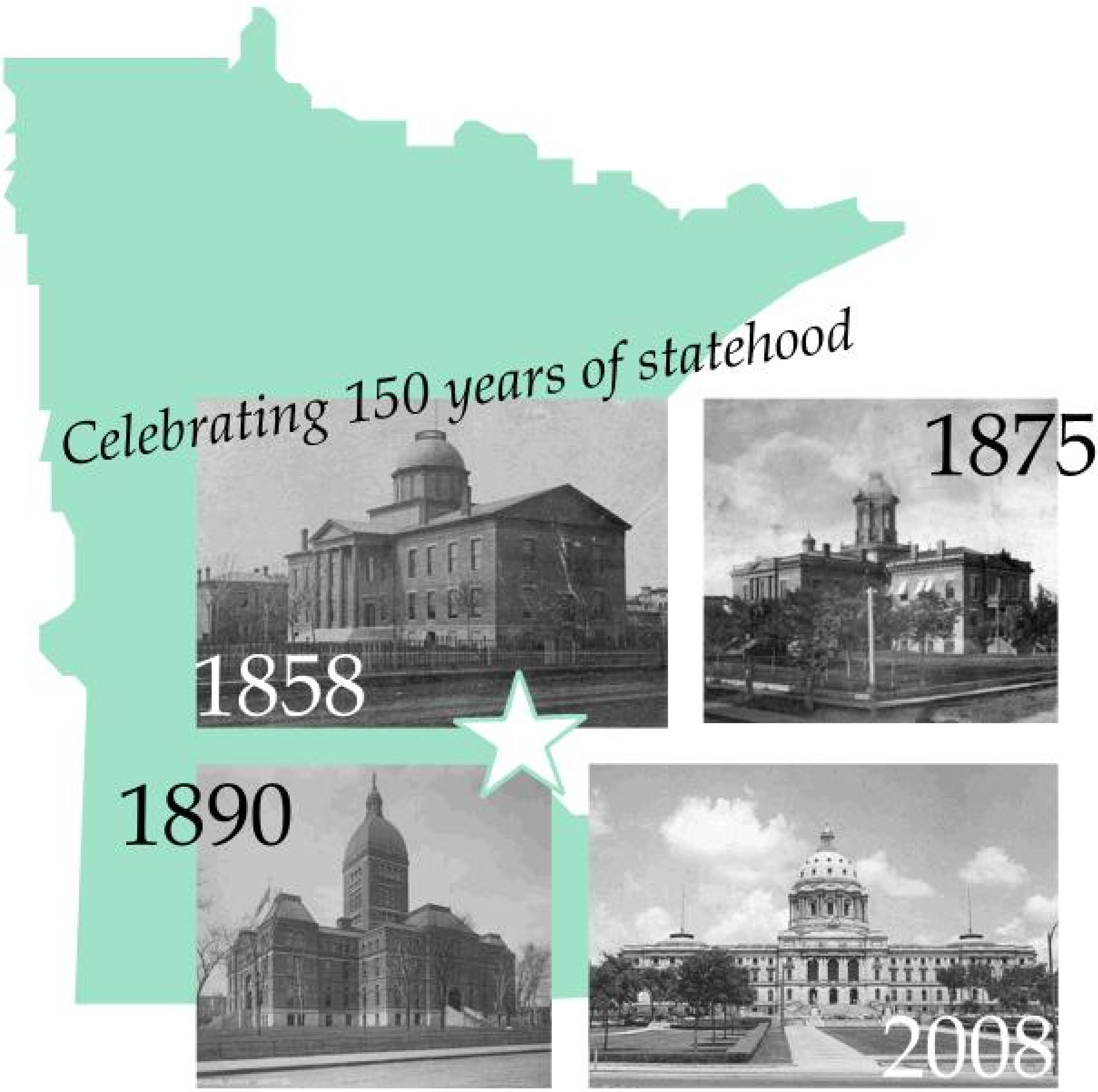
State of Minnesota

Comprehensive Annual Financial Report



For the Year Ended June 30, 2008

On the cover:

Admitted to the union May 11, 1858, this year, Minnesota celebrates 150 years of statehood. In this time three buildings in St. Paul have served the state's citizens as the State Capitol.

The first was built at 10th and Cedar Streets in 1853, during the territorial period and underwent distinct remodeling in the 1870s. This structure was destroyed by fire in 1881.

The second Capitol, built on the same site, was completed in 1883. Immediately it was determined to be too small for the growing needs of the state government and in 1893 the legislature appropriated first funding to begin the construction of a new building.

Designed by famed architect, Cass Gilbert, the third and current Capitol Building opened its doors to all in 1905. Today it stands as an elegant and recognizable symbol of Minnesota.

Photos used with permission from the MN State Historical Society
State Capitol, MSHS Photograph Collection, Carte-de-visite ca. 1865
State Capitol after first remodeling, St. Paul, MSHS Photograph Collection ca. 1875
State Capitol building. MSHS Photograph Collection ca. 1900
State Capitol. MSHS Photograph Collection ca. 1962
150 Years of Statehood logo used with permission from The Minnesota Sesquicentennial Commission

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

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

State of Minnesota

2008 Comprehensive Annual Financial Report

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

Minnesota Department of Finance
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

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

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

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2008 Comprehensive Annual Financial Report

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State of Minnesota

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Introduction

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2008 Comprehensive Annual Financial Report

Transmittal Letter from the Commissioner of Finance

December 9, 2008

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, 2008. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.

- Financial Section – Includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, and the general obligation debt schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.

- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

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

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2008. 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, 2008. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2009.

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, Natural Resources, Game and Fish, Environmental, Remediation, Special Compensation, Health Care Access, and Workforce Development funds.

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

Economic Condition and Outlook

Minnesota's economy struggled during fiscal year 2008. Payroll employment fell by 4,800 jobs (0.2 percent) between July 2007 and July 2008. While U.S. payroll employment also fell, the national decline was less than 0.1 percent. The state's economy was particularly weak during April, May, and June with payroll employment dropping by 8,700. As expected, Minnesota's unemployment rate also increased. The state's unemployment rate remained slightly below the U.S. average, but the June 2008 rate of 5.3 percent was the highest observed in Minnesota (other than the 5.4 percent in May) since August 1992. May's rate of 5.4 percent was the highest since November 1991.

Minnesota's employment was weakest in the manufacturing, construction, and professional and business services sectors with declines of 7,100, 7,000 and 4,100 jobs, respectively observed between July, 2007 and July, 2008. Minnesota's health care sector added 9,600 jobs over that same period. Other sectors showing job growth were finance and insurance and state and local government where jobs numbers increased by 4,000 and 3,300, respectively.

Incomes in Minnesota also grew more slowly than the national average. Minnesota personal income grew by 4.8 percent between the second quarter of calendar 2007 and the second quarter of calendar 2008, 0.4 percentage points less than the national average. Wages in Minnesota grew by 3.1 percent over that same period, 1 percentage point less than the national average of 4.1 percent.

Neither the U.S. nor the Minnesota economies are expected to grow during fiscal year 2009. The November baseline forecast for fiscal year 2009 from Global Insight, the state's national economic consultant, calls for real gross domestic product (GDP) to decline at a 0.4 percent annual rate in fiscal year 2009. Global Insight's forecast calls for declining real GDP in each quarter of the fiscal year. In their forecast, it is not until the first quarter of fiscal year 2010 that the U.S. economy again begins to grow. While lower energy prices partially offset the adverse effects of cutbacks in consumer spending brought on by loss of consumer confidence and substantial reductions in household wealth due to the extremely weak financial markets and declining home values, the fiscal year 2007-2009 recession is expected to be more severe than either of the last two recessions.

Minnesota's outlook for fiscal year 2009 is, keeping with the state's recent performance, slightly more pessimistic than the national outlook. Payroll employment is expected to decline by 55,000 jobs by the end of the fiscal year, more than double the number of jobs lost during the 2002 fiscal year which spanned the 2001 recession. The largest projected employment declines come in the manufacturing sector where an additional 23,000 jobs are expected to be lost during the fiscal year. The construction sector loses 5,000 jobs over that period and the trade sector 6,000. Over fiscal year 2009, personal income in Minnesota is expected to grow by less than 0.7 percent, about half of the 1.4 percent growth rate projected for the nation as a whole.

Investment and Financial Markets

Subsequent to fiscal year end, the global investment markets have been experiencing unprecedented, adverse events. These events include an expanded global credit crisis and liquidity constraints in the markets. As a result of these events, returns on investments held through the State Board of Investment declined approximately 25% from the period July 1, 2008 to November 30, 2008. The majority of the state's investments are in the state's pension trusts. These funds invest with a long-term perspective since the pension costs are spread over the career of public employees. The state will maintain its long-term investment strategy, holding on to investments in this volatile market in anticipation of a recovery of the capital markets.

The crisis in the financial markets has also adversely affected the municipal bond market. Many financial institutions that historically participated in this market have either been substantially weakened by these events or have disappeared altogether. Tax-exempt interest rates have also risen substantially since September 2008. The state postponed a large general obligation bond issue in October 2008 because the municipal bond market was essentially frozen. The state plans to attempt to sell those bonds in January 2009, but market conditions will dictate whether that sale will go forward.

Major Program Initiatives

The fiscal year 2007-2008 enacted budget increased general fund spending by $3 billion or 9.6%. Of that amount, approximately $1 billion was financed with onetime revenues. Major budget increases in K-12 education and health and human services accounted for much of the increased spending.

Shortly after enactment of the 2008-09 budget, economic conditions worsened. The 2008 legislative session enacted adjustments to the fiscal year 2008-09 operating budget to address a projected $935 million (2.7%) deficit in the state's general fund. The budget was rebalanced by using $500 million from the budget reserve, transferring $110 million from other funds, increasing revenue by $206 million, and reducing spending by $125 million.

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, 2007. This was the twenty-third 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.

Department Merger

During fiscal year 2008, the departments of Finance and Employee Relations merged. The combined new department is in the process of seeking legislation approving a name change to Minnesota Management and Budget.

Sincerely,

Tom J. Hanson
Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

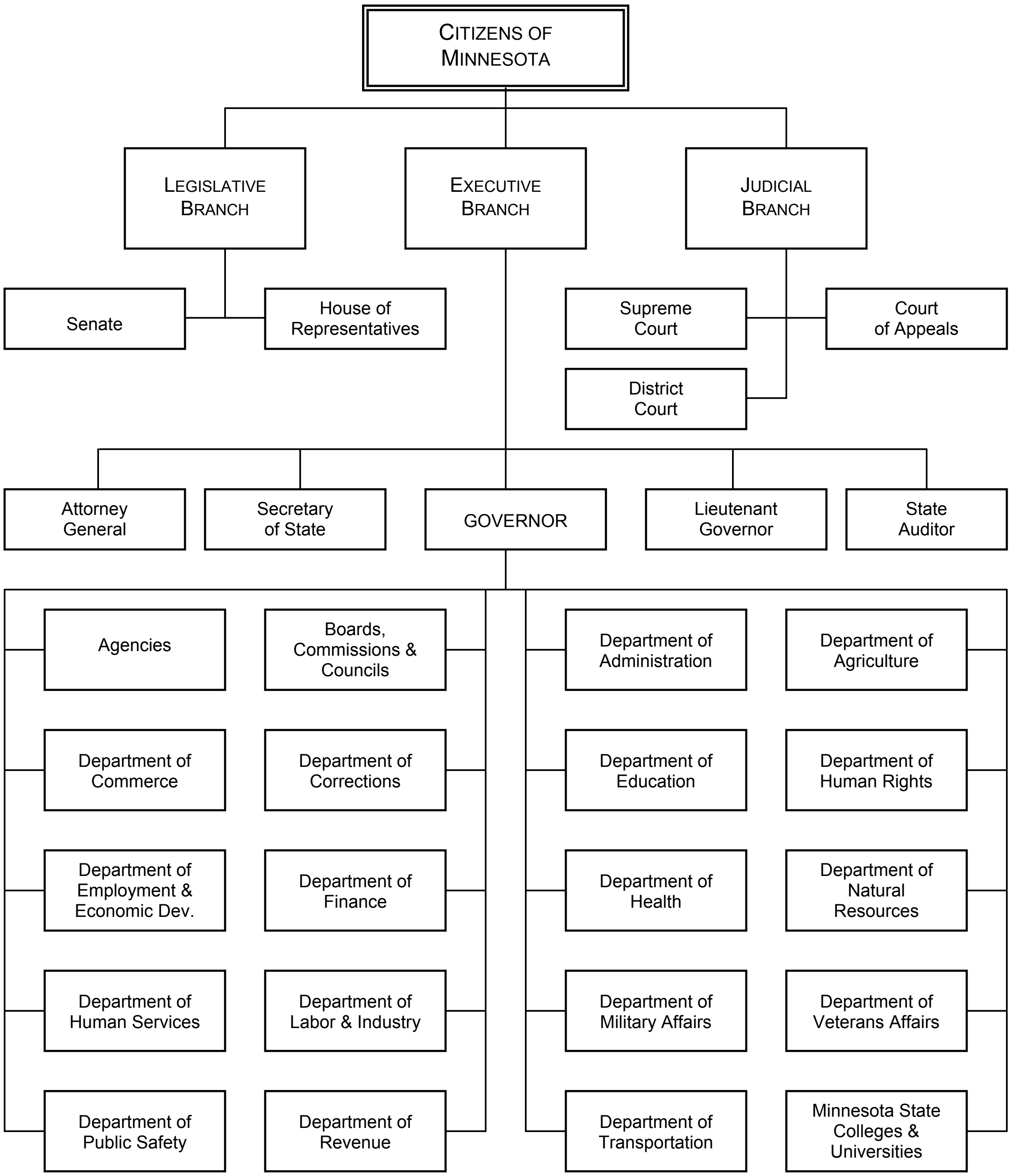
President

Executive Director

State of Minnesota

2008 Comprehensive Annual Financial Report

State Organization Chart



State Principal Officials

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	Eric J. Magnuson

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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, 2008, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and 71 percent, 64 percent, and 40 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 component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the State of Minnesota adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* and Statement No. 50, *Pension Disclosures,* for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008, on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA
Deputy Legislative Auditor

December 9, 2008

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Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2008, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

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

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

- An increase or decrease in the state's net assets from one year to the next indicates whether the financial position of the state is improving or deteriorating.

- Other indicators of the state's financial condition include the condition of its infrastructure, and economic events and trends that affect future revenues and expenses.

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

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

Governmental Activities

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

Business-type Activities

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

Discretely Presented Component Units

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

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

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

- Housing Finance Agency

- Metropolitan Council

- University of Minnesota

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

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

State Fund and Component Unit Financial Statements

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

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

The state's funds are divided into three categories:

Governmental Funds

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

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

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

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

The state maintains 29 individual governmental funds. Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balances* for the General and Federal funds, which are reported as major funds. Information from the remaining 27 funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the component units in a single column on the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The component units *statements of net assets* and the component units *statement of changes in net assets* provide detail for each major component unit and aggregate the detail for nonmajor component units. Individual nonmajor component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2008, by $13.2 billion (presented as *net assets*). Of this amount, $484 million was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

- The state's total net assets increased by $325 million (2.5 percent) during fiscal year 2008. Net assets of governmental activities increased by $156 million (1.4 percent), while net assets of the business-type activities showed an increase of $169 million (8.1 percent). For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $5.1 billion, a decrease of $325 million compared to the prior year. This amount includes an unreserved fund balance of $3.0 billion. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by $443 million (7.4 percent) during the current fiscal year. The increase is partially due to the issuance of general obligation bonds for trunk highway projects and other various state purposes and revenue bonds for the Minnesota State Colleges and Universities. The beginning balance has been restated due to the implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." As a result of implementing this statement, the state recognized a change in accounting principle of $91,812,000, which restated the liability recognized for other postemployment benefits at the beginning of the year to zero.

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 $13.2 billion at the end of 2008, compared to $12.9 billion at the end of the previous year.

Net Assets
June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current Assets	$ 9,679,864	$ 10,341,404	$ 1,588,517	$ 1,522,925	$ 11,268,381	$ 11,864,329
Noncurrent Assets:						
Capital Assets	10,531,680	9,799,769	1,462,138	1,308,504	11,993,818	11,108,273
Other Assets	781,787	784,933	143,908	134,667	925,695	919,600
Total Assets	$ 20,993,331	$ 20,926,106	$ 3,194,563	$ 2,966,096	$ 24,187,894	$ 23,892,202
Current Liabilities	$ 4,702,255	$ 5,087,004	$ 349,690	$ 361,293	$ 5,051,945	$ 5,448,297
Noncurrent Liabilities	5,331,720	5,036,122	602,567	531,219	5,934,287	5,567,341
Total Liabilities	$ 10,033,975	$ 10,123,126	$ 952,257	$ 892,512	$ 10,986,232	$ 11,015,638
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 7,775,939	$ 6,781,966	$ 1,108,136	$ 1,016,955	$ 8,884,075	$ 7,798,921
Restricted	2,693,756	2,703,598	1,140,070	1,058,032	3,833,826	3,761,630
Unrestricted	489,661	1,317,416	(5,900)	(1,403)	483,761	1,316,013
Total Net Assets	$ 10,959,356	$ 10,802,980	$ 2,242,306	$ 2,073,584	$ 13,201,662	$ 12,876,564

The largest portion, $8.9 billion of $13.2 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 $484 million represents primarily unrestricted net assets of the governmental activities that may be used to meet the state's ongoing obligations to citizens and creditors. As noted previously, within this balance, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors.

The state's combined net assets for governmental and business-type activities increased $325 million (2.5 percent) over the course of this fiscal year. This resulted from a $156 million (1.4 percent) increase in net assets of governmental activities, and a $169 million (8.1 percent) increase in net assets of business-type activities.

Changes in Net Assets
Fiscal Years Ended June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services[1]	$ 1,202,566	$ 1,117,489	$ 2,325,325	$ 2,309,047	$ 3,527,891	$ 3,426,536
Operating Grants and Contributions	6,677,323	6,500,439	217,224	187,530	6,894,547	6,687,969
Capital Grants	449,765	236,700	1,142	1,839	450,907	238,539
General Revenues:						
Individual Income Taxes	7,929,096	7,463,959	-	-	7,929,096	7,463,959
Corporate Income Taxes	1,039,843	1,160,380	-	-	1,039,843	1,160,380
Sales Taxes	4,474,576	4,600,984	-	-	4,474,576	4,600,984
Property Taxes	703,972	667,395	-	-	703,972	667,395
Motor Vehicle Taxes	1,011,494	1,025,820	-	-	1,011,494	1,025,820
Fuel Taxes	651,988	647,168	-	-	651,988	647,168
Other Taxes[1]	2,149,162	2,195,880	-	-	2,149,162	2,195,880
Tobacco Settlement	186,425	184,924	-	-	186,425	184,924
Investment/Interest Income	121,638	155,016	48,126	26,786	169,764	181,802
Other Revenues	103,416	91,867	1,649	17,811	105,065	109,678
Total Revenues	$ 26,701,264	$ 26,048,021	$ 2,593,466	$ 2,543,013	$ 29,294,730	$ 28,591,034
Expenses:						
Public Safety and Corrections	$ 901,641	$ 855,328	$ -	$ -	$ 901,641	$ 855,328
Transportation	2,047,500	1,795,056	-	-	2,047,500	1,795,056
Agricultural, Environmental and Energy Resources[1]	825,842	762,549	-	-	825,842	762,549
Economic and Workforce Development[1]	704,501	568,064	-	-	704,501	568,064
General Education	7,675,567	7,323,406	-	-	7,675,567	7,323,406
Higher Education	981,943	921,339	-	-	981,943	921,339
Health and Human Services[1]	10,296,359	9,596,061	-	-	10,296,359	9,596,061
General Government	816,111	771,733	-	-	816,111	771,733
Intergovernmental Aid	1,511,715	1,489,439	-	-	1,511,715	1,489,439
Interest	221,162	208,719	-	-	221,162	208,719
State Colleges and Universities	-	-	1,675,051	1,550,936	1,675,051	1,550,936
Unemployment Insurance	-	-	828,857	735,987	828,857	735,987
Lottery	-	-	346,834	311,893	346,834	311,893
Other	-	-	228,361	215,005	228,361	215,005
Total Expenses	$ 25,982,341	$ 24,291,694	$ 3,079,103	$ 2,813,821	$ 29,061,444	$ 27,105,515
Excess (Deficiency) Before Transfers	$ 718,923	$ 1,756,327	$ (485,637)	$ (270,808)	$ 233,286	$ 1,485,519
Transfers[1]	(654,359)	(551,769)	654,359	551,769	-	-
Change in Net Assets	$ 64,564	$ 1,204,558	$ 168,722	$ 280,961	$ 233,286	$ 1,485,519
Net Assets, Beginning	$ 10,802,980	$ 9,600,210	$ 2,073,584	$ 1,783,151	$ 12,876,564	$ 11,383,361
Prior Period Adjustments	-	7,684	-	-	-	7,684
Change in Accounting Principle	91,812	-	-	-	91,812	-
Change in Fund Structure	-	(9,472)	-	9,472	-	-
Net Assets, Ending	$ 10,959,356	$ 10,802,980	$ 2,242,306	$ 2,073,584	$ 13,201,662	$ 12,876,564

[1] 2007 has been restated for reclassifications to be consistent with 2008 presentation.

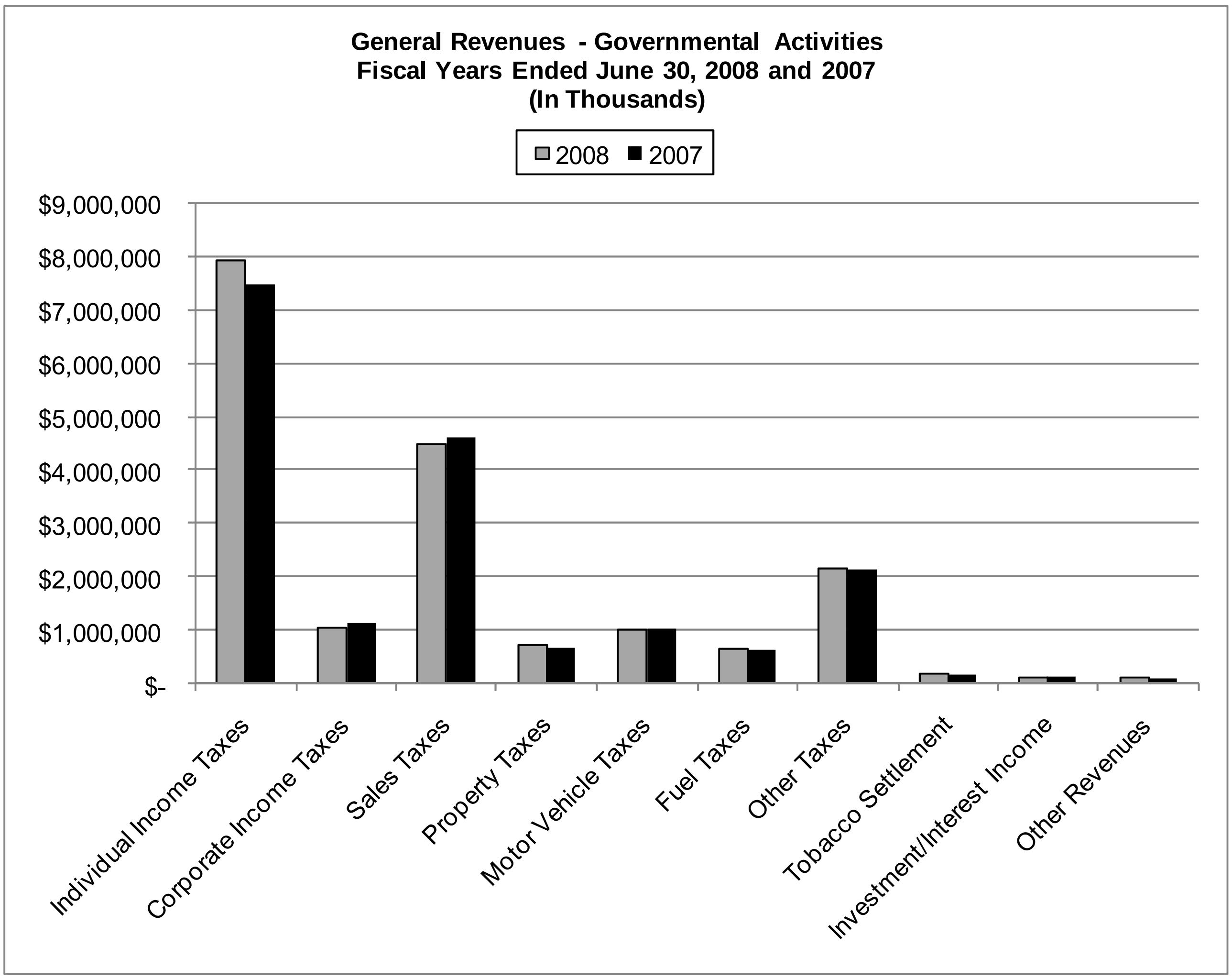
Approximately 61 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 25 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 2 percent came from other general revenues.

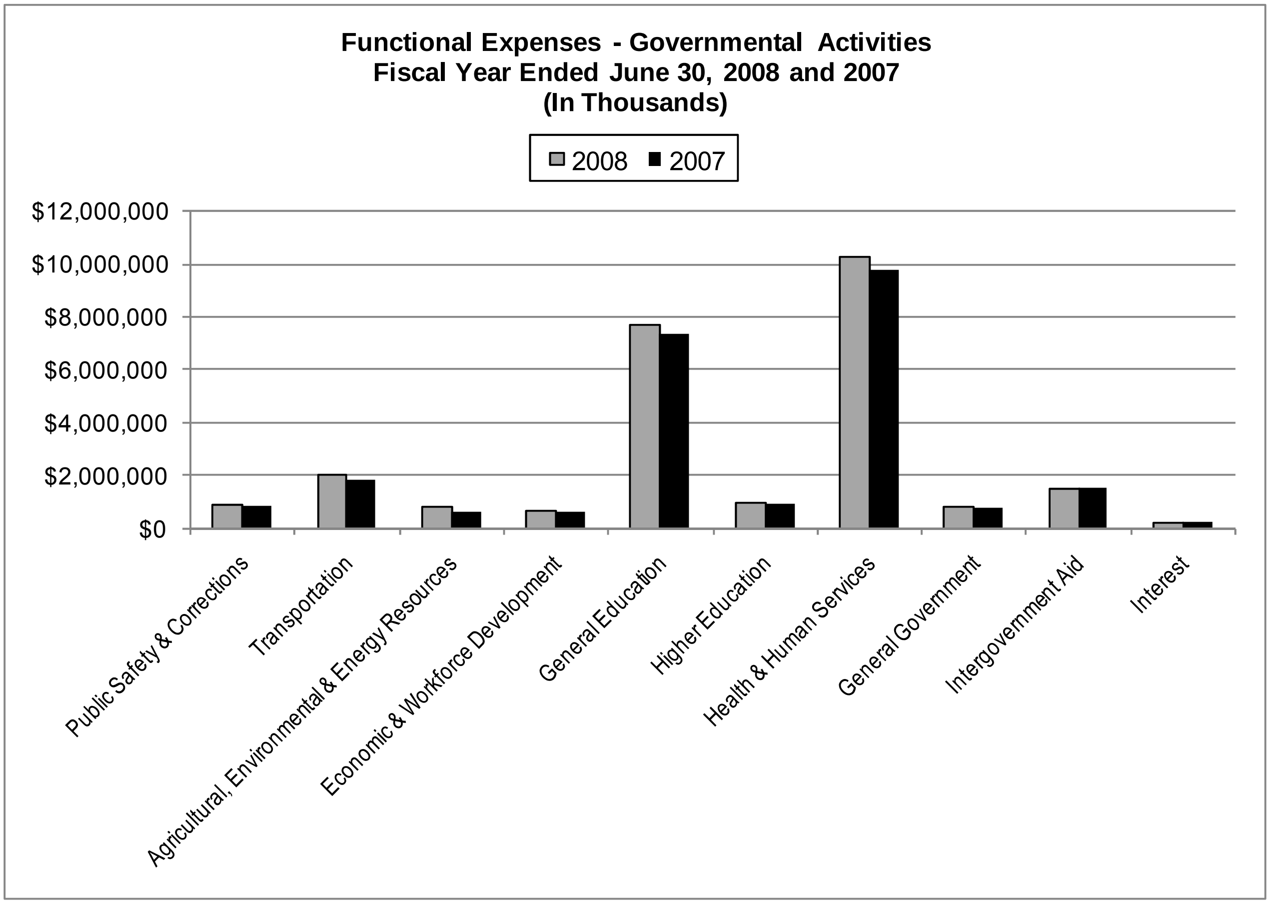
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

Governmental activities increased the state's net assets by $156 million compared to an increase of $1.2 billion in the prior year.

The increase in revenues was primarily attributable to an increase in individual income taxes and an increase in grants and contributions. The increase in grants and contributions was primarily attributable to revenue from the federal government for their participation in the increase in medical assistance expenses and the increase in transportation expenses resulting from the rebuilding of the I-35W bridge, which collapsed in August 2007. These revenue increases were slightly offset by a decrease in corporate income taxes due to a decline in corporate profits and a decrease in mortgage and deed taxes due to a decline in real estate values and housing sales.

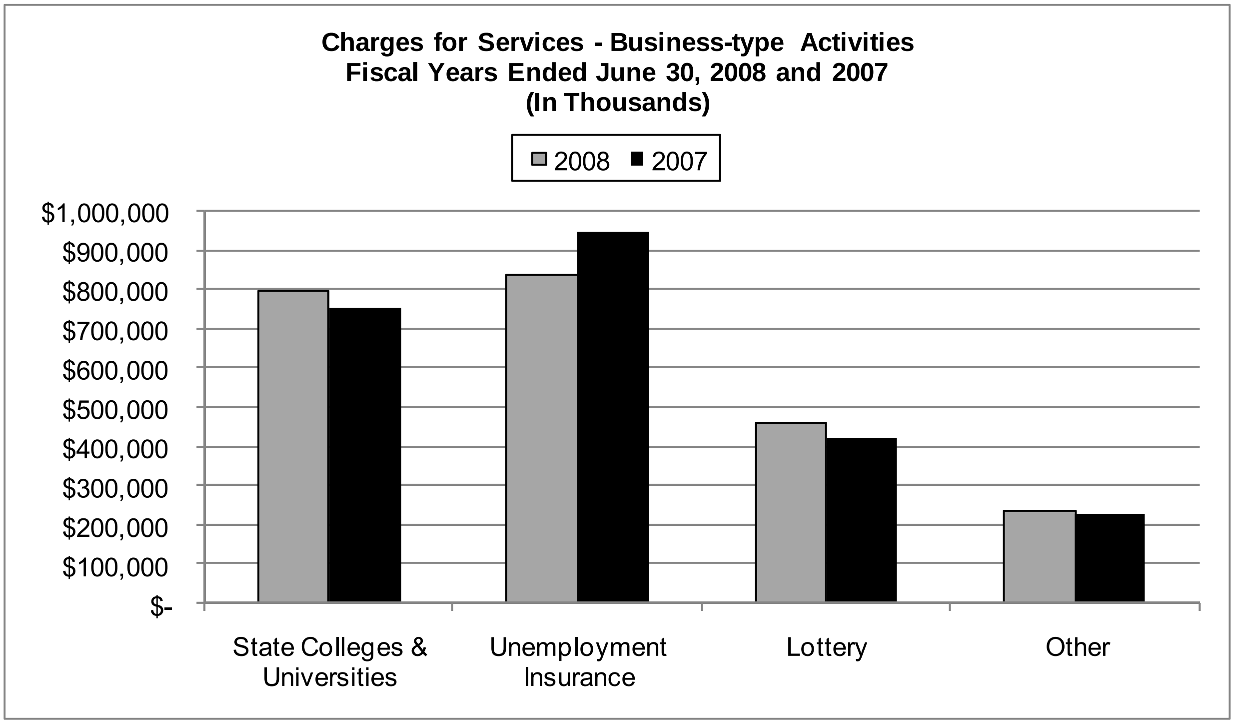




The increase in expenses resulted from increases in several functional expense categories. Economic and Workforce Development, Transportation and General Government expenses increased primarily due to one-time unusual events. Economic and Workforce Development and part of the Transportation expenses increase resulted from flooding in southeastern Minnesota. Grants were provided for damages to businesses and residences as well as repairing infrastructure. Transportation expenses also increased due to the rebuilding the I-35W bridge. As stated above, these expenses were reimbursed by the federal government. The bridge collapse also resulted in an increase in General Government expenses due to a settlement to claimants who died or were injured from the bridge collapse. Health and Human Services expenses increased mainly due to an increase in the number of eligible participants for medical assistance and an increase in the average health care costs. As stated above, this increase was partially offset by the federal government's share of these expenses. General Education expenses increased due to a 2 percent increase in the per pupil formula, an increase in special education funding, and onetime appropriations for school technology and deferred maintenance. Higher Education expenses increased primarily due to grants to the University of Minnesota (component unit).

Business-type Activities

The state's proprietary funds net assets increased by $169 million during the current year. This primarily resulted from a $120 million increase in net assets in the State Colleges and Universities Fund, which compared to a similar increase of $126 million in the prior year. Transfers from the General Fund increased $64 million and tuition revenue increased $46 million. These increases were offset by an increase in salaries and fringe benefits of $88 million. The increases in tuition and salaries and fringe benefits primarily resulted due to an increase in the number of students. The remaining increase in net assets of $49 million resulted primarily from an $38 million increase in net assets of the Unemployment Insurance Fund. This compares to an increase of $175 million in the prior year. This change resulted from increased benefit payment as the unemployment rate increased.



