

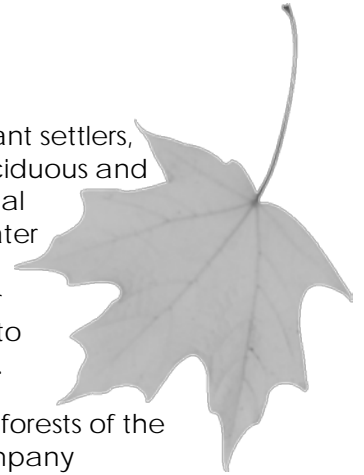
State of Minnesota

Comprehensive Annual Financial Report



For the Year Ended June 30, 2011

Long before its land was cultivated by native people and immigrant settlers, Minnesota was covered by two distinct landscapes: forests of deciduous and evergreen trees and rolling prairies of grass and flowers. Four glacial periods had carved out thousands of lakes from which flowing water eroded the soil into rivers and streams, giving natural irrigation to lush vegetation. In the shelter of tall trees, bears, wolves and other forest-creatures found protection. Butterflies and bees, attracted to the bright colors of wildflowers, naturally pollinated the grasslands.



As the region became more populated in the 1800s, the northern forests of the state provided a livelihood for many lumberjacks and lumber company owners. Once known as the Big Woods, the thick forest of elm, maple, basswood and oak cloaking south-central Minnesota was cleared for farmland and building material. The prairie land of western Minnesota yielded to the plowshare.



Today small pockets of Minnesota's forests and prairie grasslands are being preserved by the state's Department of Natural Resources and hundreds of dedicated citizens and organizations, reminding this and future generations of Minnesota's pre-settlement landscapes.



State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2011

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



State of Minnesota

2011
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Financial Report

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

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

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

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

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



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State of Minnesota

Introduction

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State of Minnesota

2011 Comprehensive Annual Financial Report Transmittal Letter from the Commissioner of Minnesota Management and Budget

December 20, 2011



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

The Honorable Mark Dayton, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2011. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.
- Financial Section – Includes the auditor's opinion, management's discussion and analysis, basic financial statements, combining and individual fund statements for nonmajor funds, and the general obligation debt schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.
- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

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

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2011. 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, 2011. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in March 2012.

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

Financial Reporting Entity and Responsibilities

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

The Housing Finance Agency, Metropolitan Council, University of Minnesota, Agricultural and Economic Development Board, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, and Workers' Compensation Assigned Risk Plan are component units reported discretely. The state has either the ability to impose its will over these agencies or provides substantial funding.

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

Minnesota Management and Budget replaced MAPS on July 1, 2011, with the new Statewide Integrated Financial Tools (SWIFT), an Oracle PeopleSoft Enterprise Resource Planning System.

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

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

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

Economic Condition and Outlook

Minnesota's economy continued outpacing the U.S. averages during fiscal year 2011. The state's June unemployment rate was 6.7 percent, 0.1 percentage point below last year's and 2.3 percentage points below the U.S. average. Minnesota's unemployment rate was ranked 12th among states at the end of fiscal year 2011. During fiscal 2011, payroll employment in Minnesota grew by 28,600 or 1.1 percent. Nationally, payroll employment grew by 0.8 percent over that same 12 month period. At the close of fiscal year 2011, Minnesota had regained 28 percent of the 159,000 jobs lost in the state during the Great Recession. On a national level, only 21 percent of the jobs lost in the recession had been regained.

Employment grew by 1.1 percent in both goods and services producing industries. Manufacturing employment in the state grew 1.2 percent and construction employment posted a gain of 0.1 percent during the fiscal year 2011. Mining employment grew by 10.9 percent, but from a very small base. Despite the improvements in fiscal year 2011 employment, both manufacturing and construction remain well below pre-recession levels. In June 2011, Minnesota had 30,000 fewer construction jobs than when the recession began in December 2007, and 43,000 fewer manufacturing jobs.

Service sector employment is 85 percent of payroll employment in Minnesota. Service sector firms added 24,500 jobs during fiscal year 2011. Employment in establishments providing accommodations or food service accounted for more than one-half of the services sector job growth, up 13,700 from levels observed in June 2010. Education and health services (up 8,800) and professional and technical services (up 6,600) also exhibited significant growth during fiscal year 2011. Retail trade, information services, and financial activities all had small percentage declines in employment. Government employment fell by 5,900 or 1.4 percent. The majority of this decline was related to federal workers, reflecting release of temporary workers added to conduct the 2010 Census.

Minnesota personal income grew by 6.7 percent between the end of fiscal year 2010 and the end of the 2011 fiscal year, considerably faster than the 3.4 percent growth observed in fiscal year 2010. Minnesota personal income also grew faster than the national average of 5.4 percent. Total wages paid in the state also grew faster than the U.S. average. At the close of fiscal year 2011, total wages were 5.6 percent above the level observed at the end of fiscal year 2010. On a national level, growth of 4.0 percent was observed.

Minnesota's economy is expected to grow slightly faster in fiscal year 2012 than the U.S. economy. Personal income is forecasted to grow by 3.5 percent over the fiscal year, 0.8 percent faster than is forecast for the nation. Payroll employment is expected to grow by 34,000 jobs (1.2 percent) during fiscal 2012. Nationally, job growth of 0.8 percent is projected. Manufacturing employment is expected to be relatively flat during fiscal year 2012, but construction employment is projected to increase by 3,000 jobs (3.5 percent) over the fiscal year. Employment in health care services is forecast to increase by 12,000.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2011 with an undesignated fund balance of \$994 million (excluding the State Government and Transit Assistance funds). General Fund spending in fiscal year 2011 decreased on a budgetary basis by 4.8 percent while revenues increased by 10.7 percent compared to fiscal year 2010. Two significant factors reduced fiscal year 2011 spending on a one-time basis: funding received through the federal American Recovery and Reinvestment Act (ARRA) and the K-12 payment deferral. Without the impact of moving General Fund expenditures to the Federal Fund (special revenue fund) through ARRA grants and the expansion of the K-12 payment deferral from 27 percent to 30 percent, the fiscal year 2011 budget would have increased by 10.4 percent relative to fiscal year 2010 levels.

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual

basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a GAAP basis, the General Fund reported a deficit of \$150 million for fiscal year 2011, a difference of \$1.1 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of \$1.0 billion. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was \$2.4 billion. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twenty-sixth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

A handwritten signature in black ink, appearing to read 'James Schowalter', with a stylized flourish at the end.

James Schowalter
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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emer

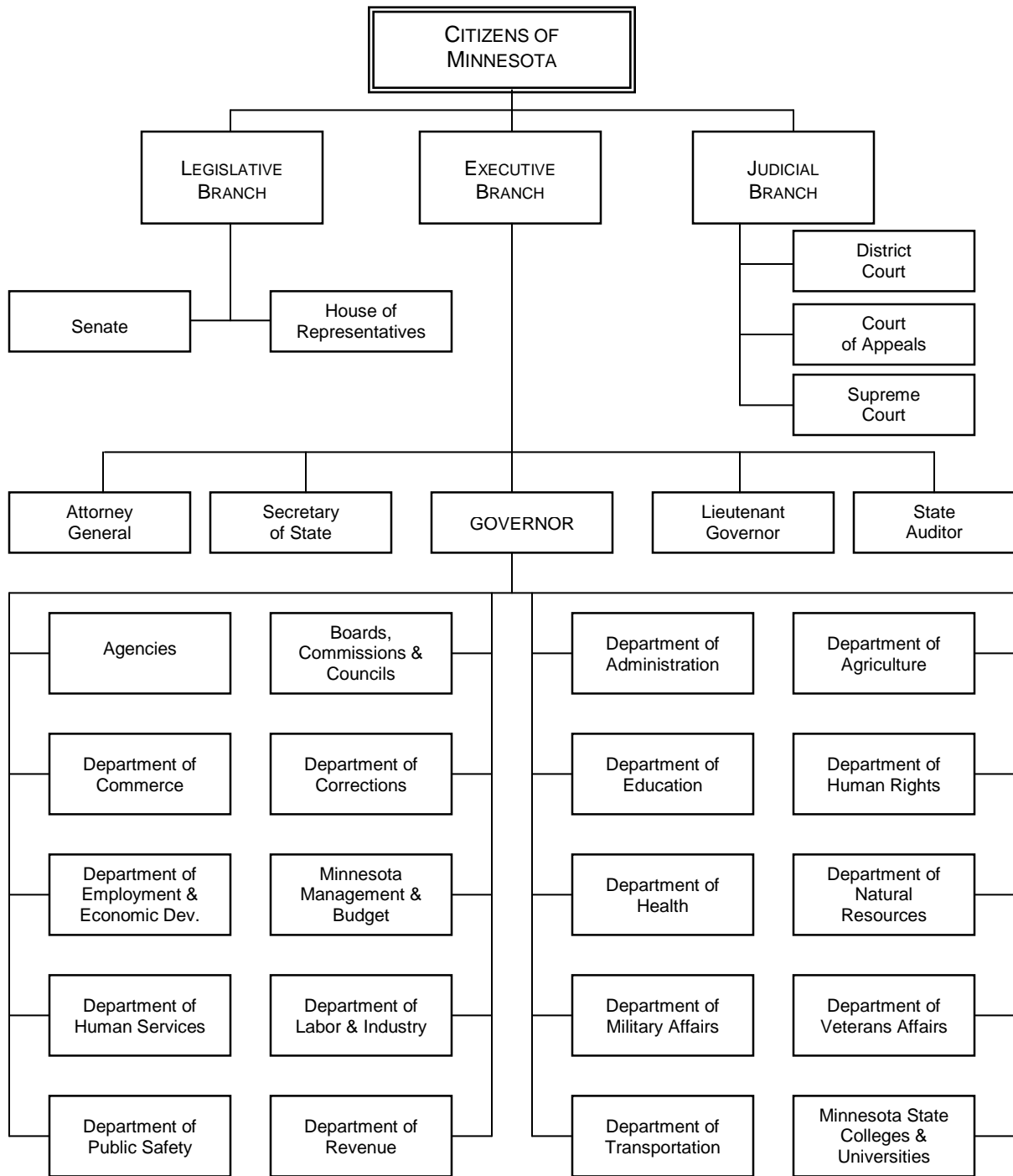
Executive Director



State of Minnesota

2011 Comprehensive Annual Financial Report

State Organization Chart





State of Minnesota

2011 Comprehensive Annual Financial Report

State Principal Officials

Executive Branch

Governor
Lieutenant Governor
Attorney General
Secretary of State
State Auditor

Mark Dayton
Yvonne Prettnner Solon
Lori Swanson
Mark Ritchie
Rebecca Otto

Legislative Branch

Speaker of the House of Representatives
President of the Senate

Kurt Zellers
Michelle L. Fischbach

Judicial Branch

Chief Justice of the Supreme Court

Lorie Skjerven Gildea





State of Minnesota

Financial Section

2011
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Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner, Minnesota Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2011, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 79 percent, 98 percent, and 19 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

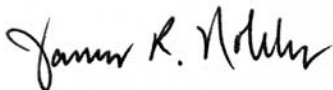
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 20, 2011





2011 Comprehensive Annual Financial Report Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2011, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

Governmental Activities

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

Business-type Activities

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

Discretely Presented Component Units

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

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

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

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

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

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

State Fund and Component Unit Financial Statements

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

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 23 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 funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

The state maintains 21 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

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

component units. Individual nonmajor component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2011, by \$11.9 billion (presented as net assets). Of this amount, a deficit of \$2.6 billion was reported as unrestricted net assets. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.
- The state's total net assets increased by \$1.0 billion (9.6 percent) during fiscal year 2011. Net assets of governmental activities increased by \$690 million (7.4 percent), while net assets of the business-type activities showed an increase of \$352 million (22.5 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 \$3.5 billion, an increase of \$805 million compared to the prior year. Included in the ending fund balance is a General Fund unassigned deficit of \$901 million. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by \$614 million (7.5 percent) during the current fiscal year. The increase is primarily a result of the state issuing general obligation bonds for trunk highway projects and other various state purposes.

Government-wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of a government's financial position over time. The state's combined net assets (governmental and business-type activities) totaled \$11.9 billion at the end of 2011, compared to \$10.9 billion at the end of the previous year.

Net Assets June 30, 2011 and 2010 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current Assets ⁽¹⁾	\$ 10,141,456	\$ 9,048,422	\$ 1,545,363	\$ 1,402,508	\$ 11,686,819	\$ 10,450,930
Noncurrent Assets:						
Capital Assets ⁽¹⁾	12,356,742	11,998,091	1,906,660	1,776,280	14,263,402	13,774,371
Other Assets	807,350	853,394	176,380	138,734	983,730	992,128
Total Assets	<u>\$ 23,305,548</u>	<u>\$ 21,899,907</u>	<u>\$ 3,628,403</u>	<u>\$ 3,317,522</u>	<u>\$ 26,933,951</u>	<u>\$ 25,217,429</u>
Current Liabilities ⁽¹⁾	\$ 6,476,809	\$ 6,382,773	\$ 700,861	\$ 420,594	\$ 7,177,670	\$ 6,803,367
Noncurrent Liabilities	6,819,172	6,198,043	1,014,010	1,335,066	7,833,182	7,533,109
Total Liabilities	<u>\$ 13,295,981</u>	<u>\$ 12,580,816</u>	<u>\$ 1,714,871</u>	<u>\$ 1,755,660</u>	<u>\$ 15,010,852</u>	<u>\$ 14,336,476</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt ⁽¹⁾	\$ 9,147,520	\$ 8,963,198	\$ 1,352,739	\$ 1,293,856	\$ 10,500,259	\$ 10,257,054
Restricted ⁽¹⁾	3,396,243	3,060,905	643,700	538,589	4,039,943	3,599,494
Unrestricted ⁽¹⁾	(2,534,196)	(2,705,012)	(82,907)	(270,583)	(2,617,103)	(2,975,595)
Total Net Assets	<u>\$ 10,009,567</u>	<u>\$ 9,319,091</u>	<u>\$ 1,913,532</u>	<u>\$ 1,561,862</u>	<u>\$ 11,923,099</u>	<u>\$ 10,880,953</u>
⁽¹⁾ 2010 has been restated to be consistent with 2011 presentation.						

The largest portion, \$10.5 billion of \$11.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$4.0 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net asset restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net assets balance represents a deficit in unrestricted net assets of \$2.6 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net assets; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities increased \$1.0 billion (9.6 percent) over the course of this fiscal year. This resulted from a \$690 million (7.4 percent) increase in net assets of governmental activities, and a \$352 million (22.5 percent) decrease in net assets of business-type activities.

Changes in Net Assets						
Fiscal Years Ended June 30, 2011 and 2010						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,304,245	\$ 1,231,253	\$ 2,827,867	\$ 2,489,629	\$ 4,132,112	\$ 3,720,882
Operating Grants and Contributions	9,398,609	10,164,213	1,697,323	1,958,195	11,095,932	12,122,408
Capital Grants	202,285	206,292	1,515	1,554	203,800	207,846
General Revenues:						
Individual Income Taxes	7,883,583	6,792,510	-	-	7,883,583	6,792,510
Corporate Income Taxes	1,204,521	539,534	-	-	1,204,521	539,534
Sales Taxes	4,760,684	4,379,236	-	-	4,760,684	4,379,236
Property Taxes	771,020	746,685	-	-	771,020	746,685
Motor Vehicle Taxes	1,074,769	997,214	-	-	1,074,769	997,214
Fuel Taxes	851,245	826,574	-	-	851,245	826,574
Other Taxes	2,192,739	2,224,237	-	-	2,192,739	2,224,237
Tobacco Settlement	172,207	157,924	-	-	172,207	157,924
Investment/Interest Income	19,836	21,242	7,058	8,483	26,894	29,725
Other Revenues	139,406	145,608	18,765	-	158,171	145,608
Total Revenues	\$ 29,975,149	\$ 28,432,522	\$ 4,552,528	\$ 4,457,861	\$ 34,527,677	\$ 32,890,383
Expenses:						
Public Safety and Corrections ⁽¹⁾	\$ 976,261	\$ 939,818	\$ -	\$ -	\$ 976,261	\$ 939,818
Transportation ⁽¹⁾	2,897,408	2,450,051	-	-	2,897,408	2,450,051
Agricultural, Environmental and Energy Resources	969,947	950,738	-	-	969,947	950,738
Economic and Workforce Development	695,050	715,085	-	-	695,050	715,085
General Education	7,499,159	8,042,744	-	-	7,499,159	8,042,744
Higher Education	892,921	981,859	-	-	892,921	981,859
Health and Human Services ⁽¹⁾	12,274,181	11,950,195	-	-	12,274,181	11,950,195
General Government ⁽¹⁾	832,859	762,123	-	-	832,859	762,123
Intergovernmental Aid	1,339,943	1,558,453	-	-	1,339,943	1,558,453
Interest	322,773	261,802	-	-	322,773	261,802
State Colleges and Universities	-	-	1,903,985	1,802,527	1,903,985	1,802,527
Unemployment Insurance	-	-	2,228,405	3,038,557	2,228,405	3,038,557
Lottery	-	-	382,759	377,025	382,759	377,025
Other ⁽¹⁾	-	-	269,880	247,989	269,880	247,989
Total Expenses	\$ 28,700,502	\$ 28,612,868	\$ 4,785,029	\$ 5,466,098	\$ 33,485,531	\$ 34,078,966
Excess (Deficiency) Before Transfers	\$ 1,274,647	\$ (180,346)	\$ (232,501)	\$ (1,008,237)	\$ 1,042,146	\$ (1,188,583)
Transfers ⁽¹⁾	(584,171)	(608,660)	584,171	608,660	-	-
Change in Net Assets	\$ 690,476	\$ (789,006)	\$ 351,670	\$ (399,577)	\$ 1,042,146	\$ (1,188,583)
Net Assets, Beginning ⁽¹⁾	\$ 9,319,091	\$ 10,108,097	\$ 1,561,862	\$ 1,961,439	\$ 10,880,953	\$ 12,069,536
Net Assets, Ending	\$ 10,009,567	\$ 9,319,091	\$ 1,913,532	\$ 1,561,862	\$ 11,923,099	\$ 10,880,953

⁽¹⁾ 2010 has been restated to be consistent with 2011 presentation.

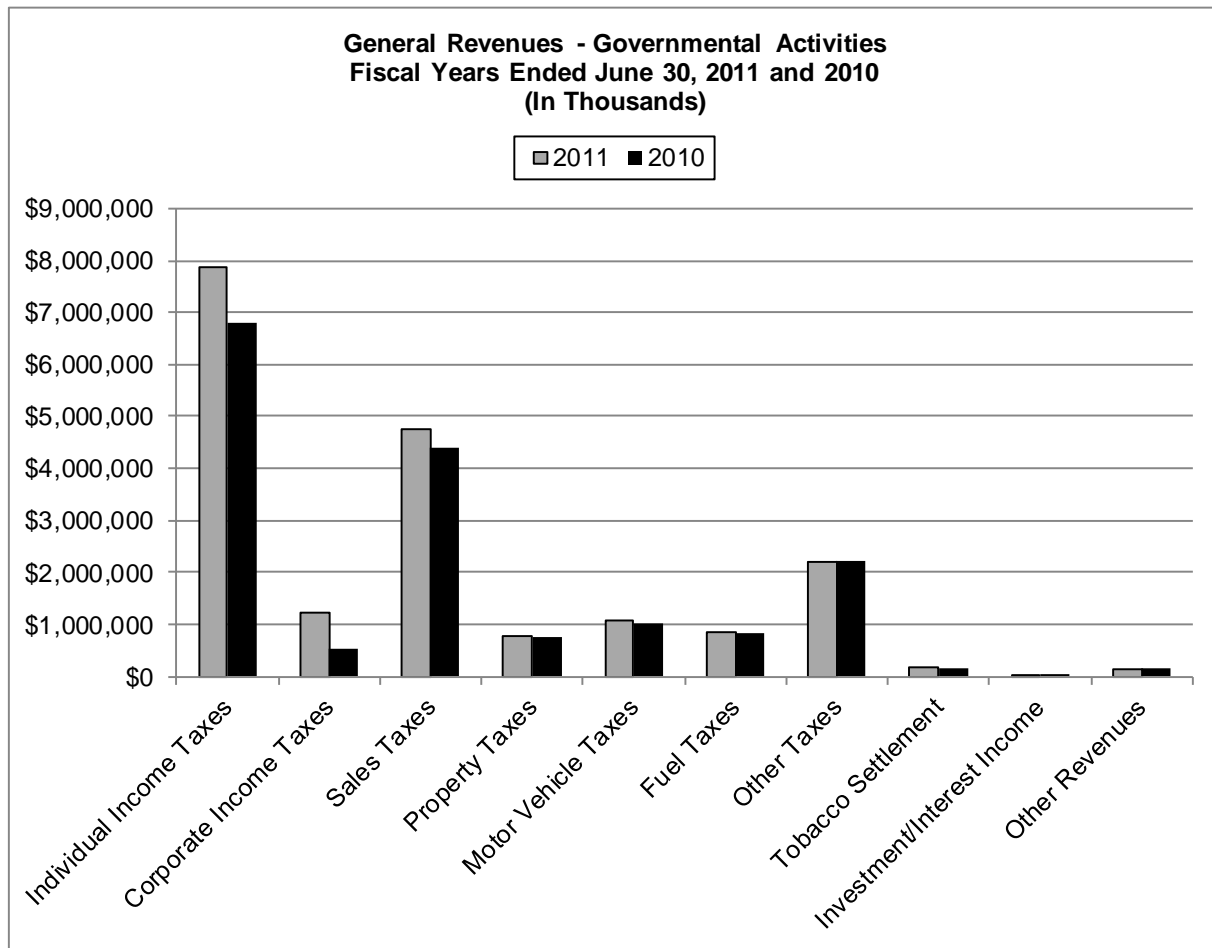
Approximately 54 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 33 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 1 percent came from other general revenues.

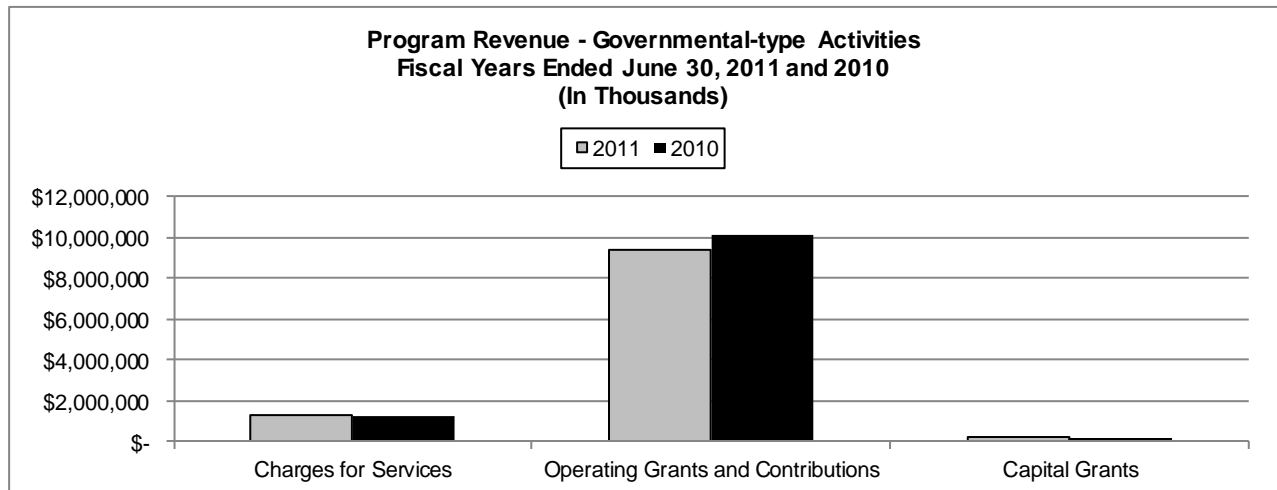
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

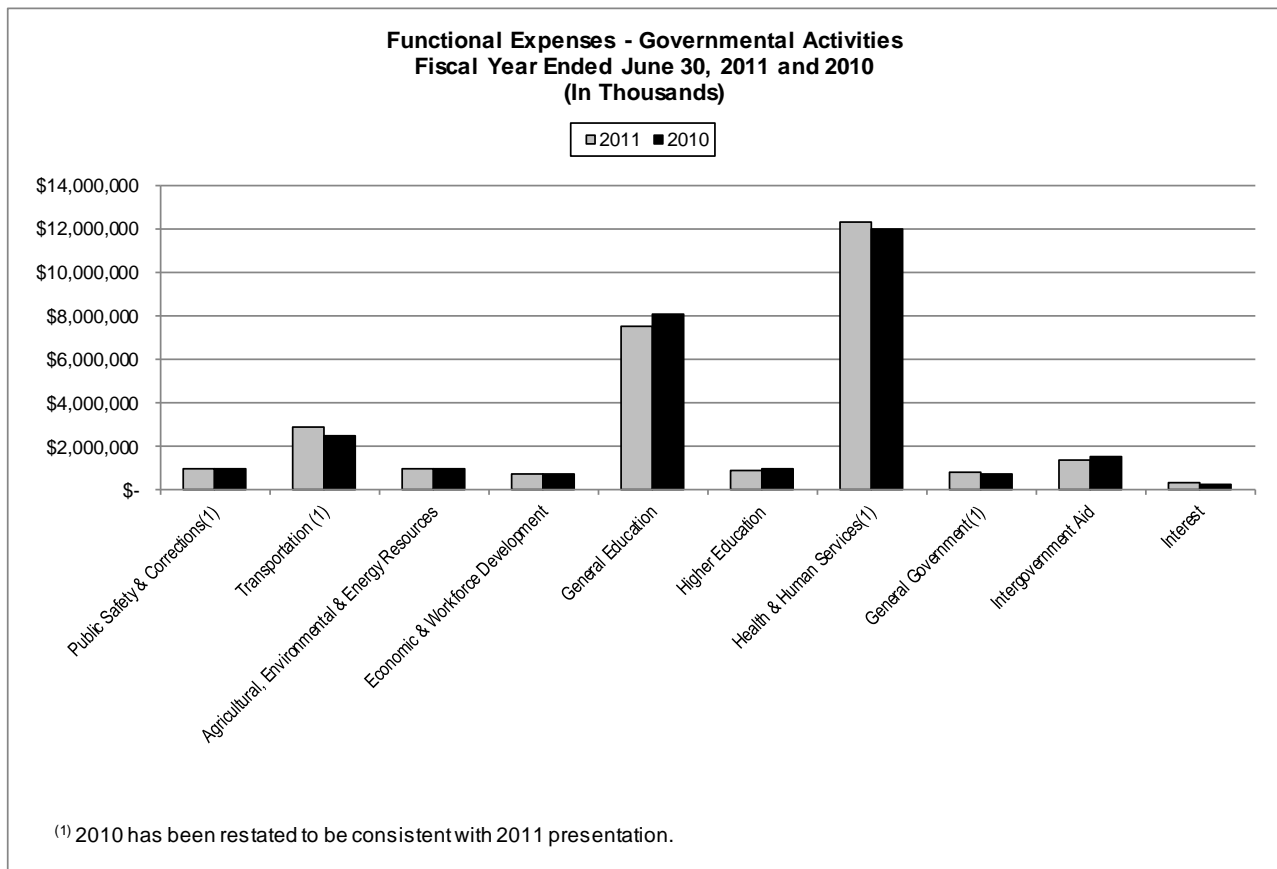
Governmental activities increased the state's net assets by \$690 million compared to a decrease of \$789 million in the prior year.

Significant increases in revenues were partially offset by decreases in other revenue sources. The increase in revenue was primarily attributable to the increase in income and sales taxes as a result of the strengthening economy after an economic downturn. Individual income taxes increase results mainly from an increase in wages, capital gains, and other non-wage income, while the corporate income taxes increase is from corporate profits. These increases are partially offset by a decrease in federal program revenues related to the American Recovery and Reinvestment Act (ARRA).



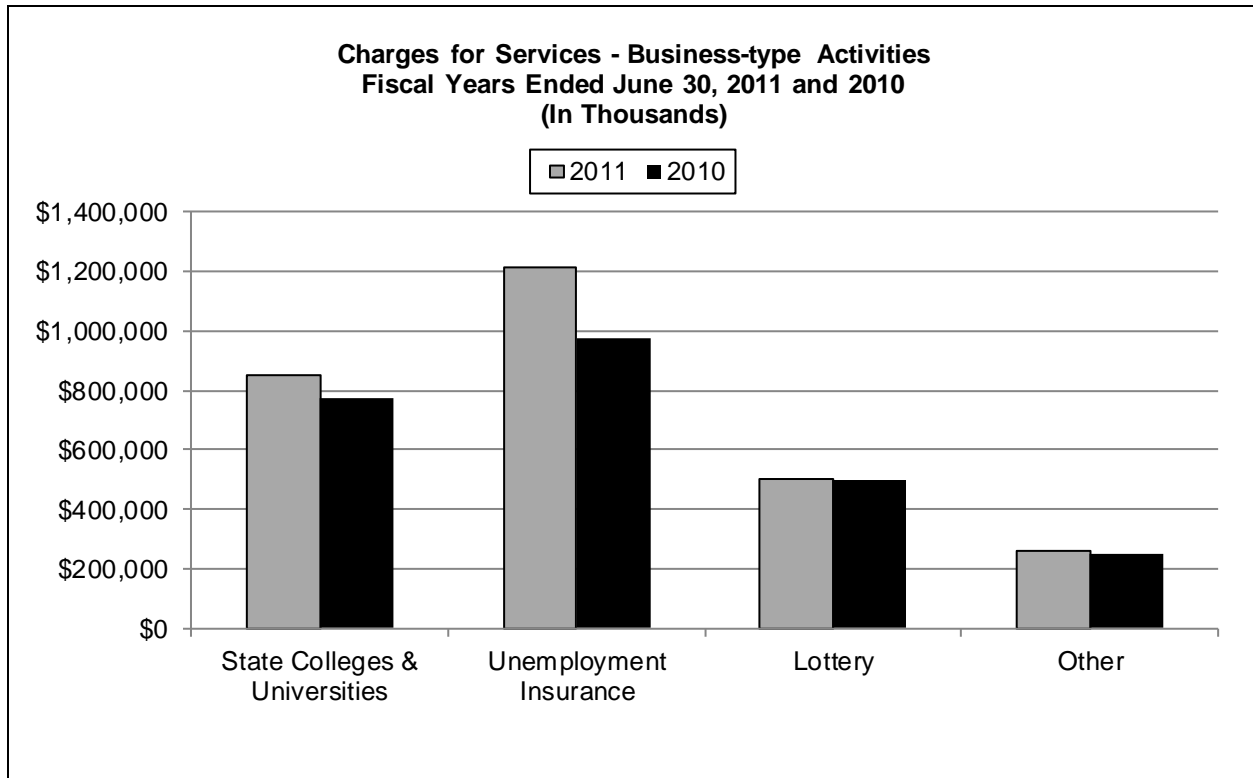


The slight net increase in functional expenses is attributable to increases in some expenses substantially offset by decreases in others. The increase in transportation expense related to increased grants to counties and cities as well as a grant to Metropolitan Council (component unit) as a result of the state transferring title of state owned capital assets associated with the Northstar Commuter Rail project. Increases in Health and Human Services expenses are due to growth in enrollment and the average costs per recipient. These increases were largely offset by decreases in state general education aid, aid to counties and cities as well as reductions in grants to the Office of Higher Education and University of Minnesota (component units).



Business-type Activities

Net assets for the state's proprietary funds increased by \$352 million during the current year. This primarily resulted from a \$146 million increase in net assets in the State Colleges and Universities Fund and a \$187 million increase in net assets in the Unemployment Insurance Fund. The increase in the Colleges and Universities Fund resulted from an increase in tuition and fees due to increases in both enrollment and tuition rates. Due to additional funds received under ARRA, federal grants also increased. As a result of the strengthening economy and an increase in employment, the Unemployment Insurance Fund had significant reductions in benefits during the current year which were partially offset by reductions in federal grants associated with the recovery of a portion of the benefits. In addition, insurance premiums increased due to higher tax base and tax rates.



State Funds Financial Analysis

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$3.5 billion, an increase of \$805 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of \$901 million, an improvement in the unassigned fund balance by \$625 million during the current year. This increase primarily resulted from an improvement of the economy.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund; however, the changes in federal grants related to ARRA grants shifted some expenditures back to the General Fund from the Federal Fund (special revenue fund) in the Public Safety and Corrections and the Health and Human Services functions. As previously noted, Transportation expenditures related to increased grants to counties, cities and Metropolitan Council (component unit) while Health and Human Services expenditure increases related to growth in enrollment and average costs per recipient. In addition, decreases in general education and intergovernmental aids expenditures resulted from decreases in aid for general education and aid to counties and cities. Finally, a reduction in grants to the Office of Higher Education and the University of Minnesota (component units) caused a decrease in higher education expenditures.

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 \$352 million during the current year. This primarily resulted from a \$146 increase in net assets of the State Colleges and Universities Fund and an increase of \$187 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

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2011. These are material to understanding changes in General Fund balances that occurred in fiscal year 2011. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following includes actions taken by the Minnesota Legislature and the Governor affecting fiscal year 2011.

Actions Establishing the Fiscal Year 2011 Budget

The budget for state fiscal year 2011 was initially adopted through a combination of legislative action in May 2009 and gubernatorial action in July 2009. To close the \$4.6 billion budget gap forecast for the 2010-2011 biennium, the 2009 Legislature passed bills narrowing the projected deficit to \$2.7 billion. The Governor vetoed a bill that would have raised additional revenues to close the remaining budget gap. The Legislature adjourned in May 2009 with the \$2.7 billion gap remaining. In July 2009, the Governor used unallotment authority in Minnesota Statutes, Section 16A.152, to implement K-12 payment deferrals (\$1.7 billion) as well as unallotments and other administrative actions (\$1 billion) to balance the budget. By May 2010, a projected \$3.4 billion deficit was forecast for the 2010-2011 biennium due to a weaker than expected economic recovery and Minnesota Supreme Court action to invalidate the Governor's unallotments made the previous July. Action at the end of the 2010 legislative session re-balanced the budget for the 2010-2011 biennium by codifying most of the Governor's original unallotments on a one-time basis along with other spending and revenue changes.

Budget Actions during Fiscal Year 2011

The February 2011 forecast showed an improved outlook for the 2010-2011 biennium, due to modestly higher revenues and lower expenditures than previously forecast. As a result, relatively few changes were made to the budget during fiscal year 2011. A projected ending balance of \$663 million for fiscal year 2011 permitted the release of \$206 million in delayed tax refunds through a combination of legislative and executive actions.