State Funds Financial Analysis

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $5.1 billion, a decrease of $325 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $689 million, a decrease of $435 million compared to the prior year. This compared to an unreserved fund balance of $1.1 billion in the prior year with an increase of $514 million from fiscal year 2006.

As the General Fund is the chief operating fund of the state, most of the same variances impacting Governmental Activities impacted the General Fund. Economic and Workforce Development and General Government expenditures increased primarily due to one-time unusual events. Economic and Workforce Development expenditures increased due to grants issued to businesses and residents of southeastern Minnesota for flooding damage. The increase in General Government expenditures primarily resulted from a settlement to claimants who died or were injured from the I-35W bridge collapse. Health and Human Services expenditures increased mainly due to an increase in the number of eligible participants for medical assistance and increased average health care costs. General Education expenditures increased due to an increase in the per pupil formula by 2 percent, an increase in special education funding, and a onetime appropriation for school technology and deferred maintenance. Higher Education expenditures increased primarily due to grants to the University of Minnesota (component unit).

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 $169 million during the current year. This primarily resulted from a $120 million increase in net assets in the State Colleges and Universities Fund and an increase of $38 million in net assets of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

During fiscal year 2008, the state legislature appropriated $80 million from the General Fund for flood cleanup and recovery assistance in southeastern Minnesota and $37 million to create a fund for payment of settlements to the victims of the I-35W bridge collapse.

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

Based on the November 2007 and February 2008 forecasts, the state's financial outlook has deteriorated by approximately $1.2 billion since enactment of the fiscal year 2008-09 budget during the 2007 legislative session. This was primarily the result of a decrease in projected revenues from individual and corporate income taxes and sales taxes. Expenditures remained consistent with the originally enacted budget. The budget was rebalanced primarily by using budgetary reserves and increasing transfers from other funds.

Based on the November 2008 forecast, the state's financial outlook continued to weaken and a deficit of $426 million is currently forecast for fiscal year 2009. A $4.8 billion budget shortfall is now projected for the state's fiscal year 2010-11 budget, which will be enacted in the fiscal year 2009 legislative session. Both state statutes and constitution require a balanced budget for the biennium and prohibit borrowing for operating purposes beyond the end of the biennium. Minnesota's budget reserve is available for use, but is not sufficient to solve the entire problem fiscal year 2009 deficit. The budget reserve was $655 million as of June 30, 2008. However, the state used $500 million of this reserve to solve the forecast deficit in the February forecast leaving a current budget reserve of $155 million. The Governor also has the authority to unallot expenditures after the budget reserve has been depleted. The state's cash flow account, used to smooth timing differences between the receipts of revenues and expenditure cash outlays within a fiscal year, is currently $350 million.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2008, was $14.2 billion, less accumulated depreciation of $2.2 billion, resulting in a net book value of $12.0 billion. This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Assets not Depreciated:						
Land	$ 1,904,657	$ 1,807,456	$ 80,852	$ 79,488	$ 1,985,509	$ 1,886,944
Buildings, Structures, Improvements	28,040	28,975	-	-	28,040	28,975
Construction in Progress	261,251	183,997	174,345	132,191	435,596	316,188
Infrastructure	6,876,135	6,351,250	-	-	6,876,135	6,351,250
Art and Historical Treasures	1,989	500	-	-	1,989	500
Total Capital Assets not Depreciated	$ 9,072,072	$ 8,372,178	$ 255,197	$ 211,679	$ 9,327,269	$ 8,583,857
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 2,011,326	$ 1,925,399	$ 2,071,380	$ 1,918,343	$ 4,082,706	$ 3,843,742
Infrastructure	69,216	65,505	-	-	69,216	65,505
Library Collections	-	-	48,168	48,264	48,168	48,264
Equipment, Furniture, Fixtures	397,033	390,001	288,172	282,764	685,205	672,765
Total Capital Assets Depreciated	$ 2,477,575	$ 2,380,905	$ 2,407,720	$ 2,249,371	$ 4,885,295	$ 4,630,276
Less: Accumulated Depreciation	1,017,967	953,314	1,200,779	1,152,546	2,218,746	2,105,860
Capital Assets Net of Depreciation	$ 1,459,608	$ 1,427,591	$ 1,206,941	$ 1,096,825	$ 2,666,549	$ 2,524,416
Total	$ 10,531,680	$ 9,799,769	$ 1,462,138	$ 1,308,504	$ 11,993,818	$ 11,108,273

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

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 2007, indicated that the average PQI for principal arterial pavement was 3.3 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past five years with a slight decline in the current year.

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 2007, indicated that 98 percent of principal arterial system bridges and 93 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

In August 2007, the I-35W bridge over the Mississippi River collapsed. As a result of rebuilding the bridge, actual expenditures for both capitalized and maintenance projects increased from the original budget during the current year. These increases were partially offset by a projected decrease in other projects as resources were devoted to this project.

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

Debt Administration

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

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

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

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

Outstanding Bonded Debt
June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation	$ 4,070,056	$ 3,791,494	$ 215,024	$ 188,096	$ 4,285,080	$ 3,979,590
Revenue	14,500	15,145	206,585	170,941	221,085	186,086
Total	$ 4,084,556	$ 3,806,639	$ 421,609	$ 359,037	$ 4,506,165	$ 4,165,676

During fiscal year 2008, the state issued the following bonds:

- $656 million in general obligation state various purpose bonds
- $14 million in general obligation state trunk highway bonds
- $8 million in general obligation Rural Finance Authority bonds
- $41 million in revenue bonds for Minnesota State Colleges and Universities

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

Requests for Information

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

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

150 YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

Basic Financial Statements

2008
Comprehensive
Annual
Financial Report

15O YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

Government-wide Financial Statements

2008
Comprehensive
Annual
Financial Report

STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 5,320,012	$ 1,146,381	$ 6,466,393	$ 1,285,663
Investments	1,220,812	29,899	1,250,711	1,286,466
Accounts Receivable	2,007,346	380,517	2,387,863	386,819
Due from Component Units	17,743	-	17,743	-
Due from Primary Government	-	-	-	73,850
Accrued Investment/Interest Income	38,409	17	38,426	46,674
Federal Aid Receivable	795,698	15,002	810,700	1,710
Inventories	25,080	20,189	45,269	39,961
Loans and Notes Receivable	57,342	8,740	66,082	100,564
Internal Balances	20,333	(20,333)	-	-
Securities Lending Collateral	173,279	5,768	179,047	308,568
Other Assets	3,810	2,337	6,147	71,372
Total Current Assets	$ 9,679,864	$ 1,588,517	$ 11,268,381	$ 3,601,647
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 117,005	$ 117,005	$ 506,716
Investments-Restricted	-	-	-	226,810
Accounts Receivable-Restricted	-	-	-	17,932
Due from Primary Government	-	-	-	26,105
Other Assets-Restricted	-	89	89	24,855
Due from Component Units	103,405	-	103,405	-
Investments	-	-	-	3,223,440
Accounts Receivable	361,569	-	361,569	478,299
Loans and Notes Receivable	269,643	26,814	296,457	4,670,112
Depreciable Capital Assets (Net)	1,459,608	1,206,941	2,666,549	3,963,650
Nondepreciable Capital Assets	2,195,937	255,197	2,451,134	714,308
Infrastructure (Not depreciated)	6,876,135	-	6,876,135	-
Other Assets	47,170	-	47,170	9,521
Total Noncurrent Assets	$ 11,313,467	$ 1,606,046	$ 12,919,513	$ 13,861,748
Total Assets	$ 20,993,331	$ 3,194,563	$ 24,187,894	$ 17,463,395
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,383,951	$ 228,117	$ 3,612,068	$ 397,717
Due to Component Units	23,842	-	23,842	-
Due to Primary Government	-	-	-	21,233
Unearned Revenue	539,457	54,905	594,362	141,869
Accrued Interest Payable	78,881	297	79,178	79,358
General Obligation Bonds Payable	354,275	14,525	368,800	398,991
Loans and Notes Payable	11,742	702	12,444	264,471
Revenue Bonds Payable	785	6,540	7,325	450,074
Claims Payable	84,334	-	84,334	95,127
Compensated Absences Payable	30,857	16,303	47,160	170,814
Workers' Compensation Liability	14,605	1,948	16,553	-
Capital Leases Payable	6,247	2,401	8,648	525
Securities Lending Liabilities	173,279	5,768	179,047	308,568
Other Liabilities	-	18,184	18,184	9,075
Total Current Liabilities	$ 4,702,255	$ 349,690	$ 5,051,945	$ 2,337,822
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 83,933
Unearned Revenue-Restricted	-	-	-	72,603
Accrued Interest Payable-Restricted	-	-	-	8,852
Due to Primary Government	-	-	-	103,405
Unearned Revenue	-	-	-	3,759
General Obligation Bonds Payable	3,976,016	209,565	4,185,581	1,072,061
Loans and Notes Payable	48,147	5,127	53,274	3,668
Revenue Bonds Payable	13,715	203,179	216,894	3,712,846
Claims Payable	721,687	-	721,687	624,097
Compensated Absences Payable	244,860	121,602	366,462	21,738
Workers' Compensation Liability	81,136	3,464	84,600	-
Capital Leases Payable	161,630	20,246	181,876	12,495
Funds Held in Trust	-	-	-	92,577
Due to Component Units	18,917	-	18,917	-
Other Liabilities	65,612	39,384	104,996	125,862
Total Noncurrent Liabilities	$ 5,331,720	$ 602,567	$ 5,934,287	$ 5,937,896
Total Liabilities	$ 10,033,975	$ 952,257	$ 10,986,232	$ 8,275,718

CONTINUED

STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2008
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	$ 7,775,939	$ 1,108,136	$ 8,884,075	$ 2,946,064
Restricted for:				
Capital Projects	$ 34,274	$ -	$ 34,274	$ -
Debt Service	410,772	-	410,772	-
Transportation	740,673	-	740,673	-
Environmental Resources	623,759	-	623,759	-
Economic and Workforce Development	98,742	6,149	104,891	-
School Aid-Nonexpendable	698,506	-	698,506	-
School Aid-Expendable	87,030	-	87,030	-
Health & Human Services	-	25,485	25,485	-
Unemployment Benefits	-	730,883	730,883	-
State Colleges and Universities	-	347,619	347,619	-
Other Purposes	-	29,934	29,934	
Component Units	-	-	-	5,520,324
Total Restricted	$ 2,693,756	$ 1,140,070	$ 3,833,826	$ 5,520,324
Unrestricted	$ 489,661	$ (5,900)	$ 483,761	$ 721,289
Total Net Assets	$ 10,959,356	$ 2,242,306	$ 13,201,662	$ 9,187,677

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBU-TIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections	$ 901,641	$ 143,073	$ 158,169	$ 7,775
Transportation	2,047,500	21,474	566,869	436,336
Agricultural, Environmental and Energy Resources	825,842	360,056	186,932	5,654
Economic and Workforce Development	704,501	52,400	227,414	-
General Education	7,675,567	54,662	610,968	-
Higher Education	981,943	-	-	-
Health and Human Services	10,296,359	330,570	4,909,527	-
General Government	816,111	240,331	17,444	-
Intergovernment Aid	1,511,715	-	-	-
Interest	221,162	-	-	-
Total Governmental Activities	$ 25,982,341	$ 1,202,566	$ 6,677,323	$ 449,765
Business-type Activities:				
State Colleges and Universities	$ 1,675,051	$ 794,091	$ 210,874	$ 1,142
Unemployment Insurance	828,857	835,725	6,350	-
Lottery	346,834	461,565	-	-
Other	228,361	233,944	-	-
Total Business-type Activities	$ 3,079,103	$ 2,325,325	$ 217,224	$ 1,142
Total Primary Government	$ 29,061,444	$ 3,527,891	$ 6,894,547	$ 450,907
Component Units:				
University of Minnesota	$ 3,025,030	$ 1,300,509	$ 847,471	$ 173,547
Metropolitan Council	772,386	326,842	198,826	95,939
Housing Finance	412,474	201,152	178,477	-
Others	392,593	171,627	72,794	-
Total Component Units	$ 4,602,483	$ 2,000,130	$ 1,297,568	$ 269,486

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
Change in Accounting Principle

Net Assets, Beginning, as Restated

Net Assets, Ending

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (592,624)		$ (592,624)	
(1,022,821)		(1,022,821)	
(273,200)		(273,200)	
(424,687)		(424,687)	
(7,009,937)		(7,009,937)	
(981,943)		(981,943)	
(5,056,262)		(5,056,262)	
(558,336)		(558,336)	
(1,511,715)		(1,511,715)	
(221,162)		(221,162)	
$ (17,652,687)		$ (17,652,687)	
	$ (668,944)	$ (668,944)	
	13,218	13,218	
	114,731	114,731	
	5,583	5,583	
	$ (535,412)	$ (535,412)	
$ (17,652,687)	$ (535,412)	$ (18,188,099)	
			$ (703,503)
			(150,779)
			(32,845)
			(148,172)
			$ (1,035,299)
$ 7,929,096	$ -	$ 7,929,096	$ -
1,039,843	-	1,039,843	-
4,474,576	-	4,474,576	-
703,972	-	703,972	-
1,011,494	-	1,011,494	-
651,988	-	651,988	-
2,149,162	-	2,149,162	189,971
186,425	-	186,425	-
121,638	48,126	169,764	(60,194)
103,416	1,649	105,065	91,365
-	-	-	1,055,644
(654,359)	654,359	-	-
$ 17,717,251	$ 704,134	$ 18,421,385	$ 1,276,786
$ 64,564	$ 168,722	$ 233,286	$ 241,487
$ 10,802,980	$ 2,073,584	$ 12,876,564	$ 8,946,190
91,812	-	91,812	-
$ 10,894,792	$ 2,073,584	$ 12,968,376	$ 8,946,190
$ 10,959,356	$ 2,242,306	$ 13,201,662	$ 9,187,677

150 YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

Fund Financial Statements

2008
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150 YEARS

of STATEHOOD

1858 - 2008

State of Minnesota

2008
Comprehensive
Annual
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Major Governmental Funds

General Fund

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

Federal Fund

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,206,711	$ 7,721	$ 2,845,403	$ 5,059,835
Investments	29,200	-	1,171,101	1,200,301
Accounts Receivable	1,801,508	143,487	417,555	2,362,550
Interfund Receivables	125,096	4,911	170,613	300,620
Due from Component Units	836	-	120,312	121,148
Accrued Investment/Interest Income	28,459	-	9,669	38,128
Federal Aid Receivable	-	773,783	21,915	795,698
Inventories	-	-	23,855	23,855
Loans and Notes Receivable	43,176	15	283,794	326,985
Advances to Other Funds	1,750	-	-	1,750
Securities Lending Collateral	45,204	-	123,663	168,867
Investment in Land	-	-	15,476	15,476
Total Assets	$ 4,281,940	$ 929,917	$ 5,203,356	$ 10,415,213
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,046,767	$ 840,417	$ 446,314	$ 3,333,498
Interfund Payables	25,400	50,482	204,346	280,228
Due to Component Units	13,001	2,245	5,028	20,274
Deferred Revenue	1,295,942	29,281	189,440	1,514,663
Accrued Interest Payable	13,000	-	-	13,000
Securities Lending Liabilities	45,204	-	123,663	168,867
Total Liabilities	$ 3,439,314	$ 922,425	$ 968,791	$ 5,330,530
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 108,224	$ -	$ 201,242	$ 309,466
Reserved for Trust Principal	-	-	1,142,825	1,142,825
Other Reserved Fund Balances	44,926	7,492	580,194	632,612
Total Reserved Fund Balances	$ 153,150	$ 7,492	$ 1,924,261	$ 2,084,903
Unreserved Fund Balances:				
Designated for:				
General Fund	$ 689,476	$ -	$ -	$ 689,476
Special Revenue Funds	-	-	1,266,623	1,266,623
Debt Service Fund	-	-	707,086	707,086
Permanent Funds	-	-	9,479	9,479
Undesignated, reported in:				
Capital Project Funds	-	-	(12,873)	(12,873)
Special Revenue Funds	-	-	339,989	339,989
Total Unreserved Fund Balance	$ 689,476	$ -	$ 2,310,304	$ 2,999,780
Total Fund Balances	$ 842,626	$ 7,492	$ 4,234,565	$ 5,084,683
Total Liabilities and Fund Balances	$ 4,281,940	$ 929,917	$ 5,203,356	$ 10,415,213

The notes are an integral part of the financial statements.

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

JUNE 30, 2008
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 5,084,683
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	$ 6,876,135	
Depreciable Capital Assets	2,399,054	
Nondepreciable Capital Assets	2,180,461	
Accumulated Depreciation	(969,026)	
Total Capital Assets		10,486,624
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		979,925
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		45,633
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		240,372
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds Payable	$ (4,070,056)	
Bond Premium Payable	(260,235)	
Revenue Bonds Payable	(14,500)	
Accrued Interest Payable on Bonds	(65,881)	
Loans and Notes Payable	(39,625)	
Claims Payable	(806,021)	
Workers' Compensation Liability	(95,741)	
Capital Leases Payable	(167,877)	
Compensated Absences Payable	(269,990)	
Net Pension Obligation	(34,285)	
Net Other Post-Employment Benefits Obligation	(31,185)	
Due to Component Units	(22,485)	
Total Liabilities		(5,877,881)
Net Assets of Governmental Activities		$ 10,959,356

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 7,932,036	$ -	$ -	$ 7,932,036
Corporate Income Taxes	1,024,040	-	-	1,024,040
Sales Taxes	4,499,400	-	150	4,499,550
Property Taxes	704,246	-	-	704,246
Motor Vehicle Taxes	319,599	-	691,895	1,011,494
Fuel Taxes	-	-	651,860	651,860
Other Taxes	1,209,366	-	729,858	1,939,224
Tobacco Settlement	184,411	-	-	184,411
Federal Revenues	-	6,203,927	654,264	6,858,191
Licenses and Fees	254,691	1,349	522,335	778,375
Departmental Services	47,326	19,044	203,738	270,108
Investment/Interest Income	95,900	1,013	37,705	134,618
Securities Lending Income	9,197	-	13,921	23,118
Other Revenues	320,652	46,010	308,551	675,213
Net Revenues	$ 16,600,864	$ 6,271,343	$ 3,814,277	$ 26,686,484
Expenditures:				
Current:				
Public Safety and Corrections	$ 578,464	$ 102,807	$ 177,114	$ 858,385
Transportation	252,390	272,707	1,504,665	2,029,762
Agricultural, Environmental and Energy Resources	216,220	155,200	410,961	782,381
Economic and Workforce Development	203,457	226,630	289,714	719,801
General Education	6,969,053	630,075	74,092	7,673,220
Higher Education	870,322	-	112,997	983,319
Health and Human Services	4,713,362	4,770,605	814,495	10,298,462
General Government	710,433	14,791	47,611	772,835
Intergovernment Aid	1,511,504	-	211	1,511,715
Securities Lending Rebates and Fees	8,793	-	12,741	21,534
Total Current Expenditures	$ 16,033,998	$ 6,172,815	$ 3,444,601	$ 25,651,414
Capital Outlay	15,587	56,562	746,552	818,701
Debt Service	36,965	945	556,666	594,576
Total Expenditures	$ 16,086,550	$ 6,230,322	$ 4,747,819	$ 27,064,691
Excess of Revenues Over (Under) Expenditures	$ 514,314	$ 41,021	$ (933,542)	$ (378,207)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ 637,744	$ 637,744
Loan Proceeds	-	-	414	414
Bond Issue Premium	-	-	34,016	34,016
Transfers-In	443,647	1,404	2,280,087	2,725,138
Transfers-Out	(1,395,442)	(43,331)	(1,908,820)	(3,347,593)
Capital Leases	-	1,070	238	1,308
Net Other Financing Sources (Uses)	$ (951,795)	$ (40,857)	$ 1,043,679	$ 51,027
Net Change in Fund Balances	$ (437,481)	$ 164	$ 110,137	$ (327,180)
Fund Balances, Beginning, as Reported	$ 1,280,107	$ 7,328	$ 4,122,141	$ 5,409,576
Change in Inventory	-	-	2,287	2,287
Fund Balances, Ending	$ 842,626	$ 7,492	$ 4,234,565	$ 5,084,683

The notes are an integral part of the financial statements.

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

YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	(327,180)
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 $90,940 in the current period		727,761
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		2,291
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		59,228
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		2,287
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		(20,508)
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		(672,174)
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		(1,308)
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		363,234
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		(69,067)
Change in Net Assets of Governmental Activities	$	64,564

The notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 7,550,700	$ 7,583,000	$ 7,759,209
Corporate Income Taxes	1,140,800	900,785	1,020,181
Sales Taxes	4,615,751	4,575,246	4,541,776
Property Taxes	691,162	702,517	704,246
Motor Vehicle Taxes	306,527	307,204	315,595
Other Taxes	1,222,029	1,146,892	1,174,176
Departmental Earnings/Licenses & Fees	269,005	254,662	290,154
Investment/Interest Income	53,200	108,679	97,287
Tobacco Settlement	181,415	182,004	184,411
Other Revenues	414,296	347,013	411,259
Net Revenues	$ 16,444,885	$ 16,108,002	$ 16,498,294
Expenditures:			
Public Safety and Corrections	$ 590,364	$ 595,063	$ 574,730
Transportation	251,121	258,594	252,792
Agricultural, Environmental and Energy Resources	288,466	293,124	235,455
Economic and Workforce Development	183,720	202,733	193,838
General Education	6,954,185	6,951,618	6,935,728
Higher Education	907,121	904,670	897,423
Health and Human Services	4,663,727	4,672,512	4,548,449
General Government	1,159,860	768,775	688,236
Intergovernment Aid	1,526,302	1,529,057	1,528,444
Total Expenditures	$ 16,524,866	$ 16,176,146	$ 15,855,095
Excess of Revenues Over (Under) Expenditures	$ (79,981)	$ (68,144)	$ 643,199
Other Financing Sources (Uses):			
Transfers-In	$ 312,185	$ 328,044	$ 336,420
Transfers-Out	(850,606)	(1,334,952)	(1,335,702)
Net Other Financing Sources (Uses)	$ (538,421)	$ (1,006,908)	$ (999,282)
Net Change in Fund Balances	$ (618,402)	$ (1,075,052)	$ (356,083)
Fund Balances, Beginning, as Reported	$ 2,314,669	$ 2,314,669	$ 2,314,669
Prior Period Adjustments	-	-	23,325
Fund Balances, Beginning, as Restated	$ 2,314,669	$ 2,314,669	$ 2,337,994
Budgetary Fund Balances, Ending	$ 1,696,267	$ 1,239,617	$ 1,981,911
Less: Appropriation Carryover	-	-	231,091
Less: Reserved for Long-Term Receivables	-	-	43,176
Less: Budgetary Reserve	-	-	1,004,922
Undesignated Fund Balances, Ending	$ 1,696,267	$ 1,239,617	$ 702,722

The notes are an integral part of the financial statements.

State of Minnesota

2008 Comprehensive Annual Financial Report

Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 555,193	$ 490,276	$ 100,912	$ 1,146,381	$ 260,177
Investments	29,899	-	-	29,899	20,511
Accounts Receivable	37,645	310,344	32,528	380,517	27,191
Interfund Receivables	19,814	-	-	19,814	-
Accrued Investment/Interest Income	-	-	17	17	281
Federal Aid Receivable	14,024	978	-	15,002	-
Inventories	13,075	-	7,114	20,189	1,225
Deferred Costs	39	-	451	490	3,810
Loans and Notes Receivable	8,740	-	-	8,740	-
Securities Lending Collateral	5,768	-	-	5,768	4,412
Other Assets	-	-	1,847	1,847	-
Total Current Assets	$ 684,197	$ 801,598	$ 142,869	$ 1,628,664	$ 317,607
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 115,387	$ -	$ 1,618	$ 117,005	$ -
Other Assets-Restricted	89	-	-	89	-
Deferred Costs	-	-	-	-	1,537
Loans and Notes Receivable	26,814	-	-	26,814	-
Depreciable Capital Assets (Net)	1,175,163	-	31,778	1,206,941	29,580
Nondepreciable Capital Assets	253,484	-	1,713	255,197	-
Total Noncurrent Assets	$ 1,570,937	$ -	$ 35,109	$ 1,606,046	$ 31,117
Total Assets	$ 2,255,134	$ 801,598	$ 177,978	$ 3,234,710	$ 348,724
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 174,194	$ 25,495	$ 28,428	$ 228,117	$ 71,279
Interfund Payables	-	29,367	10,780	40,147	59
Unearned Revenue	37,803	15,853	1,249	54,905	4,719
Accrued Bond Interest Payable	-	-	297	297	-
General Obligation Bonds Payable	14,258	-	267	14,525	-
Loans and Notes Payable	702	-	-	702	6,512
Revenue Bonds Payable	3,090	-	3,450	6,540	-
Workers' Compensation Liability	1,948	-	-	1,948	-
Capital Leases	2,280	-	121	2,401	-
Compensated Absences Payable	14,634	-	1,669	16,303	533
Securities Lending Liabilities	5,768	-	-	5,768	4,412
Other Liabilities	18,158	-	26	18,184	-
Total Current Liabilities	$ 272,835	$ 70,715	$ 46,287	$ 389,837	$ 87,514
Noncurrent Liabilities:					
General Obligation Bonds Payable	$ 206,931	$ -	$ 2,634	$ 209,565	$ -
Loans and Notes Payable	5,127	-	-	5,127	13,752
Revenue Bonds Payable	159,476	-	43,703	203,179	-
Workers' Compensation Liability	3,464	-	-	3,464	-
Capital Leases	19,637	-	609	20,246	-
Compensated Absences Payable	111,324	-	10,278	121,602	5,194
Advances from Other Funds	-	-	-	-	1,750
Other Liabilities	39,061	-	323	39,384	142
Total Noncurrent Liabilities	$ 545,020	$ -	$ 57,547	$ 602,567	$ 20,838
Total Liabilities	$ 817,855	$ 70,715	$ 103,834	$ 992,404	$ 108,352
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,089,660	$ -	$ 18,476	$ 1,108,136	$ 9,726
Restricted for:					
Bond Covenants	$ 48,329	$ -	$ -	$ 48,329	$ -
Debt Service	19,814	-	-	19,814	-
Capital Projects	16,682	-	-	16,682	-
Economic and Workforce Development	-	-	6,149	6,149	-
Health and Human Services	-	-	25,485	25,485	-
Other Purposes	13,963	-	29,934	43,897	-
Total Restricted	$ 98,788	$ -	$ 61,568	$ 160,356	$ -
Unrestricted	$ 248,831	$ 730,883	$ (5,900)	$ 973,814	$ 230,646
Total Net Assets	$ 1,437,279	$ 730,883	$ 74,144	$ 2,242,306	$ 240,372

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 694,782	$ -	$ -	$ 694,782	$ -
Net Sales	-	-	503,512	503,512	17,620
Rental and Service Fees	-	-	176,272	176,272	160,456
Insurance Premiums	-	834,166	13,225	847,391	629,492
Federal Revenues	189,202	-	-	189,202	-
State Grants	82,014	-	-	82,014	-
Other Income	17,295	1,559	2,500	21,354	6,597
Total Operating Revenues	$ 983,293	$ 835,725	$ 695,509	$ 2,514,527	$ 814,165
Less: Cost of Goods Sold	-	-	340,289	340,289	5,151
Gross Margin	$ 983,293	$ 835,725	$ 355,220	$ 2,174,238	$ 809,014
Operating Expenses:					
Purchased Services	$ 220,647	$ -	$ 48,561	$ 269,208	$ 146,927
Salaries and Fringe Benefits	1,159,542	-	123,195	1,282,737	50,458
Student Financial Aid	28,135	-	-	28,135	-
Unemployment Benefits	-	822,507	-	822,507	-
Claims	-	-	10,510	10,510	502,886
Depreciation	76,536	-	4,166	80,702	9,402
Amortization	-	-	71	71	264
Supplies and Materials	86,684	-	11,329	98,013	9,518
Repairs and Maintenance	36,842	-	-	36,842	-
Indirect Costs	-	-	7,404	7,404	2,450
Other Expenses	40,567	-	7,772	48,339	2,902
Total Operating Expenses	$ 1,648,953	$ 822,507	$ 213,008	$ 2,684,468	$ 724,807
Operating Income (Loss)	$ (665,660)	$ 13,218	$ 142,212	$ (510,230)	$ 84,207
Nonoperating Revenues (Expenses):					
Investment Income	$ 18,853	$ 24,513	$ 4,704	$ 48,070	$ 12,044
Private Grants	21,672	-	-	21,672	-
Grants and Subsidies	1,142	6,350	-	7,492	-
Securities Lending Income	1,281	-	-	1,281	814
Other Nonoperating Revenues	-	-	420	420	-
Interest and Financing Costs	(16,749)	-	(2,588)	(19,337)	(759)
Grants, Aids and Subsidies	(9,349)	(6,350)	(14,178)	(29,877)	-
Securities Lending Rebates and Fees	(1,225)	-	-	(1,225)	(778)
Other Nonoperating Expenses	-	-	(5,132)	(5,132)	(4,606)
Gain (Loss) on Disposal of Capital Assets	1,200	-	29	1,229	210
Total Nonoperating Revenues (Expenses)	$ 16,825	$ 24,513	$ (16,745)	$ 24,593	$ 6,925
Income (Loss) Before Transfers & Contributions	$ (648,835)	$ 37,731	$ 125,467	$ (485,637)	$ 91,132
Capital Contributions	102,174	-	-	102,174	-
Transfers-In	666,608	-	4,561	671,169	-
Transfers-Out	-	(37)	(118,947)	(118,984)	(31,904)
Change in Net Assets	$ 119,947	$ 37,694	$ 11,081	$ 168,722	$ 59,228
Net Assets, Beginning, as Reported	$ 1,317,332	$ 693,189	$ 63,063	$ 2,073,584	$ 181,144
Net Assets, Ending	$ 1,437,279	$ 730,883	$ 74,144	$ 2,242,306	$ 240,372

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 770,789	$ 881,330	$ 692,903	$ 2,345,022	$ 804,145
Receipts from Grants	269,737	-	-	269,737	-
Receipts from Other Revenues	-	-	2,356	2,356	7,362
Receipts from Repayment of Program Loans	4,426	-	-	4,426	-
Financial Aid Disbursements	(28,216)	-	-	(28,216)	-
Payments to Claimants	-	(820,303)	(291,076)	(1,111,379)	(514,811)
Payments to Suppliers	(442,672)	-	(104,954)	(547,626)	(167,619)
Payments to Employees	(1,133,307)	-	(122,138)	(1,255,445)	(49,437)
Payments to Others	-	-	(27,777)	(27,777)	(1,349)
Payments of Program Loans	(5,794)	-	-	(5,794)	-
Net Cash Flows from Operating Activities	$ (565,037)	$ 61,027	$ 149,314	$ (354,696)	$ 78,291
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 15,368	$ 6,836	$ -	$ 22,204	$ -
Grant Disbursements	(9,349)	(6,660)	(15,098)	(31,107)	-
Transfers-In	665,883	-	4,561	670,444	-
Transfers-Out	-	(7,902)	(124,481)	(132,383)	(31,904)
Advances from Other Funds	-	-	-	-	2,500
Repayments of Advances from Other Funds	-	-	-	-	(2,574)
Repayment of Bond Principal	-	-	(2,590)	(2,590)	-
Interest Paid	-	-	(1,672)	(1,672)	-
Other Nonoperating Expenses	(1,293)	-	(3,135)	(4,428)	(4,605)
Other Nonoperating Revenues	-	-	405	405	-
Net Cash Flows from Noncapital Financing Activities	$ 670,609	$ (7,726)	$ (142,010)	$ 520,873	$ (36,583)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 119,817	$ -	$ -	$ 119,817	$ -
Investment in Capital Assets	(240,016)	-	(3,542)	(243,558)	(12,291)
Proceeds from Disposal of Capital Assets	2,618	-	49	2,667	2,375
Proceeds from Capital Debt	83,090	-	-	83,090	-
Proceeds from Loans	-	-	-	-	11,038
Capital Lease Payments	(2,772)	-	(116)	(2,888)	-
Repayment of Loan Principal	(996)	-	-	(996)	(8,928)
Repayment of Bond Principal	(16,339)	-	(974)	(17,313)	-
Interest Paid	(15,314)	-	(1,201)	(16,515)	(759)
Net Cash Flows from Capital and Related Financing Activities	$ (69,912)	$ -	$ (5,784)	$ (75,696)	$ (8,565)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 7,122	$ -	$ -	$ 7,122	$ 10,291
Purchase of Investments	(8,305)	-	-	(8,305)	(10,592)
Investment Earnings	17,343	24,513	4,753	46,609	11,991
Net Cash Flows from Investing Activities	$ 16,160	$ 24,513	$ 4,753	$ 45,426	$ 11,690
Net Increase (Decrease) in Cash and Cash Equivalents	$ 51,820	$ 77,814	$ 6,273	$ 135,907	$ 44,833
Cash and Cash Equivalents, Beginning, as Reported	$ 618,760	$ 412,462	$ 96,257	$ 1,127,479	$ 215,344
Cash and Cash Equivalents, Ending	$ 670,580	$ 490,276	$ 102,530	$ 1,263,386	$ 260,177

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (665,660)	$ 13,218	$ 142,212	$ (510,230)	$ 84,207
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 76,536	$ -	$ 4,166	$ 80,702	$ 9,402
Amortization	-	-	71	71	264
Loan Principal Repayments	4,426	-	-	4,426	-
Loans Issued	(5,794)	-	-	(5,794)	-
Provision for Loan Defaults	(26)	-	-	(26)	-
Loans Forgiven	746	-	-	746	-
Change in Valuation of Assets	1,335	-	-	1,335	-
Change in Assets and Liabilities:					
Accounts Receivable	634	44,257	(649)	44,242	(6,805)
Inventories	(2,705)	-	376	(2,329)	(279)
Other Assets	(2,332)	-	50	(2,282)	(4,139)
Accounts Payable	16,563	(801)	2,645	18,407	(5,077)
Compensated Absences Payable	11,719	-	163	11,882	387
Unearned Revenues	2,225	4,307	(29)	6,503	189
Other Liabilities	(2,704)	46	309	(2,349)	142
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 100,623	$ 47,809	$ 7,102	$ 155,534	$ (5,916)
Net Cash Flows from Operating Activities	$ (565,037)	$ 61,027	$ 149,314	$ (354,696)	$ 78,291
Noncash Investing, Capital and Financing Activities:					
Change in Fair Value of Investments	$ (176)	$ -	$ -	$ (176)	$ -
Capital Assets Acquired Through Leases	193	-	-	193	199
Capital Assets Purchased on Account	17,544	-	-	17,544	-
Buildings Capitalized under Notes Payable	1,406	-	-	1,406	-
Investment Earning on Account	1,484	-	-	1,484	1,066
Bond Premium Amortization	944	-	264	1,208	-

The notes are an integral part of the financial statements.

150 YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

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

Agency Fund

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

2008 Comprehensive Annual Financial Report

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 8,856	$ -	$ 124,842
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,100,149	$ 36,043	$ -
Investments:			
Commercial Paper	$ 2,691	$ 20	$ -
Debt Securities	12,647,223	108,721	-
Equity Securities	34,332,475	301,984	-
Mutual Funds	3,368,397	-	-
Total Investments	$ 50,350,786	$ 410,725	$ -
Accrued Interest and Dividends	$ 141,778	$ 1,510	$ -
Securities Trades Receivables (Payables)	(1,236,387)	(8,681)	-
Total Investment Pool Participation	$ 51,356,326	$ 439,597	$ -
Receivables:			
Employer Contributions	$ 22,939	$ -	$ -
Member Contributions	12,194	-	-
Accounts Receivable	-	-	22,201
Interfund Receivables	6,231	-	-
Other Receivables	31,260	-	-
Accrued Interest and Dividends	111	-	-
Total Receivables	$ 72,735	$ -	$ 22,201
Securities Lending Collateral	$ 4,773,099	$ 44,324	$ -
Depreciable Capital Assets (Net)	25,812	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 56,237,257	$ 483,921	$ 147,043
LIABILITIES			
Accounts Payable	$ 20,564	$ 92	$ 147,043
Interfund Payables	6,231	-	-
Accrued Expense	35	-	-
Revenue Bonds Payable	25,500	-	-
Bond Interest	76	-	-
Compensated Absences Payable	2,278	-	-
Securities Lending Liabilities	4,773,099	44,324	-
Total Liabilities	$ 4,827,783	$ 44,416	$ 147,043
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 51,409,474	$ 439,505	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 789,111	$ -
Member	1,019,670	-
Contributions From Other Sources	29,404	-
Participating Plans	-	109,099
Total Contributions	$ 1,838,185	$ 109,099
Net Investment Income:		
Investment Income	$ (2,570,721)	$ (33,845)
Less: Investment Expense	(69,819)	(419)
Net Investment Income	$ (2,640,540)	$ (34,264)
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 303,304	$ 3,087
Borrower Rebates	(241,274)	(2,573)
Management Fees	(12,580)	-
Net Securities Lending Revenue	$ 49,450	$ 514
Total Investment Income	$ (2,591,090)	$ (33,750)
Transfers From Other Funds	$ 15,751	$ -
Other Additions	15,249	-
Total Additions	$ (721,905)	$ 75,349
Deductions:		
Benefits	$ 3,071,016	$ -
Refunds/Withdrawals	228,680	121,734
Administrative Expenses	41,897	-
Transfers to Other Funds	15,751	-
Total Deductions	$ 3,357,344	$ 121,734
Net Increase (Decrease)	$ (4,079,249)	$ (46,385)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 55,488,723	$ 485,890
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 51,409,474	$ 439,505

The notes are an integral part of the financial statements.

150 YEARS
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State of Minnesota

Major Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

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

University of Minnesota

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

2008 Comprehensive Annual Financial Report

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2007 and JUNE 30, 2008
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 340,635	$ 158,024	$ 322,509	$ 464,495	$ 1,285,663
Investments	292,750	273,814	142,588	577,314	1,286,466
Accounts Receivable	4,687	23,667	312,702	45,763	386,819
Due from Other Governmental Units	-	12,491	-	-	12,491
Due from Primary Government	-	66,989	3,293	3,568	73,850
Accrued Investment/Interest Income	21,365	2,022	3,660	19,627	46,674
Federal Aid Receivable	1,626	-	-	84	1,710
Inventories	-	20,003	19,914	44	39,961
Deferred Costs	14,362	-	-	4,853	19,215
Loans and Notes Receivable	-	-	8,579	91,985	100,564
Securities Lending Collateral	-	-	301,218	7,350	308,568
Other Assets	7,037	1,057	31,248	324	39,666
Total Current Assets	$ 682,462	$ 558,067	$ 1,145,711	$ 1,215,407	$ 3,601,647
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 315,114	$ 115,355	$ 69,309	$ 6,938	$ 506,716
Investments-Restricted	82,001	-	123,108	21,701	226,810
Accounts Receivable-Restricted	-	15,419	-	2,513	17,932
Due from Primary Government-Restricted	-	7,188	-	18,917	26,105
Other Assets-Restricted	-	24,855	-	-	24,855
Investments	-	-	3,105,852	117,588	3,223,440
Accounts Receivable	-	-	114,309	363,990	478,299
Loans and Notes Receivable	2,398,136	40,547	65,469	2,165,960	4,670,112
Depreciable Capital Assets (Net)	3,237	2,006,579	1,952,252	1,582	3,963,650
Nondepreciable Capital Assets	-	379,252	334,667	389	714,308
Other Assets	-	-	3,680	5,841	9,521
Total Noncurrent Assets	$ 2,798,488	$ 2,589,195	$ 5,768,646	$ 2,705,419	$ 13,861,748
Total Assets	$ 3,480,950	$ 3,147,262	$ 6,914,357	$ 3,920,826	$ 17,463,395
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 22,748	$ 206,518	$ 148,469	$ 15,995	$ 393,730
Payable to Other Governmental Units	-	434	-	-	434
Due to Primary Government	-	-	5,407	15,826	21,233
Unearned Revenue	-	9,425	98,521	33,923	141,869
Accrued Bond Interest Payable	53,009	3,995	5,304	17,050	79,358
General Obligation Bonds Payable	-	118,697	280,294	-	398,991
Loans and Notes Payable	-	-	263,600	871	264,471
Revenue Bonds Payable	391,055	1,030	5,294	52,695	450,074
Grants Payable	-	-	-	3,553	3,553
Claims Payable	-	8,100	20,663	66,364	95,127
Compensated Absences Payable	175	2,756	167,797	86	170,814
Securities Lending Liabilities	-	-	301,218	7,350	308,568
Other Liabilities	-	525	8,558	517	9,600
Total Current Liabilities	$ 466,987	$ 351,480	$ 1,305,125	$ 214,230	$ 2,337,822
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 28,610	$ 55,323	$ -	$ 83,933
Unearned Revenue-Restricted	-	72,603	-	-	72,603
Accrued Bond Interest Payable-Restricted	-	8,852	-	-	8,852
Due to Primary Government	-	-	46,109	57,296	103,405
Unearned Revenue	-	-	3,759	-	3,759
General Obligation Bonds Payable	-	1,000,067	71,994	-	1,072,061
Loans and Notes Payable	-	1,405	-	2,263	3,668
Revenue Bonds Payable	2,020,321	6,289	144,761	1,541,475	3,712,846
Claims Payable	-	7,831	12,630	603,636	624,097
Compensated Absences Payable	1,693	5,059	14,151	835	21,738
Funds Held in Trust	84,445	-	8,132	-	92,577
Other Liabilities	38	27,777	105,929	4,613	138,357
Total Noncurrent Liabilities	$ 2,106,497	$ 1,158,493	$ 462,788	$ 2,210,118	$ 5,937,896
Total Liabilities	$ 2,573,484	$ 1,509,973	$ 1,767,913	$ 2,424,348	$ 8,275,718
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 3,237	$ 1,415,716	$ 1,525,140	$ 1,971	$ 2,946,064
Restricted-Expendable	904,229	127,004	2,256,571	1,268,101	4,555,905
Restricted-Nonexpendable	-	-	964,419	-	964,419
Unrestricted	-	94,569	400,314	226,406	721,289
Total Net Assets	$ 907,466	$ 1,637,289	$ 5,146,444	$ 1,496,478	$ 9,187,677

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND JUNE 30, 2008
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 412,474	$ 772,386	$ 3,025,030	$ 392,593	$ 4,602,483
Program Revenues:					
Charges for Services	$ 201,152	$ 326,842	$ 1,300,509	$ 171,627	$ 2,000,130
Operating Grants and Contributions	178,477	198,826	847,471	72,794	1,297,568
Capital Grants and Contributions	-	95,939	173,547	-	269,486
Net (Expense) Revenue	$ (32,845)	$ (150,779)	$ (703,503)	$ (148,172)	$ (1,035,299)
General Revenues:					
Taxes	$ -	$ 189,971	$ -	$ -	$ 189,971
Investment Income	-	28,233	(103,061)	14,634	(60,194)
Other Revenues	876	446	87,898	2,145	91,365
Total General Revenues before Grants	$ 876	$ 218,650	$ (15,163)	$ 16,779	$ 221,142
State Grants Not Restricted	87,796	-	743,987	223,861	1,055,644
Total General Revenues	$ 88,672	$ 218,650	$ 728,824	$ 240,640	$ 1,276,786
Change in Net Assets	$ 55,827	$ 67,871	$ 25,321	$ 92,468	$ 241,487
Net Assets, Beginning, as Reported	$ 851,639	$ 1,569,418	$ 5,121,123	$ 1,404,010	$ 8,946,190
Net Assets, Ending	$ 907,466	$ 1,637,289	$ 5,146,444	$ 1,496,478	$ 9,187,677

The notes are an integral part of the financial statements.

150 YEARS
of STATEHOOD
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Index of Notes to the Financial Statements

150 YEARS
of STATEHOOD
1858 - 2008

Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

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

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" was issued in June 2004. The state of Minnesota provides other postemployment benefits (OPEB) as part of its total employee compensation. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, and note disclosures. The state implemented this statement for the fiscal year ended June 30, 2008. See Note 9 – Termination and Postemployment Benefits, for more information on the state's OPEB liability.

GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" was issued in September 2006. The statement establishes criteria for determining whether exchanges of future expected cash flows for immediate cash payments should be regarded as sales or as collateralized borrowings. The statement also requires additional note disclosure pertaining to future revenues that have been pledged or sold. The state implemented this statement for the fiscal year ended June 30, 2008. See Note 12 – Long-Term Liabilities – Primary Government for the additional required disclosures.

GASB Statement No. 50, "Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27" was issued in May 2007. The statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. The state implemented this statement for the fiscal year ended June 30, 2008. See Note 8 – Pension and Investment Trust Funds for the additional required disclosures.

Financial Reporting Entity of the State of Minnesota

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

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

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

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.

- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.

- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.

- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.

- ClearWay Minnesota – ClearWay Minnesota issues grants to health, community, and academic organizations throughout Minnesota to support research and cessation activities that will encourage and help tobacco users quit. It is funded by tobacco lawsuit settlement proceeds. Although the state does not appoint a voting majority of ClearWay Minnesota's governing board and is neither able to impose its will on ClearWay Minnesota nor is there a potential financial benefit/burden to the state, the state believes that excluding ClearWay Minnesota from the reporting entity would fail to provide a complete overview of tobacco settlement funds.

- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.

- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints all voting members of the board and the OHE director.

- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.

- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture who is a member of the board. The state has issued general obligation bond debt for RFA programs.

- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

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

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

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

Housing Finance Agency 400 Sibley Street Suite 300 St. Paul, Minnesota 55101	National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	Office of Higher Education 1450 Energy Park Drive Suite 350 St. Paul, Minnesota 55108
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Bldg., 332 Minnesota St., Suite E200 St. Paul, Minnesota 55101-1351
ClearWay Minnesota Two Appletree Square, Suite 400 8011 34th Avenue South Minneapolis, Minnesota 55425	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 commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

Minnesota State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103

Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, Minnesota 55103

State Board of Investment
60 Empire Drive, Suite 355
St. Paul, Minnesota 55103

Minnesota State Colleges and Universities
Financial Reporting Unit
500 Wells Fargo Place, 30 East 7th Street
St. Paul, Minnesota 55101

The financial statements, available from the State Board of Investment, report on the Supplemental Retirement Fund (investment trust 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. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

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

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

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

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

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

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

Classification of Funds

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

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

- General Fund which accounts for all financial resources except those required to be accounted for in another fund.

- Special revenue funds which account for revenue sources that are restricted to expenditure for specific purposes (not including major capital projects).

- Capital project funds which account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or special revenue funds.

- Debt Service Fund which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

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

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

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.

- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central stores, employee insurance, enterprise technology, plant management, risk management, and central services.

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, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

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

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

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

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

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

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

Cash Equivalents and Investments

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

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

See Note 2 – Cash and Investments for additional information regarding cash and investments.

Inventories

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

Securities Lending

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

Restricted Assets

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

Income Tax Credits

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

Grant Expenditures and Liabilities Recognition

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

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

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

Compensated Absences

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

Capital Assets

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

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. 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 Required Supplementary Information.

See Note 6 – Capital Assets for further information.

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, net pension and other postemployment benefit obligations, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

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

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

Deferred Compensation Plan

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

Net Assets/Fund Balances

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

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

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

Budgeting and Budgetary Control

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

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

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

Change in Fund Structure

For fiscal year 2008, accounting for special assessments levied on employers for employment and training programs, as well as the relating spending, has been moved from the Miscellaneous Special Revenue Fund to the Workforce Development Fund (special revenue 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 rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the 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, 2008, are presented below using the Standard & Poor's (S & P) rating scale.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2008
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating: AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 89,948	4.62	100%	-	-	-
U.S. Agencies	897,667	5.06	98%	-	-	2%
Mortgage-backed Securities	265,464	22.57	95%	5%	-	-
State or Local Government Bonds	47,600	1.00	66%	17%	-	17%
Corporate Bonds	3,127,396	2.40	68%	30%	1%	1%
Commercial Paper	1,426,480	0.11	100%	-	-	-
Repurchase Agreements	409,275	0.08	-	11%	-	89%
Certificates of Deposit	324,971	0.23	-	-	-	100%
Short-term Securities	65,096	0.17	100%	-	-	-
Total Debt Securities	$ 6,653,897					
Equity Investments:						
Corporate Stock	$ 659,965					
Alternative Equities	7,795					
Total Equity Investments	$ 667,760					
Other Investments						
Escheat Property	$ 16,410					
Money Market Accounts	5,538					
Total Other Investments	$ 21,948					
Total Investments	$ 7,343,605 (1)					

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

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

Primary Government
Pension and Investment Trust Funds Investments
As of June 30, 2008
(In Thousands)

			Lower of S & P or Moody S & P Equivalent Rating			
	Fair Value	Weighted Average Maturity (Years)	AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 1,001,438	9.39	100%	-	-	-
U.S. Agencies	806,266	3.91	99%	-	-	1%
Mortgage-backed Securities	6,847,785	26.35	99%	1%	-	-
State or Local Government Bonds	281,858	1.66	56%	10%	-	34%
Corporate Bonds	4,362,656	7.99	25%	64%	10%	1%
Commercial Paper	2,711	0.88	-	13%	-	87%
Asset-backed Securities	501,788	11.18	87%	9%	-	4%
Repurchase Agreements	331,576	0.08	80%	18%	-	2%
Short-term Securities	758,769	0.20	87%	-	-	13%
Total Debt Securities	$ 14,894,847					
Equity Investments:						
Corporate Stock	$ 28,617,024					
Stock Options	100,314					
Alternative Equities	5,917,121					
Mutual Funds	3,368,397					
Total Equity Investments	$ 38,002,856					
Total Investments	$ 52,897,703					

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations:

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

Corporate Stock:

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

The state had concentration of credit risk over 5% as of June 30, 2008, in the Federal National Mortgage Association (FNMA). FNMA represented 12.0%, of the primary government's total debt securities investments and 4.3% of the state's total investments. The pension trust and investment trust funds portfolio included in the primary government had 17.3% of debt securities investments and 4.9% 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 to 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, 2008.

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

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2008
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 2,920	$ -	$ 347,132
Brazilian Real	1,370	56	91,235
Canadian Dollar	5,729	1,617	413,958
Euro Currency	43,196	35,028	1,860,083
Hong Kong Dollar	3,373	-	301,566
Indian Rupee	971	-	80,231
Japanese Yen	19,617	-	1,128,154
New Taiwan Dollar	3,219	-	99,564
Norwegian Krone	2,481	-	57,799
Pound Sterling	19,874	-	1,106,729
South African Rand	267	-	82,883
South Korean Won	86	-	118,190
Swedish Krona	4,394	-	94,270
Swiss Franc	1,383	-	420,429
Other	2,225	-	328,421
Total	$ 111,105	$ 36,701	$ 6,530,644

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. Wells Fargo securities lent included U. S. Treasuries and Agencies debt securities. State Street securities lent included both debt securities and equity investments. Neither State Street nor Wells Fargo has the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the fair value of the loaned securities.

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

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

Primary Government [(1)]
Securities Lending Analysis
As of June 30, 2008
(In Thousands)

	Wells Fargo	State Street
Fair Value of Securities on Loan	$ 101,584	$ 6,551,076
Collateral Held	$ 102,968	$ 6,775,914
Average Duration	113 days	N/A
Average Weighted Maturity	114 days	37 days

(1) 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, 2008, 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.

Housing Finance Agency

As of June 30, 2008, Housing Finance Agency (HFA) had $1,030,500,000 of cash, cash equivalents, and investments. As of June 30, 2008, $162,601,000 of deposits and $224,939,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from .1 - .2 years (corporate notes) to 8.6 - 12.1 years (US Agencies).

HFA cash equivalents included $491,100,000 of investment agreements, which are generally uncollateralized interest bearing contracts. As of June 30, 2008, all investment agreement providers had a Standard & Poor's long-term credit rating of 'A- or higher' and a Moody's Investors Service long-term credit rating of 'A2 or higher' as of June 30, 2008. 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 $374,751,000 as of June 30, 2008. Of these investments, $305,816,000 were US Agencies investments having a Standard & Poor's rating of 'AAA' and Moody's rating of 'Aaa.'

HFA had investments in single issuers as of June 30, 2008, excluding investments issued or explicitly guaranteed by the US Government that exceeded five percent of total investments. These investments amounted to $577,394,000 and involved Federal Home Loan Bank, AIG Matched Funding Corp., Calyon, FSA Capital Management, and Bayerische Landesbank investment agreements.

Metropolitan Council

As of December 31, 2007, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of $547,193,000. Of this amount, $513,011,000 was subject to rating. $320,126,000 of these investments were rated Aaa using the Moody's rating scale. $120,860,000 was commercial paper rated at P-1, while $72,025,000 was not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $214,543,000 United States Treasury and agency investments, MC has a custodial credit risk exposure of $1,009,000 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, 2007. The investment portfolio has an average yield of 4.8 percent, modified duration of 4.39 years, effective duration of 2.34 years, and convexity of -.74.

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).

Metropolitan Council Estimated Fair Value of Investments As of December 31, 2007 (In Thousands)		
Estimated Fair Value	$	528,841
Fair Value of Portfolio After Basis Point Increase of:		
50 Points	$	524,556
100 Points	$	518,478
150 Points	$	513,237
200 Points	$	508,117

University of Minnesota

As of June 30, 2008, University of Minnesota (U of M), including its discretely presented component units, had $391,818,000 of cash and cash equivalents and $3,371,548,000 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 $339,438,000 and investments of $1,506,170,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2008, $10,460,000 of the U of M's bank balance of $10,560,000 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, 2008, $609,160,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $141,315,000 was rated AAA
- $81,304,000 was rated A- to AA
- $86,971,000 was rated BBB- to BBB
- $299,570,000 was not rated

The securities subject to interest rate risk were comprised of:

- $94,167,000 in government agencies with an average duration of 1.22 years
- 168,274,000 in corporate bonds with an average duration of 0.81 years
- $47,148,000 in mortgage backed securities with an average duration of 4.27 years
- $279,612,000 in cash and cash equivalents with an average duration of .003 year
- $19,959,000 in other types of securities (primarily mutual funds) with an average duration of 0.63 years

As of June 30, 2008, U of M had $100,326,000 of equity investments subject to foreign currency risk. The three largest components of this amount (in thousands) are as follows:

Euro Currency	$	39,419
Japanese Yen	$	23,255
Pound Sterling	$	16,074

Nonmajor Component Units

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

Component Units
Cash, Cash Equivalents and Investments
June 30, 2008 or December 31, 2007 as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 5,947	$ 21,701
ClearWay Minnesota	30	159,669
National Sports Center Foundation	394	-
Office of Higher Education	147,568	39,177
Public Facilities Authority	285,233	149,902
Rural Finance Authority	15,467	-
Workers' Compensation Assigned Risk Plan	16,794	346,154
Total	$ 471,433	$ 716,603

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, 2008:

Components of Net Receivables
As of June 30, 2008
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 591,064	$ -	$ -	$ 591,064
Sales and Use	361,943	-	-	361,943
Property	372,651	-	-	372,651
Health Care Provider	174,581	-	87,548	262,129
Highway Users	-	-	84,651	84,651
Child Support	85,714	84,003	-	169,717
Workers' Compensation	-	-	109,683	109,683
Other	215,555	59,484	142,038	417,077
Net Receivables	$ 1,801,508	$ 143,487	$ 423,920	$ 2,368,915

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	$ -	$ 310,344	$ -	$ 310,344
Tuition and Fees	37,645	-	-	37,645
Other	-	-	32,528	32,528
Net Receivables	$ 37,645	$ 310,344	$ 32,528	$ 380,517
Total Government-wide Net Receivables				$ 2,749,432

(1)Includes $6,365 Internal Service Funds.

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

- Corporate and Individual Taxes $134,385,000
- Sales and Use Taxes $27,500,000
- Child Support $346,901,000
- Other Receivables $55,727,000

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

- Corporate and Individual Taxes $97,463,000
- Sales and Use Taxes $32,775,000
- Child Support $143,895,000
- Health Care Provider $67,673,000
- Other Receivables $19,763,000

Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2008, consisted of the following:

Primary Government
Loans and Notes Receivable
As of June 30, 2008
(In Thousands)

	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ -	$ 35,554
Economic Development	43,145	-	71,276	-	-
School Districts	-	-	117,474	-	-
Agricultural, Evironmental and Energy Resources	31	-	71,438	-	-
Transportation	-	-	18,235	4,126	-
Other	-	15	836	409	-
Total	$ 43,176	$ 15	$ 279,259	$ 4,535	$ 35,554

Component Units
Loans and Notes Receivable
As of June 30, 2008
(In Thousands)

Housing Finance Authority	$ 2,398,136
Metropolitan Council	40,547
University of Minnesota	74,048
Agricultural and Economic Development Board	13,640
Office of Higher Education	686,671
Public Facilities Authority	1,501,557
Rural Finance Authority	56,077
Total	$ 4,770,676

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.

Interfund Receivables and Payables
As of June 30, 2008
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	48,554
Nonmajor Governmental Funds		68,775
Nonmajor Enterprise Funds		7,708
Internal Service Funds		59
Total Due to General Fund From Other Funds	$	125,096
Due to the Federal Fund From:		
Nonmajor Governmental Funds	$	4,666
Unemployment Insurance Fund		245
Total Due to Federal Fund From Other Funds	$	4,911
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	19,814
Total Due to State Colleges and Universities From Other Funds	$	19,814
Due to Fiduciary Funds From:		
Fiduciary Funds	$	6,231
Total Due to Fiduciary Funds From Other Fiduciary Funds	$	6,231
Due to the Nonmajor Governmental Funds From:		
General Fund	$	25,400
Federal Fund		1,928
Unemployment Insurance Fund		29,122
Nonmajor Governmental Funds		111,091
Nonmajor Enterprise Funds		3,072
Total Due to Nonmajor Governmental Funds From Other Funds	$	170,613

The Central Motor Pool Fund had an outstanding advance of $1,750,000 from the General Fund as of June 30, 2008. This advance is not expected to be repaid within one year.

Interfund Transfers
Year Ended June 30, 2008
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	20,656
Nonmajor Governmental Funds		338,136
Nonmajor Enterprise Funds		63,564
Internal Service Funds		21,291
Total Transfers to General Fund From Other Funds	$	443,647
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	37
Nonmajor Governmental Funds		1,367
Total Transfers to Federal Fund From Other Funds	$	1,404
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	666,238
Nonmajor Governmental Funds – Capital Contributions		102,174
Nonmajor Governmental Funds		370
Total Transfers to State Colleges and Universities From Other Funds	$	768,782
Transfers to the Internal Service Funds From:		
Governmental Capital Assets – Capital Contributions	$	-
Total Transfers to Internal Service Funds From Other Funds	$	-
Transfers to Fiduciary Funds From:		
Fiduciary Funds	$	15,751
Total Transfers to Fiduciary Funds From Other Fiduciary Funds	$	15,751
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	729,204
Federal Fund		22,675
Unemployment Insurance Fund		-
Nonmajor Governmental Funds		1,462,212
Nonmajor Enterprise Funds		55,383
Internal Service Funds		10,613
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	2,280,087
Transfers to the Nonmajor Enterprise Funds From:		
Nonmajor Governmental Funds	$	4,561
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	4,561

Component Units

Receivables and payables as of June 30, 2008, between the primary government and component units, are summarized as follows:

Primary Government and Component Units
Receivables and Payables
As of June 30, 2008
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 74,177	$ -
University of Minnesota	3,293	51,516
Total Major Component Units	$ 77,470	$ 51,516
Nonmajor Component Units	$ 22,485	$ 73,122
Total Component Units	$ 99,955	$ 124,638

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ 836	$ 13,001
Federal Fund	-	2,245
Total Major Governmental Funds	$ 836	$ 15,246
Nonmajor Governmental Funds	$ 120,312	$ 5,028
Total Primary Government	$ 121,148	$ 20,274 (1)

(1) Due to component units on the Government-wide Statement of Net Assets totals $42,759 including $22,485 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 $3,490,000 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 $79,681,000 difference between the Due From Primary Government balance and the Due To Component Units balance.

Note 6 – Capital Assets

Primary Government

Capital Asset Activity
Government-wide
Year Ended June 30, 2008
(In Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 1,807,456	$ 100,999	$ (3,798)	$ 1,904,657
Buildings, Structures, Improvements	28,975	249	(1,184)	28,040
Construction in Progress	183,997	159,383	(82,129)	261,251
Infrastructure	6,351,250	531,970	(7,085)	6,876,135
Art and Historical Treasures	500	1,489	-	1,989
Total Capital Assets not Depreciated	$ 8,372,178	$ 794,090	$ (94,196)	$ 9,072,072
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 1,925,399	$ 98,800	$ (12,873)	$ 2,011,326
Infrastructure	65,505	3,711	-	69,216
Equipment, Furniture, Fixtures	390,001	34,727	(27,695)	397,033
Total Capital Assets Depreciated	$ 2,380,905	$ 137,238	$ (40,568)	$ 2,477,575
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (695,897)	$ (63,846)	$ 8,416	$ (751,327)
Infrastructure	(13,957)	(1,523)	-	(15,480)
Equipment, Furniture, Fixtures	(243,460)	(35,237)	27,537	(251,160)
Total Accumulated Depreciation	$ (953,314)	$ (100,606)	$ 35,953	$ (1,017,967)
Total Capital Assets Depreciated, Net	$ 1,427,591	$ 36,632	$ (4,615)	$ 1,459,608
Governmental Act. Capital Assets, Net	$ 9,799,769	$ 830,722	$ (98,811)	$ 10,531,680
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 79,488	$ 1,369	$ (5)	$ 80,852
Construction in Progress	132,191	201,958	(159,804)	174,345
Total Capital Assets not Depreciated	$ 211,679	$ 203,327	$ (159,809)	$ 255,197
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 1,918,343	$ 160,388	$ (7,351)	$ 2,071,380
Library Collections	48,264	7,071	(7,167)	48,168
Equipment, Furniture, Fixtures	282,764	23,532	(18,124)	288,172
Total Capital Assets Depreciated	$ 2,249,371	$ 190,991	$ (32,642)	$ 2,407,720
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (923,580)	$ (53,448)	$ 6,316	$ (970,712)
Library Collections	(27,419)	(6,880)	7,167	(27,132)
Equipment, Furniture, Fixtures	(201,547)	(20,374)	18,986	(202,935)
Total Accumulated Depreciation	$ (1,152,546)	$ (80,702)	$ 32,469	$ (1,200,779)
Total Capital Assets Depreciated, Net	$ 1,096,825	$ 110,289	$ (173)	$ 1,206,941
Business-type Act. Capital Assets, Net	$ 1,308,504	$ 313,616	$ (159,982)	$ 1,462,138

Capital Asset Activity
Fiduciary Funds
Year Ended June 30, 2008
(In Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,547	$ 1,457	$ (1,297)	$ 29,707
Equipment, Furniture, Fixtures	5,730	150	(382)	5,498
Total Capital Assets Depreciated	$ 35,277	$ 1,607	$ (1,679)	$ 35,205
Accumulated Depreciation for:				
Buildings	$ (4,426)	$ (836)	$ 97	$ (5,165)
Equipment, Furniture, Fixtures	(3,986)	(572)	330	(4,228)
Total Accumulated Depreciation	$ (8,412)	$ (1,408)	$ 427	$ (9,393)
Total Capital Assets Depreciated, Net	$ 26,865	$ 199	$ (1,252)	$ 25,812
Fiduciary Funds, Capital Assets, Net	$ 27,294	$ 199	$ (1,252)	$ 26,241

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

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

Primary Government
Depreciation Expense
Year Ended June 30, 2008
(In Thousands)

Governmental Activities:		
Public Safety and Corrections	$	17,548
Transportation		20,398
Agricultural, Environmental & Energy Resources		5,906
Economic and Workforce Development		940
General Education		3,400
Health and Human Services		18,269
General Government		24,479
Internal Service Funds		9,666
Total Governmental Activities	$	100,606
Business-type Activities:		
State Colleges and Universities	$	76,536
Lottery		519
Other		3,647
Total Business-type Activities	$	80,702

Capital outlay expenditures in the governmental funds totaled $818,701,000 for fiscal year 2008. Donations of general capital assets received during fiscal year 2008 were valued at $15,180,000. Transfers were $83,618,000 primarily from construction in progress. Additions in internal service funds were $13,829,000.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2008, consisted of equipment with a cost of $8,633,000 and buildings with a cost of $180,005,000.

Authorizations and commitments as of June 30, 2008, for the largest construction in progress projects consisted of the following (in thousands):

Primary Government
Project Authorizations and Commitments
As of June 30, 2008
(In Thousands)

	Administration Projects	Education	Transportation	Natural Resources
Authorization	$ 18,197	$ 6,587,406	$ 175,133	$ 26,500
Expended through June 30, 2008	-	6,554,240	39,700	-
Unexpended Commitment	603	-	1,324	11,000
Available Authorization	$ 17,594	$ 33,166	$ 134,109	$ 15,500

Land in the Permanent School Fund totaling 2,520,971 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, 2007, or June 30, 2008, as applicable:

Capital Assets
As of December 31, 2007 or June 30, 2008
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ -	$ 88,831	$ 70,115	$ 389	$ 159,335
Construction in Progress	-	290,421	220,578	-	510,999
Museums and Collections	-	-	43,974	-	43,974
Buildings and Improvements	-	2,692,957	2,620,401	1,927	5,315,285
Equipment	6,991	594,531	751,423	1,786	1,354,731
Infrastructure	-	-	350,548	-	350,548
Total	$ 6,991	$ 3,666,740	$ 4,057,039	$ 4,102	$ 7,734,872
Less: Accumulated Depreciation	$ 3,754	$ 1,280,909	$ 1,793,249	$ 2,131	$ 3,080,043
Net Total	$ 3,237	$ 2,385,831	$ 2,263,790 [1]	$ 1,971	$ 4,654,829

[1] In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of $23,129 as of June 30, 2008.