The February 2011 forecast also reflected an expansion of Medical Assistance (the state's Medicaid program) for adults who are under 75 percent of the federal poverty guideline (FPG) and do not have dependent children. This action was the culmination of a number of changes during the 2010-2011 biennium to health care coverage for this group. These changes included a gubernatorial line-item veto of the state-funded General Assistance Medical Care (GAMC) program after the 2009 legislative session, the creation of a scaled-back but still state-funded version of GAMC toward the end of fiscal year 2010, and finally an expansion of Medicaid eligibility to replace the new GAMC during fiscal year 2011. Overall, the fiscal year 2011 budget reflects the following changes to health care coverage for childless adults:

- Reduction, restructuring, and elimination of General Assistance Medical Care (GAMC), which led to a temporary shift of some enrollment to MinnesotaCare in the Health Care Access Fund;
- Expanded enrollment in Medical Assistance, where the cost will be shared with the federal government at the state's regular matching rate through December 2013 and then fully paid by the federal government starting in January 2014; and
- Partial financing of the state share of Medicaid expansion with transfers from the Health Care Access Fund during fiscal years 2011 through 2013.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measureable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2011 with a balance of \$994 million. On a GAAP basis, the General Fund reported a deficit of \$150 million for fiscal year 2011, a difference of \$1.1 billion from the budgetary General Fund balance. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

While the February 2011 forecast showed an improved outlook for fiscal year 2011, it also projected a General Fund deficit of \$5 billion for the 2012-2013 biennium. The Governor and Legislature failed to reach agreement on a balanced 2012-2013 biennial budget by the constitutional deadline, triggering a 20-day state government shutdown in July. Effects of the 20-day shutdown included the temporary layoff of 19,000 state employees, additional costs for shutdown preparation and post-shutdown recovery, and minor permanent revenue loss. During this period, critical life safety activities continued as determined by court order. Limited staffing was retained to deliver state activities and manage financial transactions. To end the shutdown, the Governor and Legislature compromised on 2012-2013 biennial budget balanced primarily through spending reductions, payment shifts, reductions to reserves, and proceeds from bonds secured by tobacco settlement receipts. The state's most recent forecast projects that the General Fund will remain balanced on a budgetary basis for the 2012-2013 biennium. A forecast balance of \$876 million for the 2012-2013 biennium is allocated by law to restoring the reserves. The increased reserves

will provide a cushion against slower economic growth and uncertainty about changes in national fiscal policy.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2011, was \$17.1 billion, less accumulated depreciation of \$2.8 billion, resulting in a net book value of \$14.3 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets June 30, 2011 and 2010 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital Assets not Depreciated:						
Land	\$ 2,048,043	\$ 2,058,634	\$ 88,009	\$ 85,134	\$ 2,136,052	\$ 2,143,768
Buildings, Structures, Improvements	29,909	28,081	-	-	29,909	28,081
Construction in Progress	235,108	292,833	105,162	166,444	340,270	459,277
Development in Progress	74,673	34,151	-	-	74,673	34,151
Infrastructure	7,842,775	7,634,894	-	-	7,842,775	7,634,894
Easements	311,003	245,575	-	-	311,003	245,575
Art and Historical Treasures	2,353	1,989	-	-	2,353	1,989
Total Capital Assets not Depreciated	<u>\$ 10,543,864</u>	<u>\$ 10,296,157</u>	<u>\$ 193,171</u>	<u>\$ 251,578</u>	<u>\$ 10,737,035</u>	<u>\$ 10,547,735</u>
Capital Assets Depreciated:						
Buildings, Structures, Improvements ⁽¹⁾	\$ 2,474,807	\$ 2,299,250	\$ 2,734,339	\$ 2,532,752	\$ 5,209,146	\$ 4,832,002
Infrastructure	160,683	149,642	-	-	160,683	149,642
Internally Generated Computer Software	396	3,748	14,923	13,928	15,319	17,676
Easements	4,090	4,067	-	-	4,090	4,067
Library Collections	-	-	47,167	48,078	47,167	48,078
Equipment, Furniture, Fixtures	599,734	562,830	334,709	266,171	934,443	829,001
Total Capital Assets Depreciated	<u>\$ 3,239,710</u>	<u>\$ 3,019,537</u>	<u>\$ 3,131,138</u>	<u>\$ 2,860,929</u>	<u>\$ 6,370,848</u>	<u>\$ 5,880,466</u>
Less: Accumulated Depreciation ⁽¹⁾	<u>1,426,832</u>	<u>1,317,603</u>	<u>1,417,649</u>	<u>1,336,227</u>	<u>2,844,481</u>	<u>2,653,830</u>
Capital Assets Net of Depreciation	<u>\$ 1,812,878</u>	<u>\$ 1,701,934</u>	<u>\$ 1,713,489</u>	<u>\$ 1,524,702</u>	<u>\$ 3,526,367</u>	<u>\$ 3,226,636</u>
Total	<u>\$ 12,356,742</u>	<u>\$ 11,998,091</u>	<u>\$ 1,906,660</u>	<u>\$ 1,776,280</u>	<u>\$ 14,263,402</u>	<u>\$ 13,774,371</u>
⁽¹⁾ 2010 has been restated to be consistent with 2011 presentation.						

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

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2010, 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 several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2010, indicated that 94 percent of principal arterial system bridges and 91 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

Prior Period Adjustment Governmental Activities: During fiscal year 2011, depreciable building cost increased by \$52.6 million and accumulated depreciation increased by \$36.8 million. This was due to an additional building identified by Minnesota Department of Military Affairs and additional depreciation on equipment primarily at the Minnesota Department of Transportation as a result of recalculating depreciation in preparation for converting capital assets into the new statewide accounting system. This resulted in a net prior period adjustment of \$15.9 million.

During the current year, the state placed additional emphasis on pavement and bridge maintenance and repair which caused a shift between costs associated with new roads to a greater focus on improvements to current infrastructure compared to the amounts originally budgeted.

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

Debt Administration

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

The state's general obligation bonds were rated on June 30, 2011, as follows:

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

Subsequent to June 30, 2011, both Standard & Poors and Fitch Ratings downgraded the state's bond ratings to AA+.

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

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

Outstanding Bonded Debt and Unamortized Premium
June 30, 2011 and 2010
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation	\$ 5,814,900	\$ 5,103,210	\$ 260,618	\$ 250,353	\$ 6,075,518	\$ 5,353,563
Revenue	12,055	12,900	375,409	320,779	387,464	333,679
Certificate of Participation	79,408	80,649	-	-	79,408	80,649
Total	<u>\$ 5,906,363</u>	<u>\$ 5,196,759</u>	<u>\$ 636,027</u>	<u>\$ 571,132</u>	<u>\$ 6,542,390</u>	<u>\$ 5,767,891</u>

During fiscal year 2011, the state issued the following bonds:

- \$635.0 million in general obligation state various purpose bonds
- \$225.0 million in general obligation state trunk highway bonds
- \$5.0 million in general obligation Rural Finance Authority bonds
- \$687.1 million in state refunding bonds
- \$220.7 million in state trunk highway refunding bonds

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

Requests for Information

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

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



State of Minnesota

Basic Financial Statements

2011
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State of Minnesota

Government-wide Financial Statements

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STATE OF MINNESOTA

STATEMENT OF NET ASSETS

JUNE 30, 2011

(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 4,921,933	\$ 924,360	\$ 5,846,293	\$ 1,179,254
Investments.....	1,368,470	27,725	1,396,195	905,894
Accounts Receivable.....	2,506,819	528,092	3,034,911	411,450
Due from Component Units	13,037	-	13,037	-
Due from Primary Government	-	-	-	78,270
Accrued Investment/Interest Income.....	25,475	-	25,475	45,907
Federal Aid Receivable.....	1,196,156	42,155	1,238,311	3,435
Inventories.....	31,708	19,827	51,535	50,366
Loans and Notes Receivable.....	64,785	6,352	71,137	231,414
Internal Balances.....	6,912	(6,912)	-	-
Securities Lending Collateral.....	-	-	-	2,497
Other Assets.....	6,161	3,764	9,925	92,350
Total Current Assets.....	\$ 10,141,456	\$ 1,545,363	\$ 11,686,819	\$ 3,000,836
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted.....	\$ -	\$ 149,906	\$ 149,906	\$ 761,709
Investments-Restricted.....	-	-	-	914,584
Accounts Receivable-Restricted.....	-	-	-	7,792
Due from Primary Government.....	-	-	-	25,059
Other Assets-Restricted.....	-	69	69	16,370
Due from Component Units.....	96,929	-	96,929	-
Investments.....	-	-	-	3,463,683
Accounts Receivable.....	423,420	-	423,420	495,523
Loans and Notes Receivable.....	265,221	26,405	291,626	4,649,093
Depreciable Capital Assets (Net).....	1,812,878	1,713,489	3,526,367	4,767,667
Nondepreciable Capital Assets	2,701,089	193,171	2,894,260	714,391
Infrastructure (Not depreciated).....	7,842,775	-	7,842,775	-
Other Assets.....	21,780	-	21,780	13,267
Deferred Loss on Interest Rate Swap Agreements.....	-	-	-	30,815
Total Noncurrent Assets.....	\$ 13,164,092	\$ 2,083,040	\$ 15,247,132	\$ 15,859,953
Total Assets.....	\$ 23,305,548	\$ 3,628,403	\$ 26,933,951	\$ 18,860,789
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 5,186,853	\$ 275,925	\$ 5,462,778	\$ 272,790
Due to Component Units.....	22,271	-	22,271	-
Due to Primary Government.....	-	-	-	55,357
Unearned Revenue.....	570,065	58,856	628,921	97,740
Accrued Interest Payable.....	81,628	11,986	93,614	80,963
General Obligation Bonds Payable.....	444,278	18,887	463,165	115,290
Loans and Notes Payable.....	12,518	277,623	290,141	267,221
Revenue Bonds Payable.....	880	15,690	16,570	396,010
Claims Payable.....	78,001	-	78,001	78,205
Compensated Absences Payable.....	33,472	15,768	49,240	136,078
Workers' Compensation Liability.....	17,884	3,396	21,280	-
Certificates of Participation Payable.....	7,925	-	7,925	-
Capital Leases Payable.....	6,838	5,420	12,258	575
Securities Lending Liabilities.....	-	-	-	2,497
Other Liabilities.....	14,196	17,310	31,506	65,079
Total Current Liabilities.....	\$ 6,476,809	\$ 700,861	\$ 7,177,670	\$ 1,567,805
Noncurrent Liabilities:				
Accounts Payable-Restricted.....	\$ -	\$ -	\$ -	\$ 139,784
Unearned Revenue-Restricted.....	-	-	-	20,714
Accrued Interest Payable-Restricted.....	-	-	-	10,551
Due to Primary Government	-	-	-	96,929
Unearned Revenue.....	-	-	-	7,700
General Obligation Bonds Payable.....	5,370,622	241,731	5,612,353	1,774,015
Loans and Notes Payable.....	19,065	187,657	206,722	2,391
Revenue Bonds Payable.....	11,175	359,719	370,894	4,298,435
Claims Payable.....	586,116	-	586,116	556,530
Compensated Absences Payable.....	251,563	126,071	377,634	81,030
Workers' Compensation Liability.....	103,777	4,321	108,098	-
Certificates of Participation Payable.....	71,483	-	71,483	-
Capital Leases Payable.....	144,318	40,748	185,066	10,820
Funds Held in Trust.....	-	-	-	248,991
Due to Component Units.....	16,684	-	16,684	-
Other Liabilities.....	244,369	53,763	298,132	165,977
Interest Rate Swap Agreements.....	-	-	-	30,815
Total Noncurrent Liabilities.....	\$ 6,819,172	\$ 1,014,010	\$ 7,833,182	\$ 7,444,682
Total Liabilities.....	\$ 13,295,981	\$ 1,714,871	\$ 15,010,852	\$ 9,012,487

CONTINUED

STATE OF MINNESOTA

STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2011

(IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 9,147,520	\$ 1,352,739	\$ 10,500,259	\$ 3,447,729
Restricted for:				
Debt Service.....	\$ 448,843	\$ -	\$ 448,843	\$ -
Transportation.....	973,904	-	973,904	-
Public Safety and Corrections.....	25,376	57,725	83,101	-
Environmental Resources.....	883,947	-	883,947	-
Economic and Workforce Development.....	121,848	1,912	123,760	-
Arts and Cultural Heritage.....	10,904	-	10,904	-
School Aid-Nonexpendable	801,927	-	801,927	-
School Aid-Expendable.....	5,842	-	5,842	-
General Education.....	80,744	-	80,744	-
Health and Human Services.....	21,211	14,958	36,169	-
State Colleges and Universities.....	-	547,446	547,446	-
General Government.....	21,697	-	21,697	-
Other Purposes.....	-	21,659	21,659	-
Component Units.....	-	-	-	5,611,535
Total Restricted.....	\$ 3,396,243	\$ 643,700	\$ 4,039,943	\$ 5,611,535
Unrestricted	\$ (2,534,196)	\$ (82,907)	\$ (2,617,103)	\$ 789,038
Total Net Assets.....	\$ 10,009,567	\$ 1,913,532	\$ 11,923,099	\$ 9,848,302

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections.....	\$ 976,261	\$ 157,201	\$ 189,492	\$ -
Transportation.....	2,897,408	21,782	713,417	194,232
Agricultural, Environmental and Energy Resources.....	969,947	369,400	460,743	7,932
Economic and Workforce Development.....	695,050	46,764	306,590	-
General Education.....	7,499,159	19,403	954,792	-
Higher Education.....	892,921	3	50,454	-
Health and Human Services.....	12,274,181	424,670	6,692,535	-
General Government.....	832,859	265,022	30,586	121
Intergovernment Aid.....	1,339,943	-	-	-
Interest.....	322,773	-	-	-
Total Governmental Activities.....	<u>\$ 28,700,502</u>	<u>\$ 1,304,245</u>	<u>\$ 9,398,609</u>	<u>\$ 202,285</u>
Business-type Activities:				
State Colleges and Universities.....	\$ 1,903,985	\$ 851,754	\$ 508,588	\$ 1,515
Unemployment Insurance.....	2,228,405	1,211,352	1,188,735	-
Lottery.....	382,759	504,514	-	-
Other.....	269,880	260,247	-	-
Total Business-type Activities.....	<u>\$ 4,785,029</u>	<u>\$ 2,827,867</u>	<u>\$ 1,697,323</u>	<u>\$ 1,515</u>
Total Primary Government.....	<u><u>\$ 33,485,531</u></u>	<u><u>\$ 4,132,112</u></u>	<u><u>\$ 11,095,932</u></u>	<u><u>\$ 203,800</u></u>
Component Units:				
University of Minnesota.....	\$ 3,237,794	\$ 1,474,110	\$ 993,701	\$ 203,085
Metropolitan Council.....	817,711	330,905	157,649	219,744
Housing Finance.....	493,806	167,265	255,814	-
Others.....	345,690	127,674	79,540	-
Total Component Units.....	<u><u>\$ 4,895,001</u></u>	<u><u>\$ 2,099,954</u></u>	<u><u>\$ 1,486,704</u></u>	<u><u>\$ 422,829</u></u>

General Revenues:

Taxes:	
Individual Income Taxes.....	
Corporate Income Taxes.....	
Sales Taxes.....	
Property Taxes.....	
Motor Vehicle Taxes.....	
Fuel Taxes.....	
Other Taxes.....	
Tobacco Settlement.....	
Unallocated Investment/Interest Income.....	
Other Revenues.....	
State Grants Not Restricted.....	
Transfers.....	
Total General Revenues and Transfers.....	
Change in Net Assets.....	
Net Assets, Beginning, as Reported	
Prior Period Adjustments.....	
Change in Fund Structure.....	
Net Assets, Beginning, as Restated.....	
Net Assets, Ending.....	

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
\$ (629,568)		\$ (629,568)	
(1,967,977)		(1,967,977)	
(131,872)		(131,872)	
(341,696)		(341,696)	
(6,524,964)		(6,524,964)	
(842,464)		(842,464)	
(5,156,976)		(5,156,976)	
(537,130)		(537,130)	
(1,339,943)		(1,339,943)	
(322,773)		(322,773)	
<u>\$ (17,795,363)</u>		<u>\$ (17,795,363)</u>	
	\$ (542,128)	\$ (542,128)	
	171,682	171,682	
	121,755	121,755	
	(9,633)	(9,633)	
	<u>\$ (258,324)</u>	<u>\$ (258,324)</u>	
<u>\$ (17,795,363)</u>	<u>\$ (258,324)</u>	<u>\$ (18,053,687)</u>	
			\$ (566,898)
			(109,413)
			(70,727)
			<u>(138,476)</u>
			<u>\$ (885,514)</u>
\$ 7,883,583	\$ -	\$ 7,883,583	\$ -
1,204,521	-	1,204,521	-
4,760,684	-	4,760,684	-
771,020	-	771,020	-
1,074,769	-	1,074,769	-
851,245	-	851,245	-
2,192,739	-	2,192,739	228,197
172,207	-	172,207	-
19,836	7,058	26,894	498,841
139,406	18,765	158,171	86,013
-	-	-	889,729
(584,171)	584,171	-	-
<u>\$ 18,485,839</u>	<u>\$ 609,994</u>	<u>\$ 19,095,833</u>	<u>\$ 1,702,780</u>
<u>\$ 690,476</u>	<u>\$ 351,670</u>	<u>\$ 1,042,146</u>	<u>\$ 817,266</u>
\$ 9,362,150	\$ 1,502,946	\$ 10,865,096	\$ 9,031,036
15,857	-	15,857	-
(58,916)	58,916	-	-
<u>\$ 9,319,091</u>	<u>\$ 1,561,862</u>	<u>\$ 10,880,953</u>	<u>\$ 9,031,036</u>
<u>\$ 10,009,567</u>	<u>\$ 1,913,532</u>	<u>\$ 11,923,099</u>	<u>\$ 9,848,302</u>





State of Minnesota

Fund Financial Statements

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Major Governmental Funds

General Fund

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

Federal Fund

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

STATE OF MINNESOTA

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2011

(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 1,933,042	\$ 12,514	\$ 2,631,076	\$ 4,576,632
Investments.....	503,854	-	844,350	1,348,204
Accounts Receivable.....	2,367,692	207,636	352,798	2,928,126
Interfund Receivables.....	131,647	7,681	271,182	410,510
Due from Component Units.....	1,665	-	108,301	109,966
Accrued Investment/Interest Income.....	18,005	-	7,250	25,255
Federal Aid Receivable.....	-	1,122,885	73,271	1,196,156
Inventories.....	-	-	31,476	31,476
Loans and Notes Receivable.....	280,029	-	49,977	330,006
Deferred Costs.....	-	-	617	617
Investment in Land.....	-	-	16,008	16,008
Total Assets	<u>\$ 5,235,934</u>	<u>\$ 1,350,716</u>	<u>\$ 4,386,306</u>	<u>\$ 10,972,956</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 3,558,259	\$ 1,204,297	\$ 368,193	\$ 5,130,749
Interfund Payables.....	81,091	97,479	224,989	403,559
Due to Component Units.....	15,238	1,198	3,701	20,137
Deferred Revenue.....	1,729,788	47,619	140,191	1,917,598
Accrued Interest Payable.....	1,400	-	-	1,400
Total Liabilities.....	<u>\$ 5,385,776</u>	<u>\$ 1,350,593</u>	<u>\$ 737,074</u>	<u>\$ 7,473,443</u>
Fund Balances:				
Nonspendable.....	\$ 579,800	\$ -	\$ 833,403	\$ 1,413,203
Restricted.....	171,033	123	2,450,489	2,621,645
Committed.....	-	-	382,939	382,939
Assigned.....	-	-	2,306	2,306
Unassigned.....	(900,675)	-	(19,905)	(920,580)
Total Fund Balances.....	<u>\$ (149,842)</u>	<u>\$ 123</u>	<u>\$ 3,649,232</u>	<u>\$ 3,499,513</u>
Total Liabilities and Fund Balances.....	<u>\$ 5,235,934</u>	<u>\$ 1,350,716</u>	<u>\$ 4,386,306</u>	<u>\$ 10,972,956</u>

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

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

JUNE 30, 2011

(IN THOUSANDS)

Total Fund Balance for Governmental Funds..... \$ 3,499,513

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

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

Infrastructure.....	\$ 7,842,775	
Nondepreciable Capital Assets.....	2,685,081	
Depreciable Capital Assets.....	3,154,160	
Accumulated Depreciation.....	<u>(1,371,968)</u>	
Total Capital Assets.....		12,310,048

Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end.....	1,355,305
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The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds.....	21,487
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....	318,339
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable.....	\$ (5,237,838)	
Bond Premium Payable.....	(577,062)	
Revenue Bonds Payable.....	(12,055)	
Certificate of Participation Payable.....	(73,480)	
Certificate of Participation Premium Payable.....	(5,928)	
Accrued Interest Payable on Bonds.....	(80,228)	
Loans and Notes Payable.....	(15,809)	
Claims Payable.....	(664,117)	
Workers' Compensation Liability.....	(121,661)	
Capital Leases Payable.....	(151,156)	
Compensated Absences Payable.....	(279,083)	
Net Pension Obligation.....	(72,299)	
Net Other Post-Employment Benefits Obligation....	(141,922)	
Pollution Remediation.....	(43,669)	
Due to Component Units.....	<u>(18,818)</u>	
Total Liabilities.....		(7,495,125)

Net Assets of Governmental Activities..... \$ 10,009,567

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes.....	\$ 7,828,818	\$ -	\$ -	\$ 7,828,818
Corporate Income Taxes.....	1,135,193	-	-	1,135,193
Sales Taxes.....	4,425,136	-	256,389	4,681,525
Property Taxes.....	766,926	-	-	766,926
Motor Vehicle Taxes.....	230,016	-	844,753	1,074,769
Fuel Taxes.....	-	-	852,765	852,765
Other Taxes.....	1,439,017	-	763,638	2,202,655
Tobacco Settlement.....	172,886	-	-	172,886
Federal Revenues.....	254	8,606,018	556,503	9,162,775
Licenses and Fees.....	258,739	2,892	323,490	585,121
Departmental Services.....	114,545	15,921	163,068	293,534
Investment/Interest Income.....	108,862	184	154,190	263,236
Securities Lending Income.....	58	-	75	133
Other Revenues.....	356,067	72,726	303,079	731,872
Net Revenues.....	\$ 16,836,517	\$ 8,697,741	\$ 4,217,950	\$ 29,752,208
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 579,977	\$ 143,015	\$ 188,498	\$ 911,490
Transportation.....	286,796	351,910	2,035,209	2,673,915
Agricultural, Environmental and Energy Resources.....	205,342	310,937	506,244	1,022,523
Economic and Workforce Development.....	130,497	287,704	302,341	720,542
General Education.....	6,578,615	845,408	70,157	7,494,180
Higher Education.....	747,617	50,717	94,613	892,947
Health and Human Services.....	4,815,804	6,597,351	839,427	12,252,582
General Government.....	683,314	24,192	79,536	787,042
Intergovernment Aid.....	1,316,886	-	299	1,317,185
Securities Lending Rebates and Fees.....	37	-	52	89
Total Current Expenditures.....	\$ 15,344,885	\$ 8,611,234	\$ 4,116,376	\$ 28,072,495
Capital Outlay.....	25,571	47,728	626,284	699,583
Debt Service.....	40,867	418	655,975	697,260
Total Expenditures.....	\$ 15,411,323	\$ 8,659,380	\$ 5,398,635	\$ 29,469,338
Excess of Revenues Over (Under) Expenditures.....	\$ 1,425,194	\$ 38,361	\$ (1,180,685)	\$ 282,870
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ -	\$ -	\$ 843,496	\$ 843,496
Loan Proceeds.....	227	-	450	677
Proceeds from Refunding Bonds.....	-	-	907,785	907,785
Payment to Refunded Bonds Escrow Agent.....	-	-	(907,785)	(907,785)
Bond Issue Premium.....	-	-	233,570	233,570
Transfers-In.....	470,101	2,072	632,293	1,104,466
Transfers-Out.....	(1,159,118)	(40,433)	(462,691)	(1,662,242)
Net Other Financing Sources (Uses).....	\$ (688,790)	\$ (38,361)	\$ 1,247,118	\$ 519,967
Net Change in Fund Balances.....	\$ 736,404	\$ -	\$ 66,433	\$ 802,837
Fund Balances, Beginning, as Reported.....	\$ (886,246)	\$ 123	\$ 3,639,817	\$ 2,753,694
Change in Fund Structure.....	-	-	(58,916)	(58,916)
Fund Balances, Beginning, as Restated.....	\$ (886,246)	\$ 123	\$ 3,580,901	\$ 2,694,778
Change in Inventory.....	-	-	1,898	1,898
Fund Balances, Ending.....	\$ (149,842)	\$ 123	\$ 3,649,232	\$ 3,499,513

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)**

Net Change in Fund Balances for Governmental Funds.....	\$ 802,837
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 \$130,074 in the current period.....	569,509
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.....	(4,370)
Capital assets donated to other governmental units or component units are considered grant expenses on the Statement of Activities, but the Governmental funds report no activity.....	(185,175)
Governmental funds do not report net transfers of capital assets between governmental funds and business-type funds.....	(20,144)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported with governmental activities.....	(2,097)
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.....	1,898
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.....	196,337
Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets.....	(1,985,528)
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.....	1,255,719
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.....	61,490
Change in Net Assets of Governmental Activities.....	\$ 690,476

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2011

(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes.....	\$ 7,342,060	\$ 7,251,715	\$ 7,529,204
Corporate Income Taxes.....	799,435	913,790	924,613
Sales Taxes.....	4,491,675	4,433,542	4,372,077
Property Taxes.....	764,879	762,225	766,926
Motor Vehicle Taxes.....	237,013	233,701	232,552
Other Taxes.....	1,132,074	1,139,483	1,202,494
Departmental Earnings/Licenses and Fees.....	286,337	295,524	296,873
Investment/Interest Income.....	6,400	1,500	2,102
Tobacco Settlement.....	163,259	164,614	169,375
Other Revenues.....	445,258	377,721	431,877
Net Revenues.....	\$ 15,668,390	\$ 15,573,815	\$ 15,928,093
Expenditures:			
Public Safety and Corrections.....	\$ 598,952	\$ 609,972	\$ 593,429
Transportation.....	220,268	269,593	269,425
Agricultural, Environmental and Energy Resources.....	169,401	191,797	176,190
Economic and Workforce Development.....	108,355	126,186	118,008
General Education.....	6,142,624	6,191,866	6,186,102
Higher Education.....	753,477	752,271	751,069
Health and Human Services.....	4,779,863	4,496,397	4,228,502
General Government.....	1,131,918	715,972	685,478
Intergovernment Aid.....	1,605,812	1,357,377	1,357,269
Total Expenditures.....	\$ 15,510,670	\$ 14,711,431	\$ 14,365,472
Excess of Revenues Over (Under)			
Expenditures.....	\$ 157,720	\$ 862,384	\$ 1,562,621
Other Financing Sources (Uses):			
Transfers-In.....	\$ 417,230	\$ 490,712	\$ 493,276
Transfers-Out.....	(801,364)	(1,241,658)	(1,241,658)
Net Other Financing Sources (Uses).....	\$ (384,134)	\$ (750,946)	\$ (748,382)
Net Change in Fund Balances.....	\$ (226,414)	\$ 111,438	\$ 814,239
Fund Balances, Beginning, as Reported	\$ 501,641	\$ 501,641	\$ 501,641
Prior Period Adjustments.....	-	-	33,488
Fund Balances, Beginning, as Restated.....	\$ 501,641	\$ 501,641	\$ 535,129
Budgetary Fund Balances, Ending.....	\$ 275,227	\$ 613,079	\$ 1,349,368
Less: Appropriation Carryover.....	-	-	42,435
Less: Reserved for Long-Term Receivables.....	-	-	37,829
Less: Budgetary Reserve.....	-	-	274,665
Undesignated Fund Balances, Ending.....	\$ 275,227	\$ 613,079	\$ 994,439

The notes are an integral part of the financial statements.



State of Minnesota

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Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 770,820	\$ 9,192	\$ 144,348	\$ 924,360	\$ 345,301
Investments.....	27,725	-	-	27,725	20,266
Accounts Receivable.....	58,014	444,398	25,680	528,092	28,073
Interfund Receivables.....	29,063	-	2,223	31,286	-
Accrued Investment/Interest Income.....	-	-	-	-	220
Federal Aid Receivable.....	16,420	25,735	-	42,155	-
Inventories.....	12,626	-	7,201	19,827	232
Deferred Costs.....	1,336	-	518	1,854	5,544
Loans and Notes Receivable.....	6,352	-	-	6,352	-
Other Assets.....	-	-	1,910	1,910	-
Total Current Assets.....	\$ 922,356	\$ 479,325	\$ 181,880	\$ 1,583,561	\$ 399,636
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 149,906	\$ -	\$ -	\$ 149,906	\$ -
Other Assets-Restricted.....	69	-	-	69	-
Deferred Costs.....	-	-	-	-	293
Loans and Notes Receivable.....	26,405	-	-	26,405	-
Depreciable Capital Assets (Net).....	1,606,786	-	106,703	1,713,489	30,686
Nondepreciable Capital Assets	177,832	-	15,339	193,171	-
Total Noncurrent Assets.....	\$ 1,960,998	\$ -	\$ 122,042	\$ 2,083,040	\$ 30,979
Total Assets.....	\$ 2,883,354	\$ 479,325	\$ 303,922	\$ 3,666,601	\$ 430,615
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 191,134	\$ 52,953	\$ 31,838	\$ 275,925	\$ 82,064
Interfund Payables.....	-	17,590	20,608	38,198	39
Unearned Revenue.....	41,188	15,740	1,928	58,856	7,772
Accrued Interest Payable.....	-	11,589	397	11,986	-
General Obligation Bonds Payable.....	18,583	-	304	18,887	-
Loans and Notes Payable.....	577	277,046	-	277,623	6,869
Revenue Bonds Payable.....	7,710	-	7,980	15,690	-
Workers' Compensation Liability.....	3,396	-	-	3,396	-
Capital Leases.....	5,248	-	172	5,420	-
Compensated Absences Payable.....	14,290	-	1,478	15,768	564
Other Liabilities.....	17,278	-	32	17,310	-
Total Current Liabilities.....	\$ 299,404	\$ 374,918	\$ 64,737	\$ 739,059	\$ 97,308
Noncurrent Liabilities:					
General Obligation Bonds Payable.....	\$ 239,965	\$ -	\$ 1,766	\$ 241,731	\$ -
Loans and Notes Payable.....	4,524	183,133	-	187,657	8,905
Revenue Bonds Payable.....	257,204	-	102,515	359,719	-
Workers' Compensation Liability.....	4,321	-	-	4,321	-
Capital Leases.....	40,170	-	578	40,748	-
Compensated Absences Payable.....	115,618	-	10,453	126,071	5,388
Other Liabilities.....	52,041	-	1,722	53,763	675
Total Noncurrent Liabilities.....	\$ 713,843	\$ 183,133	\$ 117,034	\$ 1,014,010	\$ 14,968
Total Liabilities.....	\$ 1,013,247	\$ 558,051	\$ 181,771	\$ 1,753,069	\$ 112,276
NET ASSETS					
Invested in Capital Assets, Net of Related Debt.....	\$ 1,322,661	\$ -	\$ 30,078	\$ 1,352,739	\$ 14,918
Restricted for:					
Bond Covenants.....	\$ 66,364	\$ -	\$ -	\$ 66,364	\$ -
Debt Service.....	42,271	-	-	42,271	-
Capital Projects.....	1,979	-	-	1,979	-
Public Safety and Corrections.....	-	-	57,725	57,725	-
Economic and Workforce Development.....	-	-	1,912	1,912	-
Health and Human Services.....	-	-	14,958	14,958	-
Other Purposes.....	436,832	-	21,659	458,491	-
Total Restricted.....	\$ 547,446	\$ -	\$ 96,254	\$ 643,700	\$ -
Unrestricted	\$ -	\$ (78,726)	\$ (4,181)	\$ (82,907)	\$ 303,421
Total Net Assets.....	\$ 1,870,107	\$ (78,726)	\$ 122,151	\$ 1,913,532	\$ 318,339

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees.....	\$ 731,890	\$ -	\$ -	\$ 731,890	\$ -
Restricted Student Payments, Net.....	103,368	-	-	103,368	-
Net Sales.....	-	-	549,488	549,488	11,123
Rental and Service Fees.....	-	-	178,330	178,330	170,754
Insurance Premiums.....	-	1,210,389	33,587	1,243,976	686,157
Other Income.....	16,496	963	3,356	20,815	8,180
Total Operating Revenues.....	\$ 851,754	\$ 1,211,352	\$ 764,761	\$ 2,827,867	\$ 876,214
Less: Cost of Goods Sold.....	-	-	376,314	376,314	-
Gross Margin.....	\$ 851,754	\$ 1,211,352	\$ 388,447	\$ 2,451,553	\$ 876,214
Operating Expenses:					
Purchased Services.....	\$ 218,838	\$ -	\$ 56,040	\$ 274,878	\$ 158,572
Salaries and Fringe Benefits.....	1,249,299	-	116,157	1,365,456	51,787
Student Financial Aid.....	56,887	-	-	56,887	-
Unemployment Benefits.....	-	2,172,287	-	2,172,287	-
Claims.....	-	-	22,731	22,731	616,531
Depreciation.....	97,297	-	10,786	108,083	8,441
Amortization.....	-	-	71	71	634
Supplies and Materials.....	164,292	-	8,674	172,966	6,627
Repairs and Maintenance.....	34,606	-	-	34,606	-
Indirect Costs.....	-	-	5,840	5,840	1,658
Other Expenses.....	46,217	38,309	8,284	92,810	2,794
Total Operating Expenses.....	\$ 1,867,436	\$ 2,210,596	\$ 228,583	\$ 4,306,615	\$ 847,044
Operating Income (Loss).....	\$ (1,015,682)	\$ (999,244)	\$ 159,864	\$ (1,855,062)	\$ 29,170
Nonoperating Revenues (Expenses):					
Investment Income.....	\$ 6,418	\$ 7	\$ 633	\$ 7,058	\$ 2,557
Federal Grants Revenues.....	420,175	-	-	420,175	-
State Grants and Contributions.....	65,481	-	-	65,481	-
Private Grants.....	22,932	-	-	22,932	-
Grants and Subsidies.....	1,515	1,188,735	-	1,190,250	-
Other Nonoperating Revenues.....	-	15,720	11	15,731	-
Interest and Financing Costs.....	(20,862)	(11,589)	(5,050)	(37,501)	(346)
Grants, Aids and Subsidies.....	(15,687)	(6,220)	(19,834)	(41,741)	-
Other Nonoperating Expenses.....	-	-	(7,468)	(7,468)	(5,299)
Gain (Loss) on Disposal of Capital Assets.....	3,189	-	(15,545)	(12,356)	830
Total Nonoperating Revenues (Expenses).....	\$ 483,161	\$ 1,186,653	\$ (47,253)	\$ 1,622,561	\$ (2,258)
Income (Loss) Before Transfers and Contributions.....	\$ (532,521)	\$ 187,409	\$ 112,611	\$ (232,501)	\$ 26,912
Capital Contributions.....	65,480	-	19,873	85,353	271
Transfers-In.....	613,382	-	10,176	623,558	9
Transfers-Out.....	-	-	(124,740)	(124,740)	(29,289)
Change in Net Assets.....	\$ 146,341	\$ 187,409	\$ 17,920	\$ 351,670	\$ (2,097)
Net Assets, Beginning, as Reported.....	\$ 1,723,766	\$ (266,135)	\$ 45,315	\$ 1,502,946	\$ 320,436
Change in Fund Structure.....	-	-	58,916	58,916	-
Net Assets, Beginning, as Restated.....	\$ 1,723,766	\$ (266,135)	\$ 104,231	\$ 1,561,862	\$ 320,436
Net Assets, Ending.....	\$ 1,870,107	\$ (78,726)	\$ 122,151	\$ 1,913,532	\$ 318,339

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Cash Flows from Operating Activities:					
Receipts from Customers.....	\$ 841,237	\$ 1,175,511	\$ 765,027	\$ 2,781,775	\$ 867,469
Receipts from Other Revenues.....	-	-	2,773	2,773	9,471
Receipts from Repayment of Program Loans.....	3,803	-	-	3,803	-
Financial Aid Disbursements.....	(57,246)	-	-	(57,246)	-
Payments to Claimants.....	-	(2,212,074)	(338,383)	(2,550,457)	(620,006)
Payments to Suppliers.....	(456,599)	-	(117,591)	(574,190)	(116,684)
Payments to Employees.....	(1,240,782)	-	(115,339)	(1,356,121)	(51,596)
Payments to Others.....	-	-	(37,257)	(37,257)	(58,225)
Payments of Program Loans.....	(3,935)	-	-	(3,935)	-
Net Cash Flows from Operating Activities.....	\$ (913,522)	\$ (1,036,563)	\$ 159,230	\$ (1,790,855)	\$ 30,429
Cash Flows from Noncapital Financing Activities:					
Grant Receipts.....	\$ 510,340	\$ 1,198,289	\$ -	\$ 1,708,629	\$ -
Grant Disbursements.....	(15,687)	(6,197)	(19,872)	(41,756)	-
Transfers-In.....	613,382	-	10,612	623,994	19
Transfers-Out.....	-	(7,746)	(121,047)	(128,793)	(29,412)
Advances from Other Funds.....	-	1,031,297	-	1,031,297	-
Repayments of Advances from Other Funds.....	-	(1,169,911)	-	(1,169,911)	-
Repayment of Bond Principal.....	-	-	(12,100)	(12,100)	-
Interest Paid.....	-	-	(5,150)	(5,150)	-
Net Cash Flows from Noncapital Financing Activities.....	\$ 1,108,035	\$ 1,045,732	\$ (147,557)	\$ 2,006,210	\$ (29,393)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions.....	\$ 43,629	\$ -	\$ -	\$ 43,629	\$ -
Investment in Capital Assets.....	(160,003)	-	(34,755)	(194,758)	(8,920)
Proceeds from Disposal of Capital Assets.....	4,905	-	47	4,952	3,043
Proceeds from Capital Debt.....	116,707	-	-	116,707	-
Proceeds from Loans.....	-	-	-	-	6,173
Capital Lease Payments.....	(4,977)	-	(160)	(5,137)	-
Repayment of Loan Principal.....	(826)	-	-	(826)	(8,413)
Repayment of Bond Principal.....	(26,340)	-	(11,600)	(37,940)	-
Interest Paid.....	(20,151)	-	(806)	(20,957)	(354)
Net Cash Flows from Capital and Related Financing Activities.....	\$ (47,056)	\$ -	\$ (47,274)	\$ (94,330)	\$ (8,471)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments.....	\$ 7,543	\$ -	\$ -	\$ 7,543	\$ 26,572
Purchase of Investments.....	(4,396)	-	-	(4,396)	(25,790)
Investment Earnings.....	4,748	-	650	5,398	2,864
Net Cash Flows from Investing Activities.....	\$ 7,895	\$ -	\$ 650	\$ 8,545	\$ 3,646
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 155,352	\$ 9,169	\$ (34,951)	\$ 129,570	\$ (3,789)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 765,374	\$ 23	\$ 118,688	\$ 884,085	\$ 349,090
Change in Fund Structure.....	-	-	60,611	60,611	-
Cash and Cash Equivalents, Beginning, as Restated.....	\$ 765,374	\$ 23	\$ 179,299	\$ 944,696	\$ 349,090
Cash and Cash Equivalents, Ending.....	\$ 920,726	\$ 9,192	\$ 144,348	\$ 1,074,266	\$ 345,301

STATE OF MINNESOTA

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss).....	\$ (1,015,682)	\$ (999,244)	\$ 159,864	\$ (1,855,062)	\$ 29,170
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation.....	\$ 97,297	\$ -	\$ 10,786	\$ 108,083	\$ 8,441
Amortization.....	-	-	71	71	634
Miscellaneous Nonoperating Revenues.....	342	9,138	-	9,480	-
Miscellaneous Nonoperating Expenses.....	-	-	(6,296)	(6,296)	(5,256)
Loan Principal Repayments.....	3,803	-	-	3,803	-
Loans Issued.....	(3,935)	-	-	(3,935)	-
Provision for Loan Defaults.....	35	-	-	35	-
Loans Forgiven.....	568	-	-	568	-
Change in Valuation of Assets.....	1,517	-	-	1,517	-
Change in Assets and Liabilities:					
Accounts Receivable.....	(9,870)	(44,236)	832	(53,274)	259
Inventories.....	785	-	(346)	439	(3,165)
Other Assets.....	-	-	(85)	(85)	(429)
Accounts Payable.....	11,911	(13,039)	(6,978)	(8,106)	72
Compensated Absences Payable.....	2,855	-	732	3,587	(169)
Unearned Revenues.....	(647)	10,764	489	10,606	683
Other Liabilities.....	(2,501)	54	161	(2,286)	189
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 102,160	\$ (37,319)	\$ (634)	\$ 64,207	\$ 1,259
Net Cash Flows from Operating Activities.....	\$ (913,522)	\$ (1,036,563)	\$ 159,230	\$ (1,790,855)	\$ 30,429
Noncash Investing, Capital and Financing Activities:					
Transferred/Donated Assets.....	\$ -	\$ -	\$ 20,088	\$ 20,088	\$ 271
Capital Assets Acquired Through Leases/Loans.....	32,406	-	237	32,643	-
Disposal of Capital Assets.....	-	-	(15,390)	(15,390)	-
Capital Assets Purchased on Account.....	23,197	-	-	23,197	-
Investment Earnings on Account.....	-	-	-	-	810
Bond Premium Amortization.....	1,961	-	-	1,961	-

The notes are an integral part of the financial statements.