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, 2008:

Components of Accounts Payable
As of June 30, 2008
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 714,071	$ 129,904	$ -	$ 843,975
Tax Refunds	566,287	-	-	566,287
I-35W Bridge Collapse	36,640	-	-	36,640
Medical Care Programs	409,800	481,989	64,394	956,183
Grants	183,442	167,153	176,064	526,659
Salaries and Benefits	71,388	11,369	54,207	136,964
Vendors/Service Providers	38,650	48,940	180,745	268,335
Other	26,489	1,062	21,357	48,908
Net Payables	$ 2,046,767	$ 840,417	$ 496,767	$ 3,383,951

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 117,677	$ -	$ 6,933	$ 124,610
Vendors/Service Providers	45,729	-	5,003	$ 50,732
Other	10,788	25,495	16,492	$ 52,775
Net Payables	$ 174,194	$ 25,495	$ 28,428	$ 228,117
Total Government-wide Net Payables				$ 3,612,068

[1] Includes $50,453 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.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund
	Correctional Employees Retirement Fund
	Elective State Officers Fund
	Judicial Retirement Fund
	Legislative Retirement Fund
	State Patrol Retirement Fund
	Unclassified Employees Retirement Fund
	Postretirement Health Care Benefits Fund
	State Deferred Compensation Fund
	Hennepin County Supplemental Retirement Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund
	Police and Fire Fund
	Public Employees Correctional Fund
	Defined Contribution Retirement Fund
Teachers Retirement Association (TRA)	Teachers 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, 2008, 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 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.

  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 sixty six (566) 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.

- 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 (%)	6.40	N/A	8.15	9.00	9.10	4.25	5.50
Required Contribution Rate of Employer (%)	9.10	N/A	20.50	N/A	13.60	4.25	5.50

Multiple Employer Plan Required Contributions
(In Thousands)

Required Contributions:		SERF	TRF
Employee	2008	$ 99,280	$ 209,592
	2007	$ 89,448	$ 199,869
	2006	$ 85,379	$ 177,085
Employer[1]	2008	$ 96,746	$ 209,717
	2007	$ 86,493	$ 187,339
	2006	$ 82,645	$ 179,022

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

Single Employer Plan Disclosures
As of June 30, 2008
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 45,767	$ 11,666	$ 3,411	$ 17,774
Interest on Net Pension Obligation (NPO)[1]	1,689	(723)	(821)	(2,757)
Amortization Adjustment to ARC[1]	(1,641)	826	885	1,782
Annual Pension Cost	$ 45,815	$ 11,769	$ 3,475	$ 16,799
Contributions	(31,398)	(10,795)	(2,397)	(13,873)
Increase (Decrease) in NPO	$ 14,417	$ 974	$ 1,078	$ 2,926
NPO, Beginning Balance	$ 19,868	$ (8,509)	$ (9,665)	$ (32,437)
NPO, Ending (Asset)	$ 34,285	$ (7,535)	$ (8,587)	$ (29,511)

[1]Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2008	$ 45,815	$ 11,769	$ 3,475	$ 16,799
	2007	$ 39,289	$ 10,553	$ 2,973	$ 14,382
	2006	$ 25,836	$ 9,639	$ 3,186	$ 9,784
Percentage of APC Contributed	2008	69%	92%	69%	83%
	2007	61%	98%	68%	87%
	2006	82%	106%	187%	120%
NPO (End of Year)	2008	$ 34,285	$ (7,535)	$ (8,587)	$ (29,511)
	2007	$ 19,868	$ (8,509)	$ (9,665)	$ (32,436)
	2006	$ 4,538	$ (8,698)	$ (10,627)	$ (34,371)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actualial Valuation Date[1]	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial Value of Plan Assets	$ 559,852	$ 153,562	$ 44,869	$ 617,901
Actuarial Accrued Liability	$ 708,292	$ 214,297	$ 86,449	$ 673,444
Total Unfunded Actuarial Liability (Asset)	$ 148,440	$ 60,735	$ 41,580	$ 55,543
Funded Ratio	79%	72%	52%	92%
Annual Covered Payroll	$ 167,727	$ 36,195	$ 2,380	$ 61,498
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	89%	168%	1747%	90%

(1) The July 1, 2007 Actuarial Valuation Report is the most recently issued report available

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

Actuarial Assumptions for Single Employer Plans

- The actuarial cost method used by all plans is the Entry Age Normal method. The date of actuarial valuation is July 1, 2007.

- The calculation of the actuarial valuation of assets is a market value based formula based on the Unrecognized Asset Return (UAR is actual net return on market value minus net return based on actuarial assumption). The actuarial value of assets is the Market Value of Assets as of June 30, 2007, less: 80 percent UAR for fiscal year 2007; 60 percent UAR for fiscal year 2006; 40 percent UAR for fiscal year 2005; and 20 percent UAR for fiscal year 2004.

- Minnesota Statutes or valuation standards do not require an inflation rate assumption to cost the plans.

- Expected net investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively, for all plans.

- Projected salary increases are a level 5.0 percent.

- Benefit increases after retirement: 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, for CERF is through July 1, 2023, for SPRF is through July 1, 2036, and for LRF is through July 1 2021.

- 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 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, 2007, there were 2,333 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 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, 2007, there were 6,867 members in the plan.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time by Minnesota State Colleges and Universities for a minimum of two academic years. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and managerial employees, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between $6,000 and $15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 14,400.

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

Defined Contribution Plans
Contributions for the Year Ended June 30, 2008
(In Thousands)

	HCSRF	PHCBF	UERF	DCF	CURF
Employee Contributions	$ 601	$ 73,081	$ 5,209	$ 1,356	$ 30,247
Employer Contributions	$ 601	N/A	$ 6,362	$ 1,503	$ 35,629

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 a 83,351 participants from approximately 800 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 (UERF):

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

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

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

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet certain eligibility and a combination of age and years of service requirements are eligible to receive an early retirement incentive cash payment based on base salary, and health insurance paid for one year after separation. Approximately 250 former facility members currently receive this benefit. The cost of the benefits was $4,610,000 during fiscal year 2008 with a remaining liability as of June 30, 2008 of $6,344,000.

Primary Government – Postemployment Benefits Other Than Pensions

As stated in Note 1 – Summary of Significant Accounting and Reporting Policies, the state implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. As a result of implementing this statement, the state recognized a change in accounting principle of $91,812,000 resulting from restating the liability recognized for other postemployment benefits at the beginning of the year to zero.

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes 43A.27 subdivision 3 and 471.61 subdivision 2a, and required under the terms of selected employment contracts. All pre-65 state retirees with at least 5 years of allowable pension service and are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state’s health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100% of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2006, there were approximately 3,000 retirees participating in the state’s insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers, through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age of 65. As of July 1, 2006, there were approximately 1,000 correctional and law enforcement retirees receiving an explicit rate subsidy. The state does not issue a separate financial report for its OPEB plan.

Funding Policy

The contribution requirement of plan members and the state are established, and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year 2008, the state contributed $28.6 million to the plan. Plan members receiving benefits through the implicit rate subsidy contributed $15.3 million through their average required contribution of $419 per month for retiree-only coverage and $1,231 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75% discount rate. For year ending June 30, 2008, the state's ARC is $ 66,282,000.

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

OPEB Disclosures
As of June 30, 2008
(In Thousands)

Annual Required Contributions (ARC)[1]	$ 66,282
Interest on Net OPEB Obligation (NOO)[1]	-
Amortization Adjustment to ARC[1]	-
Annual OPEB Cost (Expense)	$ 66,282
Contributions	(28,624)
Increase in NOO	$ 37,658
NOO, Beginning Balance	$ -
NOO, Ending	$ 37,658

[1]Components of annual OPEB cost.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$66,282	43%	$37,658

Funded Status and Funding Progress

As of July 1, 2006, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $659 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was $2.838 billion, and the ratio of the UAAL to the covered payroll was 23%.

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

Actuarial Methods and Assumptions

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

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal method. The date of actuarial valuation is July 1, 2006.
- Expected investment return is 4.75% based on the estimated long-term investment yield on the general assets of the state.
- Projected salary increases are a level 4.0 percent.
- The annual health care cost trend rate is 9.13% initially, reduced by increments to an ultimate rate of 5.0 after 20 years. The annual dental cost trend rate is 5.0%.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

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

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers an other postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested $69.4 million as of December 31, 2007 for this purpose. The annual required contribution for 2007 was $26.1 million or 11.3 percent of annual covered payroll. As of December 31, 2007, the net OPEB obligation was $14,480,000. The actuarial accrued liability (AAL) for benefits was $275.0 million as of December 31, 2007, all of which was unfunded. The covered payroll was $230.6 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 119.2 percent.

University of Minnesota (U of M) administers an other postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible retirees, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for 2008 was $17.6 million or 1.6 percent of annual covered payroll. As of June 30, 2008, the net OPEB obligation was $11,167,000. The actuarial accrued liability (AAL) for benefits was $77.4 million as of June 30, 2008, all of which was unfunded. The covered payroll was $1.1 billion, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.1 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction, and other contracts. These commitments will be partially funded by current reserves 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, 2008, were as follows:

Primary Government
Long-Term Commitments
As of June 30, 2008
(In Thousands)

Special Revenue Fund:	
Trunk Highway Fund	$ 562,671
Capital Projects Funds:	
General Projects Fund	5,850
Transportation Fund	9,315
Building Fund	530,387
Enterprise Funds:	
State Colleges and Universities	126,543
Total Primary Government	$ 1,234,766

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Release Cleanup Fund (Petrofund) (special revenue fund). As of November 2008, the Petrofund has reimbursed eligible applicants approximately $390 million since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2012, are between $425 and $465 million for investigative and cleanup costs.

Remediation Fund

The 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

Metropolitan Council enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 2007, unpaid commitments for Metro Transit Bus services were approximately $56.4 million. Future commitments for Metro Transit Light Rail were approximately $49.3 million. Future commitments for Regional Transit services were approximately $123.9 million. Finally, future commitments for Environmental Services were approximately $34.1 million.

University of Minnesota (U of M) has construction projects in progress with an estimated cost of $344 million to complete. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2008, Public Facilities Authority (PFA) had committed approximately $133 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $2.3 million for disbursement of non point-source pollution control awards and $22.2 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, 2008, totaled approximately $82,472,000 and $20,437,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2007, totaled approximately $715,000 for component units.

Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ending June 30	Amount	Year Ending June 30	Amount	Year Ending December 31	Amount
2009	$ 80,242	2009	$ 16,742	2008	$ 388
2010	63,366	2010	12,308	2009	378
2011	47,720	2011	11,066	2010	286
2012	40,527	2012	10,319	2011	194
2013	29,439	2013	10,231	2012	157
2014-2018	55,918	2014-2018	12,547	2013-2017	421
2019-2023	10,729	2019-2023	-	2018-2022	456
2024-2028	2,945	2024-2028	-	2023-2028	-
Total	$ 330,886	Total	$ 73,213	Total	$ 2,280

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2008, and the changes during fiscal year 2008:

Long-Term Liabilities
Year Ended June 30, 2008
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 4,036,703	$ 671,760	$ 378,172	$ 4,330,291	$ 354,275
Loans	60,494	11,452	12,057	59,889	11,742
Revenue Bonds	15,145	-	645	14,500	785
Claims [(1)]	776,436	116,518	86,933	806,021	84,334
Compensated Absences	254,937	230,008	209,228	275,717	30,857
Workers' Compensation	107,908	3,985	16,152	95,741	14,605
Capital Leases	172,732	1,308	6,163	167,877	6,247
Net Pension Obligation	19,868	45,815	31,398	34,285	-
Net Other Postemployment Obligation	-	55,371	24,044	31,327	-
Due to Component Unit	25,970	-	3,485	22,485	3,568
Total	$ 5,470,193	$ 1,136,217	$ 768,277	$ 5,838,133	$ 506,413
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 196,148	$ 42,161	$ 14,219	$ 224,090	$ 14,525
Loans	5,419	1,406	996	5,829	702
Revenue Bonds	174,483	40,929	5,693	209,719	6,540
Compensated Absences	129,404	29,694	21,193	137,905	16,303
Workers' Compensation	5,855	2,021	2,464	5,412	1,948
Capital Leases	25,382	193	2,928	22,647	2,401
Net Other Postemployment Obligation	-	10,911	4,580	6,331	-
Total	$ 536,691	$ 127,315	$ 52,073	$ 611,933	$ 42,419

[(1)]As a result of implementing GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", the beginning balance has been reduced by a change in accounting principle of $91, 812.

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

Primary Government
Resources for Repayment of Long-Term Liabilities
As of June 30, 2008
(In Thousands)

	Governmental Activities				
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
Liabilities For:					
General Obligation Bonds	$ 3,578,952	$ 751,339	$ -	$ 224,090	$ 4,554,381
Loans	-	39,625	20,264	5,829	65,718
Revenue Bonds	-	14,500	-	209,719	224,219
Claims	38,309	767,712	-	-	806,021
Compensated Absences	127,935	142,055	5,727	137,905	413,622
Workers' Compensation	72,669	23,072	-	5,412	101,153
Capital Leases	165,941	1,936	-	22,647	190,524
Net Pension Obligation	34,285	-	-	-	34,285
Net Other Postemployment Benefit Obligation	31,185	-	142	6,331	37,658
Due to Component Unit	-	22,485	-	-	22,485
Total	$ 4,049,276	$ 1,762,724	$ 26,133	$ 611,933	$ 6,450,066

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

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

	Governmental Activities		Business-type Activities		Total	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 354,275	$ 197,421	$ 14,525	$ 9,630	$ 368,800	$ 207,051
2010	340,099	179,936	15,431	8,897	355,530	188,833
2011	324,504	163,079	14,936	8,176	339,440	171,255
2012	317,176	146,981	14,964	7,474	332,140	154,455
2013	304,154	131,447	14,156	6,790	318,310	138,237
2014-2018	1,221,567	455,938	65,518	24,268	1,287,085	480,206
2019-2023	839,208	194,239	50,787	10,477	889,995	204,716
2024-2028	369,073	35,807	24,707	1,874	393,780	37,681
Total	$ 4,070,056	$ 1,504,848	$ 215,024	$ 77,586	$ 4,285,080	$ 1,582,434
Bond Premium	260,235	-	9,066	-	269,301	-
Total	$ 4,330,291	$ 1,504,848	$ 224,090	$ 77,586	$ 4,554,381	$ 1,582,434

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

	Governmental Activities		Business-type Activities		Total	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 785	$ 611	$ 6,540	$ 9,590	$ 7,325	$ 10,201
2010	815	579	9,880	9,499	10,695	10,078
2011	845	546	10,240	9,039	11,085	9,585
2012	880	511	10,255	8,601	11,135	9,112
2013	915	475	10,715	8,145	11,630	8,620
2014-2018	5,205	1,740	58,925	32,570	64,130	34,310
2019-2023	5,055	468	48,255	19,175	53,310	19,643
2024-2028	-	-	38,440	7,720	38,440	7,720
2029-2033	-	-	13,335	1,424	13,335	1,424
Total	$ 14,500	$ 4,930	$ 206,585	$ 105,763	$ 221,085	$ 110,693
Bond Premium	-	-	3,134	-	3,134	-
Total	$ 14,500	$ 4,930	$ 209,719	$ 105,763	$ 224,219	$ 110,693

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
2009	$ 15,310	$ 2,325	$ 702	$ 274	$ 16,012	$ 2,599
2010	21,459	976	704	238	22,163	1,214
2011	15,553	4,978	729	200	16,282	5,178
2012	9,365	410	719	161	10,084	571
2013	4,343	313	604	125	4,947	438
2014-2018	15,540	693	1,527	352	17,067	1,045
2019-2023	804	44	844	84	1,648	128
Total	$ 82,374	$ 9,739	$ 5,829	$ 1,434	$ 88,203	$ 11,173

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
2009	$ 6,247	$ 8,181	$ 2,401	$ 1,142	$ 8,648	$ 9,323
2010	6,369	7,955	2,221	1,018	8,590	8,973
2011	6,461	7,707	1,660	926	8,121	8,633
2012	6,299	7,453	1,604	893	7,903	8,346
2013	6,469	7,176	1,145	780	7,614	7,956
2014-2018	37,024	30,836	6,306	3,000	43,330	33,836
2019-2023	47,041	20,315	5,512	1,368	52,553	21,683
2024-2028	51,967	7,228	971	353	52,938	7,581
2029-2033	-	-	827	78	827	78
Total	$ 167,877	$ 96,851	$ 22,647	$ 9,558	$ 190,524	$ 106,409

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 2008, the Department of Finance made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2008
(In Thousands)

General Fund	$	409,302
Special Revenue Funds:		
Game and Fish Fund	$	3
Trunk Highway Fund		52,170
Natural Resources Funds		10
Maximum Effort School Loan Fund		1,961
Miscellaneous Special Revenue Fund		355
Total Special Revenue Funds	$	54,499
Capital Projects Funds:		
Building Fund	$	501
Transportation		100
Total Capital Project Funds	$	601
Total Operating Transfers to Debt Service Fund	$	464,402

General Obligation Bond Issues

On July 26, 2007, $656,000,000 in general obligation state various purpose bonds and $14,000,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.30 percent and $8,000,000 in general obligation Rural Finance Authority bonds were issued at a true interest rate of 5.14 percent.

The balance outstanding for all extinguished debt as of June 30, 2008, was $90,400,000, which is shown below. The state remains contingently liable to pay the advance refunded general obligation bonds.

General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2008 Outstanding Amount	Refunded Bond Call Date
April 25, 2007	$ 87,190	$ 90,400	$ 90,400	November 1, 2008

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2008. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2008
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 708	$ 388,849	5.00 - 5.62
State Operated Community Services	-	2,901	5.00
State Transportation	60,060	153,989	5.00 - 5.62
Waste Management	-	1,950	5.00 - 5.50
Water Pollution Control	-	30,665	5.00 - 5.62
Maximum Effort School Loan	-	61,075	5.00 - 5.25
Reinvest in Minnesota	-	15	5.00
Rural Finance Authority	17,500	60,600	5.00 - 5.60
Refunding Bonds	-	782,500	4.00 - 5.00
Municipal Energy Building	-	305	5.00
Trunk Highway	1,827,380	516,995	3.25 - 5.25
Landfill	-	4,520	5.50 - 5.62
Various Purpose	1,545,472	2,280,716	5.00 - 5.62
Total	$ 3,451,120	$ 4,285,080	

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 $39,625,000 were from local government entities to finance certain trunk highway projects. In addition, $22,485,000 in loans from the Public Facilities Authority component unit (Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

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

Revenue Bonds Payable

On July 26, 2006, $15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Agency has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue funds). These distributions, totaling $37,975,000 for fiscal year 2008, have averaged about one third of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014 are subject to optional redemption. For fiscal year 2008, principal and interest paid by the Iron Range Resources and Rehabilitation Agency on the bonds was $1,284,000. The total principal and interest remaining to be paid as of June 30, 2008 is $19,430,000, payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275 and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 10 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2008 is $41,688,000, payable through June 2018. Principal and interest paid during fiscal year 2008 and total 911 fee revenues were $4,262,000 and $52,271,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $200,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 3.25 to 6.5 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 16 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $243,922,000. Principal and interest paid for the current year and total customer net revenues were $7,319,000 and $83,619,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,967,000. For the current year, principal and interest paid and total customer net revenues were $205,000 and $377,000, respectively. These revenue bonds have a variable interest rate of 2.50 to 5.75 percent.

Vermilion Community College issued revenue bonds through the Minnesota Higher Education Facilities Authority that are payable through 2013. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and guaranteed by the City of Ely. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $421,000. For the current year, principal and interest paid and total customer net revenues were $85,000 and $218,000, respectively. These revenue bonds have a fixed interest rate of 6 percent.

On November 1, 2000, $16,000,000 in revenue bonds were issued for financing expansion of the Giants Ridge Recreational Area at a true interest rate of 7.48 percent. In addition, $3,710,000 in bonds were refunded. The original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the Giants Ridge Fund (enterprise fund). The Iron Range Resources and Rehabilitation Agency has pledged the gross revenues from the operation of the Giants Ridge Recreational Facilities, including greens fees and ski lift ticket receipts, to repay the debt. The debt service on these bonds is payable solely from these sources. The total principal and interest remaining to be paid on the bonds as of June 30, 2008 is $22,350,000, payable through November 2025. Principal and interest paid during fiscal year 2008 and net Giants Ridge Fund available revenues were $1,668,000 and $4,338,000, respectively.

Giants Ridge
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2008 Outstanding Amount	Refunded Bond Call Date
November 1, 2000	$ 3,710	$ 3,710	$ 2,720	November 1, 2025

Claims

Municipal solid waste landfill liability of $236,821,000 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 $45,700,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

The remaining claim amount of $523,500,000 is for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00%) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2050 for supplementary benefits and 2033 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $275,717,000 and $137,905,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The governmental activities and business-type activities liability for workers' compensation of $95,741,000 and $5,412,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2008, 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 2008, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. The revenue bonds have a variable interest rate of 5.38 to 6.00 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds. The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2008, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,084,000. The total principal and interest remaining to be paid as of June 30, 2008 is $46,179,000, payable through 2030.

The repayment schedule for the combined three funds follows:

Long-Term Debt Repayment Schedule
Fiduciary Funds
(In Thousands)

Revenue Bonds – SERF, TRF, and PERF

Fiscal Year(s)	Principal	Interest
2009	$ 600	$ 1,479
2010	625	1,446
2011	675	1,413
2012	700	1,376
2013	750	1,338
2014-2018	4,375	6,021
2019-2023	5,900	4,602
2024-2028	7,950	2,647
2029-2033	3,925	357
Total	$ 25,500	$ 20,679

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2008, net of unamortized premium, was $2,411,376,000.

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 $1,118,764,000 in general obligation bonds outstanding, net of unamortized premium, and $7,319,000 of revenue bonds outstanding on December 31, 2007.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2008, the principal amount of revenue bonds outstanding was $150,055,000 and the principal amount of general obligation bonds outstanding was $352,288,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2008, the principal amount of revenue bonds outstanding was $16,910,000.

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, 2008, the outstanding principal of revenue bonds was $527,000,000.

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, 2008, net of unamortized premium, was $1,050,260,000.

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

	MC[1]		U of M	
Fiscal Year(s)	Principal	Interest	Principal	Interest
2009	$ 118,697	$ 40,138	$ 280,294	$ 24,493
2010	79,576	36,598	5,379	3,196
2011	71,940	33,402	5,715	2,948
2012	76,570	30,287	1,600	2,674
2013	60,953	27,413	1,950	2,603
2014-2018	310,555	102,636	10,500	11,721
2019-2023	279,724	46,845	13,300	9,188
2024-2028	103,121	8,122	16,800	5,962
2029-2033	-	-	16,750	1,881
	$ 1,101,136	$ 325,441	$ 352,288	$ 64,666
Unamortized Discounts/Premiums				
and Issuance Costs	17,628	-	-	-
Total	$ 1,118,764	$ 325,441	$ 352,288	$ 64,666

[1]MC fiscal year ends December 31.

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

	HFA		MC[2]		U of M	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal[1]	Interest
2009	$ 391,055	$ 98,305	$ 1,030	$ 298	$ 5,294	$ 6,835
2010	49,075	89,327	1,135	252	5,524	6,601
2011	47,010	87,389	1,185	199	5,669	6,341
2012	48,745	85,370	1,245	138	5,564	6,086
2013	59,180	82,995	1,305	81	5,769	5,840
2014-2018	269,010	379,539	1,365	27	28,889	25,378
2019-2023	289,600	315,692	-	-	35,574	18,039
2024-2028	368,945	245,858	-	-	44,999	8,607
2029-2033	429,785	157,114	-	-	12,773	426
2034-2038	409,350	66,813	-	-	-	-
2039-2043	27,885	5,218	-	-	-	-
2044-2048	13,460	1,818	-	-	-	-
2049-2053	2,605	73	-	-	-	-
	$ 2,405,705	$ 1,615,511	$ 7,265	$ 995	$ 150,055	$ 84,153
Unamortized Discounts/Premiums and Issuance Costs	5,671	-	54	-	-	-
Total	$ 2,411,376	$ 1,615,511	$ 7,319	$ 995	$ 150,055	$ 84,153

[1]Does not include foundation issued bonds.
[2]MC fiscal year ends December 31.

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

Fiscal Year(s)	AEDB Principal	AEDB Interest	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2009	$ 1,825	$ 998	$ -	$ 16,482	$ 50,870	$ 49,749
2010	1,910	891	-	16,482	49,200	47,311
2011	1,780	779	-	16,482	55,260	45,145
2012	1,180	689	-	16,482	58,105	42,492
2013	1,255	619	-	16,482	58,280	39,727
2014-2018	6,065	1,933	-	82,410	337,470	36,840
2019-2023	2,895	307	72,673	79,560	307,325	20,141
2024-2028	-	-	142,200	62,987	106,205	5,127
2029-2033	-	-	152,833	39,071	-	-
2034-2038	-	-	130,160	15,711	-	-
2039-2043	-	-	29,134	1,352	-	-
	$ 16,910	$ 6,216	$ 527,000	$ 363,501	$ 1,022,715	$ 286,532
Unamortized Discounts/Premiums and Issuance Costs	-	-	-	-	27,545	-
Total	$ 16,910	$ 6,216	$ 527,000	$ 363,501	$ 1,050,260	$ 286,532

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, 2008, for the Series 1999A bonds was 3.48 percent. The interest rates as of June 30, 2008, for the Series 2002A and 2002B bonds were 3.48 percent and 2.62 percent, respectively. The interest rates as of June 30, 2008, for the Series 2003A and 2003B bonds were 3.45 percent, and 2.62 percent, respectively. The interest rates as of June 30, 2008, for the Series 2004A and 2004B bonds were 3.48 percent and 2.85 percent, respectively. The interest rate as of June 30, 2008, for 2005B bonds was 2.89 percent. The interest rate as of June 30, 2008, for the Series 2006 bonds was 2.70 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 $176,600,000 outstanding as of June 30, 2008. Neither the outstanding indebtedness, nor the related trust account assets for these bonds are included in the U of M financial statements as of June 30, 2008.

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, 2008.

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 was established under Minnesota Statute, Section 116.155. The Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators, as well as transfers in from the Environmental Fund (special revenue fund). Additional proceeds 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, 2008, cumulative expenditures of about $285 million have been disbursed by the Remediation Fund and the Building Fund (capital project fund). Estimates show that the total of all payments for the program may reach $608 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.

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

Note 15 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2008
(In Thousands)

	Minnesota State Colleges and Universities (MnSCU)					
		Vermilion		Itasca		
	Revenue Fund	Residence Hall	Modular Housing	Residence Halls	Giants Ridge	911 Services
Condensed Statement of Net Assets						
Assets:						
Current Assets	$ 60,031	$ 147	$ 24	$ 65	$ 6,783	$ 30,389
Restricted Assets	134,557	-	143	259	1,618	-
Capital Assets	141,521	1,277	901	3,783	20,432	-
Total Assets	$ 336,109	$ 1,424	$ 1,068	$ 4,107	$ 28,833	$ 30,389
Liabilities:						
Current Liabilities	$ 18,751	$ 21	$ 90	$ 127	$ 1,398	$ 3,386
Noncurrent Liabilities	165,607	-	290	2,174	12,341	31,768
Total Liabilities	$ 184,358	$ 21	$ 380	$ 2,301	$ 13,739	$ 35,154
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 87,066	$ 1,277	$ 612	$ 1,529	$ 8,945	$ -
Restricted	64,685	-	67	259	-	-
Unrestricted	-	126	9	18	6,149	(4,765)
Total Net Assets	$ 151,751	$ 1,403	$ 688	$ 1,806	$ 15,094	$ (4,765)
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets						
Operating Revenues - Customer Charges	$ 83,619	$ 424	$ 218	$ 377	$ 4,216	$ 52,271
Depreciation Expense	(8,857)	(72)	(34)	(119)	(1,108)	-
Other Operating Expenses	(65,166)	(320)	(126)	(229)	(5,447)	(25,812)
Operating Income (Loss)	$ 9,596	$ 32	$ 58	$ 29	$ (2,339)	$ 26,459
Nonoperating Revenues (Expenses):						
Interest Income	$ 5,265	$ -	$ 5	$ 14	$ 126	$ 916
Interest Expense	(5,374)	-	(23)	(130)	(955)	(1,400)
Other	(74)	(6)	-	-	(1)	(14,178)
Transfers-In (Out)	-	(259)	137	-	4,561	(2,683)
Change in Net Assets	$ 9,413	$ (233)	$ 177	$ (87)	$ 1,392	$ 9,114
Beginning Net Assets	142,338	1,636	511	1,893	13,702	(13,879)
Ending Net Assets	$ 151,751	$ 1,403	$ 688	$ 1,806	$ 15,094	$ (4,765)
Condensed Statement of Cash Flows						
Net Cash Provided (Used) By:						
Operating Activities	$ 21,833	$ 108	$ 75	$ 182	$ (1,087)	$ 26,595
Noncapital Financing Activities	-	15	-	-	4,561	(22,043)
Capital and Related Financing Activities	(16,735)	(325)	(101)	(238)	(2,153)	-
Investing Activities	4,444	-	4	13	117	916
Net Increase (Decrease)	$ 9,542	$ (202)	$ (22)	$ (43)	$ 1,438	$ 5,468
Beginning Cash and Cash Equivalents	$ 140,095	$ 335	$ 165	$ 348	$ 5,053	$ 20,059
Ending Cash and Cash Equivalents	$ 149,637	$ 133	$ 143	$ 305	$ 6,491	$ 25,527

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

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

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

Note 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):

Other Public Employee Pension Funds
Unfunded Liability
(In Thousands)

Fund	Liability As Of	Unfunded Liability
Minneapolis Employee Retirement Fund	June 30, 2008	$ 374,685
St. Paul Teachers Retirement Fund	June 30, 2007	$ 375,576
Duluth Teachers Retirement Fund	June 30, 2008	$ 64,977
Local Police and Fire Fund [1]	December 31, 2007	$ 73,739

[1] The Local Police and Fire Fund consists of four local plans.

Component Units

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

On December 31, 1996, University of Minnesota Hospital and Clinic operations and certain assets and liabilities were transferred to University of Minnesota Medical Center, Fairview (Fairview). Fairview and the University 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, 2007, was approximately $3.5 million.

Note 17 – Equity

Restricted Net Assets – Government-wide Statement of Net Assts

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

Primary Government
Restricted Net Asset Balances
As of June 30, 2008
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Capital Projects	$ 34,274	$ -	$ -	$ 34,274
Debt Service	410,772	-	-	410,772
Transportation	322,321	418,352	-	740,673
Environmental Resources	-	616,267	7,492	623,759
Economic and Workforce Development	-	98,742	6,149	104,891
School Aid - Nonexpendable	698,506	-	-	698,506
School Aid - Expendable	9,479	77,551	-	87,030
Health & Human Services	-	-	25,485	25,485
State Colleges and Universities	-	-	347,619	347,619
Unemployment Benefits	-	-	730,883	730,883
Other Purposes	-	-	29,934	29,934
Total Restricted Net Assets	$ 1,475,352	$ 1,210,912	$ 1,147,562	$ 3,833,826

Fund Balances – Primary Government

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

Primary Government
Fund Balances
As of June 30, 2008
(In Thousands)

	General	Federal	Nonmajor Governmental
Fund Balances:			
Reserved for Encumbrances	$ 108,224	$ -	$ 201,242
Reserved for Inventory	-	-	23,855
Reserved for Long-Term Receivables	44,926	15	243,871
Reserved for Long-Term Commitments	-	-	312,468
Reserved for Trust Principal	-	-	1,142,825
Reserved for Other	-	7,477	-
Total Reserved Fund Balances	$ 153,150	$ 7,492	$ 1,924,261
Unreserved Fund Balances:			
Designated for Appropriation Carryover	$ 231,091	$ -	$ 283,745
Budgetary Reserve	458,385	-	-
Designated for Fund Purposes	-	-	1,699,443
Total Designated Fund Balance	$ 689,476	$ -	$ 1,983,188
Undesignated	-	-	327,116
Total Unreserved Fund Balance	$ 689,476	$ -	$ 2,310,304
Total Fund Balance	$ 842,626	$ 7,492	$ 4,234,565

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 $7,477,000 in the Federal Fund consists of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

Unreserved Fund Balance

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

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

Primary Government
Fund Balance Designated for Fund Purposes
As of June 30, 2008
(In Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total
Designated For:				
Public Safety and Corrections	$ 38,093	$ -	$ -	$ 38,093
Transportation	440,573	-	-	440,573
Environmental Resources	133,757	-	-	133,757
Economic and Workforce Development	142,180	-	-	142,180
General Education	8,698	-	9,479	18,177
Higher Education	1,991	-	-	1,991
Health & Human Services	117,638	-	-	117,638
General Government	96,583	707,086	-	803,669
Intergovernmental Aids	3,365	-	-	3,365
Total	$ 982,878	$ 707,086	$ 9,479	$ 1,699,443

Deficit Equity Balances

A $20,241,000 deficit total fund balance in the Transportation Fund (capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

A $4,765,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state's emergency communication system. The deficit will be resolved through future 911 fee revenues.

Note 18 – Risk Management

Primary Government

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

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All 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 $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $4,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $400,000 bodily injury and property damage per person, and $1,200,000 bodily injury and property damage per occurrence. 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 only certain state-owned buildings and contents.

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

Tort Claims

Tort claims against the state are limited to $400,000 bodily injury and property damage per person, and $1,200,000 bodily injury and property damage per occurrence. 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 $1,640,000. 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. The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits, related to the reported claim.

State Employee Group Insurance Program

The Minnesota State Legislature created the Employee Insurance Fund (internal service fund), administered by the State Employee Group Insurance Program (SEGIP) to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The 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 had settlements of $3,784,535 in excess of coverage during fiscal year 2008.

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, 2008, was 1,400 members and their dependents. The members of the pool include 12 school districts, 44 cities/townships, 3 counties, and 14 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for stop-loss coverage for claims in excess of $100,000.

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

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2008, and 2007:

Self-Insured Claim Liabilities
As of June 30, 2008 (In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/07	$ 9,667	$ 3,399	$ 4,006	$ 9,060
Fiscal Year Ended 6/30/08	$ 9,060	$ 4,304	$ 4,363	$ 9,001
Tort Claims				
Fiscal Year Ended 6/30/07	$ -	$ 4,132	$ 4,132	$ -
Fiscal Year Ended 6/30/08	$ -	$ 1,420	$ 1,420	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/07	$ 114,816	$ 16,695	$ 17,748	$ 113,763
Fiscal Year Ended 6/30/08	$ 113,763	$ 6,004	$ 18,616	$ 101,151
State Employee Insurance Plans				
Fiscal Year Ended 6/30/07	$ 37,932	$ 474,718	$ 472,814	$ 39,836
Fiscal Year Ended 6/30/08	$ 39,836	$ 498,581	$ 497,137	$ 41,280

Public Employee Insurance
Medical
(In Thousands)

	Year Ended June 30 2008	2007
Unpaid Claims and Claim Adjustment Expenses at the Beginning of Year	$ 1,210	$ 1,125
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	10,368	11,206
Increases (Decreases) in Provision for Insured Events of Prior Years	(55)	111
Total Incurred Claims and Claim Adjustment Expenses	$ 10,313	$ 11,317
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 9,403	$ 10,008
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,145	1,224
Total Payments	$ 10,548	$ 11,232
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	$ 975	$ 1,210

Component Units

Housing Finance Agency

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

Metropolitan Council

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

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to $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.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 4.25 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, 2006, and 2007 or June 30, 2007, and 2008, as applicable:

Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council				
Fiscal Year Ended 12/31/06	$ 17,141	$ 7,950	$ 7,759	$ 17,332
Fiscal Year Ended 12/31/07	$ 17,332	$ 4,247	$ 5,648	$ 15,931
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/07	$ 6,729	$ 1,533	$ 1,772	$ 6,490
Fiscal Year Ended 6/30/08	$ 6,490	$ 5,253	$ 1,986	$ 9,757
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/07	$ 7,000	$ 4,595	$ 3,642	$ 7,953
Fiscal Year Ended 6/30/08	$ 7,953	$ 3,180	$ 3,759	$ 7,374
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/07	$ 15,848	$ 176,792	$ 178,887	$ 13,753
Fiscal Year Ended 6/30/08	$ 13,753	$ 197,161	$ 194,752	$ 16,162

Note 19 – Budgetary Basis vs. GAAP

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

Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2008 (In Thousands)

	General Fund
GAAP Basis Fund Balance:	$ 842,626
Less: Reserved Fund Balance	153,150
Less: Designated Fund Balance	689,476
Undesignated Fund Balance	$ -
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (465,282)
Tax Refunds Payable	536,649
Human Services Receivable	(36,180)
Unearned Revenue	24,136
Escheat Asset	(16,299)
Other Receivables	(32,222)
Permanent School Fund Reimbursement	(4,154)
Investments at Market	(4,759)
Expenditure Accruals/Adjustments:	
Medical Care Programs	397,720
Human Services Grants Payable	43,083
Education Aids	679,561
Police and Fire Aid	79,781
Other Payables	37,553
Fund Structure Differences:	
Terminally Funded Pension Plans	7,922
Perspective Differences:	
Reserve for Long-Term Advances	1,750
Designated for Appropriation Carryover and Budgetary Reserve	(546,537)
Budgetary Basis:	
Undesignated Fund Balance	$ 702,722

Note 20 – Litigation

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2007, June 30, 2008, and June 30, 2009 are $761,000. The current maximum limits of liability for tort claims arising in Minnesota 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 July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

2) *I-35W Bridge Collapse*. On August 1, 2007 the I-35W interstate bridge over the Mississippi River collapsed. Thirteen people were killed, and approximately 145 injured. The bridge, which opened in 1967, was designed by a private contractor under contract with the state of Minnesota; it was inspected and maintained by the Minnesota Department of Transportation (MnDOT). The cause of the collapse is under investigation by the National Transportation Safety Board. In addition, a law firm was retained by the Minnesota Legislature to investigate MnDOT practices in regard to the inspection and maintenance of bridges. The Minnesota Office of the Legislative Auditor has also reviewed how MnDOT responded to the condition of the state's roads and bridges. The Minnesota Legislature enacted a Compensation Fund codified in Minn. Stat. § 3.7391 et seq. and appropriated $36,640,000 for payments to representatives of decedents and claimants who were on the I-35W bridge at the time of the collapse. A panel of three attorneys will determine the amount of payments. Persons accepting payment from the Compensation Fund will be required to forego the right to sue the state for damages. Persons who decline payment from the Compensation Fund will retain the right to sue the state. The state has received 186 Notices of Claim arising from the collapse of the I-35W bridge. Claims needed to be filed with the Compensation Fund Panel by October 15, 2008 and offers of settlements must be made by February 28, 2009.

3) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

   a) At any one time, there are hundreds of MnDOT eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund. MnDOT has agreed to acquire properties for the Metropolitan Council's Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to the MnDOT by the Metropolitan Council.

   b) *ACS State and Local Solutions, Inc. vs. State of Minnesota, through its Commissioner of the Department of Human Services (Ramsey County District Court).* In May 2003, the Minnesota Department of Human Services (DHS) entered into a software development contract with an entity known as SSi North America. Under the contract, SSi was to develop and deliver a web-based software program known as "HealthMatch," intended to combine and automate certain evaluation and decision-making tasks regarding eligibility for several health care assistance programs administered by DHS. The HealthMatch contract was subsequently assigned to Albion, Inc., which was owned by SSi, and later, the assets of Albion, Inc., including the HealthMatch contract, were purchased by ACS State and Local Solutions, Inc. Initially, the contract was to continue until May 2005, but as difficulties arose with regard to completion of the software, it was eventually extended to May 2008. In March 2008, DHS determined that satisfactory progress toward completion was not being made and terminated the contract. ACS filed suit on September 9, 2008, claiming damages in excess of $50,000 based on breach of contract, quantum meruit (just compensation for work performed), and unjust enrichment. DHS has filed a counterclaim. While denying liability, DHS estimates that a decision favorable to plaintiff ACS could result in an impact on the General Fund in excess of $15 million. The court has not yet issued a scheduling order, but it is not likely that the matter will be tried before January 2010.

c) *BNSF Railway Co. vs. Minn. Dept of Revenue and State of Minnesota* (U. S. District Court, District of Minnesota). This lawsuit seeks an injunction and a declaratory judgment determining that the state sales/use tax on BNSF's purchase of railroad fuel is a violation of the federal 4-R Act. The factual and legal issues in this case are nearly identical to the issues in *Union Pacific Railroad Co. & Soo Line Railroad Co. vs. Comm'r. et al.,* where the 8th Circuit ultimately overturned the Federal District Court's determination and held that that the state sales/use tax did violate the 4-R Act. BNSF Railway in this case will likely move for summary judgment and then use this opinion to bolster its position in tax court or state district court where it will seek a refund of all the sales/use tax it has paid to the state which is estimated at about $20 million. In a 2000 opinion, the Minnesota Supreme Court held that BNSF's payment of the state sales/use tax for its fuel did not violate the 4-R Act. This decision is in direct conflict with the 8th Circuit's very recent decision in *Union Pacific*. BNSF recently noticed a Rule 12C motion for judgment on the pleadings with a hearing held on October 23, 2008. The court denied BNSF's motion for dismissal and a pre-trial is scheduled for November 26 with trial likely scheduled in mid 2009.

d) *Great Lakes Gas Transmission LP vs. Commissioner of Revenue, Northern Border Pipeline Co. vs. Commissioner of Revenue, Viking Gas Transmission Co. vs. 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. In the fall of 2007, all of the parties brought cross-motions for summary judgment, and the Court ruled for the Commissioner of Revenue on all claims. Great Lakes Gas Transmission LP and Northern Border Pipeline Co. appealed the Court's decision to the Minnesota Court of Appeals. Briefing has been completed and oral argument was held October 30, 2008. A decision is expected by January 2009.

e) *McLane Minnesota, Inc. vs. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for $178,327 and seeks a $5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of $15 million. The parties submitted cross-motions for summary judgment, and the Court ruled in favor of the Commissioner of Revenue. McLane Minnesota, Inc., has appealed the Court's decision to the Minnesota Supreme Court. Oral argument is likely to be held in early 2009.

f) *Merrill Lynch Pierce Fenner & Smith, Inc. vs. 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 scheduled for February 2009.

g) *Minnesota Energy Resources Corp. vs. Commissioner of Revenue* (Minnesota Tax Court). In early September 2008). The plaintiff, a natural gas pipeline corporation appeals the 2007 and 2008 assessment of the real, personal, and operating property of its pipeline that is subject to assessment in 53 counties in Minnesota. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minn. Stat. §272.03, subd. 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minn. Stat. §273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (art. X, sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 Million.

h) *Stewart Title Guaranty Company vs. 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. The Minnesota Tax Court granted the Commissioner of Revenue's motion for summary judgment on all claims, and Stewart Title Guaranty Company appealed the court's ruling to the Minnesota Supreme Court. Briefing of this matter to the Minnesota Supreme Court has been completed, the oral argument was held on September 15, 2008 and the parties are awaiting a decision, which is expected by end of December 2008.

i) *Union Pacific Railroad Co. & Soo Line Railroad Co. vs. 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 Commissioner of the Minnesota Department of Revenue filed a motion for a rehearing en banc to the United States Eighth Circuit Court of Appeals, which was denied. The Commissioner of Revenue then chose not to appeal this denial to the United States Supreme Court, and has been denying the outstanding refund claims. It is expected that additional litigation will be initiated by all of the railroads that have outstanding refund claims, with these claims expected to be $20,000,000 to $30,000,000.

Note 21 – Subsequent Events

Primary Government

On July 22, 2008, the state sold $275,000,000 of general obligation various purpose bonds Series 20008A at a true interest rate of 4.10 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On July 22, 2008, the state sold $33,500,000 general obligation state trunk highway bonds Series 20008B at a true interest rate of 4.12 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On July 22, 2008, the state sold 155,415,000 general obligation state refunding bonds Series 20008C bonds at a true interest rate of 3.52 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On November 13, 2008, the state sold $42,085,000 of 911 revenue bonds at a true interest rate of 4.60 percent. These bonds will provide funding for implementation of a statewide 911 emergency response communication system. The revenue bonds are secured by a monthly statewide 911 surcharge applied to subscribers of any basic telephone service capable of originating a 911 emergency telephone call.

150 YEARS
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Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

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

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

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

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

Established Condition Level

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

Assessed Conditions

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

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2007	3.34	3.16
2006	3.37	3.21
2005	3.37	3.22

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 2,918 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).

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

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

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

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

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

Established Condition Level

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

Assessed Conditions

Principal Arterial	2007	2006	2005
Fair to Good	97.6	96.8%	96.3%

All Other Systems	2007	2006	2005
Fair to Good	93.2	95.3%	95.2%

Budgeted and Estimated Costs to Maintain

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

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2008	$183,449	$308,443	$491,892	$10,836	$223,926	$234,762	$ 726,654
	2007	148,320	480,900	629,220	63,835	223,476	287,311	916,531
	2006(1)			773,735			301,852	1,075,587
	2005(1)			393,467			200,765	594,232
	2004(1)			260,900			426,000	686,900
Actual	2008	$252,306	$279,664	$531,970	$35,341	$364,939	$400,280	$ 932,250
	2007	150,497	253,040	403,537	15,125	312,567	327,692	731,229
	2006(1)			451,935			360,835	812,770
	2005(1)			465,960			223,809	689,769
	2004(1)			504,288			227,996	732,284

(1) Due to system limitations, bridge and pavement costs are combined for the years ended June 30, 2006, 2005, and 2004.

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	2007[1]	7/1/2007	7/1/2007	7/1/2007	7/1/2007
	2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
	2005	7/1/2005	7/1/2005	7/1/2005	7/1/2005
Actuarial Value of Plan Assets	2007	$ 559,852	$ 153,562	$ 44,869	$ 617,901
	2006	$ 535,357	$ 151,850	$ 48,504	$ 618,990
	2005	$ 503,573	$ 144,465	$ 45,523	$ 601,220
Actuarial Accrued Liability	2007	$ 708,292	$ 214,297	$ 86,449	$ 673,444
	2006	$ 647,480	$ 202,301	$ 81,361	$ 641,479
	2005	$ 546,118	$ 191,414	$ 81,836	$ 566,764
Total Unfunded Actuarial Liability (Asset)	2007	$ 148,440	$ 60,735	$ 41,580	$ 55,543
	2006	$ 112,123	$ 50,451	$ 32,858	$ 22,489
	2005	$ 42,544	$ 46,949	$ 36,314	$ (34,456)
Funded Ratio[2]	2007	79%	72%	52%	92%
	2006	83%	75%	60%	96%
	2005	92%	75%	56%	106%
Annual Covered Payroll	2007	$ 167,727	$ 36,195	$ 2,380	$ 61,498
	2006	$ 145,879	$ 36,529	$ 2,894	$ 57,765
	2005	$ 132,335	$ 35,941	$ 3,014	$ 55,142
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2007	89%	168%	1747%	90%
	2006	77%	138%	1135%	39%
	2005	32%	131%	1204%	(62%)

[1]The July 1, 2007, Annual Valuation Report is the most recently issued report available.

[2]Actuarial value of assets as a percent of actuarial accrued liability.

Actuarial Measures of Other Postemployment Benefits Funding Progress

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

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	2008[1]	7/1/2006
Actuarial Value of Plan Assets	2008	$ -
Actuarial Accrued Liability	2008	$ 659,044
Total Unfunded Actuarial Liability	2008	$ 659,044
Funded Ratio[2]	2008	0%
Annual Covered Payroll	2008	$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2008	23%

[1]The July 1, 2006, Annual Valuation Report is the most recently issued report available.

[2]Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Required Contribution and Investment Revenue:										
Earned	$ 7,713	$ 10,995	$ 18,005	$ 22,149	$ 23,458	$ 22,764	$ 19,177	$ 14,942	$ 13,219	$ 13,439
Ceded	624	1,031	1,972	2,243	2,321	2,231	1,736	1,491	1,347	1,298
Net Earned	$ 7,089	$ 9,964	$ 16,033	$ 19,906	$ 21,137	$ 20,533	$ 17,441	$ 13,451	$ 11,872	$ 12,141
2. Unallocated Expenses	$ 1,458	$ 1,983	$ 2,535	$ 2,715	$ 2,528	$ 2,296	$ 1,904	$ 1,638	$ 1,547	$ 1,505
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 5,800	$ 9,972	$ 16,550	$ 21,055	$ 19,715	$ 19,466	$ 16,499	$ 12,551	$ 11,206	$ 10,748
Ceded	171	772	760	2,513	1,570	1,980	1,913	1,382	1,782	380
Net Incurred	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 4,678	$ 7,944	$ 13,228	$ 15,824	$ 15,848	$ 15,699	$ 12,909	$ 10,055	$ 8,226	$ 9,403
One Year Later	5,817	9,240	15,908	18,091	17,572	17,367	14,141	11,282	9,352	
Two Years Later	5,818	9,243	15,963	18,034	17,579	17,764	14,139	11,301		
Three Years Later	5,818	9,243	15,963	18,034	17,579	17,764	14,139			
Four Years Later	5,818	9,243	15,963	18,034	17,579	17,764				
Five Years Later	5,818	9,243	15,963	18,034	17,579					
Six Years Later	5,818	9,243	15,963	18,034						
Seven Years Later	5,818	9,243	15,963							
Eight Years Later	5,818	9,243								
Nine Years Later	5,818									
5. Re-estimated Ceded Claims and Expenses	$ 171	$ 772	$ 760	$ 2,513	$ 1,570	$ 1,980	$ 1,913	$ 1,382	$ 1,782	$ 380
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 5,629	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368
One Year Later	5,828	9,253	15,935	18,114	17,595	17,385	14,152	11,294	9,362	
Two Years Later	5,818	9,243	15,963	18,034	17,579	17,764	14,139	11,301		
Three Years Later	5,818	9,243	15,963	18,034	17,579	17,764	14,139			
Four Years Later	5,818	9,243	15,963	18,034	17,579	17,764				
Five Years Later	5,818	9,243	15,963	18,034	17,579					
Six Years Later	5,818	9,243	15,963	18,034						
Seven Years Later	5,818	9,243	15,963							
Eight Years Later	5,818	9,243								
Nine Years Later	5,818									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ 189	$ 43	$ 173	$ (508)	$ (566)	$ 278	$ (447)	$ 132	$ (62)	$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.

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

4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)

7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

State of Minnesota

Combining and Individual Fund Statements – Nonmajor Funds

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

Debt Service

Debt Service Fund

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

Permanent Fund

Permanent School Fund

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

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2008
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 2,082,692	$ 570,742	$ 84,081	$ 107,888	$ 2,845,403
Investments	527,410	35,528	608,163	-	1,171,101
Accounts Receivable	411,541	-	5,798	216	417,555
Interfund Receivables	170,513	100	-	-	170,613
Due from Component Units	-	120,312	-	-	120,312
Accrued Investment/Interest Income	5,646	218	3,805	-	9,669
Federal Aid Receivable	21,915	-	-	-	21,915
Inventories	23,855	-	-	-	23,855
Loans and Notes Receivable	279,259	-	-	4,535	283,794
Securities Lending Collateral	65,227	10,609	47,827	-	123,663
Investment in Land	-	-	15,476	-	15,476
Total Assets	$ 3,588,058	$ 737,509	$ 765,150	$ 112,639	$ 5,203,356
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 399,563	$ -	$ 3	$ 46,748	$ 446,314
Interfund Payables	141,465	19,814	9,335	33,732	204,346
Due to Component Units	272	-	-	4,756	5,028
Deferred Revenue	189,224	-	-	216	189,440
Securities Lending Liabilities	65,227	10,609	47,827	-	123,663
Total Liabilities	$ 795,751	$ 30,423	$ 57,165	$ 85,452	$ 968,791
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances	$ 165,717	$ -	$ -	$ 35,525	$ 201,242
Reserved for Trust Principal	444,319	-	698,506	-	1,142,825
Other Reserved Fund Balances	575,659	-	-	4,535	580,194
Total Reserved Fund Balances	$ 1,185,695	$ -	$ 698,506	$ 40,060	$ 1,924,261
Unreserved Fund Balances:					
Designated for Appropriation Carryover	$ 283,745	$ -	$ -	$ -	$ 283,745
Designated for Special Revenue Funds	982,878	-	-	-	982,878
Designated for Debt Service Fund	-	707,086	-	-	707,086
Designated for Permanent Funds	-	-	9,479	-	9,479
Undesignated, reported in:					
Capital Project Funds	-	-	-	(12,873)	(12,873)
Special Revenue Funds	339,989	-	-	-	339,989
Total Unreserved Fund Balances	$ 1,606,612	$ 707,086	$ 9,479	$ (12,873)	$ 2,310,304
Total Fund Balances	$ 2,792,307	$ 707,086	$ 707,985	$ 27,187	$ 4,234,565
Total Liabilities and Fund Balances	$ 3,588,058	$ 737,509	$ 765,150	$ 112,639	$ 5,203,356

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ -	$ 150	$ -	$ -	$ 150
Motor Vehicle Taxes	691,895	-	-	-	691,895
Fuel Taxes	651,860	-	-	-	651,860
Other Taxes	729,858	-	-	-	729,858
Federal Revenues	654,264	-	-	-	654,264
Licenses and Fees	522,333	-	2	-	522,335
Departmental Services	172,110	-	31,628	-	203,738
Investment/Interest Income	22,590	40,873	(25,797)	39	37,705
Penalties and Fines	14,926	-	249	-	15,175
Securities Lending Income	7,271	3,410	3,240	-	13,921
Other Revenues	292,166	-	954	256	293,376
Net Revenues	$ 3,759,273	$ 44,433	$ 10,276	$ 295	$ 3,814,277
Expenditures:					
Current:					
Public Safety and Corrections	$ 171,848	$ -	$ -	$ 5,266	$ 177,114
Transportation	1,351,436	-	-	153,229	1,504,665
Agricultural, Environmental and Energy Resources	355,518	-	10,273	45,170	410,961
Economic and Workforce Development	223,143	-	-	66,571	289,714
General Education	36,179	-	27,847	10,066	74,092
Higher Education	27,041	-	-	85,956	112,997
Health and Human Services	814,495	-	-	-	814,495
General Government	40,100	49	-	7,462	47,611
Intergovernment Aid	211	-	-	-	211
Securities Lending Rebates and Fees	6,718	3,260	2,763	-	12,741
Total Current Expenditures	$ 3,026,689	$ 3,309	$ 40,883	$ 373,720	$ 3,444,601
Capital Outlay	587,825	-	-	158,727	746,552
Debt Service	6,910	549,756	-	-	556,666
Total Expenditures	$ 3,621,424	$ 553,065	$ 40,883	$ 532,447	$ 4,747,819
Excess of Revenues Over (Under) Expenditures	$ 137,849	$ (508,632)	$ (30,607)	$ (532,152)	$ (933,542)
Other Financing Sources (Uses):					
General Obligation Bond Issuance	$ 14,900	$ 12,500	$ -	$ 610,344	$ 637,744
Loan Proceeds	414	-	-	-	414
Bond Issue Premium	-	34,016	-	-	34,016
Transfers-In	1,801,042	464,402	1,729	12,914	2,280,087
Transfers-Out	(1,806,014)	-	-	(102,806)	(1,908,820)
Capital Leases	238	-	-	-	238
Net Other Financing Sources (Uses)	$ 10,580	$ 510,918	$ 1,729	$ 520,452	$ 1,043,679
Net Change in Fund Balances	$ 148,429	$ 2,286	$ (28,878)	$ (11,700)	$ 110,137
Fund Balances, Beginning, as Reported	$ 2,641,591	$ 704,800	$ 736,863	$ 38,887	$ 4,122,141
Change in Inventory	2,287	-	-	-	2,287
Fund Balances, Ending	$ 2,792,307	$ 707,086	$ 707,985	$ 27,187	$ 4,234,565

State of Minnesota

2008
Comprehensive
Annual
Financial Report

Nonmajor Special Revenue Funds

Trunk Highway Fund

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

Highway User Tax Distribution Fund

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

State Airports Fund

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

Municipal State-Aid Street Fund

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

County State-Aid Highway Fund

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

Petroleum Tank Cleanup Fund

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

Minnesota Resources Fund

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

Nonmajor Special Revenue Funds – Cont'd.

Natural Resources Fund

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

Game and Fish Fund

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

Environment and Natural Resources Fund

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

Environmental Fund

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

Remediation Fund

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

Iron Range Resources and Rehabilitation Fund

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

Douglas J. Johnson Economic Protection Trust Fund

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

Endowment Fund

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

Maximum Effort School Loan Fund

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

Special Compensation Fund

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

Health Care Access Fund

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

Health Impact Fund

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

Medical Education and Research Fund

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

Workforce Development Fund

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

Miscellaneous Special Revenue Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents	$ 381,433	$ 2,231	$ 20,033	$ 112,802
Investments	-	-	-	-
Accounts Receivable	7,712	84,651	703	194
Interfund Receivables	57,156	-	-	6,461
Accrued Investment/Interest Income	-	-	-	-
Federal Aid Receivable	19,415	-	-	-
Inventories	23,855	-	-	-
Loans and Notes Receivable	-	-	2,694	-
Securities Lending Collateral	6,334	673	567	2,004
Total Assets	$ 495,905	$ 87,555	$ 23,997	$ 121,461
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 101,673	$ 1,490	$ 3,293	$ 22,215
Interfund Payables	-	82,885	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	4,724	2,439	-	-
Securities Lending Liabilities	6,334	673	567	2,004
Total Liabilities	$ 112,731	$ 87,487	$ 3,860	$ 24,219
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 17,349	$ 68	$ 13,543	$ 266
Reserved for Inventory	23,855	-	-	-
Reserved for Long-Term Receivables	-	-	2,694	-
Reserved for Long-Term Commitments	261,630	-	-	-
Reserved for Trust Principal	-	-	-	-
Total Reserved Fund Balances	$ 302,834	$ 68	$ 16,237	$ 266
Unreserved Fund Balances:				
Designated for Appropriation Carryover	$ 80,340	$ -	$ 3,602	$ -
Designated for Fund Purposes	-	-	298	96,976
Undesignated	-	-	-	-
Total Unreserved Fund Balances	$ 80,340	$ -	$ 3,900	$ 96,976
Total Fund Balances	$ 383,174	$ 68	$ 20,137	$ 97,242
Total Liabilities and Fund Balances	$ 495,905	$ 87,555	$ 23,997	$ 121,461

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL
$ 358,915	$ 33,339	$ 270	$ 43,755	$ 34,665	$ 81,260	$ 28,103
-	-	-	-	5,149	414,175	-
1,307	149	-	2,867	1,713	-	11,690
26,100	14	-	14,273	852	1,398	8,089
-	-	-	-	24	1,908	-
-	-	-	-	2,500	-	-
-	-	-	-	-	-	-
-	6	-	-	-	-	1,498
6,412	631	-	-	966	28,609	-
$ 392,734	$ 34,139	$ 270	$ 60,895	$ 45,869	$ 527,350	$ 49,380
$ 85,349	$ 3,540	$ 3	$ 6,037	$ 7,036	$ 1,501	$ 3,652
-	239	153	-	-	-	9,013
-	-	-	65	-	123	42
-	147	-	517	1,106	-	4,696
6,412	631	-	-	966	28,609	-
$ 91,761	$ 4,557	$ 156	$ 6,619	$ 9,108	$ 30,233	$ 17,403
$ 1,038	$ 11,440	$ 1	$ 6,114	$ 3,730	$ 7,064	$ 3,960
-	-	-	-	-	-	-
-	6	-	-	-	-	1,498
-	-	-	-	-	-	-
-	-	-	-	-	444,319	-
$ 1,038	$ 11,446	$ 1	$ 6,114	$ 3,730	$ 451,383	$ 5,458
$ -	$ 1,957	$ 113	$ 14,678	$ 8,209	$ 11,063	$ 4,374
299,935	16,179	-	33,484	24,822	34,671	22,145
-	-	-	-	-	-	-
$ 299,935	$ 18,136	$ 113	$ 48,162	$ 33,031	$ 45,734	$ 26,519
$ 300,973	$ 29,582	$ 114	$ 54,276	$ 36,761	$ 497,117	$ 31,977
$ 392,734	$ 34,139	$ 270	$ 60,895	$ 45,869	$ 527,350	$ 49,380

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2008
(IN THOUSANDS)

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
ASSETS					
Cash and Cash Equivalents	$ 15,229	$ 45,260	$ 73,295	$ 16,806	$ 3,218
Investments	45,268	-	61,751	1,067	-
Accounts Receivable	109	7,136	748	55	-
Interfund Receivables	9,252	-	-	-	-
Accrued Investment/Interest Income	77	-	382	5	3,250
Federal Aid Receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Loans and Notes Receivable	-	15,245	29,821	-	117,474
Securities Lending Collateral	2,178	691	6,073	67	-
Total Assets	$ 72,113	$ 68,332	$ 172,070	$ 18,000	$ 123,942
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 4,309	$ 12,988	$ 54	$ 691	$ -
Interfund Payables	14	-	-	-	-
Due to Component Units	-	-	-	-	-
Deferred Revenue	35	72	-	-	46,391
Securities Lending Liabilities	2,178	691	6,073	67	-
Total Liabilities	$ 6,536	$ 13,751	$ 6,127	$ 758	$ 46,391
Fund Balances:					
Reserved Fund Balances:					
Reserved for Encumbrances	$ 6,686	$ 16,815	$ 18,861	$ 2,500	$ -
Reserved for Inventory	-	-	-	-	-
Reserved for Long-Term Receivables	-	15,245	29,821	-	77,551
Reserved for Long-Term Commitments	50,838	-	-	-	-
Reserved for Trust Principal	-	-	-	-	-
Total Reserved Fund Balances	$ 57,524	$ 32,060	$ 48,682	$ 2,500	$ 77,551
Unreserved Fund Balances:					
Designated for Appropriation Carryover	$ 6,678	$ 22,521	$ 99,059	$ -	$ -
Designated for Fund Purposes	1,375	-	18,202	14,742	-
Undesignated	-	-	-	-	-
Total Unreserved Fund Balances	$ 8,053	$ 22,521	$ 117,261	$ 14,742	$ -
Total Fund Balances	$ 65,577	$ 54,581	$ 165,943	$ 17,242	$ 77,551
Total Liabilities and Fund Balances	$ 72,113	$ 68,332	$ 172,070	$ 18,000	$ 123,942

SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 48,545	$ 278,023	$ -	$ 48,275	$ 39,286	$ 417,949	$ 2,082,692
-	-	-	-	-	-	527,410
109,683	87,548	24,663	-	14,474	56,139	411,541
-	-	-	5,886	46	40,986	170,513
-	-	-	-	-	-	5,646
-	-	-	-	-	-	21,915
-	-	-	-	-	-	23,855
-	836	-	-	-	111,685	279,259
956	5,766	-	-	780	2,520	65,227
$ 159,184	$ 372,173	$ 24,663	$ 54,161	$ 54,586	$ 629,279	$ 3,588,058
$ 18,981	$ 44,529	$ -	$ 200	$ 2,059	$ 79,963	$ 399,563
-	15,001	24,663	-	329	9,168	141,465
-	1	-	41	-	-	272
109,775	3,923	-	-	2,114	13,285	189,224
956	5,766	-	-	780	2,520	65,227
$ 129,712	$ 69,220	$ 24,663	$ 241	$ 5,282	$ 104,936	$ 795,751
$ 78	$ 6,941	$ -	$ 759	$ 19,476	$ 29,028	$ 165,717
-	-	-	-	-	-	23,855
-	836	-	-	-	111,685	239,336
-	-	-	-	-	-	312,468
-	-	-	-	-	-	444,319
$ 78	$ 7,777	$ -	$ 759	$ 19,476	$ 140,713	$ 1,185,695
$ 5,177	$ 8,348	$ -	$ -	$ 17,626	$ -	$ 283,745
24,217	-	-	-	12,202	383,630	982,878
-	286,828	-	53,161	-	-	339,989
$ 29,394	$ 295,176	$ -	$ 53,161	$ 29,828	$ 383,630	$ 1,606,612
$ 29,472	$ 302,953	$ -	$ 53,920	$ 49,304	$ 524,343	$ 2,792,307
$ 159,184	$ 372,173	$ 24,663	$ 54,161	$ 54,586	$ 629,279	$ 3,588,058

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Motor Vehicle Taxes	$ -	$ 676,131	$ 15,764	$ -
Fuel Taxes	-	648,459	3,401	-
Other Taxes	-	-	-	-
Federal Revenues	619,147	-	-	211
Licenses and Fees	8,306	-	479	-
Departmental Services	1,557	-	-	-
Investment/Interest Income	9,846	1,790	1,335	4,714
Penalties and Fines	32	518	-	-
Securities Lending Income	845	137	115	405
Other Revenues	55,596	484	93	-
Net Revenues	$ 695,329	$ 1,327,519	$ 21,187	$ 5,330
Expenditures:				
Current:				
Public Safety and Corrections	$ 76,418	$ 7,390	$ -	$ -
Transportation	755,386	185	19,482	114,255
Agricultural, Environmental and Energy Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
Higher Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	600	2,052	5	-
Intergovernment Aid	-	-	-	-
Securities Lending Rebates and Fees	808	131	110	387
Total Current Expenditures	$ 833,212	$ 9,758	$ 19,597	$ 114,642
Capital Outlay	574,651	-	-	2,294
Debt Service	4,330	-	22	-
Total Expenditures	$ 1,412,193	$ 9,758	$ 19,619	$ 116,936
Excess of Revenues Over (Under) Expenditures	$ (716,864)	$ 1,317,761	$ 1,568	$ (111,606)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ -	$ -
Loan Proceeds	414	-	-	-
Transfers-In	796,029	-	15,000	117,201
Transfers-Out	(52,170)	(1,318,237)	(15,000)	-
Capital Leases	-	-	-	-
Net Other Financing Sources (Uses)	$ 744,273	$ (1,318,237)	$ -	$ 117,201
Net Change in Fund Balances	$ 27,409	$ (476)	$ 1,568	$ 5,595
Fund Balances, Beginning, as Reported	$ 353,478	$ 544	$ 18,569	$ 91,647
Change in Fund Structure	-	-	-	-
Fund Balances, Beginning, as Restated	$ 353,478	$ 544	$ 18,569	$ 91,647
Change in Inventory	2,287	-	-	-
Fund Balances, Ending	$ 383,174	$ 68	$ 20,137	$ 97,242