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Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

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

Agency Fund

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

STATE OF MINNESOTA

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents.....	\$ 40,202	\$ -	\$ 105,687
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 3,407,606	\$ 75,326	\$ -
Investments:			
Guaranteed Investment Account.....	\$ 1,372,618	\$ -	\$ -
Debt Securities.....	10,376,859	153,017	-
Equity Securities.....	35,884,368	350,689	-
Mutual Funds.....	3,958,308	-	-
Total Investments.....	\$ 51,592,153	\$ 503,706	\$ -
Accrued Interest and Dividends.....	\$ 137,596	\$ 2,364	\$ -
Securities Trades Receivables (Payables).....	(1,089,067)	(9,829)	-
Total Investment Pool Participation.....	\$ 54,048,288	\$ 571,567	\$ -
Receivables:			
Accounts Receivable.....	\$ -	\$ -	\$ 24,671
Interfund Receivables.....	13,576	-	-
Other Receivables.....	103,115	-	-
Accrued Interest and Dividends.....	149	-	-
Total Receivables.....	\$ 116,840	\$ -	\$ 24,671
Securities Lending Collateral.....	\$ 3,323,570	\$ 30,252	\$ -
Depreciable Capital Assets (Net).....	26,358	-	-
Nondepreciable Capital Assets.....	429	-	-
Total Assets.....	\$ 57,555,687	\$ 601,819	\$ 130,358
LIABILITIES			
Accounts Payable.....	\$ 23,326	\$ -	\$ 130,358
Interfund Payables.....	13,576	-	-
Accrued Expense.....	61	-	-
Revenue Bonds Payable.....	23,672	-	-
Bond Interest.....	43	-	-
Compensated Absences Payable.....	2,570	-	-
Securities Lending Liabilities.....	3,323,570	30,252	-
Total Liabilities.....	\$ 3,386,818	\$ 30,252	\$ 130,358
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 54,168,869	\$ 571,567	\$ -

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer.....	\$ 919,910	\$ -
Member.....	1,158,554	-
Contributions From Other Sources.....	27,966	-
Participating Plans.....	-	32,167
Total Contributions.....	\$ 2,106,430	\$ 32,167
Net Investment Income:		
Investment Income.....	\$ 10,283,573	\$ 96,277
Less: Investment Expense.....	(69,336)	-
Net Investment Income.....	\$ 10,214,237	\$ 96,277
Securities Lending Revenues (Expenses):		
Securities Lending Income.....	\$ 27,541	\$ 267
Borrower Rebates.....	(3,092)	(128)
Management Fees.....	(9,822)	(22)
Net Securities Lending Revenue.....	\$ 14,627	\$ 117
Total Investment Income.....	\$ 10,228,864	\$ 96,394
Transfers From Other Funds.....	\$ 47,737	\$ -
Other Additions.....	9,797	-
Total Additions.....	\$ 12,392,828	\$ 128,561
Deductions:		
Benefits.....	\$ 3,652,316	\$ -
Refunds.....	250,444	39,708
Administrative Expenses.....	35,048	-
Transfers to Other Funds.....	24,979	-
Total Deductions.....	\$ 3,962,787	\$ 39,708
Net Increase (Decrease).....	\$ 8,430,041	\$ 88,853
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 45,746,335	\$ 482,714
Prior Period Adjustments.....	(7,507)	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 45,738,828	\$ 482,714
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 54,168,869	\$ 571,567

The notes are an integral part of the financial statements.





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Major Component Unit Funds

Housing Finance Agency

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

Metropolitan Council

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

University of Minnesota

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

STATE OF MINNESOTA

COMPONENT UNIT FUNDS STATEMENT OF NET ASSETS DECEMBER 31, 2010 and JUNE 30, 2011 (IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 270,165	\$ 183,742	\$ 268,197	\$ 457,150	\$ 1,179,254
Investments.....	144,461	300,367	135,679	325,387	905,894
Accounts Receivable.....	8,671	20,818	354,057	27,904	411,450
Due from Other Governmental Units.....	-	6,833	-	-	6,833
Due from Primary Government.....	-	72,706	3,188	2,376	78,270
Accrued Investment/Interest Income.....	17,601	1,256	3,088	23,962	45,907
Federal Aid Receivable.....	2,940	-	-	495	3,435
Inventories.....	-	26,347	23,972	46	50,365
Deferred Costs.....	13,307	-	-	3,057	16,364
Loans and Notes Receivable.....	-	-	8,755	222,659	231,414
Securities Lending Collateral.....	-	-	2,497	-	2,497
Other Assets.....	24,604	5,958	38,248	343	69,153
Total Current Assets.....	\$ 481,749	\$ 618,027	\$ 837,681	\$ 1,063,379	\$ 3,000,836
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted.....	\$ 257,440	\$ 130,609	\$ 175,939	\$ 197,721	\$ 761,709
Investments-Restricted.....	777,538	-	117,183	19,863	914,584
Accounts Receivable-Restricted.....	-	4,842	-	2,950	7,792
Due from Primary Government-Restricted.....	-	8,375	-	16,684	25,059
Other Assets-Restricted.....	-	16,370	-	-	16,370
Investments.....	-	-	3,382,971	80,712	3,463,683
Accounts Receivable.....	-	-	153,224	342,299	495,523
Loans and Notes Receivable.....	2,065,339	49,104	54,329	2,480,321	4,649,093
Depreciable Capital Assets (Net).....	1,445	2,337,716	2,425,962	2,544	4,767,667
Nondepreciable Capital Assets.....	-	475,803	237,677	911	714,391
Other Assets.....	-	-	5,703	7,564	13,267
Deferred Loss on Interest Swap Agreements.....	30,815	-	-	-	30,815
Total Noncurrent Assets.....	\$ 3,132,577	\$ 3,022,819	\$ 6,552,988	\$ 3,151,569	\$ 15,859,953
Total Assets.....	\$ 3,614,326	\$ 3,640,846	\$ 7,390,669	\$ 4,214,948	\$ 18,860,789
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 15,027	\$ 90,582	\$ 158,211	\$ 8,970	\$ 272,790
Due to Primary Government.....	-	299	4,872	50,186	55,357
Unearned Revenue.....	-	6,355	74,679	16,706	97,740
Accrued Bond Interest Payable.....	46,799	3,028	11,866	19,270	80,963
General Obligation Bonds Payable.....	-	88,322	26,968	-	115,290
Loans and Notes Payable.....	-	-	264,600	2,621	267,221
Revenue Bonds Payable.....	317,245	1,245	6,775	70,745	396,010
Claims Payable.....	-	4,279	33,244	40,682	78,205
Compensated Absences Payable.....	190	4,402	131,383	103	136,078
Securities Lending Liabilities.....	-	-	2,497	-	2,497
Other Liabilities.....	-	575	65,079	-	65,654
Total Current Liabilities.....	\$ 379,261	\$ 199,087	\$ 780,174	\$ 209,283	\$ 1,567,805
Noncurrent Liabilities:					
Accounts Payable-Restricted.....	\$ -	\$ 84,126	\$ 55,658	\$ -	\$ 139,784
Unearned Revenue-Restricted.....	-	20,714	-	-	20,714
Accrued Bond Interest Payable-Restricted.....	-	9,920	-	631	10,551
Due to Primary Government.....	-	-	30,639	66,290	96,929
Unearned Revenue.....	3,634	-	4,066	-	7,700
General Obligation Bonds Payable.....	-	1,219,105	554,910	-	1,774,015
Loans and Notes Payable.....	-	1,405	-	986	2,391
Revenue Bonds Payable.....	2,238,169	2,693	250,633	1,806,940	4,298,435
Claims Payable.....	-	14,467	10,745	531,318	556,530
Compensated Absences Payable.....	1,658	4,269	74,173	930	81,030
Funds Held in Trust.....	96,996	-	151,995	-	248,991
Other Liabilities.....	187	69,415	102,684	4,511	176,797
Interest Rate Swap Agreements.....	30,815	-	-	-	30,815
Total Noncurrent Liabilities.....	\$ 2,371,459	\$ 1,426,114	\$ 1,235,503	\$ 2,411,606	\$ 7,444,682
Total Liabilities.....	\$ 2,750,720	\$ 1,625,201	\$ 2,015,677	\$ 2,620,889	\$ 9,012,487
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt.....	\$ 1,445	\$ 1,762,184	\$ 1,680,645	\$ 3,455	\$ 3,447,729
Restricted-Expendable.....	862,161	275,166	1,877,053	1,532,986	4,547,366
Restricted-Nonexpendable.....	-	-	1,064,169	-	1,064,169
Unrestricted.....	-	(21,705)	753,125	57,618	789,038
Total Net Assets.....	\$ 863,606	\$ 2,015,645	\$ 5,374,992	\$ 1,594,059	\$ 9,848,302

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2010 AND JUNE 30, 2011 (IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses.....	\$ 493,806	\$ 817,711	\$ 3,237,794	\$ 345,690	\$ 4,895,001
Program Revenues:					
Charges for Services.....	\$ 167,265	\$ 330,905	\$ 1,474,110	\$ 127,674	\$ 2,099,954
Operating Grants and Contributions.....	255,814	157,649	993,701	79,540	1,486,704
Capital Grants and Contributions.....	-	219,744	203,085	-	422,829
Net (Expense) Revenue.....	\$ (70,727)	\$ (109,413)	\$ (566,898)	\$ (138,476)	\$ (885,514)
General Revenues:					
Taxes.....	\$ -	\$ 228,197	\$ -	\$ -	\$ 228,197
Investment Income.....	-	22,331	452,236	24,274	498,841
Other Revenues.....	1,484	2,229	81,004	1,296	86,013
Total General Revenues before Grants.....	\$ 1,484	\$ 252,757	\$ 533,240	\$ 25,570	\$ 813,051
State Grants Not Restricted.....	47,801	-	623,300	218,628	889,729
Total General Revenues.....	\$ 49,285	\$ 252,757	\$ 1,156,540	\$ 244,198	\$ 1,702,780
Change in Net Assets.....	\$ (21,442)	\$ 143,344	\$ 589,642	\$ 105,722	\$ 817,266
Net Assets, Beginning, as Reported	\$ 885,048	\$ 1,872,301	\$ 4,785,350	\$ 1,488,337	\$ 9,031,036
Net Assets, Ending.....	\$ 863,606	\$ 2,015,645	\$ 5,374,992	\$ 1,594,059	\$ 9,848,302

The notes are an integral part of the financial statements.





2011 Comprehensive Annual Financial Report

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2011 Comprehensive Annual Financial Report

Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statement for the fiscal year ended June 30, 2011:

GASB Statement No. 59 “Financial Instruments Omnibus” was issued in June 2010. The statement updates and improves existing standards regarding financial reporting and disclosure requirements for certain financial instruments and external investment pools for which significant issues have been identified. This statement had no impact on the state.

Financial Reporting Entity of the State of Minnesota

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

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

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

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

- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.
- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.
- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

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

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

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

Housing Finance Agency 400 Sibley Street, Suite 300 St. Paul, Minnesota 55101-1998	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108-5227
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55455	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Building 332 Minnesota Street, Suite E-200 St. Paul, Minnesota 55101-1351
National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 8300 Norman Center Drive, Suite 1000 Minneapolis, Minnesota 55437
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority – The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

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

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Classification of Funds

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

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- General Fund which accounts for all financial resources not accounted for and reported in another fund.
- Special revenue funds which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Capital project funds which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- Debt Service Fund which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.
- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

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

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

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

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

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.

- The Agency Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

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

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

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

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

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

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

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

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

Cash Equivalents and Investments

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

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

Inventories

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

Securities Lending

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

Restricted Assets

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

Income Tax Credits

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

Grant Expenditures and Liabilities Recognition

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

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

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

Compensated Absences

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

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, and intangible assets, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than \$30,000 for equipment, \$300,000 for buildings, and \$30,000 to \$2,000,000 for internally generated computer software, depending on the fund type. Capital assets must also have an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 20-50 years for easements, 8-12 years for internally generated computer software, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach, land, construction in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

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

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, net pension and other postemployment benefit obligations, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

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

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

Deferred Compensation Plan

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

Net Assets/Fund Balances and Fund Balance Classification Policies and Procedures

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

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

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

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

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

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

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

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

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

Change in Fund Structure

As the capital assets held by the state which were purchased from the debt issued in the 911 Services Fund (enterprise fund) have increased, the capital projects account related to this activity was moved from the Building Fund (capital projects fund) to the 911 Services Fund (enterprise fund) on July 1, 2010.

Prior Period Adjustments

See Note 6 – Capital Assets for discussion of the prior period adjustment related to capital assets and Note 8 – Pension and Investment Trust Funds for discussion of the prior period adjustment related to pension trust funds contingent receivables.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

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

Deposits

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

Investments

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

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

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

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

Investment Derivative Instruments

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

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2011, fair value of investment derivatives are reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the Pension Trust and Investment Trust Funds portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2011, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$945,956,000 that is \$38,399,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of \$275,638,000 and \$189,423,000, respectively.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2011:

Primary Government Derivative Activity for the Year Ended June 30, 2011 By Derivative Type (In Thousands)			
	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	\$ 25,767	32,868	\$ -
Warrants	(9)	-	-
	<u>\$ 25,758</u>	<u>32,868</u>	<u>\$ -</u>
Fiduciary Activities:			
Futures	\$ 33,294	\$ 204,896	\$ -
Futures Options Bought	(1,371)	4,772	-
Futures Options Written	3,692	(3,845)	-
FX Forwards	(4,327)	350,043	(473)
Stock Rights/Warrants	3,234	2,209	3,491
	<u>\$ 34,522</u>	<u>\$ 558,075</u>	<u>\$ 3,018</u>

Credit Risk: Minnesota is exposed to credit risk through eight counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of \$1,993,412 should these counter parties fail to perform. These counter parties have Standard & Poor's (S&P) credit ratings of A+ or better.

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

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

Interest Rate Risk – Investments

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

Credit Risk of Debt Security Investments

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

**Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Standard & Poor's Rating Scale
As of June 30, 2011
(In Thousands)**

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>AA or Better</u>	<u>BBB to A</u>	<u>BB or Lower</u>	<u>Not Rated</u>
Debt Securities:						
U.S. Treasury	\$ 361,964	1.24	100%	-	-	-
U.S. Agencies	756,715	2.05	100%	-	-	-
Mortgage-backed Securities	302,884	4.62	82%	8%	1%	9%
State or Local Government Bonds	104,821	11.20	99%	1%	-	-
Corporate Bonds	192,773	6.58	16%	69%	11%	4%
Short Term Notes	1,520,752	0.58	74%	13%	-	13%
Commercial Paper	2,572,049	0.08	42%	58%	-	-
Repurchase Agreements	66,032	-	-	-	-	100%
Certificates of Deposit	<u>399,532</u>	0.08	46%	52%	-	2%
Total Debt Securities	<u>\$ 6,277,522</u>					
Equity Investments:						
Corporate Stock	\$ 753,913					
Other Investments:						
Escheat Property	\$ 12,371					
Money Market Accounts	<u>6,045</u>					
Total Other Investments	<u>\$ 18,416</u>					
Total Investments	<u>\$ 7,049,851</u>					

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

**Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
Standard & Poor's Rating Scale
As of June 30, 2011
(In Thousands)**

	Fair Value	Weighted Average Maturity (Years)	AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	\$ 2,146,381	8.15	100%	-	-	-
U.S. Agencies	481,198	5.38	94%	-	-	6%
Mortgage-backed Securities	3,241,762	4.37	82%	8%	5%	5%
TBA Mortgage-backed Securities	1,077,792	5.81	100%	-	-	-
State or Local Government Bonds	150,309	21.91	12%	61%	-	27%
Corporate Bonds	2,918,768	8.10	8%	77%	11%	4%
Foreign Country Bonds	414,745	6.09	56%	15%	-	29%
Commercial Paper	10,957	0.08	42%	58%	-	-
Asset-backed Securities	441,591	4.60	49%	6%	7%	38%
Certificates of Deposit	1,660	0.08	47%	53%	-	-
Repurchase Agreements	107,929	0.00	-	-	-	100%
Short Term Notes	2,764,740	0.73	13%	2%	-	85%
FX Forwards	(473)	N/A	-	-	-	100%
Total Debt Securities	<u>\$ 13,757,359</u>					
Other Investments:						
Guaranteed Investment Account						
Guaranteed Investment Contract (GIC)	\$ 189,423					
Synthetic GIC	907,557					
Short Term Investments Pool	275,638					
Total Guaranteed Investment Account	<u>\$ 1,372,618</u>					
State Street Global Investment Pools	278,492					
Mutual Funds	3,958,308					
Total Other Investments	<u>\$ 5,609,418</u>					
Equity Investments:						
Corporate Stock	\$ 29,282,331					
Alternative Equities	6,949,235					
Stock Rights/Warrants	3,491					
Total Equity Investments	<u>\$ 36,235,057</u>					
Total Investments	<u><u>\$ 55,601,834</u></u>					(1)

(1) Total investments include cash equivalent investments not included in the investment pools.

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations

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

Corporate Stock

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

The state did not have concentration of credit risk over five percent as of June 30, 2011.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country's legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2011.

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2011
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	\$ 2,022	\$ -	\$ 427,695
Brazilian Real	153	-	93,432
Canadian Dollar	1,482	22,217	569,595
Danish Krone	310	-	80,566
Euro Currency	7,441	62,666	1,757,263
Hong Kong Dollar	2,067	-	415,794
Indian Rupee	335	-	155,042
Indonesian Rupiah	54	-	69,243
Japanese Yen	15,125	-	1,106,199
New Taiwan Dollar	1,208	-	111,153
Norwegian Krone	460	-	54,859
Pound Sterling	5,703	34,068	1,141,207
Singapore Dollar	904	-	95,321
South African Rand	83	-	78,441
South Korean Won	1,255	-	218,676
Swedish Krona	1,760	-	130,263
Swiss Franc	1,033	-	395,558
Other	775	-	282,543
Total	<u>\$ 42,170</u>	<u>\$ 118,951</u>	<u>\$ 7,182,850</u>

Custodial Risk – Investments

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

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

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

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

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2011, such investment had an average duration of 3.16 days and an average weighted maturity of 49.02 days for USD collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2011, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2011, were \$7,124,967,000 and \$6,896,797,000 respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

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

Housing Finance Agency

As of June 30, 2011, Housing Finance Agency (HFA) had \$1,449,604,000 of cash, cash equivalents, and investments. As of June 30, 2011, \$368,168,000 of deposits and \$994,087,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 1.1 – 29.1 years.

HFA cash equivalents included \$159,437,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2011, all the investment agreement providers, or the investment agreement guarantors if more highly rated, had a Standard & Poor's long-term credit rating of 'A+' or higher and a Moody's long-term credit rating of 'A1' or higher, except for Depfa Bank PLC's Standard & Poor's rating which is discussed below. 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. Certain investment agreements with Depfa Bank PLC (\$33,942,000) and Credit Agricole CIB (\$11,503,000) require a downgrade to the ratings on the related bonds before triggering the termination clauses. Because Depfa Bank PLC's rating is 'BBB' from Standard & Poor's and Credit Agricole CIB's ratings was downgraded by Standard & Poor's to 'A+' during fiscal year 2011, HFA reduced the carrying value of those agreements by \$612,000 as of June 30, 2011.

HFA investments had an estimated fair market value of \$921,999,000 as of June 30, 2011. Included in these investments were \$10,983,000 in U.S. Treasuries (not rated), \$265,870,000 in Certificates of Deposit, and \$603,755,000 in U.S. Agencies having a Standard & Poor's rating of 'AAA' and Moody's Investors Services rating of 'Aaa.' An additional \$24,090,000 in municipal debt investments had a Standard & Poor's rating of 'AA' and Moody's Investors Services rating of 'Aa.'

HFA had investments in single issuers as of June 30, 2011, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments amounted to \$369,738,000 and involved Federal Home Loan Bank and Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA's cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA's consultant and are reported at fair value as of June 30, 2011, as Interest Rate Swap Agreements noncurrent liability. The change in fair value for fiscal year 2011 is reported in Deferred Loss on Interest Swap Agreements noncurrent asset.

As of June 30, 2011, HFA had six, six, and two interest rate swap agreements with counterparties USB AG, Royal Bank of Canada, and Citibank, N.A. for total notional amounts of \$138,870,000; \$196,515,000; and 75,130,000 having fair values of (\$9,223,000); (\$16,790,000); and (\$4,802,000); respectively. For these counterparties, respectively, the increase (decrease) in fair values for fiscal year ended June 30, 2011, were (\$1,976,000); (\$3,494,000); and (\$795,000).

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, UBS AG, Royal Bank of Canada, and Citibank, N.A. have been rated by Moody's as 'Aa3,' 'Aa1,' and 'A1,' respectively, and by Standard & Poor's as 'A+,' 'AA-,' and 'A+,' respectively.

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

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

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

Metropolitan Council

As of December 31, 2010, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of \$614,718,000. Of this amount, \$604,001,000 was subject to rating. Using the Moody's Investors Services rating scale, \$382,023,000 of these investments were rated 'Aaa' and \$123,184,000 were rated 'Aa3,' while \$98,794,000 were not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the \$81,002,000 U.S. Treasury and agency investments, MC has a custodial credit risk exposure of \$3,010,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2010. The investment portfolio has an average yield of 1.6 percent, modified duration of 1.7 years, effective duration of 2.1 years, and convexity of -.08.

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

Major Component Unit Metropolitan Council Fair Value of Investments As of December 31, 2010 (In Thousands)		Estimated Fair Value
Fair Value of Portfolio Before Basis Point Increase		\$ 603,047
Fair Value of Portfolio After Basis Point Increase of:		
50 Points	\$	585,021
100 Points	\$	581,305
150 Points	\$	577,571
200 Points	\$	573,919

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100% of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption and since 2006, its natural gas consumption. The hedging transactions are separate from fuel purchase transactions. For 2010, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2010, MC had 301 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.8 million gallons) acquired from January 7, 2009, through December 21, 2010, to terminate on dates from January 31, 2011, through October 31, 2012. MC also had 55 natural gas futures contracts acquired from January 20, 2009, through October 19, 2010, to terminate on dates from January 27, 2011, through September 26, 2012.

As of December 31, 2010, the heating oil and natural gas futures contracts had a fair value of \$4,155,000 and (\$704,000), respectively. These values are reported in "Other Assets—Current" and offset in "Accounts Payable—Current."

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

University of Minnesota

As of June 30, 2011, University of Minnesota (U of M), including its discretely presented component units, had \$444,136,000 of cash and cash equivalents and \$3,635,833,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of \$419,032,000 and investments of \$1,660,739,000.

Beginning December 31, 2010, and ending December 31, 2012, all non-interest-bearing accounts are fully insured, regardless of balance, at qualified FDIC-insured institutions. As of June 30, 2011, the U of M's bank balance of \$76,766,000 was fully insured but uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M's investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2011, \$936,989,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$832,027,000 was rated AA or Better
- \$31,807,000 was rated BBB to A
- \$27,364,000 was rated BB or less
- \$45,791,000 was not rated

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

- \$550,147,000 in government agencies with an average duration of .38 to 1.90 years
- \$25,914,000 in corporate bonds with an average duration of 8.00 years
- \$57,557,000 in mortgage backed securities with an average duration of 4.64 years
- \$202,184,000 in cash and cash equivalents with an average duration of 0.00 years
- \$306,000 in asset-backed securities with an average duration of 8.13 years
- \$22,478,000 in emerging markets with an average duration of 9.05 years
- \$10,853,000 in muni securities with an average duration of 23.83 years
- \$10,228,000 in sovereign securities with an average duration of 9.95 years
- \$11,531,000 in other types of securities with an average duration of 0.51 years

As of June 30, 2011, U of M had \$75,059,000 of equity investments subject to foreign currency risk. The two largest components of this amount are \$8,489,000 in Japanese Yen and \$28,457,000 in Euro Currency.

U of M has entered into three pay-fixed, receive-variable interest rate swaps to convert all of a portion of the associated variable rate debt to synthetic fixed rates to hedge against the variability of cash flows for budgeting purposes. On February 1, 2011, the U of M terminated the three interest rate swap agreements at a cost of \$17,195,000, which included a net realized loss of \$4,695,000.

The U of M has three other separate pay-fixed, receive-variable swaps that are considered ineffective. At June 30, 2011, their total fair value was (\$16,930,000), with changes in fair value reported as investment income.

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

Nonmajor Component Units

Nonmajor Component Units Cash, Cash Equivalents, and Investments As of December 31, 2010, or June 30, 2011, as applicable (In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	\$ 4,755	\$ 19,863
National Sports Center Foundation	287	-
Office of Higher Education	302,726	-
Public Facilities Authority	322,119	98,349
Rural Finance Authority	21,470	-
Workers' Compensation Assigned Risk Plan	3,514	307,750
Total	<u>\$ 654,871</u>	<u>\$ 425,962</u>

Note 3 – Disaggregation of Receivables

Primary Government Components of Net Receivables Government-wide As of June 30, 2011 (In Thousands)				
	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	
Taxes:				
Corporate and Individual	\$ 817,713	\$ -	\$ -	\$ 817,713
Sales and Use	483,302	-	-	483,302
Property	365,279	-	-	365,279
Health Care Provider	221,619	-	92,295	313,914
Highway Users	-	-	91,995	91,995
Child Support	69,103	72,181	-	141,284
Workers' Compensation	-	-	106,485	106,485
Other	410,676	135,455	64,136	610,267
Net Receivables	<u>\$ 2,367,692</u>	<u>\$ 207,636</u>	<u>\$ 354,911</u>	<u>\$ 2,930,239</u>
Business-type Activities				
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	\$ -	\$ 444,398	\$ -	\$ 444,398
Tuition and Fees	58,014	-	-	58,014
Other	-	-	25,680	25,680
Net Receivables	<u>\$ 58,014</u>	<u>\$ 444,398</u>	<u>\$ 25,680</u>	<u>\$ 528,092</u>
Total Government-wide Net Receivables				<u><u>\$ 3,458,331</u></u>
⁽¹⁾ Includes \$2,113 Internal Service Funds.				

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

- Corporate and Individual Taxes \$167,044,000
- Sales and Use Taxes \$48,521,000
- Child Support \$293,810,000
- Other Receivables \$74,905,000

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

- Corporate and Individual Taxes \$163,891,000
- Sales and Use Taxes \$70,118,000
- Child Support \$77,373,000
- Health Care Provider \$94,273,000
- Other Receivables \$17,765,000

Note 4 – Loans and Notes Receivable

Primary Government Loans and Notes Receivable, Net of Allowance As of June 30, 2011 (In Thousands)				
	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>State Colleges and Universities Fund</u>
Student Loan Program	\$ -	\$ -	\$ -	\$ 32,757
Economic Development	75,113	47,035	-	-
School Districts	112,925	-	-	-
Agricultural, Environmental and Energy Resources	73,862	884	-	-
Transportation	14,058	1,866	189	-
Other	4,071	-	3	-
Total	<u>\$ 280,029</u>	<u>\$ 49,785</u>	<u>\$ 192</u>	<u>\$ 32,757</u>

Component Units Loans and Notes Receivable As of June 30, 2011 (In Thousands)	
Housing Finance Authority	\$ 2,065,339
Metropolitan Council	49,104
University of Minnesota	63,084
Agricultural and Economic Development Board	2,508
Office of Higher Education	718,090
Public Facilities Authority	1,925,164
Rural Finance Authority	57,218
Total	<u>\$ 4,880,507</u>

Note 5 – Interfund Transactions

Primary Government

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

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

Primary Government Interfund Receivables and Payables As of June 30, 2011 (In Thousands)	
Due to the General Fund From:	
Federal Fund	\$ 96,374
Nonmajor Governmental Funds	16,849
Nonmajor Enterprise Funds	18,385
Internal Service Funds	39
Total Due to General Fund From Other Funds	<u>\$ 131,647</u>
Due to the Federal Fund From:	
General Fund	\$ 2,053
Nonmajor Governmental Funds	5,620
Unemployment Insurance Fund	8
Total Due to Federal Fund From Other Funds	<u>\$ 7,681</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 29,063
Total Due to State Colleges and Universities From Other Funds	<u>\$ 29,063</u>
Due to the Nonmajor Enterprise Funds From:	
Nonmajor Enterprise Funds	\$ 2,223
Total Due to Nonmajor Enterprise Funds From Other Funds	<u>\$ 2,223</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 13,576
Total Due to Fiduciary Funds From Other Fiduciary Funds	<u>\$ 13,576</u>
Due to the Nonmajor Governmental Funds From:	
General Fund	\$ 79,038
Federal Fund	1,105
Unemployment Insurance Fund	17,582
Nonmajor Governmental Funds	173,457
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 271,182</u>

**Primary Government
Interfund Transfers
Year Ended June 30, 2011
(In Thousands)**

Transfers to the General Fund From:	
Federal Fund	\$ 40,433
Nonmajor Governmental Funds	301,589
Nonmajor Enterprise Funds	100,306
Internal Service Funds	27,773
Total Transfers to General Fund From Other Funds	<u>\$ 470,101</u>
Transfers to the Federal Fund From:	
Nonmajor Governmental Funds	\$ 1,991
Internal Service Funds	81
Total Transfers to Federal Fund From Other Funds	<u>\$ 2,072</u>
Transfers and Capital Contributions to the State Colleges and Universities Fund From:	
General Fund	\$ 605,690
Nonmajor Governmental Funds – Capital Contributions	73,172
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	<u>\$ 678,862</u>
Transfers to Fiduciary Funds From:	
General Fund	\$ 22,750
Fiduciary Funds	24,979
Internal Service Funds	8
Total Transfers to Fiduciary Funds From Other Funds	<u>\$ 47,737</u>
Transfers to the Nonmajor Governmental Funds From:	
General Fund	\$ 529,210
Nonmajor Governmental Funds	77,231
Nonmajor Enterprise Funds	24,434
Internal Service Funds	1,418
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 632,293</u>
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:	
General Fund	\$ 1,468
Nonmajor Governmental Funds	8,708
Government-wide Capital Assets	19,873
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	<u>\$ 30,049</u>
Transfers and Capital Contributions to Internal Service Funds From:	
Internal Service Funds	\$ 9
Government-wide Capital Assets	271
Total Transfers and Capital Contributions to Internal Service Funds	<u>\$ 280</u>

Component Units

Primary Government and Component Units Receivables and Payables As of June 30, 2011 (In Thousands)		
	<u>Due From Primary Government</u>	<u>Due To Primary Government</u>
Component Units		
Major Component Units:		
Metropolitan Council	\$ 81,081	\$ 299
University of Minnesota	3,188	35,511
Total Major Component Units	\$ 84,269	\$ 35,810
Nonmajor Component Units	\$ 19,060	\$ 116,476
Total Component Units	\$ 103,329	\$ 152,286
	<u>Due From Component Units</u>	<u>Due To Component Units</u>
Primary Government		
Major Governmental Funds:		
General Fund	\$ 1,665	\$ 15,238
Federal Fund	-	1,198
Total Major Governmental Funds	\$ 1,665	\$ 16,436
Nonmajor Governmental Funds	\$ 108,301	\$ 3,701
Total Primary Government	\$ 109,966	\$ 20,137 ⁽¹⁾
⁽¹⁾ Due to component units on the Government-wide Statement of Net Assets totals \$38,955 and includes \$18,818 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.		