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	MINNESOTA RESOURCES	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	49,694
238	-	-	761	24,153	-	-
-	26,875	-	19,622	56,406	-	34,126
-	-	-	22,785	1,114	-	-
14,625	1,162	17	1,047	908	(34,777)	995
-	123	-	220	310	-	649
1,255	100	-	-	127	1,865	-
-	30	-	1,308	365	29	43
$ 16,118	$ 28,290	$ 17	$ 45,743	$ 83,383	$ (32,883)	$ 85,507
$ -	$ -	$ -	$ -	$ -	$ -	$ 67
437,473	-	-	4,570	-	1,653	-
-	10,309	131	70,904	90,979	11,096	65,833
-	4,466	-	-	-	-	-
-	-	-	137	-	-	-
-	-	-	-	-	3,401	-
-	1	-	-	-	-	-
-	-	-	-	-	598	298
-	-	-	-	-	-	-
1,200	95	-	-	122	1,601	-
$ 438,673	$ 14,871	$ 131	$ 75,611	$ 91,101	$ 18,349	$ 66,198
1,144	-	-	531	1,743	1,790	462
-	-	-	-	-	-	-
$ 439,817	$ 14,871	$ 131	$ 76,142	$ 92,844	$ 20,139	$ 66,660
$ (423,699)	$ 13,419	$ (114)	$ (30,399)	$ (9,461)	$ (53,022)	$ 18,847
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
423,536	1,416	-	31,544	11,905	30,720	-
(18,890)	(9,715)	(60)	(1,739)	(121)	(370)	(19,013)
-	-	-	-	-	-	-
$ 404,646	$ (8,299)	$ (60)	$ 29,805	$ 11,784	$ 30,350	$ (19,013)
$ (19,053)	$ 5,120	$ (174)	$ (594)	$ 2,323	$ (22,672)	$ (166)
$ 320,026	$ 24,462	$ 288	$ 54,870	$ 34,438	$ 519,789	$ 32,143
-	-	-	-	-	-	-
$ 320,026	$ 24,462	$ 288	$ 54,870	$ 34,438	$ 519,789	$ 32,143
-	-	-	-	-	-	-
$ 300,973	$ 29,582	$ 114	$ 54,276	$ 36,761	$ 497,117	$ 31,977

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	REMEDIATION	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Net Revenues:					
Motor Vehicle Taxes	$ -	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-	-
Other Taxes	674	23,776	5,023	-	-
Federal Revenues	-	-	-	-	-
Licenses and Fees	628	-	-	-	-
Departmental Services	161	4,003	140	-	-
Investment/Interest Income	(6,690)	2,087	423	360	1,818
Penalties and Fines	381	-	-	-	-
Securities Lending Income	102	131	571	4	-
Other Revenues	8,832	96	-	12,855	-
Net Revenues	$ 4,088	$ 30,093	$ 6,157	$ 13,219	$ 1,818
Expenditures:					
Current:					
Public Safety and Corrections	$ -	$ -	$ -	$ 189	$ -
Transportation	-	-	-	-	-
Agricultural, Environmental and Energy Resources	36,183	-	-	3,132	-
Economic and Workforce Development	-	42,055	683	247	-
General Education	-	-	-	1,931	11,091
Higher Education	-	-	-	-	-
Health and Human Services	823	-	-	444	-
General Government	129	-	-	441	-
Intergovernment Aid	-	-	-	-	-
Securities Lending Rebates and Fees	87	125	512	4	-
Total Current Expenditures	$ 37,222	$ 42,180	$ 1,195	$ 6,388	$ 11,091
Capital Outlay	419	30	-	2,473	-
Debt Service	-	642	642	-	-
Total Expenditures	$ 37,641	$ 42,852	$ 1,837	$ 8,861	$ 11,091
Excess of Revenues Over (Under) Expenditures	$ (33,553)	$ (12,759)	$ 4,320	$ 4,358	$ (9,273)
Other Financing Sources (Uses):					
General Obligation Bond Issuance	$ -	$ -	$ -	$ -	$ 14,900
Loan Proceeds	-	-	-	-	-
Transfers-In	28,729	9,176	-	-	-
Transfers-Out	(1,416)	(4,561)	-	(1)	(1,961)
Capital Leases	-	-	-	-	-
Net Other Financing Sources (Uses)	$ 27,313	$ 4,615	$ -	$ (1)	$ 12,939
Net Change in Fund Balances	$ (6,240)	$ (8,144)	$ 4,320	$ 4,357	$ 3,666
Fund Balances, Beginning, as Reported	$ 71,817	$ 62,725	$ 161,623	$ 12,885	$ 73,885
Change in Fund Structure	-	-	-	-	-
Fund Balances, Beginning, as Restated	$ 71,817	$ 62,725	$ 161,623	$ 12,885	$ 73,885
Change in Inventory	-	-	-	-	-
Fund Balances, Ending	$ 65,577	$ 54,581	$ 165,943	$ 17,242	$ 77,551

SPECIAL COMPENSATION	HEALTH CARE ACCESS	HEALTH IMPACT	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ -	$ -	$ 691,895
-	-	-	-	-	-	651,860
92,255	485,100	-	-	42,002	31,334	729,858
-	-	-	-	-	9,754	654,264
75	-	220,200	-	-	155,616	522,333
780	16,365	-	-	-	125,205	172,110
3,082	9,808	-	-	1,846	8,194	22,590
3,837	-	-	-	-	8,856	14,926
237	842	-	-	7	528	7,271
511	6,170	-	25	2	205,727	292,166
$ 100,777	$ 518,285	$ 220,200	$ 25	$ 43,857	$ 545,214	$ 3,759,273
$ -	$ -	$ -	$ -	$ -	$ 87,784	$ 171,848
-	-	-	-	-	18,432	1,351,436
828	-	-	-	-	66,123	355,518
94,814	-	-	-	44,948	35,930	223,143
-	-	-	-	-	23,020	36,179
-	-	-	-	-	23,640	27,041
-	366,115	-	64,787	-	382,325	814,495
7,269	1,843	-	-	-	26,865	40,100
-	-	-	-	-	211	211
226	805	-	-	-	505	6,718
$ 103,137	$ 368,763	$ -	$ 64,787	$ 44,948	$ 664,835	$ 3,026,689
-	45	-	-	-	2,243	587,825
-	449	-	-	-	825	6,910
$ 103,137	$ 369,257	$ -	$ 64,787	$ 44,948	$ 667,903	$ 3,621,424
$ (2,360)	$ 149,028	$ 220,200	$ (64,762)	$ (1,091)	$ (122,689)	$ 137,849
$ -	$ -	$ -	$ -	$ -	$ -	$ 14,900
-	-	-	-	-	-	414
-	-	-	92,385	1,450	241,951	1,801,042
-	(54,180)	(220,200)	(17,400)	(1,367)	(69,613)	(1,806,014)
-	-	-	-	-	238	238
$ -	$ (54,180)	$ (220,200)	$ 74,985	$ 83	$ 172,576	$ 10,580
$ (2,360)	$ 94,848	$ -	$ 10,223	$ (1,008)	$ 49,887	$ 148,429
$ 31,832	$ 208,105	$ -	$ 43,697	$ -	$ 524,768	$ 2,641,591
-	-	-	-	50,312	(50,312)	-
$ 31,832	$ 208,105	$ -	$ 43,697	$ 50,312	$ 474,456	$ 2,641,591
-	-	-	-	-	-	2,287
$ 29,472	$ 302,953	$ -	$ 53,920	$ 49,304	$ 524,343	$ 2,792,307

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ 673,438	$ 673,438
Fuel Taxes	-	-	652,955	648,436
Other Taxes	-	-	-	-
Federal Revenues	423,724	423,724	-	-
Departmental Services/Licenses & Fees	15,456	15,456	-	-
Investment/Interest Income	9,883	9,883	2,050	1,599
Other Revenues	54,403	54,403	959	1,186
Net Revenues	$ 503,466	$ 503,466	$ 1,329,402	$ 1,324,659
Expenditures:				
Public Safety and Corrections	$ 79,303	$ 76,635	$ 7,487	$ 6,888
Transportation	1,149,700	1,075,679	185	185
Agricultural, Environmental and Energy Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	800	600	2,264	2,080
Intergovernment Aid	-	-	-	-
Total Expenditures	$ 1,229,803	$ 1,152,914	$ 9,936	$ 9,153
Excess of Revenues Over (Under) Expenditures	$ (726,337)	$ (649,448)	$ 1,319,466	$ 1,315,506
Other Financing Sources (Uses):				
Transfers-In	$ 791,423	$ 798,351	$ -	$ -
Transfers-Out	(104,339)	(104,339)	(1,314,245)	(1,314,245)
Net Other Financing Sources (Uses)	$ 687,084	$ 694,012	$ (1,314,245)	$ (1,314,245)
Net Change in Fund Balances	$ (39,253)	$ 44,564	$ 5,221	$ 1,261
Fund Balances, Beginning, as Reported	$ 60,957	$ 60,957	$ 3,351	$ 3,351
Prior Period Adjustments	-	37,997	-	-
Change in Fund Structure	-	-	-	-
Fund Balances, Beginning, as Restated	$ 60,957	$ 98,954	$ 3,351	$ 3,351
Fund Balances, Ending	$ 21,704	$ 143,518	$ 8,572	$ 4,612
Less Appropriation Carryover	-	80,340	-	783
Less Long-term Receivables	-	-	-	-
Undesignated Fund Balances, Ending	$ 21,704	$ 63,178	$ 8,572	$ 3,829

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ -	$ -	$ -	$ -	$ -	$ -
3,419	3,419	-	-	-	-
15,764	15,764	-	-	10,267	10,864
-	-	-	-	802	761
512	512	27,156	26,875	41,405	42,684
1,340	1,340	300	1,168	1,056	1,042
94	94	73	154	1,688	1,325
$ 21,129	$ 21,129	$ 27,529	$ 28,197	$ 55,218	$ 56,676
$ -	$ -	$ -	$ -	$ -	$ -
26,083	21,420	-	-	4,570	4,570
-	-	12,931	11,632	84,164	74,761
-	-	9,538	9,538	-	-
-	-	-	-	137	137
-	-	1	1	-	-
250	5	-	-	-	-
-	-	-	-	-	-
$ 26,333	$ 21,425	$ 22,470	$ 21,171	$ 88,871	$ 79,468
$ (5,204)	$ (296)	$ 5,059	$ 7,026	$ (33,653)	$ (22,792)
$ 15,000	$ 15,000	$ 1,416	$ 1,416	$ 23,713	$ 24,529
(15,000)	(15,000)	(9,715)	(9,715)	(3,392)	(3,392)
$ -	$ -	$ (8,299)	$ (8,299)	$ 20,321	$ 21,137
$ (5,204)	$ (296)	$ (3,240)	$ (1,273)	$ (13,332)	$ (1,655)
$ 5,677	$ 5,677	$ 20,373	$ 20,373	$ 36,021	$ 36,021
-	915	-	1,121	-	(145)
-	-	-	-	-	-
$ 5,677	$ 6,592	$ 20,373	$ 21,494	$ 36,021	$ 35,876
$ 473	$ 6,296	$ 17,133	$ 20,221	$ 22,689	$ 34,221
-	3,602	-	1,957	-	14,678
-	2,694	-	6	-	-
$ 473	$ -	$ 17,133	$ 18,258	$ 22,689	$ 19,543

CONTINUED

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, 2008
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ -	$ -
Fuel Taxes	-	-	-	-
Other Taxes	10,266	10,864	48,880	49,294
Federal Revenues	24,178	24,154	-	-
Departmental Services/Licenses & Fees	60,458	58,034	35,506	34,788
Investment/Interest Income	1,556	1,260	1,059	964
Other Revenues	273	367	966	725
Net Revenues	$ 96,731	$ 94,679	$ 86,411	$ 85,771
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ 67	$ 67
Transportation	-	-	-	-
Agricultural, Environmental and Energy Resources	94,864	89,097	64,857	63,214
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	-	-	442	282
Intergovernment Aid	-	-	-	-
Total Expenditures	$ 94,864	$ 89,097	$ 65,366	$ 63,563
Excess of Revenues Over (Under) Expenditures	$ 1,867	$ 5,582	$ 21,045	$ 22,208
Other Financing Sources (Uses):				
Transfers-In	$ 1,041	$ 1,041	$ -	$ -
Transfers-Out	(129)	(129)	(19,013)	(19,013)
Net Other Financing Sources (Uses)	$ 912	$ 912	$ (19,013)	$ (19,013)
Net Change in Fund Balances	$ 2,779	$ 6,494	$ 2,032	$ 3,195
Fund Balances, Beginning, as Reported	$ 24,023	$ 24,023	$ 17,824	$ 17,824
Prior Period Adjustments	-	838	-	193
Change in Fund Structure	-	-	-	-
Fund Balances, Beginning, as Restated	$ 24,023	$ 24,861	$ 17,824	$ 18,017
Fund Balances, Ending	$ 26,802	$ 31,355	$ 19,856	$ 21,212
Less Appropriation Carryover	-	8,209	-	4,374
Less Long-term Receivables	-	-	-	1,498
Undesignated Fund Balances, Ending	$ 26,802	$ 23,146	$ 19,856	$ 15,340

REMEDIATION		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
712	674	-	-	496,200	477,413
-	-	-	-	-	-
742	790	846	3,685	18,313	19,358
930	771	2,922	2,766	6,754	9,845
14,372	9,209	98,056	93,997	5,623	10,366
$ 16,756	$ 11,444	$ 101,824	$ 100,448	$ 526,890	$ 516,982
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
40,770	40,190	835	828	-	-
1,437	737	94,776	93,486	-	-
-	-	-	-	-	-
853	823	-	-	369,857	363,893
250	128	7,873	7,098	1,871	1,800
-	-	-	-	448	448
$ 43,310	$ 41,878	$ 103,484	$ 101,412	$ 372,176	$ 366,141
$ (26,554)	$ (30,434)	$ (1,660)	$ (964)	$ 154,714	$ 150,841
$ 36,575	$ 28,728	$ -	$ -	$ -	$ -
(2,622)	(2,622)	-	-	(56,337)	(56,337)
$ 33,953	$ 26,106	$ 0	$ 0	$ (56,337)	$ (56,337)
$ 7,399	$ (4,328)	$ (1,660)	$ (964)	$ 98,377	$ 94,504
$ 7,919	$ 7,919	$ 33,474	$ 33,474	$ 165,976	$ 165,976
-	4,453	-	(168)	-	731
-	-	-	-	-	-
$ 7,919	$ 12,372	$ 33,474	$ 33,306	$ 165,976	$ 166,707
$ 15,318	$ 8,044	$ 31,814	$ 32,342	$ 264,353	$ 261,211
-	6,678	-	5,177	-	8,348
-	-	-	-	-	836
$ 15,318	$ 1,366	$ 31,814	$ 27,165	$ 264,353	$ 252,027

CONTINUED

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, 2008
(IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Motor Vehicle Taxes	$ -	$ -	$ 673,438	$ 673,438
Fuel Taxes	-	-	656,374	651,855
Other Taxes	42,992	41,845	625,081	606,718
Federal Revenues	-	-	448,704	448,639
Departmental Services/Licenses & Fees	-	-	200,394	202,182
Investment/Interest Income	1,500	1,854	29,350	32,492
Other Revenues	-	-	176,507	171,826
Net Revenues	$ 44,492	$ 43,699	$ 2,809,848	$ 2,787,150
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ 86,857	$ 83,590
Transportation	-	-	1,180,538	1,101,854
Agricultural and Environmental Resources	-	-	298,421	279,722
Economic and Workforce Development	46,044	45,854	151,795	149,615
General Education	-	-	137	137
Health and Human Services	-	-	370,711	364,717
General Government	-	-	13,750	11,993
Intergovernment Aid	-	-	448	448
Total Expenditures	$ 46,044	$ 45,854	$ 2,102,657	$ 1,992,076
Excess of Revenues Over (Under) Expenditures	$ (1,552)	$ (2,155)	$ 707,191	$ 795,074
Other Financing Sources (Uses):				
Transfers-In	$ 1,450	$ 1,450	$ 870,618	$ 870,515
Transfers-Out	-	-	(1,524,792)	(1,524,792)
Net Other Financing Sources (Uses)	$ 1,450	$ 1,450	$ (654,174)	$ (654,277)
Net Change in Fund Balances	$ (102)	$ (705)	$ 53,017	$ 140,797
Fund Balances, Beginning, as Reported	$ -	$ -	$ 375,595	$ 375,595
Prior Period Adjustments	-	3,807	-	49,742
Change in Fund Structure	14,628	14,628	14,628	14,628
Fund Balances, Beginning, as Restated	$ 14,628	$ 18,435	$ 390,223	$ 439,965
Fund Balances, Ending	$ 14,526	$ 17,730	$ 443,240	$ 580,762
Less Appropriation Carryover	-	17,626	-	151,772
Less Long-term Receivables	-	-	-	5,034
Undesignated Fund Balances, Ending	$ 14,526	$ 104	$ 443,240	$ 423,956

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, 2008
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental	Remediation	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	$ 383,174	$ 68	$ 20,137	$ 29,582	$ 54,276	$ 36,761	$ 31,977	$ 65,577	$ 29,472	$ 302,953	$ 49,304
Less: Reserved Fund Balances	302,834	68	16,237	11,446	6,114	3,730	5,458	57,524	78	7,777	19,476
Less: Designated Fund Balances	80,340	-	3,900	18,136	48,162	33,031	26,519	8,053	29,394	8,348	29,828
Undesignated Fund Balances	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 286,828	$ -
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ -	$ (63,152)	$ (298)	$ -	$ -	$ -	$ (6,805)	$ (9)	$ (108,744)	$ (78,670)	$ (14,474)
Human Services Receivable	-	-	-	-	-	-	-	-	-	(4,946)	-
Deferred Revenue	4,724	2,439	-	147	517	1,106	4,696	35	109,775	5,036	2,114
Other Receivables	1,388	-	-	(147)	(7,724)	(2,443)	(4,696)	(35)	-	(161)	-
Investments at Market	-	-	-	-	-	(339)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	45,053	-
Other Payables	-	-	-	2,079	577	-	-	-	1,917	-	-
Other Financial Sources (Uses):											
Transfers-In	(34,419)	-	-	-	(7,311)	-	-	-	-	-	-
Transfers-Out	-	64,542	-	-	-	-	-	-	-	(1,113)	262
Perspective Differences:											
Reserve for Long-Term Commitments	91,485	-	-	-	-	-	-	-	-	-	-
Designated for Fund Purposes	-	-	298	16,179	33,484	24,822	22,145	1,375	24,217	-	12,202
Budgetary Basis Undesignated Fund Balances	$ 63,178	$ 3,829	$ -	$ 18,258	$ 19,543	$ 23,146	$ 15,340	$ 1,366	$ 27,165	$ 252,027	$ 104

150 YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

Nonmajor Capital Projects Funds

Building Fund

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

General Projects Fund

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

Transportation Fund

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

2008 Comprehensive Annual Financial Report

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 91,129	$ 13,261	$ 3,498	$ 107,888
Accounts Receivable	216	-	-	216
Loans and Notes Receivable	4,383	152	-	4,535
Total Assets	$ 95,728	$ 13,413	$ 3,498	$ 112,639
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 44,687	$ 43	$ 2,018	$ 46,748
Interfund Payables	12,011	-	21,721	33,732
Due to Component Units	4,756	-	-	4,756
Deferred Revenue	216	-	-	216
Total Liabilities	$ 61,670	$ 43	$ 23,739	$ 85,452
Fund Balances:				
Reserved Fund Balance:				
Reserved for Encumbrances	$ 29,675	$ 5,850	$ -	$ 35,525
Reserved for Long-Term Receivables	4,383	152	-	4,535
Total Reserved Fund Balances	$ 34,058	$ 6,002	$ -	$ 40,060
Unreserved Fund Balance:				
Undesignated	$ -	$ 7,368	$ (20,241)	$ (12,873)
Total Fund Balances	$ 34,058	$ 13,370	$ (20,241)	$ 27,187
Total Liabilities and Fund Balances	$ 95,728	$ 13,413	$ 3,498	$ 112,639

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 39	$ -	$ -	$ 39
Other Revenues	10	246	-	256
Net Revenues	$ 49	$ 246	$ -	$ 295
Expenditures:				
Current:				
Public Safety and Corrections	$ 5,266	$ -	$ -	$ 5,266
Transportation	92,979	92	60,158	153,229
Agricultural, Environmental and Energy Resources	45,014	156	-	45,170
Economic and Workforce Development	66,571	-	-	66,571
General Education	10,066	-	-	10,066
Higher Education	85,956	-	-	85,956
General Government	7,250	140	72	7,462
Total Current Expenditures	$ 313,102	$ 388	$ 60,230	$ 373,720
Capital Outlay	119,957	3	38,767	158,727
Total Expenditures	$ 433,059	$ 391	$ 98,997	$ 532,447
Excess of Revenues Over (Under) Expenditures	$ (433,010)	$ (145)	$ (98,997)	$ (532,152)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ 570,344	$ -	$ 40,000	$ 610,344
Transfers-In	2,000	10,914	-	12,914
Transfers-Out	(102,706)	-	(100)	(102,806)
Net Other Financing Sources (Uses)	$ 469,638	$ 10,914	$ 39,900	$ 520,452
Net Change in Fund Balances	$ 36,628	$ 10,769	$ (59,097)	$ (11,700)
Fund Balances, Beginning, as Reported	$ (2,570)	$ 2,601	$ 38,856	$ 38,887
Fund Balances, Ending	$ 34,058	$ 13,370	$ (20,241)	$ 27,187

150 YEARS
of STATEHOOD
1858 - 2008

State of Minnesota

2008
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Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

911 Services Fund

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

Public Employees Insurance Fund

The fund provides 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 Fund, with the remainder transferred to the General Fund.

State Operated Community Services Fund

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

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 5,240	$ 8,018	$ 4,873	$ 14,419
Accounts Receivable	13,220	2,168	111	4,179
Accrued Investment/Interest Income	-	-	17	-
Inventories	-	528	213	5,286
Deferred Costs	-	22	-	-
Other Assets	-	-	1,569	131
Total Current Assets	$ 18,460	$ 10,736	$ 6,783	$ 24,015
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 1,618	$ -
Depreciable Capital Assets (Net)	1,080	704	19,508	4,806
Nondepreciable Capital Assets	-	3	924	-
Total Noncurrent Assets	$ 1,080	$ 707	$ 22,050	$ 4,806
Total Assets	$ 19,540	$ 11,443	$ 28,833	$ 28,821
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 4,466	$ 5,768	$ 375	$ 1,791
Interfund Payables	-	-	-	-
Unearned Revenue	-	19	41	145
Accrued Bond Interest Payable	-	-	156	-
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	760	-
Capital Leases	-	-	40	-
Compensated Absences Payable	393	45	26	90
Other Liabilities	-	-	-	26
Total Current Liabilities	$ 4,859	$ 5,832	$ 1,398	$ 2,052
Noncurrent Liabilities:				
General Obligation Bonds Payable	$ -	$ -	$ -	$ -
Revenue Bonds Payable	-	-	12,125	-
Capital Leases	-	-	63	-
Compensated Absences Payable	2,086	435	153	750
Other Liabilities	71	9	-	25
Total Noncurrent Liabilities	$ 2,157	$ 444	$ 12,341	$ 775
Total Liabilities	$ 7,016	$ 6,276	$ 13,739	$ 2,827
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 1,080	$ 707	$ 8,945	$ 4,806
Unrestricted	11,444	4,460	6,149	21,188
Total Net Assets	$ 12,524	$ 5,167	$ 15,094	$ 25,994

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 25,527	$ 5,866	$ 13,876	$ 23,093	$ 100,912
4,862	409	5,714	1,865	32,528
-	-	-	-	17
-	-	1,087	-	7,114
-	-	429	-	451
-	-	-	147	1,847
$ 30,389	$ 6,275	$ 21,106	$ 25,105	$ 142,869
$ -	$ -	$ -	$ -	$ 1,618
-	-	1,135	4,545	31,778
-	-	-	786	1,713
$ -	$ -	$ 1,135	$ 5,331	$ 35,109
$ 30,389	$ 6,275	$ 22,241	$ 30,436	$ 177,978
$ 485	$ 1,439	$ 9,739	$ 4,365	$ 28,428
57	-	10,723	-	10,780
-	516	528	-	1,249
131	-	-	10	297
-	-	-	267	267
2,690	-	-	-	3,450
-	-	-	81	121
23	4	109	979	1,669
-	-	-	-	26
$ 3,386	$ 1,959	$ 21,099	$ 5,702	$ 46,287
$ -	$ -	$ -	$ 2,634	$ 2,634
31,578	-	-	-	43,703
-	-	-	546	609
190	30	1,113	5,521	10,278
-	-	29	189	323
$ 31,768	$ 30	$ 1,142	$ 8,890	$ 57,547
$ 35,154	$ 1,989	$ 22,241	$ 14,592	$ 103,834
$ -	$ -	$ 1,135	$ 1,803	$ 18,476
(4,765)	4,286	(1,135)	14,041	55,668
$ (4,765)	$ 4,286	$ -	$ 15,844	$ 74,144

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ -	$ 2,140	$ 4,028	$ 35,779
Rental and Service Fees	34,147	9,947	129	-
Insurance Premiums	-	-	-	-
Other Income	3	-	59	1,279
Total Operating Revenues	$ 34,150	$ 12,087	$ 4,216	$ 37,058
Less: Cost of Goods Sold	-	600	-	17,021
Gross Margin	$ 34,150	$ 11,487	$ 4,216	$ 20,037
Operating Expenses:				
Purchased Services	$ 3,971	$ 1,593	$ 2,373	$ 3,604
Salaries and Fringe Benefits	28,110	3,735	2,580	9,502
Claims	-	-	-	-
Depreciation	150	86	1,108	683
Amortization	-	-	71	-
Supplies and Materials	793	80	233	893
Indirect Costs	2,556	221	-	791
Other Expenses	1,883	131	190	3,109
Total Operating Expenses	$ 37,463	$ 5,846	$ 6,555	$ 18,582
Operating Income (Loss)	$ (3,313)	$ 5,641	$ (2,339)	$ 1,455
Nonoperating Revenues (Expenses):				
Investment Income	$ 255	$ -	$ 126	$ 684
Other Nonoperating Revenues	-	-	-	405
Interest and Financing Costs	-	-	(955)	-
Grants, Aids and Subsidies	-	-	-	-
Other Nonoperating Expenses	-	(5,131)	(1)	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	29
Total Nonoperating Revenues (Expenses)	$ 255	$ (5,131)	$ (830)	$ 1,118
Income (Loss) Before Transfers & Contributions	$ (3,058)	$ 510	$ (3,169)	$ 2,573
Transfers-In	-	-	4,561	-
Transfers-Out	-	-	-	-
Change in Net Assets	$ (3,058)	$ 510	$ 1,392	$ 2,573
Net Assets, Beginning, as Reported	$ 15,582	$ 4,657	$ 13,702	$ 23,421
Net Assets, Ending	$ 12,524	$ 5,167	$ 15,094	$ 25,994

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ -	$ 461,565	$ -	$ 503,512
52,271	-	-	79,778	176,272
-	13,225	-	-	13,225
-	165	-	994	2,500
$ 52,271	$ 13,390	$ 461,565	$ 80,772	$ 695,509
-	-	322,668	-	340,289
$ 52,271	$ 13,390	$ 138,897	$ 80,772	$ 355,220
$ 17,363	$ 2,623	$ 11,768	$ 5,266	$ 48,561
2,087	153	10,482	66,546	123,195
-	10,510	-	-	10,510
-	-	519	1,620	4,166
-	-	-	-	71
6,323	-	933	2,074	11,329
39	7	-	3,790	7,404
-	19	464	1,976	7,772
$ 25,812	$ 13,312	$ 24,166	$ 81,272	$ 213,008
$ 26,459	$ 78	$ 114,731	$ (500)	$ 142,212
$ 916	$ 244	$ 1,518	$ 961	$ 4,704
-	-	15	-	420
(1,400)	-	-	(233)	(2,588)
(14,178)	-	-	-	(14,178)
-	-	-	-	(5,132)
-	-	-	-	29
$ (14,662)	$ 244	$ 1,533	$ 728	$ (16,745)
$ 11,797	$ 322	$ 116,264	$ 228	$ 125,467
-	-	-	-	4,561
(2,683)	-	(116,264)	-	(118,947)
$ 9,114	$ 322	$ -	$ 228	$ 11,081
$ (13,879)	$ 3,964	$ -	$ 15,616	$ 63,063
$ (4,765)	$ 4,286	$ -	$ 15,844	$ 74,144

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 34,197	$ 12,489	$ 4,212	$ 34,901
Receipts from Other Revenues	-	-	-	1,279
Payments to Claimants	-	-	-	-
Payments to Suppliers	(7,641)	(2,377)	(2,697)	(24,804)
Payments to Employees	(28,207)	(3,625)	(2,602)	(9,519)
Payments to Others	-	-	-	
Net Cash Flows from Operating Activities	$ (1,651)	$ 6,487	$ (1,087)	$ 1,857
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements	$ -	$ -	$ -	$ -
Transfers-In	-	-	4,561	-
Transfers-Out	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Other Nonoperating Expenses	-	(3,135)	-	-
Other Nonoperating Revenues	-	-	-	405
Net Cash Flows from Noncapital Financing Activities	$ -	$ (3,135)	$ 4,561	$ 405
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (125)	$ (172)	$ (485)	$ (1,617)
Proceeds from Disposal of Capital Assets	-	-	-	34
Capital Lease Payments	-	-	-	-
Repayment of Bond Principal	-	-	(705)	-
Interest Paid	-	-	(963)	-
Net Cash Flows from Capital and Related Financing Activities	$ (125)	$ (172)	$ (2,153)	$ (1,583)
Cash Flows from Investing Activities:				
Investment Earnings	$ 255	$ -	$ 117	$ 684
Net Cash Flows from Investing Activities	$ 255	$ -	$ 117	$ 684
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,521)	$ 3,180	$ 1,438	$ 1,363
Cash and Cash Equivalents, Beginning, as Reported	$ 6,761	$ 4,838	$ 5,053	$ 13,056
Cash and Cash Equivalents, Ending	$ 5,240	$ 8,018	$ 6,491	$ 14,419
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (3,313)	$ 5,641	$ (2,339)	$ 1,455
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 150	$ 86	$ 1,108	$ 683
Amortization	-	-	71	-
Change in Assets and Liabilities:				
Accounts Receivable	45	385	8	(831)
Inventories	-	93	21	475
Other Assets	-	(10)	31	63
Accounts Payable	1,353	399	59	141
Compensated Absences Payable	43	77	(23)	(93)
Unearned Revenues	-	(193)	(23)	(47)
Other Liabilities	71	9	-	11
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 1,662	$ 846	$ 1,252	$ 402
Net Cash Flows from Operating Activities	$ (1,651)	$ 6,487	$ (1,087)	$ 1,857
Noncash Investing, Capital and Financing Activities:				
Bond Premium Amortization	$ -	$ -	$ -	$ -

911 SERVICES		PUBLIC EMPLOYEES INSURANCE		STATE LOTTERY		STATE OPERATED COMMUNITY SERVICES		TOTAL	
$	52,183	$	13,872	$	460,604	$	80,445	$	692,903
	-		-		83		994		2,356
	-		(10,692)		(280,384)		-		(291,076)
	(23,783)		(2,640)		(27,550)		(13,462)		(104,954)
	(1,805)		(155)		(10,352)		(65,873)		(122,138)
	-		(31)		(27,746)		-		(27,777)
$	26,595	$	354	$	114,655	$	2,104	$	149,314
$	(15,098)	$	-	$	-	$	-	$	(15,098)
	-		-		-		-		4,561
	(2,683)		-		(121,798)		-		(124,481)
	(2,590)		-		-		-		(2,590)
	(1,672)		-		-		-		(1,672)
	-		-		-		-		(3,135)
	-		-		-		-		405
$	(22,043)	$	-	$	(121,798)	$	-	$	(142,010)
$	-	$	-	$	(251)	$	(892)	$	(3,542)
	-		-		15		-		49
	-		-		-		(116)		(116)
	-		-		-		(269)		(974)
	-		-		-		(238)		(1,201)
$	-	$	-	$	(236)	$	(1,515)	$	(5,784)
$	916	$	244	$	1,576	$	961	$	4,753
$	916	$	244	$	1,576	$	961	$	4,753
$	5,468	$	598	$	(5,803)	$	1,550	$	6,273
$	20,059	$	5,268	$	19,679	$	21,543	$	96,257
$	25,527	$	5,866	$	13,876	$	23,093	$	102,530
$	26,459	$	78	$	114,731	$	(500)	$	142,212
$	-	$	-	$	519	$	1,620	$	4,166
	-		-		-		-		71
	(88)		455		(1,288)		665		(649)
	-		-		(213)		-		376
	-		-		(34)		-		50
	129		(100)		496		168		2,645
	95		1		101		(38)		163
	-		(80)		314		-		(29)
	-		-		29		189		309
$	136	$	276	$	(76)	$	2,604	$	7,102
$	26,595	$	354	$	114,655	$	2,104	$	149,314
$	264	$	-	$	-	$	-	$	264