The Due To Primary Government balance exceeds the Due From Component Units balance by \$42,320,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The \$83,192,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the \$18,818,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government Capital Asset Activity Government-wide Governmental Activities Year Ended June 30, 2011 (In Thousands)				
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 2,058,634	\$ 91,967	\$ (102,558)	\$ 2,048,043
Buildings, Structures, Improvements	28,081	1,828	-	29,909
Construction in Progress	292,833	138,785	(196,510)	235,108
Development in Progress	34,151	41,311	(789)	74,673
Infrastructure	7,634,894	309,917	(102,036)	7,842,775
Easements	245,575	65,428	-	311,003
Art and Historical Treasures ⁽¹⁾	1,989	364	-	2,353
Total Capital Assets not Depreciated	<u>\$ 10,296,157</u>	<u>\$ 649,600</u>	<u>\$ (401,893)</u>	<u>\$ 10,543,864</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements ⁽²⁾	\$ 2,299,250	\$ 206,726	\$ (31,169)	\$ 2,474,807
Infrastructure	149,642	24,080	(13,039)	160,683
Internally Generated Computer	3,748	47	(3,399)	396
Easements	4,067	23	-	4,090
Equipment, Furniture, Fixtures	562,830	72,892	(35,988)	599,734
Total Capital Assets Depreciated	<u>\$ 3,019,537</u>	<u>\$ 303,768</u>	<u>\$ (83,595)</u>	<u>\$ 3,239,710</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements ⁽²⁾	\$ (894,832)	\$ (77,873)	\$ 9,901	\$ (962,804)
Infrastructure	(42,540)	(5,105)	351	(47,294)
Easements	(469)	(96)	-	(565)
Internally Generated Computer	(1,658)	-	1,658	-
Equipment, Furniture, Fixtures ⁽²⁾	(378,104)	(64,103)	26,038	(416,169)
Total Accumulated Depreciation	<u>\$ (1,317,603)</u>	<u>\$ (147,177)</u>	<u>\$ 37,948</u>	<u>\$ (1,426,832)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,701,934</u>	<u>\$ 156,591</u>	<u>\$ (45,647)</u>	<u>\$ 1,812,878</u>
Governmental Act. Capital Assets, Net	<u>\$ 11,998,091</u>	<u>\$ 806,191</u>	<u>\$ (447,540)</u>	<u>\$ 12,356,742</u>

⁽¹⁾ Art and historical treasures are reported as capital assets that are not depreciated.

⁽²⁾ Prior year amounts have been restated for the prior period adjustment.

Prior Period Adjustment Governmental Activities: During fiscal year 2011, depreciable buildings cost increased by \$52,633,000 with corresponding accumulated depreciation of \$1,239,000 and equipment accumulated depreciation increased by \$35,537,000. This was attributable to a building identified by the Minnesota Department of Military Affairs that was not previously reported and additional depreciation on equipment primarily at the Minnesota Department of Transportation due to recalculating depreciation in preparation for converting capital assets into the new statewide accounting system. The net prior period adjustment was \$15,857,000. These changes have been reflected as an adjustment to beginning balances.

Capital outlay expenditures in the governmental funds totaled \$699,583,000 for fiscal year 2011. Donations of general capital assets received during fiscal year 2011 were valued at \$8,053,000. Transfers of \$232,598,000 were primarily from construction in progress for completed projects. Additions in internal service funds were \$13,134,000, which included both assets purchased and transfers between asset categories for computer software. Accumulated depreciation related to the transfers is also included as an addition to the accumulated depreciation.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2011, consisted of equipment with a cost of \$3,706,000 and buildings with a cost of \$180,005,000.

Primary Government Capital Asset Activity Government-wide Business-type Activities and Fiduciary Funds Year Ended June 30, 2011 (In Thousands)				
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Business-type Activities				
Capital Assets not Depreciated:				
Land	\$ 85,134	\$ 3,338	\$ (463)	\$ 88,009
Construction in Progress	166,444	156,369	(217,651)	105,162
Total Capital Assets not Depreciated	<u>\$ 251,578</u>	<u>\$ 159,707</u>	<u>\$ (218,114)</u>	<u>\$ 193,171</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 2,532,752	\$ 266,764	\$ (65,177)	\$ 2,734,339
Library Collections	48,078	6,034	(6,945)	47,167
Internally Generated Computer	13,928	2,400	(1,405)	14,923
Equipment, Furniture, Fixtures	266,171	97,941	(29,403)	334,709
Total Capital Assets Depreciated	<u>\$ 2,860,929</u>	<u>\$ 373,139</u>	<u>\$ (102,930)</u>	<u>\$ 3,131,138</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (1,106,105)	\$ (76,558)	\$ 11,959	\$ (1,170,704)
Library Collections	(27,837)	(6,763)	6,970	(27,630)
Internally Generated Computer	(6,137)	(1,926)	1,345	(6,718)
Equipment, Furniture, Fixtures	(196,148)	(35,134)	18,685	(212,597)
Total Accumulated Depreciation	<u>\$ (1,336,227)</u>	<u>\$ (120,381)</u>	<u>\$ 38,959</u>	<u>\$ (1,417,649)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,524,702</u>	<u>\$ 252,758</u>	<u>\$ (63,971)</u>	<u>\$ 1,713,489</u>
Business-type Act. Capital Assets, Net	<u>\$ 1,776,280</u>	<u>\$ 412,465</u>	<u>\$ (282,085)</u>	<u>\$ 1,906,660</u>
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	\$ 429	\$ -	\$ -	\$ 429
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429</u>
Capital Assets Depreciated:				
Buildings	\$ 29,763	\$ -	\$ -	\$ 29,763
Equipment, Furniture, Fixtures	6,198	2,399	(267)	8,330
Total Capital Assets Depreciated	<u>\$ 35,961</u>	<u>\$ 2,399</u>	<u>\$ (267)</u>	<u>\$ 38,093</u>
Accumulated Depreciation for:				
Buildings	\$ (6,682)	\$ (758)	\$ -	\$ (7,440)
Equipment, Furniture, Fixtures	(4,084)	(460)	249	(4,295)
Total Accumulated Depreciation	<u>\$ (10,766)</u>	<u>\$ (1,218)</u>	<u>\$ 249</u>	<u>\$ (11,735)</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,195</u>	<u>\$ 1,181</u>	<u>\$ (18)</u>	<u>\$ 26,358</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 25,624</u>	<u>\$ 1,181</u>	<u>\$ (18)</u>	<u>\$ 26,787</u>

**Primary Government
Depreciation Expense
Year Ended June 30, 2011
(In Thousands)**

Governmental Activities:

Public Safety and Corrections	\$ 32,558
Transportation	45,937
Agricultural, Environmental & Energy Resources	11,046
Economic and Workforce Development	1,004
General Education	5,319
Health and Human Services	21,344
General Government	12,866
Internal Service Funds	9,075
Total Governmental Activities	<u>\$ 139,149</u>

Business-type Activities:

State Colleges and Universities	\$ 97,297
Lottery	913
Other	9,944
Total Business-type Activities	<u>\$ 108,154</u>

**Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2011
(In Thousands)**

	Administration	Transportation
Authorization	\$ 132,344	\$ 749,296
Less: Expended through June 30, 2011	(96,103)	(241,448)
Less: Unexpended Commitment	<u>(31,441)</u>	<u>(480,213)</u>
Remaining Available Authorization	<u>\$ 4,800</u>	<u>\$ 27,635</u>

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. These acres totaled 2,520,908 on June 30, 2011.

Component Units

**Component Units
Capital Assets
As of December 31, 2010, or June 30, 2011, as applicable
(In Thousands)**

	Major Component Units			Nonmajor Component Units	Totals
	Housing Finance Agency	Metropolitan Council	University of Minnesota		
Land and Improvements	\$ -	\$ 111,670	\$ 87,416	\$ 911	\$ 199,997
Construction in Progress	-	364,133	100,413	-	464,546
Museums and Collections	-	-	49,846	-	49,846
Permanent Easement	-	-	2	-	2
Buildings and Improvements	-	3,156,448	3,244,372	3,228	6,404,048
Equipment	7,843	749,546	843,541	2,018	1,602,948
Capitalized Software	-	-	97,940	-	97,940
Other Intangible Assets	-	-	8,937	-	8,937
Infrastructure	-	-	411,194	-	411,194
Total	<u>\$ 7,843</u>	<u>\$ 4,381,797</u>	<u>\$ 4,843,661</u>	<u>\$ 6,157</u>	<u>\$ 9,239,458</u>
Less: Accumulated Depreciation	<u>\$ 6,398</u>	<u>\$ 1,568,278</u>	<u>\$ 2,238,589</u>	<u>\$ 2,702</u>	<u>\$ 3,815,967</u>
Net Total	<u><u>\$ 1,445</u></u>	<u><u>\$ 2,813,519</u></u>	<u><u>\$ 2,605,072</u></u> ⁽¹⁾	<u><u>\$ 3,455</u></u>	<u><u>\$ 5,423,491</u></u>

⁽¹⁾ In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of \$58,567 as of June 30, 2011.

Note 7 – Disaggregation of Payables

Primary Government Components of Accounts Payable Government-wide As of June 30, 2011 (In Thousands)				
	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds ⁽¹⁾	Total
School Aid Programs	\$ 2,170,622	\$ 314,089	\$ 1	\$ 2,484,712
Tax Refunds	416,038	-	-	416,038
Medical Care Programs	590,652	680,435	62,918	1,334,005
Grants	174,089	136,680	101,685	412,454
Salaries and Benefits	99,729	15,106	60,442	175,277
Vendors/Service Providers	70,369	51,260	160,315	281,944
Other	36,760	6,727	38,936	82,423
Net Payables	<u>\$ 3,558,259</u>	<u>\$ 1,204,297</u>	<u>\$ 424,297</u>	<u>\$ 5,186,853</u>
	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	\$ 128,189	\$ -	\$ 8,168	\$ 136,357
Vendors/Service Providers	53,235	-	3,452	\$ 56,687
Other	9,710	52,953	20,218	\$ 82,881
Net Payables	<u>\$ 191,134</u>	<u>\$ 52,953</u>	<u>\$ 31,838</u>	<u>\$ 275,925</u>
Total Government-wide Net Payables				<u><u>\$ 5,462,778</u></u>
⁽¹⁾ Includes \$56,104 Internal Service Funds.				

Note 8 – Pension and Investment Trust Funds

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

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

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA and TRA. The address for MnSCU is included in the “Defined contribution Funds” section of this note.

<u>Plan Administrator</u>	<u>Plans Covered</u>
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Elective State Officers Fund Judges Retirement Fund Legislators Retirement Fund State Patrol Retirement Fund Unclassified Employees Retirement Fund Health Care Savings Plan Minnesota Deferred Compensation Plan Hennepin County Supplemental Retirement Fund
Public Employees Retirement Association (PERA)	General Employees Retirement Fund Minneapolis Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

Basis of Accounting and Valuation of Investments

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

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 sales price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the Minnesota State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2011, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

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

The State Employees Retirement Fund (SERF) covers most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees. Twenty-seven employers participate in this plan. 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 if the employee was first hired before July 1, 1989, are 1.2 percent for the first 10 years of allowable service and 1.7 percent of a member's average salary for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of average salary for each year of allowable service. Average salary is defined as the average of the five highest paid consecutive years of service. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Annual benefits increase by 1.0 percent in 2011 and 2012, then by the CPI up to 1.5 percent until the fund is 90 percent of full funding, then the CPI up to 2.5 percent. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. Annual benefits increase by at least 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Public Employees Retirement Fund (PERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: 'basic' for members not covered by the Social Security Act (closed to new members since 1968) and 'coordinated' for members who are covered by the act. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Minneapolis Employees Retirement Fund (MERF) participating employers primarily include the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. MERF was closed to new members as of July 1, 1978. The Actuarial Accrued Liability is 66 percent funded according to the latest actuarial evaluation. The normal retirement age is 60. The annuity formula for participants is 2.0 percent for each of the first 10 years of service and 2.5 percent each year thereafter of average salary. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state is funding a portion of the unfunded actuarial liability, which is set in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Approximately 575 employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.5 percent, and for coordinated members, 1.2 and 1.7 percent for service rendered before July 1, 2006, and 1.9 percent for service rendered on or after July 1, 2006. Annual benefits increases will not occur until January 1, 2013, when they will be at least 2.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- Multiple employer, agent plan:

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

- Single-employer (state of Minnesota) plans:

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct contact with inmates at Minnesota correctional facilities generally 75 percent of the time or higher. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

The Elective State Officers Fund (ESOF) covers state constitutional officers elected prior to July 1, 1997. The ESOF is excluded from the single-employers plan disclosures since no active, contributing members remain in the plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C. Annual benefits to retirees and survivors increase by 2.0 percent or 2.5 percent if the SERF's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. A prior period adjustment of \$214,000 was made to exclude a potential receivable from the state in the event of a termination of the retirement plan. As the plan has not been terminated, the plan does not have a receivable.

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, Court of Appeals, and district courts. Normal retirement age is 65. The annuity is 2.7 percent of average salary for each

year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.8 percent. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

The Legislators Retirement Fund (LRF) covers certain members of the state's House of Representatives and Senate. Legislators newly elected since July 1, 1997, are covered by the Unclassified Employee Retirement Fund (defined contribution fund). Normal retirement age is 62. The annuity benefit formula ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on a member's length of service. Annual benefits increase by 2.0 percent or 2.5 percent if SERF's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis. A prior period adjustment of \$7,293,000 was made to exclude a potential receivable from the state in the event of a termination of the retirement plan. As the plan has not been terminated, the plan does not have a receivable.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. Normal retirement age is 55. The annuity is 3.0 percent of average salary for each year of allowable service. Annual benefits increase by 1.5 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

Statutory Contribution Rates Year Ended June 30, 2011							
	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	8.60%	N/A	8.00%	9.00%	10.40%	5.00%	5.50%
Employer(s)	12.10%	N/A	20.50%	N/A	15.60%	5.00%	5.50%

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

		<u>SERF</u>	<u>TRF</u>
Required Contributions:			
Employee	2011	\$ 122,029	\$ 218,024
	2010	\$ 113,716	\$ 214,909
	2009	\$ 108,866	\$ 212,043
Employers ⁽¹⁾	2011	\$ 118,563	\$ 222,723
	2010	\$ 115,181	\$ 220,538
	2009	\$ 107,211	\$ 220,268
Primary Government ⁽²⁾	2011	\$ 86,698	\$ 28,287
	2010	\$ 82,642	\$ 28,693
	2009	\$ 77,816	\$ 28,066

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

⁽²⁾Primary Government's portion of Employer Contributions.

Contribution rates are statutorily determined.

**Single Employer Plan Disclosures
As of June 30, 2011
(In Thousands)**

	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>SPRF</u>
Annual Required Contributions (ARC) ⁽¹⁾	\$ 48,580	\$ 11,645	\$ 6,784	\$ 20,818
Interest on Net Pension Obligation (NPO) ⁽¹⁾	4,989	(668)	55	(1,508)
Amortization Adjustment to ARC ⁽¹⁾	<u>(3,492)</u>	<u>490</u>	<u>(89)</u>	<u>1,096</u>
Annual Pension Cost (APC)	\$ 50,077	\$ 11,467	\$ 6,750	\$ 20,406
Contributions	<u>(40,894)</u>	<u>(11,307)</u>	<u>(2,965)</u>	<u>(16,451)</u>
Increase (Decrease) in NPO	<u>\$ 9,183</u>	<u>\$ 160</u>	<u>\$ 3,785</u>	<u>\$ 3,955</u>
NPO, Beginning Balance	<u>\$ 58,689</u>	<u>\$ (7,857)</u>	<u>\$ 642</u>	<u>\$ (17,745)</u>
NPO, Ending (Asset)	<u><u>\$ 67,872</u></u>	<u><u>\$ (7,697)</u></u>	<u><u>\$ 4,427</u></u>	<u><u>\$ (13,790)</u></u>

⁽¹⁾Components of annual pension cost.

**Single Employer Plan Disclosures
(In Thousands)**

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2011	\$ 50,077	\$ 11,467	\$ 6,750	\$ 20,406
	2010	\$ 49,088	\$ 12,146	\$ 7,992	\$ 23,536
	2009	\$ 46,729	\$ 9,999	\$ 4,900	\$ 20,454
Percentage of APC Contributed	2011	82%	99%	44%	81%
	2010	76%	99%	27%	72%
	2009	73%	112%	31%	75%
Net Pension Obligation (NPO) (End of Year)	2011	\$ 67,872	\$ (7,697)	\$ 4,427	\$ (13,790)
	2010	\$ 58,689	\$ (7,857)	\$ 642	\$ (17,745)
	2009	\$ 46,856	\$ (8,732)	\$ (5,204)	\$ (24,451)

**Schedule of Funding Status
(In Thousands)**

	CERF	JRF	LRF	SPRF
Actual Valuation Date ⁽¹⁾	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Actuarial Value of Plan Assets	\$ 603,863	\$ 144,728	\$ 26,821	\$ 567,211
Actuarial Accrued Liability	\$ 851,086	\$ 240,579	\$ 86,236	\$ 683,360
Total Unfunded Actuarial Liability	\$ 247,223	\$ 95,851	\$ 59,415	\$ 116,149
Funded Ratio	71%	60%	31%	83%
Annual Covered Payroll	\$ 192,450	\$ 39,291	\$ 1,877	\$ 63,250
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	128%	244%	3,165%	184%

⁽¹⁾ The July 1, 2010, Annual Valuation Report is the most recently issued report available.

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

Actuarial Assumptions for MSRS Defined Benefit Retirement Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2010.
- The calculation of the actuarial valuation of assets is the sum of the market asset value at July 1, 2010, plus the scheduled recognition of investment gains or losses during the current and the preceding four fiscal years.
- Expected net investment returns for pre-retirement and post-retirement are 8.5 percent and 6.5 percent, respectively, except for the SPRF whose post-retirement return is 7.0 percent.
- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.5 percent post-retirement investment return assumption that is 2.0 percent less than the pre-retirement investment return assumption, except for the SPRF where the 7.0 percent post-retirement investment return is 1.5 percent less than the pre-retirement investment return assumption.
- The amortization method uses level percentage of projected payroll growth, except for the ESOF plan, which uses the level dollar amortization method.
- Projected payroll growth is a level 4.5 percent except for JRF which is a level 4.0 percent.
- The statutory amortization periods for SERF, CERF, ESORF, JRF, LRF, and SPRF are through June 30, of 2040, 2038, 2017, 2038, 2021, and 2036, respectively.
- Additional actuarial assumptions are detailed in the July 1, 2010, actuarial valuation reports for the MSRS defined benefit retirement funds. These reports are located online at: <http://www.commissions.leg.state.mn.us/lcpr/valuations.htm#Valuations>.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. As of June 30, 2011, there were 1,938 participants in the plan for Hennepin County.

The Health Care Savings Plan (HCSP), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan, by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. As of June 30, 2011, there were 67,386 participants in the plan for 419 employers.

The Unclassified Employees Retirement Fund (UNCL), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed

the maximum benefit cap under the Judges Retirement Fund. Statutory contribution rates are 5.0 percent for employee and 6.0 percent for employer. However, the contribution rate for participating judges is 8.0 percent with no employer contribution. Vesting occurs immediately, and normal retirement age is 55. Benefits are either participant's account balance withdrawals or an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption. As of June 30, 2011, there were 3,269 participants in the plan from 14 employers.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses. There is no vesting period required to receive benefits from this plan. As of June 30, 2010, there were 7,227 members in the plan from approximately 1,000 units of government.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time by Minnesota State Colleges and Universities for a minimum of two academic years. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and managerial employees, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between \$6,000 and \$15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is 18,485.

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

Defined Contribution Plans Contributions Year Ended June 30, 2011 (In Thousands)					
	<u>HCSRF</u>	<u>HCSP</u>	<u>UNCL</u>	<u>DCF</u>	<u>CURF</u>
Employee Contributions	\$ 467	\$ 132,486	\$ 5,415	\$ 1,496	\$ 34,853
Employer Contributions	\$ 467	N/A	\$ 6,357	\$ 1,622	\$ 41,307

The Minnesota Deferred Compensation Plan (MNDCP) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. As of June 30, 2011, the plan has 79,536 participants from 547 employers.

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

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 (UNCL):

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

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

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

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation. In addition, Minnesota Statutes, Section 136F.481, authorized MnSCU to implement an early separation incentive program in fiscal year 2010. Approximately 250 former faculty members and staff currently receive this benefit. The cost of the benefits was \$3,838,000 during fiscal year ended June 30, 2011, with a remaining liability as of June 30, 2011, of \$6,326,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes 43A.27, Subdivision 3, and Minnesota Statutes 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age 65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2010, there were approximately 2,450 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, 2010, there were approximately 1,150 correctional and law enforcement retirees receiving an explicit rate subsidy.

The state also offered an early retirement incentive that provided up to 24 months of employer contributions to the health and dental premiums at the level of coverage the employee was receiving at the time of separation. Employees must have met the eligibility requirements and retire before June 30, 2011, to receive this benefit. There were approximately 1,000 retirees receiving an explicit rate subsidy under this incentive. The state does not issue a separate financial report for its OPEB plan.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The

required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2011, the state contributed \$39,518,000 to the plan. Plan members receiving benefits through the implicit rate subsidy contributed \$21,877,000 through their average required contribution of \$447 per month for retiree-only coverage and \$1,315 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75 percent discount rate. For year ending June 30, 2011, the state's ARC is \$76,132,000.

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

OPEB Disclosures As of June 30, 2011 (In Thousands)	
Annual Required Contributions (ARC) ⁽¹⁾	\$ 76,132
Interest on Net OPEB Obligation (NOO) ⁽¹⁾	6,013
Amortization Adjustment to ARC ⁽¹⁾	<u>(4,895)</u>
Annual OPEB Cost (Expense)	\$ 77,250
Contributions	<u>(39,518)</u>
Increase in NOO	<u>\$ 37,732</u>
NOO, Beginning Balance	<u>\$ 126,579</u>
NOO, Ending ⁽²⁾	<u><u>\$ 164,311</u></u>
⁽¹⁾ Components of annual OPEB cost.	
⁽²⁾ Governmental Activities and Business-type Activities include \$142,597 and \$21,513, respectively. Remaining amounts are included in Fiduciary Funds.	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2010, and 2009 are as follows:

OPEB Disclosures (In Thousands)			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 77,250	51%	\$ 164,311
June 30, 2010	\$ 76,312	43%	\$ 126,579
June 30, 2009	\$ 73,706	38%	\$ 83,363

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$799,321,000. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was \$3,027,241,000, and the ratio of the UAAL to the covered payroll was 26.4 percent.

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

Actuarial Methods and Assumptions

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

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2010.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Inflation rate is 3.0 percent.

- Projected salary increases are a level 4.0 percent.
- The annual health care cost trend rate is 6.25 percent initially, reduced by increments to an ultimate rate of 5.0 percent after approximately 20 years. The annual dental cost trend rate is 5.0 percent.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

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

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested \$95,384,000 as of December 31, 2010, for this purpose. The annual required contribution for 2010 was \$29,711,000 or 10.9 percent of annual covered payroll. As of December 31, 2010, 2009, and 2008, the net OPEB obligation was \$57,948,000, \$44,400,000 and \$29,579,000 respectively. The actuarial accrued liability (AAL) for benefits was \$328,428,000 as of December 31, 2010, all of which was unfunded. The covered payroll was \$272,088,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 120.7 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2011, was \$20,969,000 or 1.8 percent of annual covered payroll. As of June 30, 2011, the net OPEB obligation was \$44,131,000. The actuarial accrued liability (AAL) for benefits was \$99,135,000 as of June 30, 2011, all of which was unfunded. The covered payroll was \$1,175,527,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 8.4 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2011, were as follows:

Primary Government Encumbrances As of June 30, 2011 (In Thousands)	
Major Fund: General Fund	\$ 112,775
Non-Major Governmental Funds	<u>1,823,692</u>
Total Encumbrances	<u><u>\$ 1,936,467</u></u>

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of November 2011, the Petrofund has reimbursed eligible applicants approximately \$413,000,000 since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2017, are between \$425,000,000 and \$465,000,000 for investigative and cleanup costs.

Environmental and Remediation Fund

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

In addition to the general portion of the fund, two dedicated accounts are held within the fund. Money in the dry cleaner environmental response and reimbursement account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The metropolitan landfill contingency action trust account receives twenty-five percent of the metropolitan solid waste landfill fee. Money in the account is appropriated for closure and post closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30 year period after closure if determined that the operator/owner cannot take the necessary actions as directed by the Minnesota Pollution Control Agency.

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

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of \$108,266,000 for construction and renovation of college and university facilities.

Component Units

As of June 30, 2011, the Housing Finance Agency (HFA) had committed approximately \$353,915,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council enters into contracts for various purposes such as transit services and construction projects. As of December 31, 2010, unpaid commitments for Metro Transit Bus services were approximately \$115,304,000. Future commitments for Metro Transit Light Rail were approximately \$62,273,000, while future commitments for Metro Transit Commuter Rail were approximately \$6,985,000. Finally, future commitments for Regional Transit and Environmental Services were approximately \$240,715,000 and \$51,852,000, respectively.

University of Minnesota (U of M) has construction projects in progress with an estimated completion cost of \$446,812,000. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2011, Public Facilities Authority (PFA) had committed approximately \$178,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$15,000,000 for grants.

Note 11 – Operating Lease Agreements

Operating Leases

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

Lease expenditures for the fiscal year ended June 30, 2011, totaled approximately \$78,572,000 and \$19,786,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2010, totaled approximately \$1,431,000 for component units.

Primary Government and Component Units Future Minimum Lease Payments (In Thousands)					
Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2012	\$ 76,716	2012	\$ 17,652	2011	\$ 1,210
2013	67,829	2013	13,477	2012	1,001
2014	47,177	2014	14,321	2013	933
2015	36,512	2015	6,242	2014	636
2016	27,748	2016	5,413	2015	196
2017-2021	51,065	2017-2021	25,496	2016-2020	286
2022-2026	9,910	2022-2026	8,207	2021-2025	100
2027-2031	3,717	2027-2031	-	2026-2030	100
2032-2036	-	2032-2036	-	2031-2035	100
2037-2041	-	2037-2041	-	2036-2040	27
Total	<u>\$ 320,674</u>	Total	<u>\$ 90,808</u>	Total	<u>\$ 4,589</u>

Note 12 – Long-Term Liabilities – Primary Government

Primary Government Long-Term Liabilities Year Ended June 30, 2011 (In Thousands)					
	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	\$ 5,103,210	\$ 1,984,851	\$ 1,273,161	\$ 5,814,900	\$ 444,278
Loans	41,319	6,623	16,359	31,583	12,518
Revenue Bonds	12,900	-	845	12,055	880
Claims	743,710	3,558	83,151	664,117	78,001
Pollution Remediation	51,127	10,984	18,442	43,669	14,196
Compensated Absences	294,287	254,383	263,635	285,035	33,472
Workers' Compensation	105,257	35,769	19,365	121,661	17,884
Certificates of Participation	80,649	-	1,241	79,408	7,925
Capital Leases	158,175	-	7,019	151,156	6,838
Net Pension Obligation	58,689	56,827	43,217	72,299	-
Net Other Postemployment Obligation	110,950	65,141	33,494	142,597	-
Due to Component Unit	21,376	227	2,785	18,818	2,134
Total	\$ 6,781,649	\$ 2,418,363	\$ 1,762,714	\$ 7,437,298	\$ 618,126
Business-type Activities					
Liabilities For:					
General Obligation Bonds	\$ 250,353	\$ 29,900	\$ 19,635	\$ 260,618	\$ 18,887
Loans	603,020	1,031,297	1,169,037	465,280	277,623
Revenue Bonds	320,779	86,807	32,177	375,409	15,690
Compensated Absences	144,975	21,141	24,277	141,839	15,768
Workers' Compensation	6,518	4,961	3,762	7,717	3,396
Capital Leases	18,662	32,643	5,137	46,168	5,420
Net Other Postemployment Obligation	15,482	11,914	5,883	21,513	-
Total	\$ 1,359,789	\$ 1,218,663	\$ 1,259,908	\$ 1,318,544	\$ 336,784

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

	Governmental Activities			Business-type Activities	Total
	General Fund	Special Revenue Funds	Internal Service Funds		
Liabilities For:					
General Obligation Bonds	\$ 4,962,290	\$ 852,610	\$ -	\$ 260,618	\$ 6,075,518
Revenue Bonds	-	12,055	-	375,409	387,464
Loans	-	15,809	15,774	465,280	496,863
Due to Component Unit	-	18,818	-	-	18,818
Capital Leases	148,624	2,532	-	46,168	197,324
Certificates of Participation	79,408	-	-	-	79,408
Claims	15,869	648,248	-	-	664,117
Compensated Absences	136,615	142,468	5,952	141,839	426,874
Workers' Compensation	98,884	22,777	-	7,717	129,378
Net Pension Obligation	72,299	-	-	-	72,299
Net Other Postemployment Benefit Obligation	141,922	-	675	21,513	164,110
Pollution Remediation	-	43,669	-	-	43,669
Total	<u>\$ 5,655,911</u>	<u>\$ 1,758,986</u>	<u>\$ 22,401</u>	<u>\$ 1,318,544</u>	<u>\$ 8,755,842</u>

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

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 444,278	\$ 236,590	\$ 18,887	\$ 11,212	\$ 463,165	\$ 247,802
2013	450,875	217,753	18,085	10,390	468,960	228,143
2014	418,543	197,985	18,002	9,518	436,545	207,503
2015	408,068	178,693	17,587	8,654	425,655	187,347
2016	379,258	160,067	17,132	7,807	396,390	167,874
2017-2021	1,572,114	557,661	76,906	27,260	1,649,020	584,921
2022-2026	1,100,271	231,025	56,119	10,769	1,156,390	241,794
2027-2031	464,431	40,181	20,379	1,479	484,810	41,660
Total	\$ 5,237,838	\$ 1,819,955	\$ 243,097	\$ 87,089	\$ 5,480,935	\$ 1,907,044
Bond Premium	577,062	-	17,521	-	594,583	-
Total	<u>\$ 5,814,900</u>	<u>\$ 1,819,955</u>	<u>\$ 260,618</u>	<u>\$ 87,089</u>	<u>\$ 6,075,518</u>	<u>\$ 1,907,044</u>

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 880	\$ 511	\$ 15,690	\$ 16,546	\$ 16,570	\$ 17,057
2013	915	475	20,000	15,537	20,915	16,012
2014	955	438	20,645	14,715	21,600	15,153
2015	995	396	21,475	13,859	22,470	14,255
2016	1,040	351	22,310	12,934	23,350	13,285
2017-2021	5,920	993	108,265	50,094	114,185	51,087
2022-2026	1,350	30	92,930	26,381	94,280	26,411
2027-2031	-	-	55,430	8,691	55,430	8,691
2032-2036	-	-	10,353	374	10,353	374
Total	\$ 12,055	\$ 3,194	\$ 367,098	\$ 159,131	\$ 379,153	\$ 162,325
Bond Premium	-	-	8,311	-	8,311	-
Total	<u>\$ 12,055</u>	<u>\$ 3,194</u>	<u>\$ 375,409</u>	<u>\$ 159,131</u>	<u>\$ 387,464</u>	<u>\$ 162,325</u>

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

Year Ended June 30	Governmental Activities		Business-type Activities ⁽¹⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 14,652	\$ 831	\$ 577	\$ 252	\$ 15,229	\$ 1,083
2013	10,045	623	502	208	10,547	831
2014	12,492	497	470	179	12,962	676
2015	3,295	371	396	159	3,691	530
2016	2,408	274	378	143	2,786	417
2017-2021	4,276	687	1,635	465	5,911	1,152
2022-2026	2,027	324	1,083	130	3,110	454
2027-2031	1,206	66	60	1	1,266	67
Total	<u>\$ 50,401</u>	<u>\$ 3,673</u>	<u>\$ 5,101</u>	<u>\$ 1,537</u>	<u>\$ 55,502</u>	<u>\$ 5,210</u>

⁽¹⁾ Loan to the Unemployment Insurance Enterprise Fund of \$460,179 is not included.

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

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 6,838	\$ 7,536	\$ 5,420	\$ 1,111	\$ 12,258	\$ 8,647
2013	7,027	7,240	4,769	1,123	11,796	8,363
2014	7,310	6,930	4,745	1,197	12,055	8,127
2015	7,145	6,582	4,611	1,261	11,756	7,843
2016	7,491	6,212	4,389	1,865	11,880	8,077
2017-2021	43,212	24,857	19,091	6,411	62,303	31,268
2022-2026	54,288	12,849	1,898	362	56,186	13,211
2027-2031	17,845	1,097	1,137	14	18,982	1,111
2032-2036	-	-	108	-	108	-
Total	<u>\$ 151,156</u>	<u>\$ 73,303</u>	<u>\$ 46,168</u>	<u>\$ 13,344</u>	<u>\$ 197,324</u>	<u>\$ 86,647</u>

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 7,925	\$ 3,291
2013	8,245	2,974
2014	8,575	2,644
2015	8,920	2,301
2016	9,270	1,945
2017 - 2021	30,545	3,104
Total	<u>\$ 73,480</u>	<u>\$ 16,259</u>
Premium on Certificates of Participation	5,928	-
	<u>\$ 79,408</u>	<u>\$ 16,259</u>

Debt Service Fund

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

During fiscal year 2011, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government Transfers to Debt Service Fund Year Ended June 30, 2011 (In Thousands)	
General Fund	\$ 405,179
Special Revenue Funds:	
Trunk Highway Fund	\$ 45,225
Natural Resources Funds	9
Miscellaneous Special Revenue Fund	<u>308</u>
Total Special Revenue Funds	\$ 45,542
Capital Projects Fund:	
Building Fund	<u>\$ 204</u>
Total Transfers to Debt Service Fund	<u><u>\$ 450,925</u></u>

General Obligation Bond Issues

In August 2010, the state issued \$865,000,000 general obligation bonds, Series 2010A through Series 2010C:

- Series 2010A for \$635,000,000 in state various purpose bonds were issued at true interest rates of 3.17 percent.
- Series 2010B for \$225,000,000 in state trunk highway bonds were issued at a true interest rate of 3.13 percent.
- Series 2010C for \$5,000,000 in state taxable bonds were issued at a true interest rate of 1.87 percent.

In September 2010, the state issued \$907,785,000 general obligation bonds, Series 2010D and Series 2010E:

- Series 2010D for \$687,115,000 in state various purpose refunding bonds were issued at a true interest rate of 2.21 percent to advance refund \$631,850,000 general obligation bonds. The state increased its debt service cash flows by \$74,787,000, but realized a net present value savings and economic gain of \$33,559,000.
- Series 2010E for \$220,670,000 in state trunk highway refunding bonds were issued at a true interest rate of 2.24 percent to advance refund \$201,820,000 general obligation bonds. The state increased its debt service cash flows by \$21,313,000, but realized a net present value savings and economic gain of \$12,199,000.

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

Primary Government General Obligation Bonds Outstanding Defeased Debt (In Thousands)				
<u>Refunding Date</u>	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>June 30, 2011 Outstanding Amount</u>	<u>Refunded Bond Call Date</u>
August 26, 2009	\$ 157,285	\$ 153,000	\$ 153,000	October 1, 2011
October 23, 2009	100,395	92,225	92,225	November 1, 2012
September 29, 2010	133,962	123,025	123,025	August 1, 2012
September 29, 2010	85,125	78,175	78,175	November 1, 2012
September 29, 2010	298,435	274,070	274,070	August 1, 2013
September 29, 2010	226,002	207,550	207,550	August 1, 2014
September 29, 2010	164,261	150,850	150,850	November 1, 2014
	<u>\$ 1,165,465</u>	<u>\$ 1,078,895</u>	<u>\$ 1,078,895</u>	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2011. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding As of June 30, 2011 (In Thousands)			
Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	\$ 698	\$ 6,830	5.00
State Operated Community Services	-	2,070	5.00
State Transportation	7,560	206,960	2.00 - 5.00
Waste Management	-	65	5.00
Water Pollution Control	-	255	5.00
Maximum Effort School Loan	-	29,840	5.00
Rural Finance Authority	18,500	56,000	5.00 - 5.60
Refunding Bonds	-	1,633,485	1.75 - 5.00
Municipal Energy Building	-	15	5.00
Trunk Highway	1,546,838	852,610	2.00 - 5.00
Various Purpose	1,060,710	2,692,805	2.00 - 5.00
Total	<u>\$ 2,634,306</u>	<u>\$ 5,480,935</u>	

Certificates of Participation

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

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 \$15,809,000 were from local government entities to finance certain trunk highway projects. In addition, \$18,818,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans include unpaid cash advances of \$460,179,000 by the U.S. Treasury for unemployment benefit payments of the Unemployment Insurance Fund (enterprise fund). These cash advances are authorized by Section 1201 of the Social Security Act. Repayments will be funded by future Unemployment Insurance benefit premiums. Minnesota Statutes, Section 268.051, Subdivision 8, provides for a taxpaying employer special assessment for the payment of interest on Unemployment Insurance Fund's unpaid cash advances. The remaining business-type activities loans are loans to purchase equipment and loans from energy companies to improve energy efficiencies in the colleges and universities.