150 YEARS of STATEHOOD
1858 - 2008

State of Minnesota

2008
Comprehensive
Annual
Financial Report

Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Central Stores Fund

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

Employee Insurance Fund

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

Enterprise Technologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,508	$ 944	$ 458	$ 218,456
Investments	-	-	-	20,511
Accounts Receivable	1,854	1,923	391	7,107
Accrued Investment/Interest Income	-	-	-	281
Inventories	4	14	905	-
Deferred Costs	2	205	-	-
Securities Lending Collateral	-	-	-	4,412
Total Current Assets	$ 4,368	$ 3,086	$ 1,754	$ 250,767
Noncurrent Assets:				
Deferred Costs	$ -	$ -	$ -	$ -
Depreciable Capital Assets (Net)	17,799	61	4	3
Total Noncurrent Assets	$ 17,799	$ 61	$ 4	$ 3
Total Assets	$ 22,167	$ 3,147	$ 1,758	$ 250,770
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 937	$ 222	$ 126	$ 51,576
Interfund Payables	-	59	-	-
Unearned Revenue	-	-	-	4,447
Loans Payable	3,012	-	-	-
Compensated Absences Payable	10	38	7	29
Securities Lending Liabilities	-	-	-	4,412
Total Current Liabilities	$ 3,959	$ 319	$ 133	$ 60,464
Noncurrent Liabilities:				
Loans Payable	$ 8,801	$ -	$ -	$ -
Compensated Absences Payable	99	403	74	339
Advances from Other Funds	1,750	-	-	-
Other Liabilities	3	21	2	10
Total Noncurrent Liabilities	$ 10,653	$ 424	$ 76	$ 349
Total Liabilities	$ 14,612	$ 743	$ 209	$ 60,813
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 5,986	$ 61	$ 4	$ 3
Unrestricted	1,569	2,343	1,545	189,954
Total Net Assets	$ 7,555	$ 2,404	$ 1,549	$ 189,957

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 13,212	$ 8,255	$ 16,344	$ 260,177
-	-	-	20,511
9,836	5,108	972	27,191
-	-	-	281
-	302	-	1,225
3,528	-	75	3,810
-	-	-	4,412
$ 26,576	$ 13,665	$ 17,391	$ 317,607
$ 1,537	$ -	$ -	$ 1,537
10,938	775	-	29,580
$ 12,475	$ 775	$ -	$ 31,117
$ 39,051	$ 14,440	$ 17,391	$ 348,724
$ 5,625	$ 3,625	$ 9,168	$ 71,279
-	-	-	59
62	-	210	4,719
3,500	-	-	6,512
292	149	8	533
-	-	-	4,412
$ 9,479	$ 3,774	$ 9,386	$ 87,514
$ 4,951	$ -	$ -	$ 13,752
2,928	1,254	97	5,194
-	-	-	1,750
60	44	2	142
$ 7,939	$ 1,298	$ 99	$ 20,838
$ 17,418	$ 5,072	$ 9,485	$ 108,352
$ 2,897	$ 775	$ -	$ 9,726
18,736	8,593	7,906	230,646
$ 21,633	$ 9,368	$ 7,906	$ 240,372

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales	$ -	$ 10,947	$ 6,673	$ -
Rental and Service Fees	13,352	1,982	-	-
Insurance Premiums	-	-	-	618,674
Other Income	45	-	-	5,598
Total Operating Revenues	$ 13,397	$ 12,929	$ 6,673	$ 624,272
Less: Cost of Goods Sold	-	-	5,151	-
Gross Margin	$ 13,397	$ 12,929	$ 1,522	$ 624,272
Operating Expenses:				
Purchased Services	$ 1,464	$ 8,941	$ 458	$ 74,331
Salaries and Fringe Benefits	707	3,405	578	3,156
Claims	-	-	-	498,581
Depreciation	5,001	15	3	2
Amortization	-	-	-	-
Supplies and Materials	4,959	175	10	12
Indirect Costs	461	100	257	223
Other Expenses	50	97	104	1,230
Total Operating Expenses	$ 12,642	$ 12,733	$ 1,410	$ 577,535
Operating Income (Loss)	$ 755	$ 196	$ 112	$ 46,737
Nonoperating Revenues (Expenses):				
Investment Income	$ 442	$ -	$ -	$ 10,526
Securities Lending Income	-	-	-	814
Interest and Financing Costs	(507)	-	-	-
Securities Lending Rebates and Fees	-	-	-	(778)
Other Nonoperating Expenses	(338)	-	-	-
Gain (Loss) on Disposal of Capital Assets	88	-	-	-
Total Nonoperating Revenues (Expenses)	$ (315)	$ -	$ -	$ 10,562
Income (Loss) Before Transfers & Contributions	$ 440	$ 196	$ 112	$ 57,299
Transfers-Out	-	-	-	-
Change in Net Assets	$ 440	$ 196	$ 112	$ 57,299
Net Assets, Beginning, as Reported	$ 7,115	$ 2,208	$ 1,437	$ 132,658
Net Assets, Ending	$ 7,555	$ 2,404	$ 1,549	$ 189,957

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ -	$ -	$ -	$ 17,620
81,604	63,518	-	160,456
-	-	10,818	629,492
836	-	118	6,597
$ 82,440	$ 63,518	$ 10,936	$ 814,165
-	-	-	5,151
$ 82,440	$ 63,518	$ 10,936	$ 809,014
$ 39,999	$ 16,938	$ 4,796	$ 146,927
27,500	14,145	967	50,458
-	-	4,305	502,886
4,238	143	-	9,402
264	-	-	264
2,034	2,317	11	9,518
127	1,141	141	2,450
1,119	283	19	2,902
$ 75,281	$ 34,967	$ 10,239	$ 724,807
$ 7,159	$ 28,551	$ 697	$ 84,207
$ 281	$ -	$ 795	$ 12,044
-	-	-	814
(252)	-	-	(759)
-	-	-	(778)
(2,393)	-	(1,875)	(4,606)
111	11	-	210
$ (2,253)	$ 11	$ (1,080)	$ 6,925
$ 4,906	$ 28,562	$ (383)	$ 91,132
-	(31,904)	-	(31,904)
$ 4,906	$ (3,342)	$ (383)	$ 59,228
$ 16,727	$ 12,710	$ 8,289	$ 181,144
$ 21,633	$ 9,368	$ 7,906	$ 240,372

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers	$ 12,836	$ 12,848	$ 6,937	$ 619,224
Receipts from Other Revenues	45	-	-	5,501
Payments to Claimants	-	-	-	(509,999)
Payments to Suppliers	(6,634)	(9,237)	(6,378)	(71,232)
Payments to Employees	(647)	(3,363)	(583)	(3,097)
Payments to Others	-	(23)	-	(1,326)
Net Cash Flows from Operating Activities	$ 5,600	$ 225	$ (24)	$ 39,071
Cash Flows from Noncapital Financing Activities:				
Transfers-Out	$ -	$ -	$ -	$ -
Advances from Other Funds	2,500	-	-	-
Repayments of Advances from Other Funds	(2,500)	(74)	-	-
Other Nonoperating Expenses	(338)	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ (338)	$ (74)	$ -	$ -
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (6,528)	$ -	$ -	$ -
Proceeds from Disposal of Capital Assets	2,367	-	-	-
Proceeds from Loans	5,391	-	-	-
Repayment of Loan Principal	(5,770)	-	-	-
Interest Paid	(512)	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (5,052)	$ -	$ -	$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -	$ 10,291
Purchase of Investments	-	-	-	(10,592)
Investment Earnings	441	-	-	10,474
Net Cash Flows from Investing Activities	$ 441	$ -	$ -	$ 10,173
Net Increase (Decrease) in Cash and Cash Equivalents	$ 651	$ 151	$ (24)	$ 49,244
Cash and Cash Equivalents, Beginning, as Reported	$ 1,857	$ 793	$ 482	$ 169,212
Cash and Cash Equivalents, Ending	$ 2,508	$ 944	$ 458	$ 218,456
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 755	$ 196	$ 112	$ 46,737
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 5,001	$ 15	$ 3	$ 2
Amortization	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable	(516)	(135)	265	(3,191)
Inventories	8	(7)	(263)	-
Other Assets	(2)	54	-	-
Accounts Payable	345	48	(144)	(4,707)
Compensated Absences Payable	6	33	1	48
Unearned Revenues	-	-	-	172
Other Liabilities	3	21	2	10
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 4,845	$ 29	$ (136)	$ (7,666)
Net Cash Flows from Operating Activities	$ 5,600	$ 225	$ (24)	$ 39,071
Noncash Investing, Capital and Financing Activities:				
Capital Assets Acquired Through Leases	$ 199	$ -	$ -	$ -
Accrual of Computer Equipment as an Investment in Capital Assets	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 81,876	$ 59,489	$ 10,935	$ 804,145
836	980	-	7,362
-	-	(4,812)	(514,811)
(49,147)	(20,087)	(4,904)	(167,619)
(26,928)	(13,880)	(939)	(49,437)
-	-	-	(1,349)
$ 6,637	$ 26,502	$ 280	$ 78,291
$ -	$ (31,904)	$ -	$ (31,904)
-	-	-	2,500
-	-	-	(2,574)
(2,392)	-	(1,875)	(4,605)
$ (2,392)	$ (31,904)	$ (1,875)	$ (36,583)
$ (5,640)	$ (123)	$ -	$ (12,291)
-	8	-	2,375
5,647	-	-	11,038
(3,158)	-	-	(8,928)
(247)	-	-	(759)
$ (3,398)	$ (115)	$ -	$ (8,565)
$ -	$ -	$ -	$ 10,291
-	-	-	(10,592)
281	-	795	11,991
$ 281	$ -	$ 795	$ 11,690
$ 1,128	$ (5,517)	$ (800)	$ 44,833
$ 12,084	$ 13,772	$ 17,144	$ 215,344
$ 13,212	$ 8,255	$ 16,344	$ 260,177
$ 7,159	$ 28,551	$ 697	$ 84,207
$ 4,238	$ 143	$ -	$ 9,402
264	-	-	264
259	(3,054)	(433)	(6,805)
-	(17)	-	(279)
(4,222)	-	31	(4,139)
(1,296)	706	(29)	(5,077)
150	129	20	387
25	-	(8)	189
60	44	2	142
$ (522)	$ (2,049)	$ (417)	$ (5,916)
$ 6,637	$ 26,502	$ 280	$ 78,291
$ -	$ -	$ -	$ 199
1,066	-	-	1,066

State of Minnesota

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.

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.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalents	$ 3	$ -	$ 11	$ 412
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 25,777	$ -	$ 15,711	$ 6,098
Investments:				
Commercial Paper	$ 33	$ -	$ 2	$ 8
Debt Securities	139,808	-	29,222	36,498
Equity Securities	411,684	-	81,997	106,341
Mutual Funds	-	-	-	-
Total Investments	$ 551,525	$ -	$ 111,221	$ 142,847
Accrued Interest and Dividends	$ 1,693	$ -	$ 429	$ 441
Securities Trades Receivables (Payables)	(14,955)	-	(1,015)	(3,911)
Total Investment Pool Participation	$ 564,040	$ -	$ 126,346	$ 145,475
Receivables:				
Employer Contributions	$ 947	$ -	$ 13	$ 187
Member Contributions	666	-	13	68
Interfund Receivables	-	-	-	-
Other Receivables	2	213	12	2
Accrued Interest and Dividends	5	-	-	1
Total Receivables	$ 1,620	$ 213	$ 38	$ 258
Securities Lending Collateral	$ 57,358	$ -	$ 10,879	$ 14,923
Depreciable Capital Assets (Net)	-	-	-	-
Nondepreciable Capital Assets	-	-	-	-
Total Assets	$ 623,021	$ 213	$ 137,274	$ 161,068
LIABILITIES				
Accounts Payable	$ 88	$ -	$ -	$ 15
Interfund Payables	397	1	5	41
Accrued Expense	-	-	-	-
Revenue Bonds Payable	-	-	-	-
Bond Interest	-	-	-	-
Compensated Absences Payable	-	-	-	-
Securities Lending Liabilities	57,358	-	10,879	14,923
Total Liabilities	$ 57,843	$ 1	$ 10,884	$ 14,979
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 565,178	$ 212	$ 126,390	$ 146,089

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
$ -	$ 556	$ -	$ 660	$ 2	$ 68
$ 1,403	$ 96,477	$ 103,708	$ 343,875	$ 24,148	$ 23,888
$ 2	$ 3	$ -	$ 508	$ 34	$ 4
8,074	60,289	960,115	2,179,629	147,734	80,632
22,817	58,093	-	6,472,006	430,906	185,635
-	-	2,518,112	-	-	-
$ 30,893	$ 118,385	$ 3,478,227	$ 8,652,143	$ 578,674	$ 266,271
$ 97	$ 611	$ 268	$ 26,431	$ 1,786	$ 942
(867)	(1,561)	-	(232,945)	(15,822)	(2,183)
$ 31,526	$ 213,912	$ 3,582,203	$ 8,789,504	$ 588,786	$ 288,918
$ -	$ -	$ -	$ 5,375	$ 449	$ 242
-	5,597	-	5,376	300	174
-	-	-	4,995	-	-
7,708	-	471	152	10	-
-	-	-	97	4	-
$ 7,708	$ 5,597	$ 471	$ 15,995	$ 763	$ 416
$ 3,270	$ 10,196	$ -	$ 896,587	$ 60,428	$ 23,737
-	-	-	6,173	-	-
-	-	-	88	-	-
$ 42,504	$ 230,261	$ 3,582,674	$ 9,709,007	$ 649,979	$ 313,139
$ -	$ -	$ 719	$ 2,295	$ 71	$ -
25	2,488	1,741	-	100	197
-	-	-	-	-	-
-	-	-	6,273	-	-
-	-	-	30	-	-
-	-	-	682	-	-
3,270	10,196	-	896,587	60,428	23,737
$ 3,295	$ 12,684	$ 2,460	$ 905,867	$ 60,599	$ 23,934
$ 39,209	$ 217,577	$ 3,580,214	$ 8,803,140	$ 589,380	$ 289,205

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
ASSETS				
Cash and Cash Equivalents	$ 37	$ 1,766	$ 435	$ 2,016
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 2,579	$ 203,764	$ 8,399	$ 514,707
Investments:				
Commercial Paper	$ 1	$ 295	$ 10	$ 740
Debt Securities	9,107	1,266,917	44,185	3,176,196
Equity Securities	19,413	3,752,609	134,923	9,370,350
Mutual Funds	-	-	-	-
Total Investments	$ 28,521	$ 5,019,821	$ 179,118	$ 12,547,286
Accrued Interest and Dividends	$ 100	$ 15,305	$ 535	$ 38,358
Securities Trades Receivables (Payables)	(284)	(135,438)	(4,706)	(339,711)
Total Investment Pool Participation	$ 30,916	$ 5,103,452	$ 183,346	$ 12,760,640
Receivables:				
Employer Contributions	$ -	$ -	$ -	$ -
Member Contributions	-	-	-	-
Interfund Receivables	-	123	12	1,101
Other Receivables	83	9,556	475	12,576
Accrued Interest and Dividends	-	-	-	-
Total Receivables	$ 83	$ 9,679	$ 487	$ 13,677
Securities Lending Collateral	$ 2,569	$ 520,728	$ 18,359	$ 1,303,825
Depreciable Capital Assets (Net)	-	-	-	9,796
Nondepreciable Capital Assets	-	-	-	170
Total Assets	$ 33,605	$ 5,635,625	$ 202,627	$ 14,090,124
LIABILITIES				
Accounts Payable	$ 117	$ 3,302	$ 236	$ 5,539
Interfund Payables	114	771	216	135
Accrued Expense	-	-	-	-
Revenue Bonds Payable	-	-	-	9,588
Bond Interest	-	-	-	-
Compensated Absences Payable	-	-	-	854
Securities Lending Liabilities	2,569	520,728	18,359	1,303,825
Total Liabilities	$ 2,800	$ 524,801	$ 18,811	$ 1,319,941
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 30,805	$ 5,110,824	$ 183,816	$ 12,770,183

TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 2,890	$ -	$ 8,856
$ 729,615	$ -	$ 2,100,149
$ 1,051	$ -	$ 2,691
4,508,817	-	12,647,223
13,285,701	-	34,332,475
-	850,285	3,368,397
$ 17,795,569	$ 850,285	$ 50,350,786
$ 54,782	$ -	$ 141,778
(482,989)	-	(1,236,387)
$ 18,096,977	$ 850,285	$ 51,356,326
$ 15,726	$ -	$ 22,939
-	-	12,194
-	-	6,231
-	-	31,260
4	-	111
$ 15,730	$ -	$ 72,735
$ 1,850,240	$ -	$ 4,773,099
9,843	-	25,812
171	-	429
$ 19,975,851	$ 850,285	$ 56,237,257
$ 8,182	$ -	$ 20,564
-	-	6,231
35	-	35
9,639	-	25,500
46	-	76
742	-	2,278
1,850,240	-	4,773,099
$ 1,868,884	$ -	$ 4,827,783
$ 18,106,967	$ 850,285	$ 51,409,474

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer	$ 18,624	$ -	$ 601	$ 7,935
Member	12,774	-	601	2,860
Contributions From Other Sources	-	435	-	-
Total Contributions	$ 31,398	$ 435	$ 1,202	$ 10,795
Net Investment Income:				
Investment Income	$ (30,421)	$ -	$ (9,729)	$ (8,804)
Less: Investment Expense	(845)	-	-	(226)
Net Investment Income	$ (31,266)	$ -	$ (9,729)	$ (9,030)
Securities Lending Revenues (Expenses):				
Securities Lending Income	$ 3,645	$ -	$ 651	$ 948
Borrower Rebates	(2,899)	-	(519)	(754)
Management Fees	(151)	-	(27)	(39)
Net Securities Lending Revenue	$ 595	$ -	$ 105	$ 155
Total Investment Income	$ (30,671)	$ -	$ (9,624)	$ (8,875)
Transfers From Other Funds	$ 1,839	$ -	$ -	$ -
Other Additions	-	-	49	-
Total Additions	$ 2,566	$ 435	$ (8,373)	$ 1,920
Deductions:				
Benefits	$ 30,932	$ 430	$ 5,885	$ 15,116
Refunds/Withdrawals	795	-	226	-
Administrative Expenses	713	4	47	73
Transfers to Other Funds	6	-	-	5
Total Deductions	$ 32,446	$ 434	$ 6,158	$ 15,194
Net Increase (Decrease)	$ (29,880)	$ 1	$ (14,531)	$ (13,274)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 595,058	$ 211	$ 140,921	$ 159,363
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 565,178	$ 212	$ 126,390	$ 146,089

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
$ -	$ -	$ -	$ 96,746	$ 8,279	$ 6,362
180	73,081	231,708	99,280	5,594	5,209
2,217	-	-	-	-	-
$ 2,397	$ 73,081	$ 231,708	$ 196,026	$ 13,873	$ 11,571
$ (1,219)	$ (2,450)	$ (93,064)	$ (470,847)	$ (30,305)	$ (4,195)
(48)	-	-	(13,286)	(898)	-
$ (1,267)	$ (2,450)	$ (93,064)	$ (484,133)	$ (31,203)	$ (4,195)
$ 208	$ 687	$ -	$ 56,971	$ 3,840	$ 1,477
(165)	(544)	-	(45,320)	(3,055)	(1,166)
(9)	(29)	-	(2,363)	(159)	(65)
$ 34	$ 114	$ -	$ 9,288	$ 626	$ 246
$ (1,233)	$ (2,336)	$ (93,064)	$ (474,845)	$ (30,577)	$ (3,949)
$ -	$ -	$ -	$ 13,244	$ -	$ 668
-	1,318	4,608	288	-	210
$ 1,164	$ 72,063	$ 143,252	$ (265,287)	$ (16,704)	$ 8,500
$ 6,786	$ 27,547	$ 37,039	$ 418,757	$ 42,804	$ -
1	-	144,837	11,676	6	23,256
37	1,090	7,304	5,643	287	201
-	-	-	2,502	-	13,238
$ 6,824	$ 28,637	$ 189,180	$ 438,578	$ 43,097	$ 36,695
$ (5,660)	$ 43,426	$ (45,928)	$ (703,865)	$ (59,801)	$ (28,195)
$ 44,869	$ 174,151	$ 3,626,142	$ 9,507,005	$ 649,181	$ 317,400
$ 39,209	$ 217,577	$ 3,580,214	$ 8,803,140	$ 589,380	$ 289,205

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION			
	DEFINED CONTRIBUTION	POLICE AND FIRE	PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT
Additions:				
Contributions:				
Employer	$ 1,503	$ 87,023	$ 13,388	$ 303,304
Member	1,356	58,259	8,922	280,007
Contributions From Other Sources	-	-	-	-
Total Contributions	$ 2,859	$ 145,282	$ 22,310	$ 583,311
Net Investment Income:				
Investment Income	$ (2,198)	$ (264,300)	$ (9,487)	$ (663,807)
Less: Investment Expense	-	(7,667)	(255)	(19,103)
Net Investment Income	$ (2,198)	$ (271,967)	$ (9,742)	$ (682,910)
Securities Lending Revenues (Expenses):				
Securities Lending Income	$ 156	$ 33,088	$ 1,166	$ 82,851
Borrower Rebates	(124)	(26,322)	(928)	(65,912)
Management Fees	(7)	(1,372)	(48)	(3,435)
Net Securities Lending Revenue	$ 25	$ 5,394	$ 190	$ 13,504
Total Investment Income	$ (2,173)	$ (266,573)	$ (9,552)	$ (669,406)
Transfers From Other Funds	$ -	$ -	$ -	$ -
Other Additions	-	1,029	16	3,756
Total Additions	$ 686	$ (120,262)	$ 12,774	$ (82,339)
Deductions:				
Benefits	$ -	$ 295,994	$ 2,267	$ 824,372
Refunds/Withdrawals	1,567	1,496	724	28,772
Administrative Expenses	113	1,087	247	12,793
Transfers to Other Funds	-	-	-	-
Total Deductions	$ 1,680	$ 298,577	$ 3,238	$ 865,937
Net Increase (Decrease)	$ (994)	$ (418,839)	$ 9,536	$ (948,276)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 31,799	$ 5,529,663	$ 174,280	$ 13,718,459
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 30,805	$ 5,110,824	$ 183,816	$ 12,770,183

TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 209,717	$ 35,629	$ 789,111
209,592	30,247	1,019,670
25,399	1,353	29,404
$ 444,708	$ 67,229	$ 1,838,185
$ (917,726)	$ (62,169)	$ (2,570,721)
(27,491)	-	(69,819)
$ (945,217)	$ (62,169)	$ (2,640,540)
$ 117,616	$ -	$ 303,304
(93,566)	-	(241,274)
(4,876)	-	(12,580)
$ 19,174	$ -	$ 49,450
$ (926,043)	$ (62,169)	$ (2,591,090)
$ -	$ -	$ 15,751
3,975	-	15,249
$ (477,360)	$ 5,060	$ (721,905)
$ 1,327,283	$ 35,804	$ 3,071,016
15,324	-	228,680
11,948	310	41,897
-	-	15,751
$ 1,354,555	$ 36,114	$ 3,357,344
$ (1,831,915)	$ (31,054)	$ (4,079,249)
$ 19,938,882	$ 881,339	$ 55,488,723
$ 18,106,967	$ 850,285	$ 51,409,474

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Investment Trust Funds

Supplemental Retirement Fund

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

Miscellaneous Investment Trust Fund

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

INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2008
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 33,962	$ 2,081	$ 36,043
Investments:			
Commercial Paper	$ 20	$ -	$ 20
Debt Securities	98,742	9,979	108,721
Equity Securities	292,921	9,063	301,984
Total Investments	$ 391,683	$ 19,042	$ 410,725
Accrued Interest and Dividends	$ 1,390	$ 120	$ 1,510
Securities Trades Receivables (Payables)	(8,681)	-	(8,681)
Total Investment Pool Participation	$ 418,354	$ 21,243	$ 439,597
Securities Lending Collateral	$ 42,816	$ 1,508	$ 44,324
Total Assets	$ 461,170	$ 22,751	$ 483,921
LIABILITIES			
Accounts Payable	$ 92	$ -	$ 92
Securities Lending Liabilities	42,816	1,508	44,324
Total Liabilities	$ 42,908	$ 1,508	$ 44,416
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 418,262	$ 21,243	$ 439,505

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	MISCELLANEOUS INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 92,249	$ 16,850	$ 109,099
Total Contributions	$ 92,249	$ 16,850	$ 109,099
Net Investment Income:			
Investment Income	$ (32,797)	$ (1,048)	$ (33,845)
Less: Investment Expense	(419)	-	(419)
Net Investment Income	$ (33,216)	$ (1,048)	$ (34,264)
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 2,984	$ 103	$ 3,087
Borrower Rebates	(2,485)	(88)	(2,573)
Net Securities Lending Revenue	$ 499	$ 15	$ 514
Total Investment Income	$ (32,717)	$ (1,033)	$ (33,750)
Total Additions	$ 59,532	$ 15,817	$ 75,349
Deductions:			
Refunds/Withdrawals	$ 120,684	$ 1,050	$ 121,734
Total Deductions	$ 120,684	$ 1,050	$ 121,734
Net Increase (Decrease)	$ (61,152)	$ 14,767	$ (46,385)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 479,414	$ 6,476	$ 485,890
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 418,262	$ 21,243	$ 439,505

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Agency Fund

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	$ 121,440	$ 1,188,599	$ 1,185,197	$ 124,842
Accounts Receivable	15,314	22,201	15,314	22,201
Total Assets	$ 136,754	$ 1,210,800	$ 1,200,511	$ 147,043
LIABILITIES				
Accounts Payable	$ 136,754	$ 1,210,800	$ 1,200,511	$ 147,043
Total Liabilities	$ 136,754	$ 1,210,800	$ 1,200,511	$ 147,043

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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

ClearWay Minnesota

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

National Sports Center Foundation

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

Office of Higher Education

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

Public Facilities Authority

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

Rural Finance Authority

The authority administers state 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.

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2007 and JUNE 30, 2008
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 5,947	$ 30	$ 394	$ 140,630
Investments	-	159,669	-	39,177
Accounts Receivable	-	10	646	7,133
Due from Primary Government	-	-	-	-
Accrued Investment/Interest Income	194	-	-	-
Federal Aid Receivable	-	-	-	-
Inventories	-	-	44	-
Deferred Costs	-	-	128	223
Loans and Notes Receivable	4,451	-	-	-
Securities Lending Collateral	-	-	-	1,474
Other Assets	-	92	-	-
Total Current Assets	$ 10,592	$ 159,801	$ 1,212	$ 188,637
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ -	$ -	$ 6,938
Investments-Restricted	21,701	-	-	-
Accounts Receivable-Restricted	-	-	2,513	-
Due from Primary government	-	-	-	-
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Loans and Notes Receivable	9,189	-	-	686,671
Depreciable Capital Assets (Net)	-	68	1,514	-
Nondepreciable Capital Assets	-	-	389	-
Other Assets	-	-	-	3,107
Total Noncurrent Assets	$ 30,890	$ 68	$ 4,416	$ 696,716
Total Assets	$ 41,482	$ 159,869	$ 5,628	$ 885,353
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ -	$ 1,039	$ 1,040	$ 6,172
Due to Primary Government	-	-	-	-
Unearned Revenue	-	-	852	7,980
Accrued Bond Interest Payable	437	-	-	-
Loans and Notes Payable	-	-	871	-
Revenue Bonds Payable	1,825	-	-	-
Grants Payable	-	3,553	-	-
Claims Payable	-	-	-	-
Compensated Absences Payable	-	-	-	55
Securities Lending Liabilities	-	-	-	1,474
Other Liabilities	-	97	-	-
Total Current Liabilities	$ 2,262	$ 4,689	$ 2,763	$ 15,681
Noncurrent Liabilities:				
Due to Primary Government	$ -	$ -	$ -	$ -
Loans and Notes Payable	-	-	2,263	-
Revenue Bonds Payable	15,085	-	-	527,000
Claims Payable	-	-	-	-
Compensated Absences Payable	-	-	-	567
Other Liabilities	-	1,955	-	13
Total Noncurrent Liabilities	$ 15,085	$ 1,955	$ 2,263	$ 527,580
Total Liabilities	$ 17,347	$ 6,644	$ 5,026	$ 543,261
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ -	$ 68	$ 1,903	$ -
Restricted	20,990	-	-	340,877
Unrestricted	3,145	153,157	(1,301)	1,215
Total Net Assets	$ 24,135	$ 153,225	$ 602	$ 342,092

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 285,233	$ 15,467	$ 16,794	$ 464,495
32,314	-	346,154	577,314
-	-	37,974	45,763
3,568	-	-	3,568
17,405	-	2,028	19,627
84	-	-	84
-	-	-	44
-	-	4,502	4,853
81,025	6,509	-	91,985
5,876	-	-	7,350
-	-	232	324
$ 425,505	$ 21,976	$ 407,684	$ 1,215,407
$ -	$ -	$ -	$ 6,938
-	-	-	21,701
-	-	-	2,513
18,917	-	-	18,917
117,588	-	-	117,588
-	-	363,990	363,990
1,420,532	49,568	-	2,165,960
-	-	-	1,582
-	-	-	389
2,734	-	-	5,841
$ 1,559,771	$ 49,568	$ 363,990	$ 2,705,419
$ 1,985,276	$ 71,544	$ 771,674	$ 3,920,826
$ 1,473	$ -	$ 6,271	$ 15,995
-	12,336	3,490	15,826
-	-	25,091	33,923
16,613	-	-	17,050
-	-	-	871
50,870	-	-	52,695
-	-	-	3,553
-	-	66,364	66,364
31	-	-	86
5,876	-	-	7,350
420	-	-	517
$ 75,283	$ 12,336	$ 101,216	$ 214,230
$ -	$ 57,296	$ -	$ 57,296
-	-	-	2,263
999,390	-	-	1,541,475
-	-	603,636	603,636
268	-	-	835
2,645	-	-	4,613
$ 1,002,303	$ 57,296	$ 603,636	$ 2,210,118
$ 1,077,586	$ 69,632	$ 704,852	$ 2,424,348
$ -	$ -	$ -	$ 1,971
906,234	-	-	1,268,101
1,456	1,912	66,822	226,406
$ 907,690	$ 1,912	$ 66,822	$ 1,496,478

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND JUNE 30, 2008
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	CLEARWAY MINNESOTA	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:				
Total Expenses	$ 1,970	$ 16,925	$ 10,373	$ 232,831
Program Revenues:				
Charges for Services	$ 1,174	$ -	$ 9,524	$ 55,598
Operating Grants and Contributions	-	-	-	4,857
Net (Expense) Revenue	$ (796)	$ (16,925)	$ (849)	$ (172,376)
General Revenues:				
Investment Income	$ 1,765	$ (2,694)	$ 40	$ -
Other Revenues	-	-	868	-
Total General Revenues before Grants	$ 1,765	$ (2,694)	$ 908	$ -
State Grants Not Restricted	-	-	-	188,775
Total General Revenues	$ 1,765	$ (2,694)	$ 908	$ 188,775
Change in Net Assets	$ 969	$ (19,619)	$ 59	$ 16,399
Net Assets, Beginning, as Reported	$ 23,166	$ 172,844	$ 543	$ 325,693
Net Assets, Ending	$ 24,135	$ 153,225	$ 602	$ 342,092

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 73,672	$ 2,988	$ 53,834	$ 392,593
$ 38,297	$ 3,733	$ 63,301	$ 171,627
67,937	-	-	72,794
$ 32,562	$ 745	$ 9,467	$ (148,172)
$ -	$ -	$ 15,523	$ 14,634
1,277	-	-	2,145
$ 1,277	$ -	$ 15,523	$ 16,779
35,086	-	-	223,861
$ 36,363	$ -	$ 15,523	$ 240,640
$ 68,925	$ 745	$ 24,990	$ 92,468
$ 838,765	$ 1,167	$ 41,832	$ 1,404,010
$ 907,690	$ 1,912	$ 66,822	$ 1,496,478

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 1,087	$ 3,730	$ 4,817
Rental and Service Fees	-	3	3
Other Income	87	-	87
Total Operating Revenues	$ 1,174	$ 3,733	$ 4,907
Operating Expenses:			
Economic and Manpower Development	$ 914	$ 2,988	$ 3,902
Total Operating Expenses	$ 914	$ 2,988	$ 3,902
Operating Income (Loss)	$ 260	$ 745	$ 1,005
Nonoperating Revenues (Expenses):			
Bond Interest Expense	$ (1,056)	$ -	$ (1,056)
Investment/Interest Income	1,765	-	1,765
Total Nonoperating Revenues (Expenses)	$ 709	$ -	$ 709
Change in Net Assets	$ 969	$ 745	$ 1,714
Net Assets, Beginning, as Reported	$ 23,166	$ 1,167	$ 24,333
Net Assets, Ending	$ 24,135	$ 1,912	$ 26,047

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 3,143	$ 11,893	$ 15,036
Receipts from Other Revenues	87	14,115	14,202
Payments to Customers	(804)	(10,994)	(11,798)
Payments to Suppliers	(64)	-	(64)
Payments to Others	-	(9,638)	(9,638)
Net Cash Flows from Operating Activities	$ 2,362	$ 5,376	$ 7,738
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest	$ (1,097)	$ -	$ (1,097)
Repayment of Bond Principal	(1,810)	-	(1,810)
Net Cash Flows from Non-Capital Financing Activities	$ (2,907)	$ -	$ (2,907)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 6,009	$ -	$ 6,009
Purchase of Investments	(6,969)	-	(6,969)
Investment Interest	1,073	-	1,073
Net Cash Flows from Investing Activities	$ 113	$ -	$ 113
Net Increase (Decrease) in Cash and Cash Equivalents	$ (432)	$ 5,376	$ 4,944
Cash and Cash Equivalents, Beginning, as Reported	$ 6,379	$ 10,091	$ 16,470
Cash and Cash Equivalents, Ending	$ 5,947	$ 15,467	$ 21,414
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ 260	$ 745	$ 1,005
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 2,102	$ (2,179)	$ (77)
Due to Primary Government	-	6,810	6,810
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 2,102	$ 4,631	$ 6,733
Net Cash Flows from Operating Activities	$ 2,362	$ 5,376	$ 7,738

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of STATEHOOD
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State of Minnesota

General Obligation Debt Schedule

2008
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GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2008
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building [13, 14, 15, 16]	1990,Ch.610	$ 270,129.1	$ 270,126.0	$ 3.1
Building [6, 10, 12, 14]	1994,Ch.643	523,874.5	523,849.0	25.5
Building [4, 5, 6, 10, 13]	1996, Ch. 463	478,535.0	478,525.0	10.0
Building [4, 5, 6, 10]	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building [6, 7, 10, 11]	1999, Ch. 240	439,437.1	438,865.0	572.1
Trunk Highway [4]	2000, Ch. 479	99,695.0	99,695.0	-
Various Purpose [4, 5, 6, 9]	2000, Ch. 492	527,901.9	514,830.0	13,071.9
Various Purpose [4, 6, 8]	X2001, Ch. 12	116,930.3	115,125.0	1,805.3
Various Purpose [4]	2002, Ch. 374	74,441.7	71,935.0	2,506.7
Various Purpose [2, 4, 6, 7]	2002, Ch. 393	601,397.2	594,605.0	6,792.2
Trunk Highway [4]	X2002, Ch. 1	10,105.0	10,105.0	-
Various Purpose [4]	X2002, Ch. 1	15,451.6	14,430.0	1,021.6
Trunk Highway	X2003, Ch. 19, Art.3	400,400.0	399,250.0	1,150.0
Trunk Highway	X2003, Ch. 19, Art.4	110,110.0	105,700.0	4,410.0
Various Purpose [2]	X2003, Ch. 20	232,844.0	211,310.0	21,534.0
Various Purpose [2]	2005, Ch. 20	942,980.0	822,079.0	120,901.0
Various Purpose [2, 3]	2006, Ch. 258	1,002,863.0	587,800.0	415,063.0
Rural Finance Authority	2007, Ch. 16	30,000.0	12,500.0	17,500.0
Various Purpose	X2007, Ch. 2	56,255.0	-	56,255.0
Trunk Highway	X2007, Ch. 2	20,020.0	-	20,020.0
Trunk Highway	2008, Ch. 152	1,801,800.0	-	1,801,800.0
Transportation	2008, Ch. 152	60,060.0	-	60,060.0
Various Purpose [1]	2008, Ch. 179	801,022.0	-	801,022.0
Various Purpose	2008, Ch. 365	105,500.0	-	105,500.0
Totals		$ 8,759,184.4	$ 5,308,064.0	$ 3,451,120.4

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

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

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

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

(5) 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 authorizationed by Laws 2000, Chapter 492 by $3,333,695.

(6) 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

(7) 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

(8) 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.

(9) Laws of 2001, Chapter 55 converted $7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transporation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.

(10) 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,

(11) 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.

(12) 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.

(13) 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.

(14) 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 Transporation Bond authorization in Laws 1987, Chapter 400 by $10,000.

(15) 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.

(16) 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.

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State of Minnesota

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Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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2008 Comprehensive Annual Financial Report
Index of Statistical Section

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Financial Trends

Revenue Capacity

Debt Capacity

Economic and Demographic Information

Operating Information

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

	2002	2003	2004
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	2,364,102	(526,251)	(987,312)
Total Governmental Activities Net Assets	$ 8,180,576	$ 6,753,077	$ 6,925,577
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	157,403	179,009	218,797
Total Business-type Activities Net Assets	$ 1,365,331	$ 1,143,601	$ 1,177,892
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	2,521,505	(347,242)	(768,515)
Total Primary Government Net Assets	$ 9,545,907	$ 7,896,678	$ 8,103,469

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

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

2005	2006	2007	2008
$ 5,943,503	$ 6,468,103	$ 6,781,966	$ 7,775,939
2,452,423	2,482,626	2,703,598	2,693,756
(673,695)	649,481	1,317,416	489,661
$ 7,722,231	$ 9,600,210	$ 10,802,980	$ 10,959,356
$ 884,486	$ 931,297	$ 1,016,955	$ 1,108,136
520,745	852,943	1,058,032	1,140,070
(1,096)	(1,089)	(1,403)	(5,900)
$ 1,404,135	$ 1,783,151	$ 2,073,584	$ 2,242,306
$ 6,827,989	$ 7,399,400	$ 7,798,921	$ 8,884,075
2,973,168	3,335,569	3,761,630	3,833,826
(674,791)	648,392	1,316,013	483,761
$ 9,126,366	$ 11,383,361	$ 12,876,564	$ 13,201,662

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

	2002	2003	2004
Program Revenues:			
Governmental Activities:			
Charges for Services:			
Public Safety and Corrections	$ 104,577	$ 101,157	$ 138,359
Transportation	3,976	16,445	15,473
Agricultural, Environmental and Energy Resources [1]	179,838	179,037	187,779
Economic and Workforce Development [1]	117,993	125,832	158,788
General Education	20,822	34,038	33,284
Higher Education	-	249	-
Health and Human Services	721,014	571,531	516,539
General Government	250,588	183,052	214,962
Operating Grants and Contributions			
Health and Human Services	3,229,846	3,764,754	3,874,378
All Others	1,468,115	1,454,634	1,554,481
Capital Grants and Contributions	21,508	131,632	269,786
Total Governmental Activities Program Revenues	$ 6,118,277	$ 6,562,361	$ 6,963,829
Business-type Activities:			
Charges for Services:			
State Colleges and Universities	$ 539,365	$ 583,236	$ 636,138
Unemployment Insurance	378,531	608,634	806,185
Lottery	352,618	351,815	387,800
Other	126,326	153,962	171,598
Operating Grants and Contributions	437,777	369,481	312,200
Capital Grants and Contributions	24,333	2,274	2,307
Total Business-type Activities Program Revenues	$ 1,858,950	$ 2,069,402	$ 2,316,228
Total Primary Government Program Revenues	$ 7,977,227	$ 8,631,763	$ 9,280,057
Expenses:			
Governmental Activities:			
Public Safety and Corrections	$ 702,345	$ 750,143	$ 731,438
Transportation	1,619,806	1,727,604	1,662,402
Agricultural, Environmental and Energy Resources [1]	609,199	541,828	557,414
Economic and Workforce Development [1]	731,568	671,469	591,513
General Education	5,461,074	6,929,870	6,512,834
Higher Education	865,729	785,524	744,112
Health and Human Services	7,307,133	8,102,781	8,228,552
General Government	849,938	652,005	671,908
Intergovernmental Aid	1,287,768	1,480,533	1,355,683
Interest	161,129	169,023	181,323
Total Governmental Activities Expenses	$ 19,595,689	$ 21,810,780	$ 21,237,179
Business-type Activities:			
State Colleges and Universities	$ 1,296,697	$ 1,386,493	$ 1,385,817
Unemployment Insurance	946,562	1,054,281	931,659
Lottery	296,985	273,884	287,550
Other	132,479	153,397	166,923
Total Business-type Activities Expenses	$ 2,672,723	$ 2,868,055	$ 2,771,949
Total Primary Government Expenses	$ 22,268,412	$ 24,678,835	$ 24,009,128

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

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

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

2005	2006	2007	2008
$ 143,998	$ 174,807	$130,830	$143,073
17,451	19,226	18,796	21,474
196,047	218,376	335,670	360,056
159,929	214,650	44,551	52,400
39,655	38,808	42,943	54,662
2	-	-	-
360,563	447,404	265,853	330,570
226,809	245,015	278,846	240,331
4,075,420	4,187,909	4,609,077	4,909,527
1,480,801	1,506,094	1,891,362	1,767,796
261,236	452,197	236,700	449,765
$ 6,961,911	$ 7,504,486	$ 7,854,628	$ 8,329,654
$ 651,094	$ 694,053	$ 750,742	$ 794,091
908,540	1,054,227	946,269	835,725
408,011	449,761	422,570	461,565
169,182	178,764	230,657	233,944
198,217	176,023	187,530	217,224
1,687	1,963	1,839	1,142
$ 2,336,731	$ 2,554,791	$ 2,539,607	$ 2,543,691
$ 9,298,642	$ 10,059,277	$ 10,394,235	$ 10,873,345
$ 764,307	$ 818,192	$ 855,328	$ 901,641
1,685,256	1,791,316	1,795,056	2,047,500
612,566	525,251	762,549	825,842
505,901	273,510	568,064	704,501
6,820,389	7,336,455	7,323,406	7,675,567
762,092	786,563	921,339	981,943
8,466,865	8,823,115	9,596,061	10,296,359
654,758	718,996	771,733	816,111
1,284,576	1,400,479	1,489,439	1,511,715
184,573	172,612	208,719	221,162
$ 21,741,283	$ 22,646,489	$ 24,291,694	$ 25,982,341
$ 1,394,893	$ 1,479,519	$ 1,550,936	$ 1,675,051
686,818	690,713	735,987	828,857
302,575	332,031	311,893	346,834
172,886	183,043	215,005	228,361
$ 2,557,172	$ 2,685,306	$ 2,813,821	$ 3,079,103
$ 24,298,455	$ 25,331,795	$ 27,105,515	$ 29,061,444

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

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

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

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

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

2005	2006	2007	2008
$ (14,779,372)	$ (15,142,003)	$ (16,437,066)	$ (17,652,687)
(220,441)	(130,515)	(274,214)	(535,412)
$ (14,999,813)	$ (15,272,518)	$ (16,711,280)	$ (18,188,099)
$ 6,556,331	$ 7,069,242	$ 7,463,959	$ 7,929,096
702,839	1,189,328	1,160,380	1,039,843
4,269,837	4,439,667	4,600,984	4,474,576
603,412	633,288	667,395	703,972
552,856	539,468	1,025,820	1,011,494
652,493	659,980	647,168	651,988
2,417,175	2,663,939	2,154,689	2,149,162
178,177	184,139	184,924	186,425
42,753	101,803	155,016	121,638
63,182	28,447	91,867	103,416
-	-	-	-
(425,180)	(474,090)	(510,578)	(654,359)
$ 15,613,875	$ 17,035,211	$ 17,641,624	$ 17,717,251
$ 9,264	$ 18,300	$ 26,786	$ 48,126
12,240	17,141	17,811	1,649
425,180	474,090	510,578	654,359
$ 446,684	$ 509,531	$ 555,175	$ 704,134
$ 16,060,559	$ 17,544,742	$ 18,196,799	$ 18,421,385
$ 834,503	$ 1,893,208	$ 1,204,558	$ 64,564
-	-	(9,472)	-
-	-	-	-
			91,812
(37,849)	(15,229)	7,684	-
226,243	379,016	280,961	168,722
-	-	9,472	-
$ 1,022,897	$ 2,256,995	$ 1,493,203	$ 325,098

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

	2002	2003	2004	2005
General Fund:				
Reserved	$ 146,286	$ 74,766	$ 120,506	$ 161,257
Designated	482,657	-	-	-
Undesignated	56,516	(1,006,866)	(448,465)	(68,292)
Total General Fund	$ 685,459	$ (932,100)	$ (327,959)	$ 92,965
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	1,608	44	(62,340)	(8,187)
Total All Other Governmental Funds	$ 5,013,127	$ 4,782,876	$ 3,323,614	$ 3,463,291
Total Governmental Funds	$ 5,698,586	$ 3,850,776	$ 2,995,655	$ 3,556,256

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

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

2006	2007	2008
$ 228,640	$ 155,985	$ 153,150
610,167	1,124,122	689,476
-	-	-
$ 838,807	$ 1,280,107	$ 842,626
$ 2,805,382	$ 2,020,610	$ 1,931,753
715,202	1,139,133	1,266,623
-	704,800	707,086
-	15,690	9,479
239,599	243,192	339,989
(48,184)	6,044	(12,873)
$ 3,711,999	$ 4,129,469	$ 4,242,057
$ 4,550,806	$ 5,409,576	$ 5,084,683

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

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

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

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

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

	2006	2007	2008
	$ 7,068,712	$ 7,412,381	$ 7,932,036
	1,189,915	1,163,095	1,024,040
	4,473,275	4,513,452	4,499,550
	631,279	665,746	704,246
	1,037,593	1,025,820	1,011,494
	659,647	648,078	651,860
	5,864,373	6,333,686	6,858,191
	4,080,518	4,027,767	4,005,067
	$ 25,005,312	$ 25,790,025	$ 26,686,484
	$ 793,202	$ 813,636	$ 858,385
	1,776,980	1,765,410	2,029,762
	537,220	755,168	782,381
	703,108	605,784	719,801
	7,337,888	7,320,491	7,673,220
	786,606	922,772	983,319
	8,820,143	9,581,606	10,298,462
	690,753	699,585	772,835
	1,400,479	1,489,439	1,511,715
	18,049	29,929	21,534
	854,612	693,041	818,701
	288,932	349,941	373,619
	183,240	222,175	220,957
	$ 24,191,212	$ 25,248,977	$ 27,064,691
	$ 814,100	$ 541,048	$ (378,207)
	$ 377,949	$ 720,445	$ 637,744
	24,388	24,610	414
	160,960	264,050	-
	(160,960)	(264,050)	-
	45,141	57,918	34,016
	(449,246)	(479,598)	(622,455)
	180,005	1,090	1,308
	$ 178,237	$ 324,465	$ 51,027
	-	2,845	2,287
	-	(9,588)	-
	-	-	-
	-	-	-
	-	-	-
	$ 992,337	$ 858,770	$ (324,893)
	2.0%	2.3%	2.3%

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

	2001	2002	2003
Farm Earnings	$ 448,433	$ 568,577	$ 1,206,135
Private Earnings:			
Forestry, Fishing, Related Activities	$ 334,042	$ 296,904	$ 315,588
Mining	447,858	421,181	442,442
Utilities	1,291,243	1,244,439	1,233,917
Construction	8,107,925	8,390,640	8,669,532
Manufacturing:			
Durable Goods Manufacturing	13,730,458	13,783,606	14,422,953
Nondurable Goods Manufacturing	6,808,893	7,241,822	7,459,598
Wholesale Trade	8,436,184	8,541,667	8,900,286
Retail Trade	8,498,594	8,733,924	8,864,291
Transportation and Warehousing	5,044,792	4,786,348	4,819,387
Information	4,156,150	4,114,285	3,963,361
Finance and Insurance	10,389,923	10,848,413	11,742,023
Real Estate and Rental and Leasing	2,382,373	2,669,799	2,865,415
Professional and Technical Services	10,688,723	10,492,586	10,526,186
Management of Companies and Enterprises	5,890,077	5,721,902	5,622,781
Administrative and Waste Services	3,694,025	3,783,331	3,923,786
Educational Services	1,359,729	1,463,967	1,559,781
Health Care and Social Assistance	12,245,345	13,416,236	14,317,328
Arts, Entertainment, and Recreation	1,113,515	1,211,813	1,294,014
Accommodation and Food Services	2,874,130	2,971,855	3,124,400
Other Services, Except Public Administration	3,854,742	4,165,818	4,207,238
Total Private Earnings	$ 111,348,721	$ 114,300,536	$ 118,274,307
Government and Government Enterprises:			
Federal, Civilian	$ 2,312,233	$ 2,433,871	$ 2,556,432
Military	381,272	477,960	676,983
State and Local	14,665,096	15,542,487	15,957,787
Total Government and Government Enterprises	$ 17,358,601	$ 18,454,318	$ 19,191,202
Nonfarm Earnings	128,707,322	132,754,854	137,465,509
Total Earnings By Industry	$ 129,155,755	$ 133,323,431	$ 138,671,644
Derivation of Personal Income:			
Earnings By Place of Work	$ 129,155,755	$ 133,323,431	$ 138,671,644
Other Personal Income (1)	33,421,761	33,644,401	34,826,241
Personal income	$ 162,577,516	$ 166,967,832	$ 173,497,885

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

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 18, 2008.

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

2004	2005	2006	2007
$ 1,569,253	$ 2,472,213	$ 1,579,106	$ 2,190,171
$ 298,879	$ 314,991	$ 329,058	$ 348,122
483,320	507,695	558,570	589,940
1,427,871	1,375,439	1,417,353	1,490,165
9,262,074	9,496,248	9,441,983	9,225,331
15,381,277	15,521,929	15,982,216	16,419,389
7,687,132	7,592,715	8,076,502	8,181,965
9,465,019	10,059,617	10,585,902	11,022,843
9,146,890	9,217,246	9,308,675	9,495,040
5,240,848	5,324,646	4,940,290	5,441,485
4,097,900	4,204,384	4,282,487	4,508,188
12,592,813	12,866,777	13,520,881	14,545,704
2,936,247	3,074,092	3,118,539	3,118,530
11,165,393	11,921,974	12,773,981	13,960,414
6,719,103	6,806,760	7,177,511	8,231,959
4,149,616	4,388,961	4,637,047	4,972,769
1,643,328	1,719,103	1,862,705	2,025,177
15,309,909	16,174,681	17,416,416	18,782,478
1,319,310	1,332,966	1,509,389	1,561,544
3,308,495	3,432,520	3,617,893	3,785,220
4,352,639	4,439,508	4,523,646	4,668,853
$ 125,988,063	$ 129,772,252	$ 135,081,044	$ 142,375,116
$ 2,757,401	$ 2,832,383	$ 2,945,632	$ 3,065,984
755,205	980,880	910,692	968,492
16,547,418	17,130,869	17,962,432	18,684,400
$ 20,060,024	$ 20,944,132	$ 21,818,756	$ 22,718,876
146,048,087	150,716,384	156,899,800	165,093,992
$ 147,617,340	$ 153,188,597	$ 158,478,906	$ 167,284,163
$ 147,617,340	$ 153,188,597	$ 158,478,906	$ 167,284,163
36,203,907	37,107,598	41,771,398	45,657,202
$ 183,821,247	$ 190,296,195	$ 200,250,304	$ 212,941,365

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 1999 Through 2008

Tax Year 1999

	5.5% Up To	7.25%	8.0% Over
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

	5.35% Up To	7.05%	7.85% Over
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

	5.35% Up To	7.05%	7.85% Over
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

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

Tax Year 2003

	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

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 1999 Through 2008 - (Cont'd.)

Tax Year 2004

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

Tax Year 2005

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

Tax Year 2006

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

Tax Year 2007

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

Tax Year 2008

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

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

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Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 1999 and 2006

Calendar Year 1999

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

Calendar Year 2006

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability[1]	Percent of Total
$ 0 – 4,999	243,769	9.79%	$ 1,397,391	0.02%
$ 5,000 – 9,999	182,854	7.35%	8,101,942	0.12%
$ 10,000 – 19,999	337,448	13.56%	74,220,155	1.09%
$ 20,000 – 29,999	301,433	12.11%	183,537,354	2.68%
$ 30,000 – 39,999	255,998	10.29%	272,683,823	3.99%
$ 40,000 – 49,999	202,136	8.12%	312,448,591	4.57%
$ 50,000 – 99,999	630,585	25.34%	1,811,828,216	26.50%
$ 100,000 – 249,999	274,710	11.04%	1,891,550,944	27.67%
$ 250,000 – 499,999	36,476	1.47%	692,810,683	10.13%
$ 500,000 & Over	23,345	0.94%	1,587,397,373	23.22%
	2,488,754	100.00%	$ 6,835,976,472	100.00%

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

Note: Calendar year 2006 is the most recent year available.

Source: Minnesota Department of Revenue, 1999 and 2006 Individual Income Tax Sample.

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

	1999	2000	2001	2002
Governmental Activities:				
General Obligation Bonds	$ 2,384,195	$ 2,527,281	$ 2,588,155	$ 2,923,221
Bond Premium [1]	-	-	-	-
Loans	40,153	32,385	36,643	39,618
Revenue Bonds	108,565	56,595	16,100	-
Capital Leases	19,095	21,578	26,357	18,027
Total	$ 2,552,008	$ 2,637,839	$ 2,667,255	$ 2,980,866
Business-type Activities:				
General Obligation Bonds	$ 4,790	$ 4,619	$ 4,440	$ 108,874
Bond Premium [1]	-	-	-	-
Loans	528	2,482	1,965	4,498
Revenue Bonds	29,680	28,910	1,410	53,365
Capital Leases	-	-	-	8,578
Total	$ 34,998	$ 36,011	$ 7,815	$ 175,315
Total Debt to the Primary Government	$ 2,587,006	$ 2,673,850	$ 2,675,070	$ 3,156,181
Less: Set Aside to Repay General Debt	$ (240,725)	$ (252,819)	$ (257,534)	$ (243,830)
Net Debt to the Primary Government	$ 2,346,281	$ 2,421,031	$ 2,417,536	$ 2,912,351
Total Personal Income	$ 146,721,641	$ 157,963,755	$ 162,577,516	$ 166,967,832
Ratio of Total Debt to Total Personal Income	1.76%	1.69%	1.65%	1.89%
Per Capita (In Actual Dollars)	$ 481	$ 491	$ 485	$ 580

[1] Bond Premium information not available prior to 2003.

[2] Estimate.

[3] Based on projected 2008 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

2003	2004	2005	2006	2007	2008
$ 3,295,545	$ 3,055,496	$ 3,315,282	$ 3,414,239	$ 3,791,494	$ 4,330,291
92,387	117,619	168,574	201,142	245,209	-
24,198	19,653	17,130	45,918	60,494	59,889
-	-	-	-	15,145	14,500
8,846	9,085	11,037	182,930	172,732	167,877
$ 3,420,976	$ 3,201,853	$ 3,512,023	$ 3,844,229	$ 4,285,074	$ 4,572,557
$ 125,950	$ 141,859	$ 145,028	$ 156,896	$ 188,096	$ 224,090
1,694	3,242	4,420	7,735	11,594	-
135,486	275,703	87,376	5,832	5,419	5,829
52,925	51,410	52,475	95,780	170,941	209,719
12,483	14,868	26,497	26,520	25,382	22,647
$ 328,538	$ 487,082	$ 315,796	$ 292,763	$ 401,432	$ 462,285
$ 3,749,514	$ 3,688,935	$ 3,827,819	$ 4,136,992	$ 4,686,506	$ 5,034,842
$ (263,810)	$ (258,925)	$ (286,535)	$ (313,324)	$ (372,510)	$ (368,800)
$ 3,485,704	$ 3,430,010	$ 3,541,284	$ 3,823,668	$ 4,313,996	$ 4,666,042
$ 173,497,885	$ 183,821,247	$ 190,296,195	$ 200,250,304	$ 212,941,365	$ 218,233,000 (2)
2.16%	2.01%	2.01%	2.07%	2.20%	2.31%
$ 689	$ 673	$ 691	$ 740	$ 830	$ 898 (3)

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

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

[1] Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
[2] Depreciation, amortization, bad debt, interest and financing expenses are not included.
[3] Revenue bonds were defeased in June 2001 and reissued in February 2002.
[4] Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
[5] Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
[6] Revenue bonds of $35.0 million for 911 Services were issued on November 1, 2006.
[7] Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.

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

2003	2004	2005	2006	2007	2008
$ 60,606	$ 66,221	$ 70,091	$ 76,901	$ 83,073	$ 88,884
(47,599)	(54,221)	(53,884)	(57,496)	(60,778)	(65,166)
$ 13,007	$ 12,000	$ 16,207	$ 19,405	$ 22,295	$ 23,718
$ -	$ 1,065	$ 1,115	$ 1,222	$ 1,875	$ 1,945
2,247	1,695	1,401	3,496	4,663	5,374
$ 2,247	$ 2,760	$ 2,516	$ 4,718	$ 6,538	$ 7,319
5.79	4.35	6.44	4.11	3.41	3.24
$ 570	$ 595	$ 595	$ 1,010	$ 1,074	$ 1,038
(335)	(332)	(385)	(660)	(567)	(675)
$ 235	$ 263	$ 210	$ 350	$ 507	$ 363
$ 130	$ 140	$ 150	$ 230	$ 370	$ 135
96	86	75	189	170	155
$ 226	$ 226	$ 225	$ 419	$ 540	$ 290
1.04	1.16	0.93	0.84	0.94	1.25
$ 3,128	$ 4,994	$ 5,138	$ 4,693	$ 4,204	$ 4,338
(3,876)	(4,283)	(4,532)	(5,139)	(5,293)	(5,447)
$ (748)	$ 711	$ 606	$ (446)	$ (1,089)	$ (1,109)
$ 310	$ 310	$ 615	$ 615	$ 665	$ 705
574	1,170	1,071	1,045	1,009	963
$ 884	$ 1,480	$ 1,686	$ 1,660	$ 1,674	$ 1,668
(0.85)	0.48	0.36	(0.27)	(0.65)	(0.66)

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

	1999	2000	2001	2002
Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J. Johnson Economic Protection Trust Funds[5]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ -
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A
911 Services Fund[6]				
911 Services Fees	$ -	$ -	$ -	$ -
Less: Operating Expenses[2]	-	-	-	-
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.
(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.
(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
(5) Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
(6) Revenue bonds of $35.0 million for 911 Services were issued on November 1, 2006.
(7) Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.

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

	2003	2004	2005	2006	2007	2008
	$ -	$ -	$ -	$ -	$ 36,189	$ 37,975
	$ -	$ -	$ -	$ -	$ 36,189	$ 37,975
	$ -	$ -	$ -	$ -	$ -	$ 644
	-	-	-	-	529	640
	$ -	$ -	$ -	$ -	$ 529	$ 1,284
	N/A	N/A	N/A	N/A	68.41	29.58
	$ -	$ -	$ -	$ -	$ 49,527	$ 52,271
	-	-	-	-	(15,052)	(25,812)
	$ -	$ -	$ -	$ -	$ 34,475	$ 26,459
	$ -	$ -	$ -	$ -	$ -	$ 2,590
	-	-	-	-	976	1,672
	$ -	$ -	$ -	$ -	$ 976	$ 4,262
	N/A	N/A	N/A	N/A	35.32	6.21

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Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
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	$ 34,339	36.2	4.9%
2004	5,094,304	$ 183,821,247	$ 36,145	36.4	4.6%
2005	5,126,739	$ 190,296,195	$ 37,212	36.6	4.2%
2006	5,167,101	$ 200,250,304	$ 38,849	36.8	4.0%
2007	5,197,621	$ 212,941,365	$ 40,969	37.1	4.6%

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

	1999			2008		
Employer	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	54,767	1	2.20%	55,865	1	2.09%
Mayo Foundation	19,485	7	0.78%	37,022	2	1.39%
United States Government	33,383	2	1.34%	32,313	3	1.21%
Target Corp.		-	0.00%	27,756	4	1.04%
Allina Health System	21,927	5	-	23,653	5	0.89%
Wells Fargo and Company		-	0.00%	20,884	6	0.78%
Fairview Health Services	13,273	10	0.53%	20,148	7	0.75%
Wal-Mart Stores Inc.		-	-	19,733	8	0.74%
University of Minnesota	30,708	4	-	18,470	9	0.69%
3M Company	19,264	8	0.77%	16,500	10	0.62%
Dayton Hudson Corp.	32,200	3	1.29%	-	-	-
Northwest Airlines Corp.	21,057	6	0.84%	-	-	-
Norwest Corp.	13,792	9	0.55%	-	-	-
Hennepin County		-	0.00%	-	-	-
Total	259,856			272,344		
Total State Employment	2,493,169			2,669,079		

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

	1999	2000	2001	2002
Primary Government:				
Public Safety and Corrections	5,593	5,670	5,792	5,750
Transportation	5,310	5,397	5,461	5,288
Agricultural, Environmental and Energy Resources [(1)]	4,668	4,759	4,806	4,645
Economic & Workforce Development [(1)]	2,746	2,670	2,696	2,654
General Education	938	910	943	911
Higher Education	14,127	13,345	13,714	13,704
Health and Human Services	9,233	9,183	9,155	9,039
General Government	4,898	5,014	5,404	5,498
Total	47,513	46,948	47,971	47,489

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

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

2003	2004	2005	2006	2007	2008
5,807	5,705	5,752	6,245	6,198	6,447
5,223	4,788	4,849	4,710	4,435	4,544
4,539	4,400	4,389	4,019	4,322	4,465
2,669	4,257	4,136	3,976	3,486	2,379
880	857	864	964	935	897
14,094	14,006	14,407	14,150	14,437	14,841
9,118	7,415	7,570	7,827	8,042	9,587
5,470	5,761	6,050	6,520	6,559	7,393
47,800	47,189	48,017	48,411	48,414	50,553

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

	1999	2000	2001	2002
Public Safety and Corrections				
Incarcerated Inmates	5,763	5,927	6,187	6,583
Offenders on Supervision	14,851	15,321	16,535	15,797
Correctional Facilities	9	10	10	10
Reassignment of Minnesota Certificates of Title	2,578,123	2,669,806	2,677,848	2,677,848
Crashes Investigated By State Patrol	23,005	25,467	24,083	22,827
Transportation				
Miles of Highways	N/A	N/A	N/A	29,024
Trunk Highway Bridges	N/A	N/A	N/A	2,855
Acres of Right-of-Way	N/A	N/A	N/A	247,019
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,594,512	1,601,457	1,521,753	1,513,303
Watercraft Licenses Issued/Calendar Year	793,107	812,247	826,173	834,974
Acres of State Land Managed by Forestry/Fiscal Year	3,859,000	3,858,000	3,857,000	3,856,000
Farms/Calendar Year	81,000	81,000	81,000	80,900
Acres of Farmland/Calendar Year (1,000 Acres)	28,200	27,900	27,800	27,800
Agricultural Production-Crops/Calendar Year (In Thousands)	$ 3,544,441	$ 3,586,365	$ 3,180,714	$ 4,354,098
Agricultural Production-Livestock/Calendar Year (In Thousands)	$ 3,610,287	$ 3,912,711	$ 4,300,453	$ 3,615,553
Economic and Workforce Development				
Unemployment Claims Filed	190,003	203,480	302,676	316,572
Workplace Injuries Reported	61,629	60,141	56,681	50,470
General Education				
Kindergarten Through Grade 12 Students[(1)]	842,513	843,449	842,764	839,424
School Districts	345	343	343	343
Charter Schools	38	53	64	67
Special Education Age 0-21 Childcount	108,873	110,720	112,833	113,930
Higher Education				
Full Year Equivalents	106,827	114,199	118,861	126,215
Number of Students Graduated	25,837	25,166	24,907	26,680
Buildings - Square Footage	23,137,533	23,393,591	23,815,342	24,310,545
Health and Human Services				
Average Monthly Cash Recipients	183,255	173,150	170,546	179,905
Average Monthly Health Care Enrollees	505,399	506,457	532,722	579,388
Health Care Providers	2,070	4,952	5,050	5,250
General Government				
Individual Income Tax Payers/Calendar Year	2,455,354	2,396,305	2,442,043	2,415,039
Corporate Income Tax Returns/Calendar Year	46,402	41,036	44,220	50,498
Sales Tax Permit Holders/Calendar Year	267,000	248,000	250,000	234,000

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) 2008 data is as of November 1, 2008.

(6) 2008 data is as of September 30, 2008.

Source: Applicable State Agencies

2003	2004	2005	2006	2007	2008
7,073	7,795	7,978	8,874	8,900	9,270
16,753	19,061	18,106	19,977	18,979	20,132
10	10	10	10	10	10
2,700,603	2,363,013	2,344,311	1,542,648 (2)	1,402,284	1,436,622
22,939	18,789	23,429	23,777	20,975	20,198
29,078	29,153	29,130	29,100	29,200	29,191
2,784	2,831	2,876	2,907	2,924	2,981
250,243	252,205	252,433	253,852	254,087	254,074
1,513,018	1,490,110	1,478,219	1,499,482	1,386,087	N/A
845,379	854,110	853,999	863,434	866,971	N/A
3,853,000	3,853,000	3,853,000	3,853,000	3,852,000	3,847,000
80,000	79,600	79,600	79,300	79,000	N/A
27,700	27,600	27,500	27,400	27,400	N/A
$ 4,308,299	$ 5,044,372	$ 4,818,565	$ 5,122,515	$ 6,723,337	N/A
$ 4,074,296	$ 4,937,126	$ 4,938,826	$ 4,750,348	$5,649,201	N/A
323,050	284,948	283,975	281,171	274,581	250,000 (3)
44,983	43,871	42,002	39,919	39,827	38,178
835,227	829,832	825,843	826,117	825,617	826,936
343	343	343	343	340	340
78	88	106	125	131	143
115,802	117,666	118,501	119,720	121,511	123,269
132,586	135,819	135,494	134,220	135,839	139,885
29,438	32,480	32,638	33,860	33,796	33,328
24,509,182	25,263,803	25,559,289	25,725,125	26,007,169	26,065,364
184,848	182,645	171,738	164,632	159,390	158,556
636,228	649,032	663,529	667,182	661,265	667,086
5,517	5,491	5,726	6,276	6,710 (4)	7,120
2,416,197	2,415,563	2,501,144	2,563,373	2,602,439	2,689,815 (5)
37,522	51,803	39,334	43,304	38,339	27,924 (6)
226,000	229,000	219,000	197,000	256,000	277,000

Note: Of the $12 billion in capital assets owned by the state, $8.4 billion (70.0 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $3.6 billion in capital assets is allocated to other functions.

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