Revenue Bonds Payable

In July 2006, \$15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Board has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling \$25,876,000 for fiscal year 2011, have averaged approximately 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 percent (7 years) and 4.50 percent (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. For fiscal year 2011, principal and interest paid by the Iron Range Resources and Rehabilitation Board on the bonds was \$1,391,000. The total principal and interest remaining to be paid as of June 30, 2011, is \$15,249,000 payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, \$42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, \$60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2011, is \$137,279,000, payable through June 2025. Principal and interest paid during fiscal year 2011 and total 911 fee revenues were \$17,250,000 and \$63,373,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$300,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 1.0 percent to 6.5 percent. Vermilion Community College and Itasca Community College issued revenue bonds through the state of Minnesota Higher Education Facility Authority and the Itasca County Housing Redevelopment Authority. 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 21 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$385,542,000. Principal and interest paid for the current year and total customer net revenues were \$15,940,000 and \$110,055,000, 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 51 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,286,000. Principal and interest paid and total customer net revenues during fiscal year 2011 were \$205,000 and \$414,000, respectively. These revenue bonds have a variable interest rate of 2.5 percent 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 34.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$122,000. Principal and interest paid and total customer net revenues during fiscal year 2011 were \$84,000 and \$253,000, respectively. These revenue bonds have a fixed interest rate of 6.0 percent.

Pollution Remediation

The state of Minnesota is financially responsible to remediate certain known pollution present on either state owned or non-state owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2011, were \$43,669,000. Of this total, \$28,756,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

Claims

Municipal solid waste landfill liability of \$164,017,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. Funding for the state's ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

Claims of \$35,600,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

The remaining claim amount of \$464,500,000 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 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2052 for supplementary benefits and 2042 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$285,035,000 and \$141,839,000 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 \$121,661,000 and \$7,717,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2011, 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 2011, 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 2011, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was \$2,087,000. The total principal and interest remaining to be paid as of June 30, 2011, is \$ 40,014,000, payable through 2030.

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

Year Ended June 30	Principal	Interest
2012	\$ 700	\$ 1,376
2013	750	1,338
2014	775	1,297
2015	825	1,254
2016	875	1,208
2017-2021	5,225	5,227
2022-2026	7,050	3,500
2027-2031	7,472	1,142
Total	<u>\$ 23,672</u>	<u>\$ 16,342</u>

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed \$5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2011, net of unamortized discounts/premiums, was \$2,555,414,000.

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 \$1,307,427,000 in general obligation bonds and \$3,938,000 of revenue bonds outstanding on December 31, 2010, both net of unamortized discounts/premiums.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2011, the principal amount of revenue bonds and general obligation bonds outstanding, net of unamortized discounts/premiums, was \$257,408,000 and \$581,878,000, respectively.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2011, the principal amount of revenue bonds outstanding was \$4,455,000.

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, 2011, the outstanding principal of revenue bonds was \$626,853,000, net of unamortized discounts/premiums.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on the revenue bonds at any time shall not exceed \$1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of revenue bonds outstanding on June 30, 2011, net of unamortized discounts/premiums, was \$1,246,377,000.

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

Year Ended December 31	MC		Year Ended June 30	U of M	
	Principal	Interest ⁽¹⁾		Principal	Interest
2011	\$ 88,322	\$ 39,742	2012	\$ 26,968	\$ 26,761
2012	114,757	38,572	2013	25,827	25,384
2013	82,778	36,466	2014	29,015	24,177
2014	81,500	33,827	2015	30,500	22,783
2015	82,069	31,211	2016	32,130	21,351
2016-2020	431,636	113,734	2017-2021	155,235	83,400
2021-2025	301,905	46,082	2022-2026	104,915	51,681
2026-2030	104,255	8,044	2027-2031	101,535	23,048
2031-2035	1,590	27	2032-2036	36,495	3,679
2036-2040	-	-	2037-2041	1,310	33
Total	\$ 1,288,812	\$ 347,705	Total	\$ 543,930	\$ 282,297
Unamortized Discounts/ Premiums and Issuance Costs					
	18,615	-		37,948	-
Total	<u>\$ 1,307,427</u>	<u>\$ 347,705</u>	Total	<u>\$ 581,878</u>	<u>\$ 282,297</u>

⁽¹⁾MC interest is net of Build America Bonds federal subsidy.

**Component Units
Revenue Bonds
Major Component Units
(In Thousands)**

Year Ended June 30	HFA		U of M		Year Ended December 31	MC	
	Principal	Interest	Principal	Interest		Principal	Interest
2012	\$ 317,245	\$ 81,042	\$ 6,775	\$ 13,161	2011	\$ 1,245	\$ 138
2013	158,310	80,541	6,845	11,071	2012	1,305	81
2014	56,770	78,215	7,970	10,704	2013	1,365	27
2015	54,360	76,121	7,695	10,323	2014	-	-
2016	54,975	74,055	8,070	9,949	2015	-	-
2017-2021	294,855	336,746	46,955	43,142	2016-2020	-	-
2022-2026	341,305	276,258	60,100	29,996	2021-2025	-	-
2027-2031	442,755	200,780	57,610	14,428	2026-2030	-	-
2032-2036	482,165	115,504	34,380	4,469	2031-2035	-	-
2037-2041	313,440	30,419	-	-	2036-2040	-	-
2042-2046	24,985	2,715	-	-	2041-2045	-	-
2047-2051	11,635	492	-	-	2046-2050	-	-
2052-2056	180	1	-	-	2051-2055	-	-
Total	\$ 2,552,980	\$ 1,352,889	\$ 236,400	\$ 147,243	Total	\$ 3,915	\$ 246
Unamortized Discounts/ Premiums and Issuance Costs	2,434	-	21,008	-		23	-
Total	<u>\$ 2,555,414</u>	<u>\$ 1,352,889</u>	<u>\$ 257,408</u>	<u>\$ 147,243</u>	Total	<u>\$ 3,938</u>	<u>\$ 246</u>

Component Units Revenue Bonds Nonmajor Component Units (In Thousands)						
Year Ended June 30	AEDB		OHE		PFA	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 685	\$ 204	\$ -	\$ 5,654	\$ 70,060	\$ 57,534
2013	725	171	360	5,654	70,550	54,308
2014	750	137	1,135	5,647	73,825	50,939
2015	785	99	1,090	5,612	77,620	47,293
2016	525	66	3,045	5,580	83,835	43,425
2017-2021	985	69	21,570	25,270	428,155	155,204
2022-2026	-	-	18,150	20,079	258,640	61,985
2027-2031	-	-	8,050	17,100	122,810	14,331
2032-2036	-	-	42,800	15,424	-	-
2037-2041	-	-	429,200	6,526	-	-
2042-2044	-	-	100,000	400	-	-
	<u>\$ 4,455</u>	<u>\$ 746</u>	<u>\$ 625,400</u>	<u>\$ 112,946</u>	<u>\$ 1,185,495</u>	<u>\$ 485,019</u>
Unamortized Discounts/Premiums and Issuance Costs	-	-	1,453	-	60,882	-
Total	<u>\$ 4,455</u>	<u>\$ 746</u>	<u>\$ 626,853</u>	<u>\$ 112,946</u>	<u>\$ 1,246,377</u>	<u>\$ 485,019</u>

Variable Rate Debt

University of Minnesota

To protect against future interest rate fluctuations on U of M's general obligation bonds and for budgeting purposes, U of M has entered into three separate interest rate swaps. All of these are pay-fixed, receive-variable interest rate swaps which change U of M's variable interest rate bonds to synthetic fixed-rate bonds. The University has three freestanding pay-fixed, receive-variable interest rate swaps that are considered ineffective hedges, where the changes in fair value are included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The interest rates on all of the bonds are reset periodically. The rates on all of the bonds, except the taxable Series 2008A bonds and the tax-exempt Series 2008B and 2010 bonds, are based on a determination by the auction agent through auction proceedings. The rates on the taxable bonds cannot exceed the lesser of one-month LIBOR plus 1.0 percent; 17.0 percent; or the 91 day average of the three-month T-Bill plus an applicable spread of 1.25 percent. The rates on the tax-exempt bonds cannot exceed the lesser of the applicable percentage of the Kenny index or the after-tax equivalent rate; 14.0 percent; or the three month average of the three-month T-Bill plus an applicable spread of 1.25 percent.

The interest on the auction rate bonds is payable each time the rates are reset and no principal payments are required until final maturity.

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15.0 percent and 12.0 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.62 percent for the year ended June 30, 2011.

Housing Finance Agency

As of June 30, 2011, all of the Housing Finance Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed as an interest rate swap agreement liability, whereas the inception-to-date change in fair value as of June 30, 2011, is included in the deferred loss on interest rate swap agreements asset on the Statement of Net Assets. See Note 2 – Cash, Investment, and Derivative Instruments for more information.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was \$271,635,000 with \$160,600,000 outstanding as of June 30, 2011. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M's financial statements as of June 30, 2011.

Public Facilities Authority had \$345,500,000 of various refunding series bonds that were defeased but not yet redeemed as of June 30, 2011. These amounts are not reflected in the financial statements as of June 30, 2011.

Pollution Remediation Obligations

For the fiscal year ended June 30, 2011, the U of M's pollution remediation liability totaled \$2,700,000.

Note 14 – Segment Information

Primary Government Segment Information Financial Data Year Ended June 30, 2011 (In Thousands)				
	Minnesota State Colleges and Universities			911 Services
	Revenue Fund	Vermilion Modular Housing	Itasca Residence Halls	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 75,206	\$ 85	\$ (3)	\$ 63,690
Restricted Assets	162,963	142	383	-
Notes Receivable	1,800	-	-	-
Capital Assets	240,629	794	3,427	89,102
Total Assets	<u>\$ 480,598</u>	<u>\$ 1,021</u>	<u>\$ 3,807</u>	<u>\$ 152,792</u>
Liabilities:				
Current Liabilities	\$ 27,972	\$ 92	\$ 108	\$ 15,538
Noncurrent Liabilities	263,120	80	2,038	102,885
Total Liabilities	<u>\$ 291,092</u>	<u>\$ 172</u>	<u>\$ 2,146</u>	<u>\$ 118,423</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 105,825	\$ 714	\$ 1,299	\$ -
Restricted	83,681	62	292	34,369
Unrestricted	-	73	70	-
Total Net Assets	<u>\$ 189,506</u>	<u>\$ 849</u>	<u>\$ 1,661</u>	<u>\$ 34,369</u>
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets				
Operating Revenues - Customer Charges	\$ 108,102	\$ 253	\$ 414	\$ 63,373
Depreciation Expense	(12,424)	(36)	(119)	(6,588)
Other Operating Expenses	(72,391)	(139)	(209)	(30,996)
Operating Income (Loss)	<u>\$ 23,287</u>	<u>\$ 78</u>	<u>\$ 86</u>	<u>\$ 25,789</u>
Nonoperating Revenues (Expenses):				
Interest Income	\$ 650	\$ -	\$ 8	\$ 126
Private Grants	1,260	-	-	-
Interest Expense	(8,881)	(11)	(120)	(4,381)
Other	(832)	-	-	(35,224)
Transfers-In (Out)	-	-	-	19,175
Change in Net Assets	<u>\$ 15,484</u>	<u>\$ 67</u>	<u>\$ (26)</u>	<u>\$ 5,485</u>
Beginning Net Assets	174,022	782	1,687	(30,032)
Prior Period Adjustment	-	-	-	-
Change in Fund Structure	-	-	-	58,916
Ending Net Assets	<u>\$ 189,506</u>	<u>\$ 849</u>	<u>\$ 1,661</u>	<u>\$ 34,369</u>
Condensed Statement of Cash Flows				
Net Cash Provided (Used) By:				
Operating Activities	\$ 34,756	\$ 127	\$ 218	\$ 31,359
Net Cash Provided Noncapital Activities	387	-	-	-
Noncapital Financing Activities	-	-	-	(37,862)
Capital and Related Financing Activities	35,771	(83)	(205)	(31,671)
Investing Activities	561	-	8	126
Net Increase (Decrease)	<u>\$ 71,475</u>	<u>\$ 44</u>	<u>\$ 21</u>	<u>\$ (38,048)</u>
Beginning Cash and Cash Equivalents	\$ 131,618	\$ 159	\$ 243	\$ 35,949
Change in Fund Structure	-	-	-	60,611
Ending Cash and Cash Equivalents	<u>\$ 203,093</u>	<u>\$ 203</u>	<u>\$ 264</u>	<u>\$ 58,512</u>

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

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, or food service purposes.
- MnSCU Vermilion Modular Housing 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.
- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.

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

Note 15 – Contingent Liabilities

Primary Government

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

Primary Government Contingent Liabilities (In Thousands)		
<u>Fund</u>	<u>Liability as of</u>	<u>Unfunded Liability</u>
St. Paul Teachers Retirement Fund	June 30, 2010	\$ 470,185
Duluth Teachers Retirement Fund	June 30, 2010	\$ 57,341
Local Police and Fire Funds ⁽¹⁾	December 31, 2010	\$ 207,574
⁽¹⁾ The Local Police and Fire Fund consists of five local funds. Legislation was passed in 2011 which merges the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association in December 2011 with the Police and Fire Fund (pension trust fund).		

Note 16 – Equity

Restricted Net Assets – Government-wide Statement of Net Assets

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

Primary Government Restricted Net Asset Balances As of June 30, 2011 (In Thousands)				
	<u>Restricted by Constitution</u>	<u>Restricted by Enabling Legislation</u>	<u>Restricted by Other</u>	<u>Total</u>
Restricted For:				
Debt Service	\$ 448,843	\$ -	\$ -	\$ 448,843
Public Safety	-	25,258	57,843	83,101
Transportation	945,105	28,799	-	973,904
Environmental Resources	153,105	719,889	10,953	883,947
Economic and Workforce Development	-	121,433	2,327	123,760
Art and Cultural Heritage	10,904	-	-	10,904
School Aid - Nonexpendable	801,927	-	-	801,927
School Aid - Expendable	5,842	-	-	5,842
General Education	-	77,166	3,578	80,744
Health and Human Services	-	19,801	16,368	36,169
State Colleges and Universities	-	-	547,446	547,446
General Government	-	20,813	884	21,697
Other Purposes	-	-	21,659	21,659
Total Restricted Net Assets	<u>\$ 2,365,726</u>	<u>\$ 1,013,159</u>	<u>\$ 661,058</u>	<u>\$ 4,039,943</u>

Fund Balances – Primary Government

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

Primary Government Fund Balances As of June 30, 2011 (In Thousands)				
	General Fund	Major Special Revenue Fund Federal Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 31,476	\$ 31,476
Trust Fund Principal	579,800	-	-	579,800
Permanent Fund Principal	-	-	801,927	801,927
Restricted for:				
Arts and Cultural Heritage	-	-	10,904	10,904
Public Safety	-	-	25,295	25,295
Transportation	-	-	978,502	978,502
Environmental	24,513	123	312,481	337,117
Economic and Workforce Development	75,013	-	73,912	148,925
Health and Human Services	-	-	20,923	20,923
General Education	71,507	-	9,235	80,742
General Government	-	-	21,455	21,455
Debt Service	-	-	814,106	814,106
Capital Projects	-	-	177,834	177,834
Permanent Fund	-	-	5,842	5,842
Committed to:				
Public Safety	-	-	49,095	49,095
Transportation	-	-	2,862	2,862
Environmental	-	-	60,930	60,930
Economic and Workforce Development	-	-	176,481	176,481
Health and Human Services	-	-	81,496	81,496
General Education	-	-	379	379
General Government	-	-	11,696	11,696
Assigned to:				
Capital Projects	-	-	2,306	2,306
Unassigned:	(900,675)	-	(19,905)	(920,580)
Total Fund Balances	\$ (149,842)	\$ 123	\$ 3,649,232	\$ 3,499,513

Deficit Equity Balances

A \$856,000 deficit total net asset balance in the Behavioral Services Fund (enterprise fund) occurred during the fiscal year ended June 30, 2011. Repayment schedules have been established. This fund's operations continue to be evaluated for future operations.

A \$19,905,000 deficit fund balance in the Transportation Fund (capital projects) was caused by a delay in issuing bonds. The Transportation Fund borrowed from the Trunk Highway Fund (special revenue) until bonds were issued in September 2011.

Note 17 – Risk Management

Primary Government

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

Risk Management Fund

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

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,000,000. The reinsurance program provides coverage up to \$1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach \$4,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a \$25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of \$500,000 bodily injury and property damage per person, and \$1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides \$10,000,000 excess of a \$1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

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

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

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature. Tort claims brought outside Minnesota state jurisdiction and in Federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including work place safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of \$1,800,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program

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

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of \$2,117,078 greater than coverage during the fiscal year ended June 30, 2011.

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, 2011, was 3,023 members and their dependents. The members of the pool include 21 school districts, 30 cities/townships, 2 counties, and 10 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 \$200,000.

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

Primary Government Self-Insured Claim Liabilities (In Thousands)					
	<u>Beginning Claims Liability</u>	<u>Net Additions and Changes in Claims</u>	<u>Payment of Claims</u>	<u>Ending Claims Liability</u>	
Risk Management Fund					
Fiscal Year Ended 6/30/10	\$ 9,341	\$ 8,185	\$ 2,877	\$ 14,649	
Fiscal Year Ended 6/30/11	\$ 14,649	\$ (3,349)	\$ 2,091	\$ 9,209	
Tort Claims					
Fiscal Year Ended 6/30/10	\$ —	\$ 375	\$ 375	\$ —	
Fiscal Year Ended 6/30/11	\$ —	\$ 818	\$ 818	\$ —	
Workers' Compensation					
Fiscal Year Ended 6/30/10	\$ 100,340	\$ 32,787	\$ 21,355	\$ 111,772	
Fiscal Year Ended 6/30/11	\$ 111,772	\$ 39,901	\$ 22,295	\$ 129,378	
State Employee Insurance Plans					
Fiscal Year Ended 6/30/10	\$ 45,390	\$ 568,346	\$ 568,920	\$ 44,816	
Fiscal Year Ended 6/30/11	\$ 44,816	\$ 614,842	\$ 612,034	\$ 47,624	

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

	Year Ended June 30	
	2011	2010
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 1,960	\$ 895
Incurring Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	\$ 22,643	\$ 18,788
Increases (Decreases) in Provision for Insured Events of Prior Years	12	(316)
Total Incurred Claims and Claim Adjustment Expenses	<u>\$ 22,655</u>	<u>\$ 18,472</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 20,720	\$ 16,848
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,952	559
Total Payments	<u>\$ 22,672</u>	<u>\$ 17,407</u>
Total Unpaid Claims and Claim Adjustment Expenses, Ending	<u>\$ 1,943</u>	<u>\$ 1,960</u>

Component Units

Housing Finance Agency

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

Metropolitan Council

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

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to \$500,000 per claim and \$1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are \$400,000 per claim and \$1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-

evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 4.34 percent. The self-insurance retention limit for workers' compensation is \$1,800,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors' and officers' liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 1.5 percent.

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

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of the U of M's liability for medical claims, including incurred but not reported claims, is recorded.

	Component Units Claims Liabilities (In Thousands)				
	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability	
Metropolitan Council - Workers' Compensation					
Fiscal Year Ended 12/31/09	\$ 15,318	\$ 7,842	\$ 7,351	\$	15,809
Fiscal Year Ended 12/31/10	\$ 15,809	\$ 10,106	\$ 7,169	\$	18,746
University of Minnesota – RUMINCO, Ltd.					
Fiscal Year Ended 6/30/10	\$ 7,920	\$ 2,185	\$ 2,287	\$	7,818
Fiscal Year Ended 6/30/11	\$ 7,818	\$ 2,345	\$ 2,300	\$	7,863
University of Minnesota – Workers' Compensation					
Fiscal Year Ended 6/30/10	\$ 14,132	\$ 2,978	\$ 4,427	\$	12,683
Fiscal Year Ended 6/30/11	\$ 12,683	\$ 3,517	\$ 4,235	\$	11,965
University of Minnesota – Medical/Dental					
Fiscal Year Ended 6/30/10	\$ 18,257	\$ 239,781	\$ 239,394	\$	18,644
Fiscal Year Ended 6/30/11	\$ 18,644	\$ 246,634	\$ 241,117	\$	24,161

Note 18 – Budgetary Basis vs. GAAP

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

General Fund Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2011 (In Thousands)	
GAAP Basis Fund Balance:	\$ (149,842)
Less: Encumbrances	63,867
Unassigned Fund Balance	<u>\$ (213,709)</u>
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (467,757)
Tax Refunds Payable	382,770
Human Services Receivable	(100,023)
Unearned Revenue	11,855
Escheat Asset	(12,257)
Other Receivables	(17,922)
Permanent School Fund Reimbursement	(3,748)
Investments at Market	8,470
Expenditure Accruals/Adjustments:	
Medical Care Programs	590,652
Human Services Grants Payable	54,541
Education Aids	2,098,345
Police and Fire Aid	79,681
Other Payables	1,224
Other Financial Sources (Uses):	
Transfers-In	(14,106)
Fund Structure Differences:	
Terminally Funded Pension Plans	21
Perspective Differences:	
Account with no Legally Adopted Budget	(1,048,669)
Long-Term Receivables	(37,829)
Appropriation Carryover	(42,435)
Budgetary Reserve	<u>\$ (274,665)</u>
Budgetary Basis:	
Undesignated Fund Balance	<u><u>\$ 994,439</u></u>

Note 19 – Litigation Report

- 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, 2011, and June 30, 2012, are \$761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is \$1,000,000. The maximum limited liability for any one claim is \$300,000 for claims arising before August 1, 2007, and \$400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.
- 2) *35W Bridge Collapse*. On August 1, 2007, the 35W interstate bridge over the Mississippi River collapsed. Thirteen people were killed, and approximately 145 injured. The bridge, which opened in 1967, was designed by a private contractor under contract with the state of Minnesota and was inspected and maintained by the Minnesota Department of Transportation ("MnDOT"). The state has received 186 Notices of Tort Claim arising from the collapse of the 35W bridge. The Minnesota Legislature enacted a compensation account codified in Minnesota Statutes, Section 3.7391 et seq., and appropriated \$36,640,000 for payments to representatives of decedents and claimants who were on the 35W bridge at the time of the collapse. A panel of three attorneys determined the amount of payments. All 179 claimants accepted payments from the compensation account and the emergency relief account in the aggregate amount of about \$37 million on the condition that they waived the right to sue the state for additional recovery. However, the majority of those claimants have commenced litigation against the original bridge designer, an engineering firm that inspected the bridge under contract with the state, and a construction company that was performing work on the bridge at the time of the collapse. The state has been third-partied into this litigation which is venued in Hennepin County district court. Although the state's position is that its exposure in this litigation is capped at \$1 million, the constitutionality of this cap may be challenged. The state has brought third party claims against the other defendants seeking recovery of the \$37 million paid to claimants by the statutory compensation account, the emergency relief account and for state's damages associated with the collapse. The state's claim against the construction company performing work on the bridge at the time of the collapse has been settled for \$1 million. The state's claim against the company which had performed inspections and analysis of the bridge has been settled for \$5 million. The state is pursuing a claim against the company that designed the bridge. The Minnesota Supreme Court affirmed lower court rulings that the state's claim can proceed.
- 3) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$15 million in excess of current levels.
 - a) At any one time, there are hundreds of MnDOT eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund). MnDOT has agreed to acquire properties for Metropolitan Council's (component unit) Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to MnDOT by Metropolitan Council.

- b) *Alliance Pipeline, L.P. v. Commissioner of Revenue, et al.* (Minnesota Tax Court). Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner's 2009 assessment of Alliance's natural gas pipeline property in Minnesota. Subsequently, Alliance appealed the Commissioner's assessment for tax years 2010 and 2011. The legal issues in this appeal are very similar to the legal challenges raised in the *Minnesota Energy Resources Corp. v. Commissioner* appeals listed below. Alliance argues: (1) that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8; (2) that Minnesota Rule 8100 exceeds the Commissioner's statutory authority to the extent it creates a valuation process which does not value utility property at its fair market value; and (3) that the assessment is unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process and Commerce Clauses of the U.S. Constitution.
- c) *Electric Cooperative Assessment Cases* (Minnesota Tax Court). Electric cooperatives filed a series of 16 separate appeals in Tax Court of the Commissioner of Revenue's assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year's end, if the cooperative has charged members in excess of the actual costs, it issues patronage adjustments in the form of "capital credits" to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department initially paid the refunds to each appellant, but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to member's capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant's administrative appeal. There are an estimated 44 electric cooperatives in the state that are similarly situated. The Department estimates total financial potential impact to the state of the Commissioner losing the legal issue in these cases is approximately \$20.9 million in one-time refunds with an on-going annual impact of \$4.2 million.
- d) *The Home Insurance Company v. Special Compensation Fund, and Minnesota Department of Labor and Industry* (Ramsey County District Court). The Home Insurance Company ("Home") seeks a declaration that it is entitled to reimbursement from the Special Compensation Fund (special revenue fund) for certain workers' compensation payments Home has made. Home, which is in liquidation, seeks the reimbursement to which it claims it is entitled under the state's workers' compensation scheme, and without recourse to the General Fund. Defendants Minnesota Department of Labor and Industry and Special Compensation Fund have denied Home's requests for reimbursement, raising various statutory defenses and stating that Home is not entitled to reimbursement under the law. Home claims it is entitled to \$21 million in past and future reimbursements. Summary judgment motions of both parties were heard in May 2010. The district court granted partial summary judgment in favor of the plaintiff in the amount of \$7,265,246, and denied summary judgment as premature as to future payments on qualifying claims. The District Court granted the state's motion for clarification of the grant of partial judgment and ruled that the state only has to reimburse Home amounts it has actually paid to Minnesota Insurance Guaranty Association, and which are eligible for reimbursement under the statute. The state has the option to appeal the district court grant of partial summary judgment.
- e) *Jensen, et al. v. METO, et al.* (U.S. District Court). Parents/guardians of several patients/former patients of the Minnesota Extended Treatment Options ("METO") program allege violations of various state and federal constitutional and statutory rights because of alleged misuse of restraints and seclusion of people committed in part because of developmental disabilities and seek class action status, money damages and injunctive relief. A settlement on monetary issues was reached (with the state contributing \$2.8 million) and a settlement agreement filed and approved by the federal district court on June 23, 2011. The class notice and claims process has been completed and judgment on the monetary claims has been entered.

- f) *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation's real, personal and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008, 2009, 2010, and 2011 are consolidated. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minnesota Statutes, Section 272.03, Subdivision 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (Art. X, Sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is \$126 million under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. Minnesota Energy Resources Corp. objects to both the old and new rules. Specifically, Minnesota Energy Resources Corp. disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation, the weighting of cost factors and claim that the property tax assessments are not applied evenly throughout Minnesota.
- g) *Meriwether Minnesota Land & Timber LLC, et al. v. State of Minnesota, et al.* (Ramsey County District Court). Plaintiffs, six large paper and timber companies, enrolled thousands of acres of forest land in a program created pursuant to the Sustainable Forest Incentive Act (SFIA), Minnesota Statutes, Section 290C.01 *et. seq.* (2010). Under the SFIA program, landowners receive annual incentive payments if they enroll land in the program and abide by the program's conditions. The legislature capped the 2010 SFIA incentive payment at \$100,000. Plaintiffs challenge the constitutionality of this cap, and allege that they are entitled to payment under the prior statutory formula. Plaintiffs allege claims of breach of contract and promissory estoppel, unconstitutional impairment of contract, unconstitutional taking, and violation of equal protection. Plaintiffs claim that they are entitled to a \$7.7 million incentive payment for 2010. The 2011 legislature amended the SFIA to repeal the statutory formula and provide for an incentive payment of \$7 per acre, subject to a cap of \$100,000. The district court granted Plaintiffs' motion for partial summary judgment for 2010 and required the Department of Revenue to calculate amounts based on the district court order. The state has filed an appeal.
- h) *R.J. Reynolds Tobacco Co. v. Commissioner of Revenue* (Minnesota Tax Court). This is a corporate franchise case where the taxpayer originally reported a \$2.9 billion sale from the sale of certain international business operations as business income apportionable to Minnesota, which increased its sales factor denominator by the gain amount. The Commissioner excluded gain from the company's sales factor and made no adjustment to the taxable income. The taxpayer objected, arguing that the business income must be represented in the apportionment factors to avoid distortion, or in the alternative, the gain must be deemed non-business income because the taxpayer did not conduct a unitary business with its international operations. The Commissioner rejected both arguments and also allowed only an 80 percent deduction for dividends received from a foreign subsidiary, rather than a 100 percent deduction. The Commissioner denied the taxpayer's refund claim asserting that the gain from the sale of trademark assets (\$2.6 billion) was non-business income. The amount at issue with this particular taxpayer is \$3.2 million plus \$1.2 million in a denied refund claim. If the Commissioner's decision is not upheld, the Commissioner estimates that the outcome of this litigation will affect similarly situated taxpayers resulting in a prospective loss of \$8 million per year starting in fiscal year 2011, and a retroactive effect of \$24 million for fiscal year 2011. RJR's motion for summary judgment was denied by the tax court. Trial is scheduled for late May 2012.
- i) *HealthStar Home Health Inc. et al. v. Commissioner of Human Services* (Ramsey County District Court). Plaintiffs, comprising several personal care assistance (PCA) agencies, personal care assistants, and individuals receiving PCA services, through the Medical Assistance, MinnesotaCare, or Alternative Care programs, filed a lawsuit challenging a 20 percent reduction in the rate paid for PCA services furnished by a close relative of the PCA recipient. Plaintiffs

allege that the reduction, enacted into law during the 2011 legislative special session, violates the state constitution's equal protection guarantees and Title VI of the federal Civil Rights Act. The court issued a written order on October 27, 2011, barring the Commissioner from enforcing the new law, pending litigation. The parties expect that some of the substantive issues will be briefed and resolved on an accelerated schedule. The Department of Human Services estimates that implementing the legislation would save the state and federal governments each approximately \$55 million over the next four fiscal years (2012-2015).

- j) *Skaja v. Minnesota Department of Health and Bearder, et al. v. State of Minnesota, et al.* (Hennepin County District Court). On November 16, 2011, the Minnesota Supreme Court issued an opinion in the *Bearder* case, holding that blood specimens collected under the newborn screening program are "genetic information" and that statutes governing the newborn screening program provide a limited exception to the requirements of the Genetic Privacy Act. The *Bearder* case was remanded to district court for further proceedings. Twelve families subsequently served the *Skaja* complaint and seek class action status, declaratory relief, injunctive relief and damages for alleged violation of the Genetic Privacy Act. The purported class includes all parents and children whose blood specimens were stored or used after newborn screening testing was complete.

Note 20 – Subsequent Events

Primary Government

Effective July 1, 2011, the state secured a line of credit in the maximum amount of \$600,000,000 to increase liquidity and assist in managing the fluctuations of forecasted state receipts and disbursements. The extent to which the line of credit is actually utilized to meet cash flow needs will be determined by the variance between estimated and actual receipts and the timing of major payments during any given month. The state has not accessed this line of credit, which expires on June 30, 2012.

On July 7, 2011, Fitch Ratings downgraded the state's bond rating to AA+ from AAA.

On August 30, 2011, the state sold \$60,380,000 of 911 Revenue Bonds at a true interest rate of 2.96 percent. These bonds will provide funding for implementation of a statewide 911 public safety radio communications systems project. 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.

On September 23, 2011, Standard & Poor's downgraded the state's bond rating to AA+ from AAA.

On October 12, 2011, the state sold \$445,000,000 of general obligation state various purpose bonds Series 2011A at a true interest rate of 2.82 percent, and \$320,000,000 of general obligation state trunk highway bonds Series 2011B at a true interest rate of 2.89 percent, \$4,000,000 general obligation state taxable state bonds Series 2011C at a true interest rate of 1.32 percent. These bonds are backed by the full faith and credit and taxing power of the state.

Blended Component Unit

In July 2011, Minnesota Statutes, Section 16A.98, created the Tobacco Securitization Authority (Authority) to manage securitization of the tobacco settlement payments exclusively for the state's benefit. The Authority is a legally separate entity governed by a three-member board consisting of state department heads.

On November 1, 2011, the state and the Authority entered into a Sale Agreement. In this Sale Agreement, the state will sell all tobacco settlement revenues paid or payable to the state on and subsequent to July 1, 2013, in exchange for the proceeds from the tobacco revenue bonds.

On November 29, 2011, the Authority sold \$682,270,000 tobacco settlement revenue bonds Series 2011B at a true interest rate of 4.80 percent and \$74,685,000 taxable tobacco settlement revenue bonds Series 2011A at a true interest rate of 3.08 percent. These bonds are backed solely by pledged revenues under the Sale Agreement.





State of Minnesota

Required Supplementary Information

2011
Comprehensive
Annual
Financial Report





2011 Comprehensive Annual Financial Report Required Supplementary Information

Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

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

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

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

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

Established Condition Level

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

Assessed Conditions

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

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2010	3.33	3.17
2009	3.25	3.12
2008	3.28	3.15

Bridges and Tunnels

Measurement Scale

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

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

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

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

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

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

Established Condition Level

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

Assessed Conditions

Principal Arterial	2010	2009	2008
Fair to Good	94.4%	94.0%	93.5%

All Other Systems	2010	2009	2008
Fair to Good	91.3%	90.4%	90.2%

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			Total Construction Program
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	
Budget	2011	\$ 241,801	\$ 270,378	\$ 512,179	\$ 25,390	\$ 356,957	\$ 382,347	\$ 894,526
	2010	128,668	391,274	519,942	14,172	328,573	342,745	862,687
	2009	153,692	357,479	511,171	12,312	250,415	262,727	773,898
	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
Actual	2011	\$ 153,245	\$ 156,672	\$ 309,917	\$ 60,898	\$ 566,820	\$ 627,718	\$ 937,635
	2010	142,295	188,096	330,391	71,361	531,980	603,341	933,732
	2009	175,274	257,489	432,763	37,994	408,090	446,084	878,847
	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

Actuarial Measures of Pension Funding Progress

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

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

Required supplementary information of funding progress is provided for the following plans: Correctional Employees Retirement Fund (CERF), Judicial Retirement Fund (JRF), Legislative Retirement Fund (LRF), and State Patrol Retirement Fund (SPRF).

Required Supplementary Information Schedule of Funding Progress (In Thousands)					
Actuarial Valuation Date	2010 ⁽¹⁾ 2009 2008	CERF	JRF	LRF	SPRF
		7/1/2010	7/1/2010	7/1/2010	7/1/2010
		7/1/2009	7/1/2009	7/1/2009	7/1/2009
		7/1/2008	7/1/2008	7/1/2008	7/1/2008
Actuarial Value of Plan Assets	2010	\$ 603,863	\$ 144,728	\$ 26,821	\$ 567,211
	2009	\$ 590,339	\$ 147,120	\$ 28,663	\$ 584,501
	2008	\$ 572,719	\$ 147,542	\$ 39,209	\$ 595,082
Actuarial Accrued Liability	2010	\$ 851,086	\$ 240,579	\$ 86,236	\$ 683,360
	2009	\$ 821,250	\$ 241,815	\$ 90,431	\$ 725,334
	2008	\$ 760,363	\$ 231,623	\$ 86,131	\$ 693,686
Total Unfunded Actuarial Liability	2010	\$ 247,223	\$ 95,851	\$ 59,415	\$ 116,149
	2009	\$ 230,911	\$ 94,695	\$ 61,768	\$ 140,833
	2008	\$ 187,644	\$ 84,081	\$ 46,922	\$ 98,604
Funded Ratio ⁽²⁾	2010	71%	60%	31%	83%
	2009	72%	61%	32%	81%
	2008	75%	64%	46%	86%
Annual Covered Payroll	2010	\$ 192,450	\$ 39,291	\$ 1,877	\$ 63,250
	2009	\$ 193,445	\$ 39,444	\$ 1,963	\$ 61,511
	2008	\$ 194,391	\$ 38,296	\$ 1,993	\$ 60,029
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2010	128%	244%	3165%	184%
	2009	119%	240%	3147%	229%
	2008	97%	220%	2354%	164%

⁽¹⁾The July 1, 2010, 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 health care plan.

Required Supplementary Information Schedule of Funding Progress (In Thousands)			
Actuarial Valuation Date		7/1/2010 ⁽¹⁾	
		7/1/2008	
		7/1/2006	
Actuarial Value of Plan Assets	7/1/2010	\$	-
	7/1/2008	\$	-
	7/1/2006	\$	-
Actuarial Accrued Liability	7/1/2010	\$	799,321
	7/1/2008	\$	754,801
	7/1/2006	\$	659,044
Total Unfunded Actuarial Liability	7/1/2010	\$	799,321
	7/1/2008	\$	754,801
	7/1/2006	\$	659,044
Funded Ratio ⁽²⁾	7/1/2010		0%
	7/1/2008		0%
	7/1/2006		0%
Annual Covered Payroll	7/1/2010	\$	3,027,241
	7/1/2008	\$	2,785,335
	7/1/2006	\$	2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2010		26%
	7/1/2008		27%
	7/1/2006		23%
⁽¹⁾ The July 1, 2010, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.			
⁽²⁾ Actuarial value of assets as a percent of actuarial accrued liability.			

Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Required Contribution and Investment Revenue:										
Earned	\$ 22,149	\$ 23,458	\$ 22,764	\$ 19,177	\$ 14,942	\$ 13,219	\$ 13,439	\$ 12,286	\$ 25,031	\$ 34,161
Ceded	2,243	2,321	2,231	1,736	1,491	1,347	1,298	1,218	2,684	2,660
Net Earned	\$ 19,906	\$ 21,137	\$ 20,533	\$ 17,441	\$ 13,451	\$ 11,872	\$ 12,141	\$ 11,068	\$ 22,347	\$ 31,501
2. Unallocated Expenses	\$ 2,715	\$ 2,528	\$ 2,296	\$ 1,904	\$ 1,638	\$ 1,547	\$ 1,505	\$ 1,534	\$ 2,037	\$ 2,411
3. Estimated claims and Expenses End of Policy Year:										
Incurred	\$ 21,055	\$ 19,715	\$ 19,466	\$ 16,499	\$ 12,551	\$ 11,206	\$ 10,748	\$ 9,473	\$ 19,350	\$ 24,134
Ceded	2,513	1,570	1,980	1,913	1,382	1,782	380	667	562	1,491
Net Incurred	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643
4. Net Paid (Cumulative) as of:										
End of Policy Year	\$ 15,824	\$ 15,847	\$ 15,699	\$ 12,909	\$ 10,055	\$ 8,226	\$ 9,403	\$ 7,921	\$ 16,848	\$ 20,720
One Year Latter	18,091	17,572	17,367	14,141	11,282	9,352	10,415	8,482	18,828	
Two Years Latter	18,034	17,579	17,764	14,139	11,301	9,358	10,413	8,454		
Three Years Latter	18,034	17,579	17,764	14,139	11,301	9,358	10,413			
Four Years Latter	18,034	17,579	17,764	14,139	11,301	9,358				
Five Years Latter	18,034	17,579	17,696	14,139	11,301					
Six Years Latter	18,034	17,579	17,696	14,139						
Seven Years Latter	18,034	17,579	17,696							
Eight Years Latter	18,034	17,579								
Nine Years Latter	18,034									
5. Re-estimated Ceded Claims and Expenses	\$ 2,513	\$ 1,570	\$ 1,980	\$ 1,913	\$ 1,382	\$ 1,782	\$ 380	\$ 667	\$ 562	\$ 1,491
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	\$ 18,542	\$ 18,145	\$ 17,486	\$ 14,586	\$ 11,169	\$ 9,424	\$ 10,368	\$ 8,806	\$ 18,788	\$ 22,643
One Year Latter	18,114	17,595	17,385	14,152	11,294	9,362	10,425	8,502	18,848	
Two Years Latter	18,034	17,579	17,764	14,139	11,301	9,358	10,413	8,454		
Three Years Latter	18,034	17,579	17,764	14,139	11,301	9,358	10,413			
Four Years Latter	18,034	17,579	17,764	14,139	11,301	9,358				
Five Years Latter	18,034	17,579	17,696	14,139	11,301					
Six Years Latter	18,034	17,579	17,696	14,139						
Seven Years Latter	18,034	17,579	17,696							
Eight Years Latter	18,034	17,579								
Nine Years Latter	18,034									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	\$ (508)	\$ (566)	\$ 210	\$ (447)	\$ 132	\$ (66)	\$ 45	\$ (352)	\$ 60	\$ -

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 as well as lease-purchase financing for technology improvement.

Permanent Fund

Permanent School Fund

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

STATE OF MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE COMBINING BALANCE SHEET

JUNE 30, 2011

(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents.....	\$ 1,633,603	\$ 620,744	\$ 129,599	\$ 247,130	\$ 2,631,076
Investments.....	78,083	110,311	655,956	-	844,350
Accounts Receivable.....	346,054	-	6,744	-	352,798
Interfund Receivables.....	268,430	-	2,752	-	271,182
Due from Component Units.....	-	108,301	-	-	108,301
Accrued Investment/Interest Income.....	637	1,327	5,286	-	7,250
Federal Aid Receivable.....	73,271	-	-	-	73,271
Inventories.....	31,476	-	-	-	31,476
Loans and Notes Receivable.....	49,785	-	-	192	49,977
Deferred Costs.....	617	-	-	-	617
Investment in Land.....	-	-	16,008	-	16,008
Total Assets.....	<u>\$ 2,481,956</u>	<u>\$ 840,683</u>	<u>\$ 816,345</u>	<u>\$ 247,322</u>	<u>\$ 4,386,306</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 334,901	\$ -	\$ 5	\$ 33,287	\$ 368,193
Interfund Payables.....	137,947	26,577	8,571	51,894	224,989
Due to Component Units.....	1,795	-	-	1,906	3,701
Deferred Revenue.....	140,191	-	-	-	140,191
Total Liabilities.....	<u>\$ 614,834</u>	<u>\$ 26,577</u>	<u>\$ 8,576</u>	<u>\$ 87,087</u>	<u>\$ 737,074</u>
Fund Balances:					
Nonspendable.....	\$ 31,476	\$ -	\$ 801,927	\$ -	\$ 833,403
Restricted.....	1,452,707	814,106	5,842	177,834	2,450,489
Committed.....	382,939	-	-	-	382,939
Assigned.....	-	-	-	2,306	2,306
Unassigned.....	-	-	-	(19,905)	(19,905)
Total Fund Balances	<u>\$ 1,867,122</u>	<u>\$ 814,106</u>	<u>\$ 807,769</u>	<u>\$ 160,235</u>	<u>\$ 3,649,232</u>
Total Liabilities and Fund Balances	<u>\$ 2,481,956</u>	<u>\$ 840,683</u>	<u>\$ 816,345</u>	<u>\$ 247,322</u>	<u>\$ 4,386,306</u>

STATE OF MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes.....	\$ 256,389	\$ -	\$ -	\$ -	\$ 256,389
Motor Vehicle Taxes.....	844,753	-	-	-	844,753
Fuel Taxes.....	852,765	-	-	-	852,765
Other Taxes.....	763,638	-	-	-	763,638
Federal Revenues.....	556,503	-	-	-	556,503
Licenses and Fees.....	323,384	-	106	-	323,490
Departmental Services.....	134,743	-	28,325	-	163,068
Investment/Interest Income.....	30,465	10,555	113,160	10	154,190
Penalties and Fines.....	16,848	-	28	-	16,876
Securities Lending Income.....	8	-	67	-	75
Other Revenues.....	285,240	423	504	36	286,203
Net Revenues.....	\$ 4,064,736	\$ 10,978	\$ 142,190	\$ 46	\$ 4,217,950
Expenditures:					
Current:					
Public Safety and Corrections.....	\$ 187,110	\$ -	\$ -	\$ 1,388	\$ 188,498
Transportation.....	1,826,452	-	-	208,757	2,035,209
Agricultural, Environmental and Energy Resources.....	425,372	-	8,753	72,119	506,244
Economic and Workforce Development.....	179,336	-	-	123,005	302,341
General Education.....	41,406	-	22,826	5,925	70,157
Higher Education.....	22,638	-	-	71,975	94,613
Health and Human Services.....	839,285	-	-	142	839,427
General Government.....	77,236	202	-	2,098	79,536
Intergovernment Aid.....	299	-	-	-	299
Securities Lending Rebates and Fees.....	6	-	46	-	52
Total Current Expenditures.....	\$ 3,599,140	\$ 202	\$ 31,625	\$ 485,409	\$ 4,116,376
Capital Outlay.....	359,346	-	-	266,938	626,284
Debt Service.....	5,363	650,612	-	-	655,975
Total Expenditures.....	\$ 3,963,849	\$ 650,814	\$ 31,625	\$ 752,347	\$ 5,398,635
Excess of Revenues Over (Under)					
Expenditures.....	\$ 100,887	\$ (639,836)	\$ 110,565	\$ (752,301)	\$ (1,180,685)
Other Financing Sources (Uses):					
General Obligation Bond Issuance.....	\$ -	\$ 5,000	\$ -	\$ 838,496	\$ 843,496
Loan Proceeds.....	450	-	-	-	450
Refunding Bonds Sale.....	-	907,785	-	-	907,785
Payment to Refunded Bonds Escrow Agent.....	-	(907,785)	-	-	(907,785)
Bond Issue Premium.....	-	233,570	-	-	233,570
Transfers-In.....	177,286	450,925	2,752	1,330	632,293
Transfers-Out.....	(389,315)	-	-	(73,376)	(462,691)
Net Other Financing Sources (Uses).....	\$ (211,579)	\$ 689,495	\$ 2,752	\$ 766,450	\$ 1,247,118
Net Change in Fund Balances.....	\$ (110,692)	\$ 49,659	\$ 113,317	\$ 14,149	\$ 66,433
Fund Balances, Beginning, as Reported.....	\$ 1,975,916	\$ 764,447	\$ 694,452	\$ 205,002	\$ 3,639,817
Change in Fund Structure.....	-	-	-	(58,916)	(58,916)
Fund Balances, Beginning, as Restated.....	\$ 1,975,916	\$ 764,447	\$ 694,452	\$ 146,086	\$ 3,580,901
Change in Inventory.....	1,898	-	-	-	1,898
Fund Balances, Ending.....	\$ 1,867,122	\$ 814,106	\$ 807,769	\$ 160,235	\$ 3,649,232



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Nonmajor Special Revenue Funds

Trunk Highway Fund

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

Highway User Tax Distribution Fund

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

State Airports Fund

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

Municipal State-Aid Street Fund

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

County State-Aid Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels for distribution to counties for improvement of county roads.

Petroleum Tank Cleanup Fund

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

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.

Environmental and Remediation Fund

The fund accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems. It also accounts for activities that respond to and correct releases of hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

Douglas J. Johnson Economic Protection Trust Fund

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

Heritage Fund

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

Endowment Fund

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

Special Compensation Fund

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

Health Care Access Fund

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

Workforce Development Fund

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

Miscellaneous Special Revenue Fund

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

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

JUNE 30, 2011
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents.....	\$ 480,663	\$ 2,862	\$ 14,418	\$ 126,692
Investments.....	-	-	-	-
Accounts Receivable.....	1,245	91,995	851	457
Interfund Receivables.....	105,101	23,278	-	8,158
Accrued Investment/Interest Income.....	-	-	-	-
Federal Aid Receivable.....	72,077	-	-	-
Inventories.....	31,476	-	-	-
Loans and Notes Receivable.....	-	-	1,866	-
Deferred Costs.....	-	-	-	-
Total Assets.....	<u>\$ 690,562</u>	<u>\$ 118,135</u>	<u>\$ 17,135</u>	<u>\$ 135,307</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 96,115	\$ 1,361	\$ 2,850	\$ 16,940
Interfund Payables.....	-	111,900	-	-
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	539	4,120	15	-
Total Liabilities.....	<u>\$ 96,654</u>	<u>\$ 117,381</u>	<u>\$ 2,865</u>	<u>\$ 16,940</u>
Fund Balances:				
Nonspendable.....	\$ 31,476	\$ -	\$ -	\$ -
Restricted.....	562,432	754	14,270	118,367
Committed.....	-	-	-	-
Total Fund Balances.....	<u>\$ 593,908</u>	<u>\$ 754</u>	<u>\$ 14,270</u>	<u>\$ 118,367</u>
Total Liabilities and Fund Balances.....	<u>\$ 690,562</u>	<u>\$ 118,135</u>	<u>\$ 17,135</u>	<u>\$ 135,307</u>

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDATION
\$ 297,487	\$ 14,906	\$ 42,976	\$ 34,561	\$ 34,908
-	-	-	7,753	695
725	-	3,887	2,037	11,747
36,268	6,655	17,654	981	8,910
-	-	-	48	3
-	-	-	1,194	-
-	-	-	-	-
-	-	-	-	884
-	-	-	-	-
<u>\$ 334,480</u>	<u>\$ 21,561</u>	<u>\$ 64,517</u>	<u>\$ 46,574</u>	<u>\$ 57,147</u>
\$ 64,999	\$ 2,110	\$ 5,334	\$ 7,623	\$ 10,030
-	1,540	2,752	105	-
-	-	1,284	-	-
-	3	616	36	5,850
<u>\$ 64,999</u>	<u>\$ 3,653</u>	<u>\$ 9,986</u>	<u>\$ 7,764</u>	<u>\$ 15,880</u>
\$ -	\$ -	\$ -	\$ -	\$ -
269,481	17,908	-	38,810	41,267
-	-	54,531	-	-
<u>\$ 269,481</u>	<u>\$ 17,908</u>	<u>\$ 54,531</u>	<u>\$ 38,810</u>	<u>\$ 41,267</u>
<u>\$ 334,480</u>	<u>\$ 21,561</u>	<u>\$ 64,517</u>	<u>\$ 46,574</u>	<u>\$ 57,147</u>

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING BALANCE SHEET

JUNE 30, 2011
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
ASSETS				
Cash and Cash Equivalents.....	\$ 53,525	\$ 148,909	\$ 15,855	\$ 35,236
Investments.....	68,666	-	969	-
Accounts Receivable.....	993	879	648	106,485
Interfund Receivables.....	1,214	27,113	-	1,525
Accrued Investment/Interest Income.....	579	-	7	-
Federal Aid Receivable.....	-	-	-	-
Inventories.....	-	-	-	-
Loans and Notes Receivable.....	47,035	-	-	-
Deferred Costs.....	-	617	-	-
Total Assets.....	<u>\$ 172,012</u>	<u>\$ 177,518</u>	<u>\$ 17,479</u>	<u>\$ 143,246</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 201	\$ 12,715	\$ 121	\$ 7,751
Interfund Payables.....	-	750	-	-
Due to Component Units.....	-	44	-	-
Deferred Revenue.....	-	-	-	112,958
Total Liabilities.....	<u>\$ 201</u>	<u>\$ 13,509</u>	<u>\$ 121</u>	<u>\$ 120,709</u>
Fund Balances:				
Nonspendable.....	\$ -	\$ -	\$ -	\$ -
Restricted.....	-	164,009	17,358	22,537
Committed.....	171,811	-	-	-
Total Fund Balances.....	<u>\$ 171,811</u>	<u>\$ 164,009</u>	<u>\$ 17,358</u>	<u>\$ 22,537</u>
Total Liabilities and Fund Balances.....	<u>\$ 172,012</u>	<u>\$ 177,518</u>	<u>\$ 17,479</u>	<u>\$ 143,246</u>

HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ 29,571	\$ 20,832	\$ 280,202	\$ 1,633,603
-	-	-	78,083
92,295	15,480	16,330	346,054
1,105	78	30,390	268,430
-	-	-	637
-	-	-	73,271
-	-	-	31,476
-	-	-	49,785
-	-	-	617
<u>\$ 122,971</u>	<u>\$ 36,390</u>	<u>\$ 326,922</u>	<u>\$ 2,481,956</u>
\$ 57,817	\$ 1,858	\$ 47,076	\$ 334,901
-	-	20,900	137,947
-	-	467	1,795
3,040	1,375	11,639	140,191
<u>\$ 60,857</u>	<u>\$ 3,233</u>	<u>\$ 80,082</u>	<u>\$ 614,834</u>
\$ -	\$ -	\$ -	\$ 31,476
-	33,157	152,357	1,452,707
62,114	-	94,483	382,939
<u>\$ 62,114</u>	<u>\$ 33,157</u>	<u>\$ 246,840</u>	<u>\$ 1,867,122</u>
<u>\$ 122,971</u>	<u>\$ 36,390</u>	<u>\$ 326,922</u>	<u>\$ 2,481,956</u>

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	485,041	7,526	13,727	70,409
Fuel Taxes.....	485,997	2,815	3,593	70,547
Other Taxes.....	-	-	-	-
Federal Revenues.....	517,215	-	-	284
Licenses and Fees.....	7,107	2,085	546	-
Departmental Services.....	1,378	-	-	-
Investment/Interest Income.....	2,369	138	61	793
Penalties and Fines.....	3	494	-	-
Securities Lending Income.....	-	-	-	-
Other Revenues.....	36,693	328	-	-
Net Revenues.....	\$ 1,535,803	\$ 13,386	\$ 17,927	\$ 142,033
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 90,056	\$ 8,518	\$ -	\$ -
Transportation.....	963,911	192	22,700	156,733
Agricultural, Environmental and Energy Resources....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
General Education.....	-	-	-	-
Higher Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	12	1,935	-	-
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	-	-	-	-
Total Current Expenditures.....	\$ 1,053,979	\$ 10,645	\$ 22,700	\$ 156,733
Capital Outlay.....	271,656	-	-	-
Debt Service.....	2,964	78	-	-
Total Expenditures.....	\$ 1,328,599	\$ 10,723	\$ 22,700	\$ 156,733
Excess of Revenues Over (Under) Expenditures.....	\$ 207,204	\$ 2,663	\$ (4,773)	\$ (14,700)
Other Financing Sources (Uses):				
Loan Proceeds.....	\$ 450	\$ -	\$ -	\$ -
Transfers-In.....	6,061	-	-	9,990
Transfers-Out.....	(45,278)	(2,294)	-	-
Net Other Financing Sources (Uses).....	\$ (38,767)	\$ (2,294)	\$ -	\$ 9,990
Net Change in Fund Balances.....	\$ 168,437	\$ 369	\$ (4,773)	\$ (4,710)
Fund Balances, Beginning, as Reported.....	\$ 423,573	\$ 385	\$ 19,043	\$ 123,077
Change in Inventory.....	1,898	-	-	-
Fund Balances, Ending.....	\$ 593,908	\$ 754	\$ 14,270	\$ 118,367

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDATION
\$ 5,206	\$ -	\$ -	\$ -	-
268,050	-	-	-	-
268,577	-	21,236	-	-
-	-	-	-	49,779
558	-	90	27,763	-
-	20,469	20,080	56,569	36,374
-	-	27,060	953	108
2,280	140	93	1,420	388
-	17	100	325	1,909
-	-	-	1	-
-	75	1,459	162	13,695
<u>\$ 544,671</u>	<u>\$ 20,701</u>	<u>\$ 70,118</u>	<u>\$ 87,193</u>	<u>102,253</u>
\$ -	\$ -	\$ -	\$ -	68
633,701	-	5,792	-	-
-	7,952	72,097	94,520	106,041
-	4,469	-	-	1,273
-	-	160	-	-
-	-	-	-	-
-	-	-	-	248
-	-	-	-	314
-	-	-	-	-
-	-	-	1	-
<u>\$ 633,701</u>	<u>\$ 12,421</u>	<u>\$ 78,049</u>	<u>\$ 94,521</u>	<u>107,944</u>
382	-	1,107	2,743	414
-	-	1	-	-
<u>\$ 634,083</u>	<u>\$ 12,421</u>	<u>\$ 79,157</u>	<u>\$ 97,264</u>	<u>108,358</u>
<u>\$ (89,412)</u>	<u>\$ 8,280</u>	<u>\$ (9,039)</u>	<u>\$ (10,071)</u>	<u>(6,105)</u>
\$ -	\$ -	\$ -	\$ -	-
-	757	15,989	12,706	8,231
(9,990)	(11,759)	(2,761)	(693)	(48,757)
<u>\$ (9,990)</u>	<u>\$ (11,002)</u>	<u>\$ 13,228</u>	<u>\$ 12,013</u>	<u>(40,526)</u>
<u>\$ (99,402)</u>	<u>\$ (2,722)</u>	<u>\$ 4,189</u>	<u>\$ 1,942</u>	<u>(46,631)</u>
<u>\$ 368,883</u>	<u>\$ 20,630</u>	<u>\$ 50,342</u>	<u>\$ 36,868</u>	<u>87,898</u>
-	-	-	-	-
<u><u>\$ 269,481</u></u>	<u><u>\$ 17,908</u></u>	<u><u>\$ 54,531</u></u>	<u><u>\$ 38,810</u></u>	<u><u>41,267</u></u>

CONTINUED

STATE OF MINNESOTA

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED) COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
Net Revenues:				
Sales Taxes.....	\$ -	\$ 251,183	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-
Fuel Taxes.....	-	-	-	-
Other Taxes.....	888	-	-	88,289
Federal Revenues.....	-	-	-	-
Licenses and Fees.....	-	-	-	74
Departmental Services.....	140	-	-	817
Investment/Interest Income.....	11,683	795	243	274
Penalties and Fines.....	-	-	-	5,119
Securities Lending Income.....	7	-	-	-
Other Revenues.....	331	60	11,813	1,208
Net Revenues.....	\$ 13,049	\$ 252,038	\$ 12,056	\$ 95,781
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 98	\$ -
Transportation.....	-	27,683	-	-
Agricultural, Environmental and Energy Resources...	-	91,168	3,844	1,170
Economic and Workforce Development.....	2,565	8,373	502	84,612
General Education.....	-	20,216	2,269	-
Higher Education.....	-	305	-	-
Health and Human Services.....	-	1,943	553	-
General Government.....	-	35,012	165	6,917
Intergovernment Aid.....	-	-	-	-
Securities Lending Rebates and Fees.....	5	-	-	-
Total Current Expenditures.....	\$ 2,570	\$ 184,700	\$ 7,431	\$ 92,699
Capital Outlay.....	-	51,265	3,428	-
Debt Service.....	695	-	-	-
Total Expenditures.....	\$ 3,265	\$ 235,965	\$ 10,859	\$ 92,699
Excess of Revenues Over (Under) Expenditures.....	\$ 9,784	\$ 16,073	\$ 1,197	\$ 3,082
Other Financing Sources (Uses):				
Loan Proceeds.....	\$ -	\$ -	\$ -	\$ -
Transfers-In.....	1,214	-	-	8
Transfers-Out.....	(8,708)	(3,252)	-	-
Net Other Financing Sources (Uses).....	\$ (7,494)	\$ (3,252)	\$ -	\$ 8
Net Change in Fund Balances.....	\$ 2,290	\$ 12,821	\$ 1,197	\$ 3,090
Fund Balances, Beginning, as Reported.....	\$ 169,521	\$ 151,188	\$ 16,161	\$ 19,447
Change in Inventory.....	-	-	-	-
Fund Balances, Ending.....	\$ 171,811	\$ 164,009	\$ 17,358	\$ 22,537

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HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
\$ -	\$ -	\$ -	\$ 256,389
-	-	-	844,753
-	-	-	852,765
541,143	52,342	31,197	763,638
-	-	10,593	556,503
-	-	180,080	323,384
3,638	-	100,649	134,743
1,016	113	8,659	30,465
-	-	8,881	16,848
-	-	-	8
7,288	8	212,120	285,240
\$ 553,085	\$ 52,463	\$ 552,179	\$ 4,064,736

\$ -	\$ -	\$ 88,370	\$ 187,110
-	-	15,740	1,826,452
-	-	48,580	425,372
-	43,766	33,776	179,336
-	-	18,761	41,406
-	-	22,333	22,638
560,336	-	276,205	839,285
1,910	-	30,971	77,236
-	-	299	299
-	-	-	6
\$ 562,246	\$ 43,766	\$ 535,035	\$ 3,599,140
707	-	27,644	359,346
321	-	1,304	5,363
\$ 563,274	\$ 43,766	\$ 563,983	\$ 3,963,849
\$ (10,189)	\$ 8,697	\$ (11,804)	\$ 100,887

\$ -	\$ -	\$ -	\$ 450
-	1,450	120,880	177,286
(171,412)	(4,491)	(79,920)	(389,315)
\$ (171,412)	\$ (3,041)	\$ 40,960	\$ (211,579)
\$ (181,601)	\$ 5,656	\$ 29,156	\$ (110,692)
\$ 243,715	\$ 27,501	\$ 217,684	\$ 1,975,916
-	-	-	1,898
\$ 62,114	\$ 33,157	\$ 246,840	\$ 1,867,122

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	835,315	835,315
Fuel Taxes.....	-	-	846,054	846,054
Other Taxes.....	-	-	-	-
Federal Revenues.....	507,020	525,549	-	-
Departmental Services/Licenses and Fees.....	11,716	14,123	-	-
Investment/Interest Income.....	2,320	2,213	247	266
Other Revenues.....	57,196	37,851	4,449	960
Net Revenues.....	\$ 578,252	\$ 579,736	\$ 1,686,065	\$ 1,682,595
Expenditures:				
Public Safety and Corrections.....	\$ 92,027	\$ 91,412	\$ 8,665	\$ 8,529
Transportation.....	1,455,622	1,388,256	193	193
Agricultural, Environmental and Energy Resources.....	-	-	-	-
Economic and Workforce Development.....	-	-	-	-
Higher Education.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	-	-
General Government.....	1,289	12	2,593	1,922
Intergovernment Aid.....	-	-	77	77
Total Expenditures.....	\$ 1,548,938	\$ 1,479,680	\$ 11,528	\$ 10,721
Excess of Revenues Over (Under)				
Expenditures.....	\$ (970,686)	\$ (899,944)	\$ 1,674,537	\$ 1,671,874
Other Financing Sources (Uses):				
Transfers-In.....	\$ 969,933	\$ 976,717	\$ -	\$ -
Transfers-Out.....	(45,278)	(45,278)	(1,670,731)	(1,670,731)
Net Other Financing Sources (Uses).....	\$ 924,655	\$ 931,439	\$ (1,670,731)	\$ (1,670,731)
Net Change in Fund Balances.....	\$ (46,031)	\$ 31,495	\$ 3,806	\$ 1,143
Fund Balances, Beginning, as Reported.....	\$ 155,432	\$ 155,432	\$ 692	\$ 692
Prior Period Adjustments.....	-	34,773	-	14
Fund Balances, Beginning, as Restated.....	\$ 155,432	\$ 190,205	\$ 692	\$ 706
Fund Balances, Ending.....	\$ 109,401	\$ 221,700	\$ 4,498	\$ 1,849
Less Appropriation Carryover.....	-	20,223	-	-
Less Long-term Receivables.....	-	-	-	-
Undesignated Fund Balances, Ending.....	\$ 109,401	\$ 201,477	\$ 4,498	\$ 1,849

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,800	3,526	-	-	-	-
14,321	13,726	-	-	12,167	10,916
-	-	-	-	299	90
510	539	26,438	13,831	44,480	45,741
55	61	300	140	107	92
90	41	33	107	3,368	1,630
<u>\$ 18,776</u>	<u>\$ 17,893</u>	<u>\$ 26,771</u>	<u>\$ 14,078</u>	<u>\$ 60,421</u>	<u>\$ 58,469</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,194	20,958	-	-	5,370	5,370
-	-	8,741	7,980	91,559	80,462
-	-	2,594	2,594	-	-
-	-	-	-	-	-
-	-	-	-	160	160
-	-	-	-	-	-
100	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 21,294</u>	<u>\$ 20,958</u>	<u>\$ 11,335</u>	<u>\$ 10,574</u>	<u>\$ 97,089</u>	<u>\$ 85,992</u>
<u>\$ (2,518)</u>	<u>\$ (3,065)</u>	<u>\$ 15,436</u>	<u>\$ 3,504</u>	<u>\$ (36,668)</u>	<u>\$ (27,523)</u>
\$ -	\$ -	\$ 757	\$ 757	\$ 30,064	\$ 29,501
-	-	(11,758)	(11,758)	(38)	(38)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,001)</u>	<u>\$ (11,001)</u>	<u>\$ 30,026</u>	<u>\$ 29,463</u>
<u>\$ (2,518)</u>	<u>\$ (3,065)</u>	<u>\$ 4,435</u>	<u>\$ (7,497)</u>	<u>\$ (6,642)</u>	<u>\$ 1,940</u>
\$ 7,342	\$ 7,342	\$ 18,762	\$ 18,762	\$ 29,288	\$ 29,288
-	492	-	1,697	-	1,106
<u>\$ 7,342</u>	<u>\$ 7,834</u>	<u>\$ 18,762</u>	<u>\$ 20,459</u>	<u>\$ 29,288</u>	<u>\$ 30,394</u>
\$ 4,824	\$ 4,769	\$ 23,197	\$ 12,962	\$ 22,646	\$ 32,334
-	1,456	-	10,419	-	6,538
-	1,866	-	-	-	-
<u>\$ 4,824</u>	<u>\$ 1,447</u>	<u>\$ 23,197</u>	<u>\$ 2,543</u>	<u>\$ 22,646</u>	<u>\$ 25,796</u>

CONTINUED

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ -	\$ -
Motor Vehicle Taxes.....	-	-	-	-
Fuel Taxes.....	-	-	-	-
Other Taxes.....	12,168	10,916	47,576	49,596
Federal Revenues.....	27,400	26,569	-	-
Departmental Services/Licenses and Fees.....	55,736	56,090	34,732	36,526
Investment/Interest Income.....	168	155	213	177
Other Revenues.....	159	197	15,813	15,625
Net Revenues.....	\$ 95,631	\$ 93,927	\$ 98,334	\$ 101,924
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 68	\$ 68
Transportation.....	-	-	-	-
Agricultural, Environmental and Energy Resources.....	107,853	98,878	113,518	105,709
Economic and Workforce Development.....	-	-	2,111	1,968
Higher Education.....	-	-	-	-
General Education.....	-	-	-	-
Health and Human Services.....	-	-	428	250
General Government.....	-	-	963	313
Intergovernment Aid.....	-	-	-	-
Total Expenditures.....	\$ 107,853	\$ 98,878	\$ 117,088	\$ 108,308
Excess of Revenues Over (Under)				
Expenditures.....	\$ (12,222)	\$ (4,951)	\$ (18,754)	\$ (6,384)
Other Financing Sources (Uses):				
Transfers-In.....	\$ 846	\$ 832	\$ 9,420	\$ 8,230
Transfers-Out.....	(691)	(691)	(4,271)	(4,271)
Net Other Financing Sources (Uses).....	\$ 155	\$ 141	\$ 5,149	\$ 3,959
Net Change in Fund Balances.....	\$ (12,067)	\$ (4,810)	\$ (13,605)	\$ (2,425)
Fund Balances, Beginning, as Reported.....	\$ 32,007	\$ 32,007	\$ 27,860	\$ 27,860
Prior Period Adjustments.....	-	833	-	2,581
Fund Balances, Beginning, as Restated.....	\$ 32,007	\$ 32,840	\$ 27,860	\$ 30,441
Fund Balances, Ending.....	\$ 19,940	\$ 28,030	\$ 14,255	\$ 28,016
Less Appropriation Carryover.....	-	1,834	-	12,158
Less Long-term Receivables.....	-	-	-	884
Undesignated Fund Balances, Ending.....	\$ 19,940	\$ 26,196	\$ 14,255	\$ 14,974

CONTINUED

STATE OF MINNESOTA

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

YEAR ENDED JUNE 30, 2011

(IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes.....	\$ -	\$ -	\$ 249,700	\$ 251,184
Motor Vehicle Taxes.....	-	-	835,315	835,315
Fuel Taxes.....	-	-	849,854	849,580
Other Taxes.....	51,056	51,056	790,545	812,941
Federal Revenues.....	-	-	534,719	552,208
Departmental Services/Licenses and Fees.....	-	-	177,272	171,548
Investment/Interest Income.....	175	113	5,480	5,318
Other Revenues.....	-	-	88,200	65,140
Net Revenues.....	\$ 51,231	\$ 51,169	\$ 3,531,085	\$ 3,543,234
Expenditures:				
Public Safety and Corrections.....	\$ -	\$ -	\$ 100,760	\$ 100,009
Transportation.....	-	-	1,509,899	1,442,297
Agricultural and Environmental Resources.....	-	-	513,239	448,976
Economic and Workforce Development.....	47,762	47,098	165,785	138,367
Higher Education.....	-	-	305	305
General Education.....	-	-	22,714	22,471
Health and Human Services.....	-	-	615,919	583,479
General Government.....	-	-	53,161	48,480
Intergovernment Aid.....	-	-	397	397
Total Expenditures.....	\$ 47,762	\$ 47,098	\$ 2,982,179	\$ 2,784,781
Excess of Revenues Over (Under)				
Expenditures.....	\$ 3,469	\$ 4,071	\$ 548,906	\$ 758,453
Other Financing Sources (Uses):				
Transfers-In.....	\$ 1,450	\$ 1,450	\$ 1,012,470	\$ 1,017,495
Transfers-Out.....	(2,500)	(2,500)	(1,912,120)	(1,912,120)
Net Other Financing Sources (Uses).....	\$ (1,050)	\$ (1,050)	\$ (899,650)	\$ (894,625)
Net Change in Fund Balances.....	\$ 2,419	\$ 3,021	\$ (350,744)	\$ (136,172)
Fund Balances, Beginning, as Reported.....	\$ 3,304	\$ 3,304	\$ 603,055	\$ 603,055
Prior Period Adjustments.....	-	1,930	-	47,797
Fund Balances, Beginning, as Restated.....	\$ 3,304	\$ 5,234	\$ 603,055	\$ 650,852
Fund Balances, Ending.....	\$ 5,723	\$ 8,255	\$ 252,311	\$ 514,680
Less Appropriation Carryover.....	-	8,255	-	114,464
Less Long-term Receivables.....	-	-	-	2,750
Undesignated Fund Balances, Ending.....	\$ 5,723	\$ -	\$ 252,311	\$ 397,466

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, 2011
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental & Remediation	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	\$ 593,908	\$ 754	\$ 14,270	\$ 17,908	\$ 54,531	\$ 38,810	\$ 41,267	\$ 164,009	\$ 22,537	\$ 62,114	\$ 33,157
Less: Nonspendable Inventory	31,476	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	562,432	19	10,475	-	8,127	4,574	3,318	77,731	415	4,133	10,793
Undesignated Fund Balances	\$ -	\$ 735	\$ 3,795	\$ 17,908	\$ 46,404	\$ 34,236	\$ 37,949	\$ 86,278	\$ 22,122	\$ 57,981	\$ 22,364
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	\$ -	-	\$ (457)	\$ -	\$ -	\$ -	(5,783)	\$ -	\$ (48,009)	(90,289)	\$ (15,407)
Deferred Revenue	539	4,120	15	3	616	36	5,850	-	112,958	3,040	1,375
Other Receivables	(72,793)	(4,160)	(15)	(3)	(3,401)	(3,203)	(6,450)	(1,447)	(18,236)	-	-
Investments at Market	-	-	-	-	-	(2,081)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	51,127	-
Other Payables	-	-	1,431	1,692	1,589	23	-	479	756	5	-
Other Financing Sources (Uses):											
Transfers-In	(36,300)	-	-	(6,638)	(15,626)	(981)	-	-	-	-	(77)
Transfers-Out	-	1,154	-	-	2,752	-	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(3,550)	-	-	-	-
Long-Term Receivables	-	-	(1,866)	-	-	-	(884)	-	-	-	-
Long-Term Commitments	330,254	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(20,223)	-	(1,456)	(10,419)	(6,538)	(1,834)	(12,158)	(44,737)	(3,498)	(5,346)	(8,255)
Budgetary Basis Undesignated Fund Balances	\$ 201,477	\$ 1,849	\$ 1,447	\$ 2,543	\$ 25,796	\$ 26,196	\$ 14,974	\$ 40,573	\$ 66,093	\$ 16,518	\$ -





State of Minnesota

2011
Comprehensive
Annual
Financial Report

Nonmajor Capital Projects Funds

Building Fund

The fund receives revenue from the sale of certificates of participation and state bonds to finance technology development and to provide funds for the acquisition, maintenance, and betterment of state and local lands and buildings.

General Projects Fund

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

Transportation Fund

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

STATE OF MINNESOTA

NONMAJOR CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 2011 (IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents.....	\$ 203,679	\$ 2,307	\$ 41,144	\$ 247,130
Loans and Notes Receivable.....	192	-	-	192
Total Assets	<u>\$ 203,871</u>	<u>\$ 2,307</u>	<u>\$ 41,144</u>	<u>\$ 247,322</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable.....	\$ 21,128	\$ 1	\$ 12,158	\$ 33,287
Interfund Payables.....	3,003	-	48,891	51,894
Due to Component Units.....	1,906	-	-	1,906
Total Liabilities.....	<u>\$ 26,037</u>	<u>\$ 1</u>	<u>\$ 61,049</u>	<u>\$ 87,087</u>
Fund Balances:				
Restricted for Capital Projects.....	\$ 177,834	\$ -	\$ -	\$ 177,834
Assigned for Capital Projects.....	-	2,306	-	2,306
Unassigned.....	-	-	(19,905)	(19,905)
Total Fund Balances	<u>\$ 177,834</u>	<u>\$ 2,306</u>	<u>\$ (19,905)</u>	<u>\$ 160,235</u>
Total Liabilities and Fund Balances	<u>\$ 203,871</u>	<u>\$ 2,307</u>	<u>\$ 41,144</u>	<u>\$ 247,322</u>

STATE OF MINNESOTA

NONMAJOR CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income.....	\$ 10	\$ -	\$ -	\$ 10
Other Revenues.....	36	-	-	36
Net Revenues.....	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>
Expenditures:				
Current:				
Public Safety and Corrections.....	\$ 1,388	\$ -	\$ -	\$ 1,388
Transportation.....	47,217	-	161,540	208,757
Agricultural, Environmental and Energy Resources.....	69,175	2,944	-	72,119
Economic and Workforce Development.....	123,005	-	-	123,005
General Education.....	5,925	-	-	5,925
Higher Education.....	71,975	-	-	71,975
Health and Human Services.....	142	-	-	142
General Government.....	1,702	-	396	2,098
Total Current Expenditures.....	<u>\$ 320,529</u>	<u>\$ 2,944</u>	<u>\$ 161,936</u>	<u>\$ 485,409</u>
Capital Outlay.....	124,231	-	142,707	266,938
Total Expenditures.....	<u>\$ 444,760</u>	<u>\$ 2,944</u>	<u>\$ 304,643</u>	<u>\$ 752,347</u>
Excess of Revenues Over (Under) Expenditures.....	<u>\$ (444,714)</u>	<u>\$ (2,944)</u>	<u>\$ (304,643)</u>	<u>\$ (752,301)</u>
Other Financing Sources (Uses):				
General Obligation Bond Issuance.....	\$ 565,496	\$ -	\$ 273,000	\$ 838,496
Transfers-In.....	-	1,330	-	1,330
Transfers-Out.....	(73,376)	-	-	(73,376)
Net Other Financing Sources (Uses).....	<u>\$ 492,120</u>	<u>\$ 1,330</u>	<u>\$ 273,000</u>	<u>\$ 766,450</u>
Net Change in Fund Balances.....	<u>\$ 47,406</u>	<u>\$ (1,614)</u>	<u>\$ (31,643)</u>	<u>\$ 14,149</u>
Fund Balances, Beginning, as Reported.....	\$ 189,344	\$ 3,920	\$ 11,738	\$ 205,002
Change in Fund Structure.....	(58,916)	-	-	(58,916)
Fund Balances, Beginning, as Restated.....	<u>\$ 130,428</u>	<u>\$ 3,920</u>	<u>\$ 11,738</u>	<u>\$ 146,086</u>
Fund Balances, Ending.....	<u>\$ 177,834</u>	<u>\$ 2,306</u>	<u>\$ (19,905)</u>	<u>\$ 160,235</u>





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

State Lottery Fund

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

State Operated Community Services Fund

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

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2011
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 2,085	\$ 13,409	\$ 685	\$ 15,150
Accounts Receivable.....	3,822	3,280	84	4,747
Interfund Receivables.....	-	-	-	-
Inventories.....	-	665	220	5,719
Deferred Costs.....	-	2	-	-
Other Assets.....	-	-	1,356	397
Total Current Assets.....	\$ 5,907	\$ 17,356	\$ 2,345	\$ 26,013
Noncurrent Assets:				
Depreciable Capital Assets (Net).....	\$ 1,174	\$ 929	\$ 19,033	\$ 5,231
Nondepreciable Capital Assets	-	3	1,489	-
Total Noncurrent Assets.....	\$ 1,174	\$ 932	\$ 20,522	\$ 5,231
Total Assets.....	\$ 7,081	\$ 18,288	\$ 22,867	\$ 31,244
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 3,395	\$ 8,441	\$ 231	\$ 1,602
Interfund Payables.....	2,223	-	-	-
Unearned Revenue.....	-	9	28	-
Accrued Interest Payable.....	-	-	-	-
General Obligation Bonds Payable.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-
Capital Leases.....	-	-	87	-
Compensated Absences Payable.....	286	48	30	120
Other Liabilities.....	-	-	-	32
Total Current Liabilities.....	\$ 5,904	\$ 8,498	\$ 376	\$ 1,754
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable.....	-	-	-	-
Capital Leases.....	-	-	263	-
Compensated Absences Payable.....	1,671	451	186	866
Other Liabilities.....	362	52	-	37
Total Noncurrent Liabilities.....	\$ 2,033	\$ 503	\$ 449	\$ 903
Total Liabilities.....	\$ 7,937	\$ 9,001	\$ 825	\$ 2,657
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 1,174	\$ 932	\$ 20,130	\$ 5,231
Restricted for:				
Public Safety and Corrections.....	\$ -	\$ -	\$ -	\$ 23,356
Health and Human Services.....	-	-	-	-
Economic and Workforce Development.....	-	-	1,912	-
Other Purposes.....	-	8,355	-	-
Total Restricted.....	\$ -	\$ 8,355	\$ 1,912	\$ 23,356
Unrestricted	(2,030)	-	-	-
Total Net Assets.....	\$ (856)	\$ 9,287	\$ 22,042	\$ 28,587

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 58,512	\$ 16,119	\$ 16,546	\$ 21,842	\$ 144,348
5,178	710	4,950	2,909	25,680
-	-	-	2,223	2,223
-	-	597	-	7,201
-	-	516	-	518
-	-	-	157	1,910
<u>\$ 63,690</u>	<u>\$ 16,829</u>	<u>\$ 22,609</u>	<u>\$ 27,131</u>	<u>\$ 181,880</u>
\$ 76,041	\$ -	\$ 2,151	\$ 2,144	\$ 106,703
13,061	-	-	786	15,339
<u>\$ 89,102</u>	<u>\$ -</u>	<u>\$ 2,151</u>	<u>\$ 2,930</u>	<u>\$ 122,042</u>
<u>\$ 152,792</u>	<u>\$ 16,829</u>	<u>\$ 24,760</u>	<u>\$ 30,061</u>	<u>\$ 303,922</u>
\$ 7,096	\$ 2,417	\$ 3,922	\$ 4,734	\$ 31,838
-	-	18,385	-	20,608
-	1,066	825	-	1,928
397	-	-	-	397
-	-	-	304	304
7,980	-	-	-	7,980
-	-	-	85	172
65	5	162	762	1,478
-	-	-	-	32
<u>\$ 15,538</u>	<u>\$ 3,488</u>	<u>\$ 23,294</u>	<u>\$ 5,885</u>	<u>\$ 64,737</u>
\$ -	\$ -	\$ -	\$ 1,766	\$ 1,766
102,515	-	-	-	102,515
-	-	-	315	578
370	35	1,336	5,538	10,453
-	2	130	1,139	1,722
<u>\$ 102,885</u>	<u>\$ 37</u>	<u>\$ 1,466</u>	<u>\$ 8,758</u>	<u>\$ 117,034</u>
<u>\$ 118,423</u>	<u>\$ 3,525</u>	<u>\$ 24,760</u>	<u>\$ 14,643</u>	<u>\$ 181,771</u>
\$ -	\$ -	\$ 2,151	\$ 460	\$ 30,078
\$ 34,369	\$ -	\$ -	\$ -	\$ 57,725
-	-	-	14,958	14,958
-	-	-	-	1,912
-	13,304	-	-	21,659
<u>\$ 34,369</u>	<u>\$ 13,304</u>	<u>\$ -</u>	<u>\$ 14,958</u>	<u>\$ 96,254</u>
-	-	(2,151)	-	(4,181)
<u>\$ 34,369</u>	<u>\$ 13,304</u>	<u>\$ -</u>	<u>\$ 15,418</u>	<u>\$ 122,151</u>

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales.....	\$ -	\$ 3,075	\$ 3,614	\$ 38,285
Rental and Service Fees.....	22,357	14,594	135	-
Insurance Premiums.....	-	-	-	-
Other Income.....	14	-	86	2,118
Total Operating Revenues.....	\$ 22,371	\$ 17,669	\$ 3,835	\$ 40,403
Less: Cost of Goods Sold.....	-	1,865	-	16,556
Gross Margin.....	\$ 22,371	\$ 15,804	\$ 3,835	\$ 23,847
Operating Expenses:				
Purchased Services.....	\$ 2,742	\$ 1,947	\$ 2,447	\$ 4,984
Salaries and Fringe Benefits.....	15,598	5,323	2,963	9,620
Claims.....	-	-	-	-
Depreciation.....	64	94	1,216	827
Amortization.....	-	-	71	-
Supplies and Materials.....	553	174	287	983
Indirect Costs.....	1,451	174	-	861
Other Expenses.....	1,886	-	237	3,580
Total Operating Expenses.....	\$ 22,294	\$ 7,712	\$ 7,221	\$ 20,855
Operating Income (Loss).....	\$ 77	\$ 8,092	\$ (3,386)	\$ 2,992
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 11	\$ 3	\$ 87	\$ 90
Other Nonoperating Revenues.....	-	-	-	-
Interest and Financing Costs.....	-	-	(493)	-
Grants, Aids and Subsidies.....	-	-	-	-
Other Nonoperating Expenses.....	-	(7,468)	-	-
Gain (Loss) on Disposal of Capital Assets.....	-	-	-	(189)
Total Nonoperating Revenues (Expenses).....	\$ 11	\$ (7,465)	\$ (406)	\$ (99)
Income (Loss) Before Transfers & Contributions.....	\$ 88	\$ 627	\$ (3,792)	\$ 2,893
Capital Contributions.....	-	15	-	-
Transfers-In.....	-	1,468	8,708	-
Transfers-Out.....	-	-	-	(2,170)
Change in Net Assets.....	\$ 88	\$ 2,110	\$ 4,916	\$ 723
Net Assets, Beginning, as Reported.....	\$ (944)	\$ 7,177	\$ 17,126	\$ 27,864
Change in Fund Structure.....	-	-	-	-
Net Assets, Beginning, as Restated.....	\$ (944)	\$ 7,177	\$ 17,126	\$ 27,864
Net Assets, Ending.....	\$ (856)	\$ 9,287	\$ 22,042	\$ 28,587

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ -	\$ -	\$ 504,514	\$ -	\$ 549,488
63,373	-	-	77,871	178,330
-	33,587	-	-	33,587
-	575	-	563	3,356
\$ 63,373	\$ 34,162	\$ 504,514	\$ 78,434	\$ 764,761
-	-	357,893	-	376,314
\$ 63,373	\$ 34,162	\$ 146,621	\$ 78,434	\$ 388,447
\$ 22,205	\$ 4,891	\$ 11,602	\$ 5,222	\$ 56,040
5,010	155	10,650	66,838	116,157
-	22,731	-	-	22,731
6,588	-	913	1,084	10,786
-	-	-	-	71
3,726	-	1,165	1,786	8,674
55	2	-	3,297	5,840
-	22	536	2,023	8,284
\$ 37,584	\$ 27,801	\$ 24,866	\$ 80,250	\$ 228,583
\$ 25,789	\$ 6,361	\$ 121,755	\$ (1,816)	\$ 159,864
\$ 126	\$ 75	\$ 121	\$ 120	\$ 633
-	-	11	-	11
(4,381)	-	-	(176)	(5,050)
(19,834)	-	-	-	(19,834)
-	-	-	-	(7,468)
(15,390)	-	-	34	(15,545)
\$ (39,479)	\$ 75	\$ 132	\$ (22)	\$ (47,253)
\$ (13,690)	\$ 6,436	\$ 121,887	\$ (1,838)	\$ 112,611
19,858	-	-	-	19,873
-	-	-	-	10,176
(683)	-	(121,887)	-	(124,740)
\$ 5,485	\$ 6,436	\$ -	\$ (1,838)	\$ 17,920
\$ (30,032)	\$ 6,868	\$ -	\$ 17,256	\$ 45,315
58,916	-	-	-	58,916
\$ 28,884	\$ 6,868	\$ -	\$ 17,256	\$ 104,231
\$ 34,369	\$ 13,304	\$ -	\$ 15,418	\$ 122,151

STATE OF MINNESOTA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 22,853	\$ 16,913	\$ 3,927	\$ 38,285
Receipts from Other Revenues.....	-	-	-	2,118
Payments to Claimants.....	-	-	-	-
Payments to Suppliers.....	(6,883)	(3,485)	(3,226)	(29,403)
Payments to Employees.....	(15,688)	(5,288)	(2,836)	(9,620)
Payments to Others.....	-	(6,792)	-	-
Net Cash Flows from Operating Activities.....	\$ 282	\$ 1,348	\$ (2,135)	\$ 1,380
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements.....	\$ -	\$ -	\$ -	\$ -
Transfers-In.....	289	1,482	8,708	-
Transfers-Out.....	(421)	-	-	(2,170)
Repayment of Bond Principal.....	-	-	-	-
Interest Paid.....	-	-	-	-
Net Cash Flows from Noncapital Financing Activities.....	\$ (132)	\$ 1,482	\$ 8,708	\$ (2,170)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ -	\$ (38)	\$ (342)	\$ (1,659)
Proceeds from Disposal of Capital Assets.....	-	-	-	2
Capital Lease Payments.....	-	-	(83)	-
Repayment of Bond Principal.....	-	-	(11,310)	-
Interest Paid.....	-	-	(630)	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ -	\$ (38)	\$ (12,365)	\$ (1,657)
Cash Flows from Investing Activities:				
Investment Earnings.....	\$ 11	\$ 3	\$ 104	\$ 90
Net Cash Flows from Investing Activities.....	\$ 11	\$ 3	\$ 104	\$ 90
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 161	\$ 2,795	\$ (5,688)	\$ (2,357)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 1,924	\$ 10,614	\$ 6,373	\$ 17,507
Change in Fund Structure.....	-	-	-	-
Cash and Cash Equivalents, Beginning, as Restated.....	\$ 1,924	\$ 10,614	\$ 6,373	\$ 17,507
Cash and Cash Equivalents, Ending.....	\$ 2,085	\$ 13,409	\$ 685	\$ 15,150
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ 77	\$ 8,092	\$ (3,386)	\$ 2,992
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 64	\$ 94	\$ 1,216	\$ 827
Amortization.....	-	-	71	-
Miscellaneous Nonoperating Expenses.....	-	(6,296)	-	-
Change in Assets and Liabilities:				
Accounts Receivable.....	481	(567)	118	(1,572)
Inventories.....	-	34	(13)	(1,146)
Other Assets.....	-	-	36	(56)
Accounts Payable.....	(250)	20	(169)	-
Compensated Absences Payable.....	(90)	(20)	18	173
Unearned Revenues.....	-	(7)	(26)	-
Other Liabilities.....	-	(2)	-	162
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 205	\$ (6,744)	\$ 1,251	\$ (1,612)
Net Cash Flows from Operating Activities.....	\$ 282	\$ 1,348	\$ (2,135)	\$ 1,380
Noncash Investing, Capital and Financing Activities:				
Transferred/Donated Assets.....	\$ -	\$ 64	\$ 166	\$ -
Capital Assets Acquired Through Leases/Loans.....	-	-	237	-
Disposal of Capital Assets.....	-	-	-	-

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
\$ 63,274	\$ 34,174	\$ 507,654	\$ 77,947	\$ 765,027
-	-	92	563	2,773
-	(22,949)	(315,434)	-	(338,383)
(26,921)	(4,935)	(30,422)	(12,316)	(117,591)
(4,994)	(153)	(10,515)	(66,245)	(115,339)
-	(26)	(30,439)	-	(37,257)
<u>\$ 31,359</u>	<u>\$ 6,111</u>	<u>\$ 120,936</u>	<u>\$ (51)</u>	<u>\$ 159,230</u>
\$ (19,872)	\$ -	\$ -	\$ -	\$ (19,872)
-	-	-	133	10,612
(740)	-	(117,716)	-	(121,047)
(12,100)	-	-	-	(12,100)
(5,150)	-	-	-	(5,150)
<u>\$ (37,862)</u>	<u>\$ -</u>	<u>\$ (117,716)</u>	<u>\$ 133</u>	<u>\$ (147,557)</u>
\$ (31,671)	\$ -	\$ (800)	\$ (245)	\$ (34,755)
-	-	11	34	47
-	-	-	(77)	(160)
-	-	-	(290)	(11,600)
-	-	-	(176)	(806)
<u>\$ (31,671)</u>	<u>\$ -</u>	<u>\$ (789)</u>	<u>\$ (754)</u>	<u>\$ (47,274)</u>
\$ 126	\$ 75	\$ 121	\$ 120	\$ 650
<u>\$ 126</u>	<u>\$ 75</u>	<u>\$ 121</u>	<u>\$ 120</u>	<u>\$ 650</u>
<u>\$ (38,048)</u>	<u>\$ 6,186</u>	<u>\$ 2,552</u>	<u>\$ (552)</u>	<u>\$ (34,951)</u>
\$ 35,949	\$ 9,933	\$ 13,994	\$ 22,394	\$ 118,688
60,611	-	-	-	60,611
<u>\$ 96,560</u>	<u>\$ 9,933</u>	<u>\$ 13,994</u>	<u>\$ 22,394</u>	<u>\$ 179,299</u>
<u>\$ 58,512</u>	<u>\$ 16,119</u>	<u>\$ 16,546</u>	<u>\$ 21,842</u>	<u>\$ 144,348</u>
<u>\$ 25,789</u>	<u>\$ 6,361</u>	<u>\$ 121,755</u>	<u>\$ (1,816)</u>	<u>\$ 159,864</u>
\$ 6,588	\$ -	\$ 913	\$ 1,084	\$ 10,786
-	-	-	-	71
-	-	-	-	(6,296)
(99)	(211)	2,606	76	832
-	-	779	-	(346)
-	-	(65)	-	(85)
(886)	(38)	(5,667)	12	(6,978)
(33)	2	89	593	732
-	(4)	526	-	489
-	1	-	-	161
<u>\$ 5,570</u>	<u>\$ (250)</u>	<u>\$ (819)</u>	<u>\$ 1,765</u>	<u>\$ (634)</u>
<u>\$ 31,359</u>	<u>\$ 6,111</u>	<u>\$ 120,936</u>	<u>\$ (51)</u>	<u>\$ 159,230</u>
\$ 19,858	\$ -	\$ -	\$ -	\$ 20,088
-	-	-	-	237
<u>(15,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,390)</u>





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Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Central Stores Fund

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

Employee Insurance Fund

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

Enterprise Technologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 3,164	\$ 1,179	\$ 39	\$ 275,121
Investments.....	-	-	-	20,266
Accounts Receivable.....	1,543	1,359	-	10,084
Accrued Investment/Interest Income.....	-	-	-	220
Inventories.....	-	5	-	-
Deferred Costs.....	-	650	-	-
Total Current Assets.....	\$ 4,707	\$ 3,193	\$ 39	\$ 305,691
Noncurrent Assets:				
Deferred Costs.....	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets (Net).....	16,885	51	-	-
Total Noncurrent Assets.....	\$ 16,885	\$ 51	\$ -	\$ -
Total Assets.....	\$ 21,592	\$ 3,244	\$ 39	\$ 305,691
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	\$ 307	\$ 406	\$ -	\$ 59,968
Interfund Payables.....	-	-	39	-
Unearned Revenue.....	-	22	-	5,155
Loans Payable.....	4,587	-	-	-
Compensated Absences Payable.....	11	31	-	42
Total Current Liabilities.....	\$ 4,905	\$ 459	\$ 39	\$ 65,165
Noncurrent Liabilities:				
Loans Payable.....	\$ 6,180	\$ -	\$ -	\$ -
Compensated Absences Payable.....	93	347	-	482
Other Liabilities.....	9	97	-	33
Total Noncurrent Liabilities.....	\$ 6,282	\$ 444	\$ -	\$ 515
Total Liabilities.....	\$ 11,187	\$ 903	\$ 39	\$ 65,680
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	\$ 6,097	\$ 51	\$ -	\$ -
Unrestricted	4,308	2,290	-	240,011
Total Net Assets.....	\$ 10,405	\$ 2,341	\$ -	\$ 240,011

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 22,493	\$ 23,695	\$ 19,610	\$ 345,301
-	-	-	20,266
11,041	1,990	2,056	28,073
-	-	-	220
-	227	-	232
4,879	-	15	5,544
<u>\$ 38,413</u>	<u>\$ 25,912</u>	<u>\$ 21,681</u>	<u>\$ 399,636</u>
\$ 293	\$ -	\$ -	\$ 293
7,575	5,529	646	30,686
<u>\$ 7,868</u>	<u>\$ 5,529</u>	<u>\$ 646</u>	<u>\$ 30,979</u>
\$ 46,281	\$ 31,441	\$ 22,327	\$ 430,615
\$ 5,990	\$ 3,921	\$ 11,472	\$ 82,064
-	-	-	39
2,403	-	192	7,772
2,282	-	-	6,869
288	177	15	564
<u>\$ 10,963</u>	<u>\$ 4,098</u>	<u>\$ 11,679</u>	<u>\$ 97,308</u>
\$ 2,725	\$ -	\$ -	\$ 8,905
2,979	1,364	123	5,388
295	230	11	675
<u>\$ 5,999</u>	<u>\$ 1,594</u>	<u>\$ 134</u>	<u>\$ 14,968</u>
<u>\$ 16,962</u>	<u>\$ 5,692</u>	<u>\$ 11,813</u>	<u>\$ 112,276</u>
\$ 2,662	\$ 5,501	\$ 607	\$ 14,918
26,657	20,248	9,907	303,421
<u>\$ 29,319</u>	<u>\$ 25,749</u>	<u>\$ 10,514</u>	<u>\$ 318,339</u>

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales.....	\$ -	\$ 11,115	\$ 8	\$ -
Rental and Service Fees.....	13,933	1,998	-	-
Insurance Premiums.....	-	-	-	673,976
Other Income.....	1	-	-	7,124
Total Operating Revenues.....	\$ 13,934	\$ 13,113	\$ 8	\$ 681,100
Gross Margin.....	\$ 13,934	\$ 13,113	\$ 8	\$ 681,100
Operating Expenses:				
Purchased Services.....	\$ 4,441	\$ 9,429	\$ -	\$ 81,045
Salaries and Fringe Benefits.....	678	3,329	-	4,099
Claims.....	-	-	-	614,843
Depreciation.....	4,704	23	-	-
Amortization.....	-	-	-	-
Supplies and Materials.....	3,566	70	-	18
Indirect Costs.....	280	82	11	120
Other Expenses.....	-	130	-	1,107
Total Operating Expenses.....	\$ 13,669	\$ 13,063	\$ 11	\$ 701,232
Operating Income (Loss).....	\$ 265	\$ 50	\$ (3)	\$ (20,132)
Nonoperating Revenues (Expenses):				
Investment Income.....	\$ 63	\$ -	\$ -	\$ 2,353
Interest and Financing Costs.....	(227)	-	-	-
Other Nonoperating Expenses.....	(635)	-	-	-
Gain (Loss) on Disposal of Capital Assets.....	820	-	-	-
Total Nonoperating Revenues (Expenses).....	\$ 21	\$ -	\$ -	\$ 2,353
Income (Loss) Before Transfers & Contributions.....	\$ 286	\$ 50	\$ (3)	\$ (17,779)
Capital Contributions.....	-	-	-	-
Transfers-In.....	-	1	-	-
Transfers-Out.....	-	-	(1,077)	(10)
Change in Net Assets.....	\$ 286	\$ 51	\$ (1,080)	\$ (17,789)
Net Assets, Beginning, as Reported.....	\$ 10,119	\$ 2,290	\$ 1,080	\$ 257,800
Net Assets, Ending.....	\$ 10,405	\$ 2,341	\$ -	\$ 240,011

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ -	\$ -	\$ -	\$ 11,123
90,616	64,207	-	170,754
-	-	12,181	686,157
957	-	98	8,180
<u>\$ 91,573</u>	<u>\$ 64,207</u>	<u>\$ 12,279</u>	<u>\$ 876,214</u>
<u>\$ 91,573</u>	<u>\$ 64,207</u>	<u>\$ 12,279</u>	<u>\$ 876,214</u>
\$ 44,812	\$ 13,484	\$ 5,361	\$ 158,572
28,995	13,824	862	51,787
-	-	1,688	616,531
3,312	402	-	8,441
582	52	-	634
1,289	1,672	12	6,627
247	835	83	1,658
1,548	-	9	2,794
<u>\$ 80,785</u>	<u>\$ 30,269</u>	<u>\$ 8,015</u>	<u>\$ 847,044</u>
<u>\$ 10,788</u>	<u>\$ 33,938</u>	<u>\$ 4,264</u>	<u>\$ 29,170</u>
\$ 30	\$ -	\$ 111	\$ 2,557
(119)	-	-	(346)
(2,793)	(1,356)	(515)	(5,299)
-	10	-	830
<u>\$ (2,882)</u>	<u>\$ (1,346)</u>	<u>\$ (404)</u>	<u>\$ (2,258)</u>
\$ 7,906	\$ 32,592	\$ 3,860	\$ 26,912
209	62	-	271
8	-	-	9
-	(28,202)	-	(29,289)
<u>\$ 8,123</u>	<u>\$ 4,452</u>	<u>\$ 3,860</u>	<u>\$ (2,097)</u>
<u>\$ 21,196</u>	<u>\$ 21,297</u>	<u>\$ 6,654</u>	<u>\$ 320,436</u>
<u>\$ 29,319</u>	<u>\$ 25,749</u>	<u>\$ 10,514</u>	<u>\$ 318,339</u>

STATE OF MINNESOTA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers.....	\$ 14,115	\$ 13,351	\$ 4	\$ 672,526
Receipts from Other Revenues.....	1	-	-	7,237
Payments to Claimants.....	-	-	-	(615,878)
Payments to Suppliers.....	(8,334)	(9,810)	(13)	(78,509)
Payments to Employees.....	(648)	(3,314)	(9)	(4,060)
Payments to Others.....	(635)	(3)	-	(1,315)
Net Cash Flows from Operating Activities.....	\$ 4,499	\$ 224	\$ (18)	\$ (19,999)
Cash Flows from Noncapital Financing Activities:				
Transfers-In.....	\$ -	\$ 1	\$ -	\$ 10
Transfers-Out.....	-	-	(1,200)	(10)
Net Cash Flows from Noncapital Financing Activities.....	\$ -	\$ 1	\$ (1,200)	\$ -
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets.....	\$ (6,008)	\$ -	\$ -	\$ -
Proceeds from Disposal of Capital Assets.....	2,971	-	-	-
Proceeds from Loans.....	5,014	-	-	-
Repayment of Loan Principal.....	(5,351)	-	-	-
Interest Paid.....	(229)	-	-	-
Net Cash Flows from Capital and Related Financing Activities.....	\$ (3,603)	\$ -	\$ -	\$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments.....	\$ -	\$ -	\$ -	\$ 26,572
Purchase of Investments.....	-	-	-	(25,790)
Investment Earnings.....	63	-	-	2,660
Net Cash Flows from Investing Activities.....	\$ 63	\$ -	\$ -	\$ 3,442
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 959	\$ 225	\$ (1,218)	\$ (16,557)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 2,205	\$ 954	\$ 1,257	\$ 291,678
Cash and Cash Equivalents, Ending.....	\$ 3,164	\$ 1,179	\$ 39	\$ 275,121
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss).....	\$ 265	\$ 50	\$ (3)	\$ (20,132)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation.....	\$ 4,704	\$ 23	\$ -	\$ -
Amortization.....	-	-	-	-
Miscellaneous Nonoperating Expenses.....	(635)	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable.....	183	198	15	(2,525)
Inventories.....	-	-	-	-
Other Assets.....	-	(107)	-	-
Accounts Payable.....	(26)	53	(10)	2,200
Compensated Absences Payable.....	6	(50)	(20)	2
Unearned Revenues.....	-	-	-	418
Other Liabilities.....	2	57	-	38
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 4,234	\$ 174	\$ (15)	\$ 133
Net Cash Flows from Operating Activities.....	\$ 4,499	\$ 224	\$ (18)	\$ (19,999)
Noncash Investing, Capital and Financing Activities:				
Transferred/Donated Assets.....	\$ -	\$ -	\$ -	\$ -
Accrual of Computer Equipment as an Investment in Capital Assets.....	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
\$ 93,781	\$ 61,409	\$ 12,283	\$ 867,469
956	1,277	-	9,471
-	-	(4,128)	(620,006)
-	(14,575)	(5,443)	(116,684)
(29,011)	(13,752)	(802)	(51,596)
(54,401)	(1,356)	(515)	(58,225)
\$ 11,325	\$ 33,003	\$ 1,395	\$ 30,429
\$ 8	\$ -	\$ -	\$ 19
-	(28,202)	-	(29,412)
\$ 8	\$ (28,202)	\$ -	\$ (29,393)
\$ (1,957)	\$ (908)	\$ (47)	\$ (8,920)
-	72	-	3,043
1,159	-	-	6,173
(3,062)	-	-	(8,413)
(125)	-	-	(354)
\$ (3,985)	\$ (836)	\$ (47)	\$ (8,471)
\$ -	\$ -	\$ -	\$ 26,572
-	-	-	(25,790)
30	-	111	2,864
\$ 30	\$ -	\$ 111	\$ 3,646
\$ 7,378	\$ 3,965	\$ 1,459	\$ (3,789)
\$ 15,115	\$ 19,730	\$ 18,151	\$ 349,090
\$ 22,493	\$ 23,695	\$ 19,610	\$ 345,301
\$ 10,788	\$ 33,938	\$ 4,264	\$ 29,170
\$ 3,312	\$ 402	\$ -	\$ 8,441
582	52	-	634
(2,750)	(1,356)	(515)	(5,256)
2,944	(1,521)	965	259
(3,198)	33	-	(3,165)
(328)	-	6	(429)
(186)	1,421	(3,380)	72
(140)	(18)	51	(169)
263	-	2	683
38	52	2	189
\$ 537	\$ (935)	\$ (2,869)	\$ 1,259
\$ 11,325	\$ 33,003	\$ 1,395	\$ 30,429
\$ 209	\$ 62	\$ -	\$ 271
810	-	-	810



State of Minnesota

2011
Comprehensive
Annual
Financial Report

Pension Trust Funds

Minnesota State Retirement System

Correctional Employees Retirement Fund

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

Elective State Officers Fund

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

Hennepin County Supplemental Retirement Fund

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

Judicial Retirement Fund

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

Legislative Retirement Fund

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

Postretirement Health Care Benefits Fund

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

State Deferred Compensation Fund

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

Pension Trust Funds – Cont'd.

State Employees Retirement Fund

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

State Patrol Retirement Fund

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

Unclassified Employees Retirement Fund

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

Public Employees Retirement Association

Defined Contribution Fund

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

Minneapolis Employees Retirement Fund

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

Police and Fire Fund

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

Public Employees Correctional Fund

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

Public Employees Retirement Fund

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

Volunteer Firefighter Retirement Fund

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

Teachers Retirement Association

Teachers Retirement Fund

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

State Colleges and Universities

Colleges and Universities Retirement Fund

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

STATE OF MINNESOTA

PENSION TRUST FUNDS COMBINING STATEMENT OF NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalents.....	\$ 1,495	\$ -	\$ 40	\$ 454
Investment Pools, at fair value:				
Cash Equivalent Investments.....	\$ 41,843	\$ -	\$ 20,536	\$ 9,726
Investments:				
Guaranteed Investment Account.....	\$ -	\$ -	\$ -	\$ -
Debt Securities.....	137,252	-	28,984	31,519
Equity Securities.....	476,736	-	77,005	109,463
Mutual Funds.....	-	-	-	-
Total Investments.....	\$ 613,988	\$ -	\$ 105,989	\$ 140,982
Accrued Interest and Dividends.....	\$ 1,819	\$ -	\$ 365	\$ 418
Securities Trades Receivables (Payables).....	(14,535)	-	(1,304)	(3,337)
Total Investment Pool Participation.....	\$ 643,115	\$ -	\$ 125,586	\$ 147,789
Receivables:				
Interfund Receivables.....	\$ 2	\$ -	\$ 2	\$ 5
Receivables.....	2,687	1	30	377
Accrued Interest and Dividends.....	5	-	3	1
Total Receivables.....	\$ 2,694	\$ 1	\$ 35	\$ 383
Securities Lending Collateral.....	\$ 44,134	\$ -	\$ 894	\$ 10,134
Depreciable Capital Assets (Net).....	-	-	-	-
Nondepreciable Capital Assets.....	-	-	-	-
Total Assets.....	\$ 691,438	\$ 1	\$ 126,555	\$ 158,760
LIABILITIES				
Accounts Payable.....	\$ 382	\$ -	\$ 23	\$ 95
Interfund Payables.....	341	1	82	27
Accrued Expense.....	-	-	-	-
Revenue Bonds Payable.....	-	-	-	-
Bond Interest.....	-	-	-	-
Compensated Absences Payable.....	-	-	-	-
Securities Lending Liabilities.....	44,134	-	894	10,134
Total Liabilities.....	\$ 44,857	\$ 1	\$ 999	\$ 10,256
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 646,581	\$ -	\$ 125,556	\$ 148,504

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ 337	\$ 1,510	\$ 11,883	\$ 12,263	\$ 713	\$ 223
\$ 1,182	\$ 165,774	\$ 73,521	\$ 588,537	\$ 36,218	\$ 21,415
\$ -	\$ 112,617	\$ 1,220,497	\$ -	\$ -	\$ 36,373
4,025	38,572	-	1,959,313	121,137	51,683
13,983	107,617	-	6,804,075	420,757	176,087
-	-	2,864,617	-	-	-
\$ 18,008	\$ 258,806	\$ 4,085,114	\$ 8,763,388	\$ 541,894	\$ 264,143
\$ 53	\$ 579	\$ 14	\$ 25,965	\$ 1,606	\$ 768
(426)	(2,972)	-	(207,445)	(12,828)	(2,058)
\$ 18,817	\$ 422,187	\$ 4,158,649	\$ 9,170,445	\$ 566,890	\$ 284,268
\$ 1	\$ 42	\$ -	\$ 8,708	\$ 1	\$ 18
21	14,794	13,719	13,398	1,097	555
-	31	31	74	4	-
\$ 22	\$ 14,867	\$ 13,750	\$ 22,180	\$ 1,102	\$ 573
\$ 1,294	\$ 3,005	\$ 29,600	\$ 629,816	\$ 38,947	\$ 2,023
-	-	-	6,144	-	-
-	-	-	88	-	-
\$ 20,470	\$ 441,569	\$ 4,213,882	\$ 9,840,936	\$ 607,652	\$ 287,087
\$ 15	\$ 191	\$ 842	\$ 6,828	\$ 340	\$ 45
21	4,501	3,388	17	80	321
-	-	-	-	-	-
-	-	-	5,834	-	-
-	-	-	-	-	-
-	-	-	777	-	-
1,294	3,005	29,600	629,816	38,947	2,023
\$ 1,330	\$ 7,697	\$ 33,830	\$ 643,272	\$ 39,367	\$ 2,389
\$ 19,140	\$ 433,872	\$ 4,180,052	\$ 9,197,664	\$ 568,285	\$ 284,698

CONTINUED

STATE OF MINNESOTA

PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalents.....	\$ 321	\$ 3,141	\$ 918
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 3,578	\$ 55,357	\$ 346,892
Investments:			
Guaranteed Investment Account.....	\$ 3,131	\$ -	\$ -
Debt Securities.....	8,081	188,581	1,137,977
Equity Securities.....	24,421	655,052	3,939,877
Mutual Funds.....	-	-	-
Total Investments.....	\$ 35,633	\$ 843,633	\$ 5,077,854
Accrued Interest and Dividends.....	\$ 110	\$ 2,500	\$ 15,046
Securities Trades Receivables (Payables).....	(320)	(19,971)	(120,121)
Total Investment Pool Participation.....	\$ 39,001	\$ 881,519	\$ 5,319,671
Receivables:			
Interfund Receivables.....	\$ -	\$ 1	\$ 21
Receivables.....	92	26,566	2,167
Accrued Interest and Dividends.....	-	-	-
Total Receivables.....	\$ 92	\$ 26,567	\$ 2,188
Securities Lending Collateral.....	\$ 2,331	\$ 60,609	\$ 364,638
Depreciable Capital Assets (Net).....	-	-	-
Nondepreciable Capital Assets.....	-	-	-
Total Assets.....	\$ 41,745	\$ 971,836	\$ 5,687,415
LIABILITIES			
Accounts Payable.....	\$ -	\$ 14	\$ 2,271
Interfund Payables.....	356	226	3,474
Accrued Expense.....	-	-	-
Revenue Bonds Payable.....	-	-	-
Bond Interest.....	-	-	-
Compensated Absences Payable.....	-	-	-
Securities Lending Liabilities.....	2,331	60,609	364,638
Total Liabilities.....	\$ 2,687	\$ 60,849	\$ 370,383
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 39,058	\$ 910,987	\$ 5,317,032

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 118	\$ 2,442	\$ 8	\$ 4,336	\$ -	\$ 40,202
\$ 19,329	\$ 898,470	\$ 415	\$ 1,124,813	\$ -	\$ 3,407,606
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,372,618
59,930	2,909,522	1,440	3,698,843	-	10,376,859
206,421	10,061,641	1,696	12,809,537	-	35,884,368
-	-	-	-	1,093,691	3,958,308
\$ 266,351	\$ 12,971,163	\$ 3,136	\$ 16,508,380	\$ 1,093,691	\$ 51,592,153
\$ 789	\$ 38,437	\$ 15	\$ 49,112	\$ -	\$ 137,596
(6,292)	(306,763)	(153)	(390,542)	-	(1,089,067)
\$ 280,177	\$ 13,601,307	\$ 3,413	\$ 17,291,763	\$ 1,093,691	\$ 54,048,288
\$ 34	\$ 4,741	\$ -	\$ -	\$ -	\$ 13,576
387	11,501	99	15,624	-	103,115
-	-	-	-	-	149
\$ 421	\$ 16,242	\$ 99	\$ 15,624	\$ -	\$ 116,840
\$ 19,105	\$ 931,212	\$ 258	\$ 1,185,570	\$ -	\$ 3,323,570
-	8,846	-	11,368	-	26,358
-	170	-	171	-	429
\$ 299,821	\$ 14,560,219	\$ 3,778	\$ 18,508,832	\$ 1,093,691	\$ 57,555,687
\$ -	\$ 2,417	\$ -	\$ 9,863	\$ -	\$ 23,326
685	56	-	-	-	13,576
-	-	-	61	-	61
-	8,917	-	8,921	-	23,672
-	-	-	43	-	43
-	995	-	798	-	2,570
19,105	931,212	258	1,185,570	-	3,323,570
\$ 19,790	\$ 943,597	\$ 258	\$ 1,205,256	\$ -	\$ 3,386,818
\$ 280,031	\$ 13,616,622	\$ 3,520	\$ 17,303,576	\$ 1,093,691	\$ 54,168,869

STATE OF MINNESOTA

PENSION TRUST FUNDS COMBINING STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer.....	\$ 23,892	\$ -	\$ 467	\$ 8,297
Member.....	17,002	-	467	3,010
Contributions From Other Sources.....	-	460	-	-
Total Contributions.....	\$ 40,894	\$ 460	\$ 934	\$ 11,307
Net Investment Income:				
Investment Income.....	\$ 122,116	\$ -	\$ 21,816	\$ 28,805
Less: Investment Expense.....	(898)	-	(61)	(206)
Net Investment Income.....	\$ 121,218	\$ -	\$ 21,755	\$ 28,599
Securities Lending Revenues (Expenses):				
Securities Lending Income.....	\$ 366	\$ -	\$ 7	\$ 84
Borrower Rebates.....	(41)	-	(1)	(9)
Management Fees.....	(131)	-	(2)	(30)
Net Securities Lending Revenue.....	\$ 194	\$ -	\$ 4	\$ 45
Total Investment Income.....	\$ 121,412	\$ -	\$ 21,759	\$ 28,644
Transfers From Other Funds.....	\$ 13	\$ -	\$ -	\$ -
Other Additions.....	-	-	-	-
Total Additions.....	\$ 162,319	\$ 460	\$ 22,693	\$ 39,951
Deductions:				
Benefits.....	\$ 39,116	\$ 460	\$ 4,069	\$ 17,585
Refunds.....	1,509	-	2,490	30
Administrative Expenses.....	358	-	126	33
Transfers to Other Funds.....	-	-	-	-
Total Deductions.....	\$ 40,983	\$ 460	\$ 6,685	\$ 17,648
Net Increase (Decrease).....	\$ 121,336	\$ -	\$ 16,008	\$ 22,303
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 525,245	\$ 214	\$ 109,548	\$ 126,201
Prior Period Adjustments.....	-	(214)	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 525,245	\$ -	\$ 109,548	\$ 126,201
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 646,581	\$ -	\$ 125,556	\$ 148,504

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
\$ -	\$ -	\$ -	\$ 118,563	\$ 9,873	\$ 6,357
160	132,486	221,826	122,029	6,578	5,415
2,805	-	-	-	-	-
<u>\$ 2,965</u>	<u>\$ 132,486</u>	<u>\$ 221,826</u>	<u>\$ 240,592</u>	<u>\$ 16,451</u>	<u>\$ 11,772</u>
\$ 4,162	\$ 28,666	\$ 658,411	\$ 1,774,354	\$ 111,530	\$ 52,071
(26)	(204)	(2,007)	(12,820)	(793)	(137)
<u>\$ 4,136</u>	<u>\$ 28,462</u>	<u>\$ 656,404</u>	<u>\$ 1,761,534</u>	<u>\$ 110,737</u>	<u>\$ 51,934</u>
\$ 11	\$ 24	\$ 16	\$ 5,222	\$ 323	\$ 238
(1)	(3)	(2)	(585)	(36)	(32)
(4)	(8)	(6)	(1,864)	(115)	(79)
<u>\$ 6</u>	<u>\$ 13</u>	<u>\$ 8</u>	<u>\$ 2,773</u>	<u>\$ 172</u>	<u>\$ 127</u>
\$ 4,142	\$ 28,475	\$ 656,412	\$ 1,764,307	\$ 110,909	\$ 52,061
\$ -	\$ -	\$ -	\$ 24,740	\$ -	\$ 226
2	14	2,375	229	-	-
<u>\$ 7,109</u>	<u>\$ 160,975</u>	<u>\$ 880,613</u>	<u>\$ 2,029,868</u>	<u>\$ 127,360</u>	<u>\$ 64,059</u>
\$ 7,464	\$ 44,740	\$ 28,549	\$ 505,572	\$ 47,844	\$ 7,798
11	-	162,756	14,207	-	-
22	3,541	5,234	4,717	101	211
-	-	-	239	-	24,740
<u>\$ 7,497</u>	<u>\$ 48,281</u>	<u>\$ 196,539</u>	<u>\$ 524,735</u>	<u>\$ 47,945</u>	<u>\$ 32,749</u>
\$ (388)	\$ 112,694	\$ 684,074	\$ 1,505,133	\$ 79,415	\$ 31,310
\$ 26,821	\$ 321,178	\$ 3,495,978	\$ 7,692,531	\$ 488,870	\$ 253,388
(7,293)	-	-	-	-	-
<u>\$ 19,528</u>	<u>\$ 321,178</u>	<u>\$ 3,495,978</u>	<u>\$ 7,692,531</u>	<u>\$ 488,870</u>	<u>\$ 253,388</u>
\$ 19,140	\$ 433,872	\$ 4,180,052	\$ 9,197,664	\$ 568,285	\$ 284,698

CONTINUED

STATE OF MINNESOTA

PENSION TRUST FUNDS (CONTINUED) COMBINING STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer.....	\$ 1,622	\$ 5,105	\$ 109,604
Member.....	1,496	767	73,702
Contributions From Other Sources.....	-	-	-
Total Contributions.....	\$ 3,118	\$ 5,872	\$ 183,306
Net Investment Income:			
Investment Income.....	\$ 6,748	\$ 183,630	\$ 1,030,799
Less: Investment Expense.....	(32)	(1,237)	(7,423)
Net Investment Income.....	\$ 6,716	\$ 182,393	\$ 1,023,376
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 18	\$ 502	\$ 3,023
Borrower Rebates.....	(3)	(56)	(339)
Management Fees.....	(5)	(179)	(1,079)
Net Securities Lending Revenue.....	\$ 10	\$ 267	\$ 1,605
Total Investment Income.....	\$ 6,726	\$ 182,660	\$ 1,024,981
Transfers From Other Funds.....	\$ -	\$ 22,750	\$ -
Other Additions.....	-	44	1
Total Additions.....	\$ 9,844	\$ 211,326	\$ 1,208,288
Deductions:			
Benefits.....	\$ -	\$ 143,961	\$ 342,219
Refunds.....	2,596	178	2,012
Administrative Expenses.....	129	233	762
Transfers to Other Funds.....	-	-	-
Total Deductions.....	\$ 2,725	\$ 144,372	\$ 344,993
Net Increase (Decrease).....	\$ 7,119	\$ 66,954	\$ 863,295
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 31,939	\$ 844,033	\$ 4,453,737
Prior Period Adjustments.....	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated.....	\$ 31,939	\$ 844,033	\$ 4,453,737
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 39,058	\$ 910,987	\$ 5,317,032

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
\$ 14,289	\$ 357,596	\$ 215	\$ 222,723	\$ 41,307	\$ 919,910
9,624	311,115	-	218,024	34,853	1,158,554
-	-	-	22,801	1,900	27,966
\$ 23,913	\$ 668,711	\$ 215	\$ 463,548	\$ 78,060	\$ 2,106,430
\$ 50,647	\$ 2,622,424	\$ 241	\$ 3,409,061	\$ 178,092	\$ 10,283,573
(388)	(18,955)	-	(24,149)	-	(69,336)
\$ 50,259	\$ 2,603,469	\$ 241	\$ 3,384,912	\$ 178,092	\$ 10,214,237
\$ 158	\$ 7,719	\$ 2	\$ 9,828	\$ -	\$ 27,541
(18)	(865)	-	(1,101)	-	(3,092)
(56)	(2,755)	(1)	(3,508)	-	(9,822)
\$ 84	\$ 4,099	\$ 1	\$ 5,219	\$ -	\$ 14,627
\$ 50,343	\$ 2,607,568	\$ 242	\$ 3,390,131	\$ 178,092	\$ 10,228,864
\$ -	\$ 8	\$ -	\$ -	\$ -	\$ 47,737
-	435	2,426	4,271	-	9,797
\$ 74,256	\$ 3,276,722	\$ 2,883	\$ 3,857,950	\$ 256,152	\$ 12,392,828
\$ 4,026	\$ 950,708	\$ 119	\$ 1,459,550	\$ 48,536	\$ 3,652,316
1,338	38,218	-	25,099	-	250,444
229	9,756	8	9,264	324	35,048
-	-	-	-	-	24,979
\$ 5,593	\$ 998,682	\$ 127	\$ 1,493,913	\$ 48,860	\$ 3,962,787
\$ 68,663	\$ 2,278,040	\$ 2,756	\$ 2,364,037	\$ 207,292	\$ 8,430,041
\$ 211,368	\$ 11,338,582	\$ 764	\$ 14,939,539	\$ 886,399	\$ 45,746,335
-	-	-	-	-	(7,507)
\$ 211,368	\$ 11,338,582	\$ 764	\$ 14,939,539	\$ 886,399	\$ 45,738,828
\$ 280,031	\$ 13,616,622	\$ 3,520	\$ 17,303,576	\$ 1,093,691	\$ 54,168,869





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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.

Investment Trust Fund

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

STATE OF MINNESOTA

INVESTMENT TRUST FUNDS STATEMENT OF PLAN NET ASSETS JUNE 30, 2011 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments.....	\$ 24,493	\$ 50,833	\$ 75,326
Investments:			
Debt Securities.....	\$ 97,676	\$ 55,341	\$ 153,017
Equity Securities.....	275,373	75,316	350,689
Total Investments.....	\$ 373,049	\$ 130,657	\$ 503,706
Accrued Interest and Dividends.....	\$ 1,371	\$ 993	\$ 2,364
Securities Trades Receivables (Payables).....	(9,091)	(738)	(9,829)
Total Investment Pool Participation.....	\$ 389,822	\$ 181,745	\$ 571,567
Securities Lending Collateral.....	\$ 30,252	\$ -	\$ 30,252
Total Assets.....	\$ 420,074	\$ 181,745	\$ 601,819
LIABILITIES			
Securities Lending Liabilities.....	30,252	-	30,252
Total Liabilities.....	\$ 30,252	\$ -	\$ 30,252
Net Assets Held in Trust for Pension Benefits and Pool Participants.....	\$ 389,822	\$ 181,745	\$ 571,567

STATE OF MINNESOTA

INVESTMENT TRUST FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans.....	\$ 21,917	\$ 10,250	\$ 32,167
Total Contributions.....	\$ 21,917	\$ 10,250	\$ 32,167
Net Investment Income:			
Investment Income.....	\$ 74,852	\$ 21,425	\$ 96,277
Net Investment Income.....	\$ 74,852	\$ 21,425	\$ 96,277
Securities Lending Revenues (Expenses):			
Securities Lending Income.....	\$ 254	\$ 13	\$ 267
Borrower Rebates.....	(119)	(9)	(128)
Management Fees.....	-	(22)	(22)
Net Securities Lending Revenue.....	\$ 135	\$ (18)	\$ 117
Total Investment Income.....	\$ 74,987	\$ 21,407	\$ 96,394
Total Additions.....	\$ 96,904	\$ 31,657	\$ 128,561
Deductions:			
Refunds/Withdrawals.....	\$ 23,293	\$ 16,415	\$ 39,708
Total Deductions.....	\$ 23,293	\$ 16,415	\$ 39,708
Net Increase (Decrease).....	\$ 73,611	\$ 15,242	\$ 88,853
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported.....	\$ 316,211	\$ 166,503	\$ 482,714
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending.....	\$ 389,822	\$ 181,745	\$ 571,567





State of Minnesota

Agency Fund

Agency Fund

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

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AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents.....	\$ 102,071	\$ 1,374,202	\$ 1,370,586	\$ 105,687
Accounts Receivable.....	22,149	24,671	22,149	24,671
Total Assets.....	<u>\$ 124,220</u>	<u>\$ 1,398,873</u>	<u>\$ 1,392,735</u>	<u>\$ 130,358</u>
LIABILITIES				
Accounts Payable.....	\$ 124,220	\$ 1,398,873	\$ 1,392,735	\$ 130,358
Total Liabilities.....	<u>\$ 124,220</u>	<u>\$ 1,398,873</u>	<u>\$ 1,392,735</u>	<u>\$ 130,358</u>





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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

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

Office of Higher Education

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

Public Facilities Authority

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

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

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

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF NET ASSETS DECEMBER 31, 2010 and JUNE 30, 2011 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 4,755	\$ 287	\$ 105,005
Investments.....	-	-	-
Accounts Receivable.....	-	599	2,129
Due from Primary Government.....	-	242	-
Accrued Investment/Interest Income.....	121	-	2,436
Federal Aid Receivable.....	-	-	-
Inventories.....	-	46	-
Deferred Costs.....	-	58	203
Loans and Notes Receivable.....	490	-	88,838
Other Assets.....	55	-	-
Total Current Assets.....	\$ 5,421	\$ 1,232	\$ 198,611
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted.....	\$ -	\$ -	\$ 197,721
Investments-Restricted.....	19,863	-	-
Accounts Receivable-Restricted.....	-	2,950	-
Due from Primary Government.....	-	-	-
Investments.....	-	-	-
Accounts Receivable.....	-	-	-
Loans and Notes Receivable.....	2,018	-	629,252
Depreciable Capital Assets (Net).....	-	2,529	15
Nondepreciable Capital Assets.....	-	911	-
Other Assets.....	-	-	4,147
Total Noncurrent Assets.....	\$ 21,881	\$ 6,390	\$ 831,135
Total Assets.....	\$ 27,302	\$ 7,622	\$ 1,029,746
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 7	\$ 1,577	\$ 2,634
Due to Primary Government.....	-	-	1,665
Unearned Revenue.....	-	858	109
Accrued Bond Interest Payable.....	92	-	-
Loans and Notes Payable.....	-	2,621	-
Revenue Bonds Payable.....	685	-	-
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	61
Total Current Liabilities.....	\$ 784	\$ 5,056	\$ 4,469
Noncurrent Liabilities:			
Accrued Bond Interest Payable-Restricted.....	\$ -	\$ -	\$ 631
Due to Primary Government.....	-	-	-
Loans and Notes Payable.....	-	986	-
Revenue Bonds Payable.....	3,770	-	626,853
Claims Payable.....	-	-	-
Compensated Absences Payable.....	-	-	572
Other Liabilities.....	-	-	4,464
Total Noncurrent Liabilities.....	\$ 3,770	\$ 986	\$ 632,520
Total Liabilities.....	\$ 4,554	\$ 6,042	\$ 636,989
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	\$ -	\$ 3,440	\$ 15
Restricted.....	20,251	-	392,480
Unrestricted.....	2,497	(1,860)	262
Total Net Assets.....	\$ 22,748	\$ 1,580	\$ 392,757

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
\$ 322,119	\$ 21,470	\$ 3,514	\$ 457,150
17,637	-	307,750	325,387
-	-	25,176	27,904
2,134	-	-	2,376
20,300	-	1,105	23,962
495	-	-	495
-	-	-	46
-	-	2,796	3,057
125,660	7,671	-	222,659
-	-	288	343
<u>\$ 488,345</u>	<u>\$ 29,141</u>	<u>\$ 340,629</u>	<u>\$ 1,063,379</u>
\$ -	\$ -	\$ -	\$ 197,721
-	-	-	19,863
-	-	-	2,950
16,684	-	-	16,684
80,712	-	-	80,712
-	-	342,299	342,299
1,799,504	49,547	-	2,480,321
-	-	-	2,544
-	-	-	911
3,417	-	-	7,564
<u>\$ 1,900,317</u>	<u>\$ 49,547</u>	<u>\$ 342,299</u>	<u>\$ 3,151,569</u>
<u>\$ 2,388,662</u>	<u>\$ 78,688</u>	<u>\$ 682,928</u>	<u>\$ 4,214,948</u>
\$ 1,584	\$ -	\$ 3,168	\$ 8,970
-	6,500	42,021	50,186
-	-	15,739	16,706
19,178	-	-	19,270
-	-	-	2,621
70,060	-	-	70,745
-	-	40,682	40,682
42	-	-	103
<u>\$ 90,864</u>	<u>\$ 6,500</u>	<u>\$ 101,610</u>	<u>\$ 209,283</u>
\$ -	\$ -	\$ -	\$ 631
-	66,290	-	66,290
-	-	-	986
1,176,317	-	-	1,806,940
-	-	531,318	531,318
358	-	-	930
47	-	-	4,511
<u>\$ 1,176,722</u>	<u>\$ 66,290</u>	<u>\$ 531,318</u>	<u>\$ 2,411,606</u>
<u>\$ 1,267,586</u>	<u>\$ 72,790</u>	<u>\$ 632,928</u>	<u>\$ 2,620,889</u>
\$ -	\$ -	\$ -	\$ 3,455
1,116,813	-	3,442	1,532,986
4,263	5,898	46,558	57,618
<u>\$ 1,121,076</u>	<u>\$ 5,898</u>	<u>\$ 50,000</u>	<u>\$ 1,594,059</u>

STATE OF MINNESOTA

NONMAJOR COMPONENT UNIT FUNDS COMBINING STATEMENT OF ACTIVITIES YEARS ENDED DECEMBER 31, 2010 AND JUNE 30, 2011 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses.....	\$ 1,993	\$ 11,462	\$ 180,450
Program Revenues:			
Charges for Services.....	\$ 291	\$ 10,650	\$ 32,231
Operating Grants and Contributions.....	-	-	5,294
Net (Expense) Revenue.....	\$ (1,702)	\$ (812)	\$ (142,925)
General Revenues:			
Investment Income.....	\$ 381	\$ -	\$ -
Other Revenues.....	-	1,296	-
Total General Revenues before Grants.....	\$ 381	\$ 1,296	\$ -
State Grants Not Restricted.....	-	-	157,525
Total General Revenues.....	\$ 381	\$ 1,296	\$ 157,525
Change in Net Assets.....	\$ (1,321)	\$ 484	\$ 14,600
Net Assets, Beginning, as Reported.....	\$ 24,069	\$ 1,096	\$ 378,157
Net Assets, Ending.....	\$ 22,748	\$ 1,580	\$ 392,757

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
\$ 88,926	\$ 2,386	\$ 60,473	\$ 345,690
\$ 44,666	\$ 3,256	\$ 36,580	\$ 127,674
74,246	-	-	79,540
\$ 29,986	\$ 870	\$ (23,893)	\$ (138,476)
\$ -	\$ -	\$ 23,893	\$ 24,274
-	-	-	1,296
\$ -	\$ -	\$ 23,893	\$ 25,570
61,103	-	-	218,628
\$ 61,103	\$ -	\$ 23,893	\$ 244,198
\$ 91,089	\$ 870	\$ -	\$ 105,722
\$ 1,029,987	\$ 5,028	\$ 50,000	\$ 1,488,337
\$ 1,121,076	\$ 5,898	\$ 50,000	\$ 1,594,059

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income.....	\$ 150	\$ 3,255	\$ 3,405
Rental and Service Fees.....	-	1	1
Other Income.....	141	-	141
Total Operating Revenues.....	\$ 291	\$ 3,256	\$ 3,547
Operating Expenses:			
Economic and Manpower Development.....	\$ 1,757	\$ 2,386	\$ 4,143
Total Operating Expenses.....	\$ 1,757	\$ 2,386	\$ 4,143
Operating Income (Loss).....	\$ (1,466)	\$ 870	\$ (596)
Nonoperating Revenues (Expenses):			
Bond Interest Expense.....	\$ (236)	\$ -	\$ (236)
Investment/Interest Income.....	381	-	381
Total Nonoperating Revenues (Expenses).....	\$ 145	\$ -	\$ 145
Change in Net Assets.....	\$ (1,321)	\$ 870	\$ (451)
Net Assets, Beginning, as Reported.....	\$ 24,069	\$ 5,028	\$ 29,097
Net Assets, Ending.....	\$ 22,748	\$ 5,898	\$ 28,646

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2011 (IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers.....	\$ 656	\$ 11,999	\$ 12,655
Receipts from Other Revenues.....	2,466	5,064	7,530
Payments to Customers.....	-	(9,392)	(9,392)
Payments to Suppliers.....	(762)	-	(762)
Payments to Others.....	-	(11,879)	(11,879)
Net Cash Flows from Operating Activities.....	\$ 2,360	\$ (4,208)	\$ (1,848)
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest.....	\$ (316)	\$ -	\$ (316)
Repayment of Bond Principal.....	(2,905)	-	(2,905)
Loan Issuances.....	(250)	-	(250)
Net Cash Flows from Non-Capital Financing Activities.....	\$ (3,471)	\$ -	\$ (3,471)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments.....	\$ 4,768	\$ -	\$ 4,768
Purchase of Investments.....	(3,008)	-	(3,008)
Investment Interest.....	691	-	691
Net Cash Flows from Investing Activities.....	\$ 2,451	\$ -	\$ 2,451
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ 1,340	\$ (4,208)	\$ (2,868)
Cash and Cash Equivalents, Beginning, as Reported.....	\$ 3,415	\$ 25,678	\$ 29,093
Cash and Cash Equivalents, Ending.....	\$ 4,755	\$ 21,470	\$ 26,225
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss).....	\$ (1,466)	\$ 870	\$ (596)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Change in Assets and Liabilities:			
Loans Receivable.....	\$ 3,826	\$ (87)	\$ 3,739
Other Receivables.....	-	4	4
Due to Primary Government.....	-	(4,995)	(4,995)
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	\$ 3,826	\$ (5,078)	\$ (1,252)
Net Cash Flows from Operating Activities.....	\$ 2,360	\$ (4,208)	\$ (1,848)





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General Obligation Debt Schedule

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GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2011
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building ^{17, 18, 19, 20}	1990, Ch. 610	\$ 270,129.1	\$ 270,126.0	\$ 3.1
Building ^{10, 14, 16, 18}	1994, Ch. 643	523,874.5	523,849.0	25.5
Building ^{8, 9, 10, 14}	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building ^{8, 9, 10, 11, 14, 15}	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose ^{1, 4, 8, 9, 10, 13}	2000, Ch. 492	527,684.7	519,170.0	8,514.7
Various Purpose ^{1, 4, 8, 10, 12}	X2001, Ch. 12	116,758.7	115,446.0	1,312.7
Various Purpose ^{1, 3, 4, 6, 8, 10, 11}	2002, Ch. 393	600,831.8	598,605.0	2,226.8
Various Purpose ^{4, 8}	X2002, Ch. 1	15,273.0	15,055.0	218.0
Trunk Highway ⁴	X2003, Ch. 19, Art. 3	400,191.5	399,990.0	201.5
Trunk Highway ⁴	X2003, Ch. 19, Art. 4	106,026.5	105,700.0	326.5
Various Purpose ^{1, 3, 6}	2005, Ch. 20	941,297.4	920,079.0	21,218.4
Various Purpose ^{1, 3, 6, 7}	2006, Ch. 258	1,002,855.2	958,975.0	43,880.2
Various Purpose ³	X2007, Ch. 2	53,971.7	35,845.0	18,126.7
Trunk Highway	X2007, Ch. 2	20,020.0	19,085.0	935.0
Trunk Highway ³	2008, Ch. 152	1,783,300.0	393,975.0	1,389,325.0
Transportation	2008, Ch. 152	60,060.0	52,500.0	7,560.0
Various Purpose ^{3, 5}	2008, Ch. 179	800,869.3	698,947.0	101,922.3
Various Purpose	2008, Ch. 365	105,500.0	91,730.0	13,770.0
Trunk Highway	2009, Ch. 36	40,000.0	5,000.0	35,000.0
Various Purpose ³	2009, Ch. 93	258,865.0	187,500.0	71,365.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	5.0
Various Purpose ²	2010, Ch. 189	1,074,865.0	315,000.0	759,865.0
Trunk Highway ²	2010, Ch. 189	32,945.0	12,000.0	20,945.0
Trunk Highway	2010, Ch. 388	100,100.0	0.0	100,100.0
Various Purpose	X2010, Ch. 1	36,790.0	0.0	36,790.0
Totals		<u>\$ 9,351,782.5</u>	<u>\$ 6,717,477.0</u>	<u>\$ 2,634,305.5</u>

- (1) Minnesota Statutes 16A.642, required that on January 1, 2011 the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2011. The cancellation report will reduce Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$2,000; Special Session Laws 2001, Chapter 12 by \$631,014; Laws 2002, Chapter 393 by \$34,670; Laws 2005, Chapter 20 by \$2,697,899; and Laws 2006, Chapter 258 by \$6,481,965.
- (2) The Governor vetoed \$361,460,000 of appropriations for Various Purpose capital projects and \$6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor requested that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session but no capital budget was passed during this time frame. The correcting action did occur in the special session laws of 2011.
- (3) Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$280,914; Laws 2005, Chapter 20 by \$1,682,567; Laws 2006, Chapter 258 by \$7,770; Special Session Laws 2007, Chapter 2 by \$2,283,263; Laws 2008, Chapter 179 by \$152,660; and Laws 2009, Chapter 93 by \$3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by \$18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by \$85,155,000 to offset the appropriations that the Governor vetoed \$85,155,000.

- (4) Minnesota Statutes 16A.642, required that on January 1, 2009 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$217,331; Special Session Laws 2001, Chapter 12 by \$171,552; Laws 2002, Chapter 393 by \$284,508; and Special Session Laws 2002, Chapter 1 by \$178,656. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by \$208,570; Special Session Laws 2003, Chapter 19, Article 4 by \$4,083,466.
- (5) Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by \$223,588,000.
- (6) Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by \$17,262,000; Laws 2005, Chapter 20 by \$2,000,000; and Laws 2006, Chapter 258 by \$3,767,000.
- (7) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by \$150,000.
- (8) Minnesota Statutes 16A.642, required that on January 1, 2007 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by \$112,548; and Laws 1999, Chapter 240 by \$93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by \$524,411; Special Session Laws 2001, Chapter 12 by \$274,734; Laws 2002, Chapter 393 by \$6,052,781; and Special Session Laws 2002, Chapter 1 by \$863,386.
- (9) Minnesota Statutes 16A.642, required that on January 1, 2005 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by 763,514; and Laws 1999, Chapter 240 by \$292,887. The cancellation report also reduced Various Purpose Bonds authorization by Laws 2000, Chapter 492 by \$3,333,695.
- (10) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by \$2,631,376; Special Session Laws 1997, Chapter 2 by \$18; and Laws 1999, Chapter 240 by \$24,887,000. Laws 2005, Chapter 20 also reduced Municipal Energy Building Bonds authorized by Laws 1994, Chapter 643 by \$25,000; Laws 1994, Chapter 643 by \$128,720; Laws 1999, Chapter 240 by \$10,440,000 and Various Purpose Bonds authorized by Laws 2000, Chapter 492 by \$3,300,000; Special Session Laws 2001, Chapter 12 by \$1,000,000; and Laws 2002, Chapter 393 by \$352,923,000.
- (11) 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 14 below by increasing the bond authorization of Laws 1998, Chapter 404 by \$2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the \$2,700,000.
- (12) 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.
- (13) Laws of 2001, Chapter 55 converted \$7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transportation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.

- (14) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by \$1,964,000; Special Session Laws 1997, Chapter 2 by \$10,000,000; and Laws 1999, Chapter 240 by \$4,000,000. The \$2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.
- (15) 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.
- (16) 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.
- (17) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$9,260,000. Laws 1997, Chapter 202 also reduced; Transportation Bonds authorized in Laws 1990, Chapter 610 by \$165,000; Reinvest in Minnesota Bond authorization in Laws 1990, Chapter 610 by \$20,000.
- (18) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by \$580,000; and Laws 1994, Chapter 643 by \$1,245,000.
- (19) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$115,000.
- (20) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by \$2,500,000.



State of Minnesota

2011
Comprehensive
Annual
Financial Report

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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





2011 Comprehensive Annual Financial Report

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

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,468,103	\$ 6,781,966	\$ 7,775,939	\$ 8,285,028	\$ 8,947,341	\$ 9,147,520
2,482,626	2,703,598	2,693,756	2,552,659	3,060,905	3,396,243
649,481	1,317,416	489,661	(917,895)	(2,646,096)	(2,534,196)
<u>\$ 9,600,210</u>	<u>\$ 10,802,980</u>	<u>\$ 10,959,356</u>	<u>\$ 9,919,792</u>	<u>\$ 9,362,150</u>	<u>\$ 10,009,567</u>
\$ 931,297	\$ 1,016,955	\$ 1,108,136	\$ 1,199,727	\$ 1,293,856	\$ 1,352,739
852,943	1,058,032	1,140,070	737,400	509,705	643,700
(1,089)	(1,403)	(5,900)	(38,907)	(300,615)	(82,907)
<u>\$ 1,783,151</u>	<u>\$ 2,073,584</u>	<u>\$ 2,242,306</u>	<u>\$ 1,898,220</u>	<u>\$ 1,502,946</u>	<u>\$ 1,913,532</u>
\$ 7,399,400	\$ 7,798,921	\$ 8,884,075	\$ 9,484,755	\$ 10,241,197	\$ 10,500,259
3,335,569	3,761,630	3,833,826	3,290,059	3,570,610	4,039,943
648,392	1,316,013	483,761	(956,802)	(2,946,711)	(2,617,103)
<u>\$ 11,383,361</u>	<u>\$ 12,876,564</u>	<u>\$ 13,201,662</u>	<u>\$ 11,818,012</u>	<u>\$ 10,865,096</u>	<u>\$ 11,923,099</u>

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

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

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

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

2006	2007	2008	2009	2010	2011
\$ 174,807	\$ 130,830	\$ 143,073	\$ 159,155	\$ 156,139	\$ 157,201
19,226	18,796	21,474	45,385	25,397	21,782
218,376	335,670	360,056	339,523	358,666	369,400
214,650	44,551	52,400	47,377	49,212	46,764
38,808	42,943	54,662	42,192	21,342	19,403
-	-	-	-	3	3
447,404	265,853	330,570	285,963	353,929	424,670
245,015	278,846	240,331	270,153	266,565	265,022
4,187,909	4,609,077	4,909,527	5,996,063	6,775,255	6,692,535
1,506,094	1,891,362	1,767,796	1,758,923	3,388,958	2,706,074
452,197	236,700	449,765	272,736	206,292	202,285
<u>\$ 7,504,486</u>	<u>\$ 7,854,628</u>	<u>\$ 8,329,654</u>	<u>\$ 9,217,470</u>	<u>\$ 11,601,758</u>	<u>\$ 10,905,139</u>
\$ 694,053	\$ 750,742	\$ 794,091	\$ 827,997	\$ 771,104	\$ 851,754
1,054,227	946,269	835,725	800,590	972,425	1,211,352
449,761	422,570	461,565	482,738	499,271	504,514
178,764	230,657	233,944	232,570	246,829	260,247
176,023	187,530	217,224	872,484	1,958,195	1,697,323
1,963	1,839	1,142	4,262	1,554	1,515
<u>\$ 2,554,791</u>	<u>\$ 2,539,607</u>	<u>\$ 2,543,691</u>	<u>\$ 3,220,641</u>	<u>\$ 4,449,378</u>	<u>\$ 4,526,705</u>
<u>\$ 10,059,277</u>	<u>\$ 10,394,235</u>	<u>\$ 10,873,345</u>	<u>\$ 12,438,111</u>	<u>\$ 16,051,136</u>	<u>\$ 15,431,844</u>
\$ 818,192	\$ 855,328	\$ 901,641	\$ 944,400	\$ 958,915	\$ 976,261
1,791,316	1,795,056	2,047,500	2,068,880	2,468,573	2,897,408
525,251	762,549	825,842	834,458	950,738	969,947
273,510	568,064	704,501	695,314	715,085	695,050
7,336,455	7,323,406	7,675,567	7,811,723	8,042,744	7,499,159
786,563	921,339	981,943	912,011	981,859	892,921
8,823,115	9,596,061	10,296,359	11,248,700	11,949,235	12,274,181
718,996	771,733	816,111	800,123	762,238	832,859
1,400,479	1,489,439	1,511,715	1,435,897	1,558,453	1,339,943
172,612	208,719	221,162	210,435	261,802	322,773
<u>\$ 22,646,489</u>	<u>\$ 24,291,694</u>	<u>\$ 25,982,341</u>	<u>\$ 26,961,941</u>	<u>\$ 28,649,642</u>	<u>\$ 28,700,502</u>
\$ 1,479,519	\$ 1,550,936	\$ 1,675,051	\$ 1,743,609	\$ 1,802,527	\$ 1,903,985
690,713	735,987	828,857	1,865,939	3,038,557	2,228,405
332,031	311,893	346,834	363,832	377,025	382,759
183,043	215,005	228,361	235,163	222,110	269,880
<u>\$ 2,685,306</u>	<u>\$ 2,813,821</u>	<u>\$ 3,079,103</u>	<u>\$ 4,208,543</u>	<u>\$ 5,440,219</u>	<u>\$ 4,785,029</u>
<u>\$ 25,331,795</u>	<u>\$ 27,105,515</u>	<u>\$ 29,061,444</u>	<u>\$ 31,170,484</u>	<u>\$ 34,089,861</u>	<u>\$ 33,485,531</u>

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

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

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

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

2006	2007	2008	2009	2010	2011
\$ (15,142,003)	\$ (16,437,066)	\$ (17,652,687)	\$ (17,744,471)	\$ (17,047,884)	\$ (17,795,363)
(130,515)	(274,214)	(535,412)	(987,902)	(990,841)	(258,324)
<u>\$ (15,272,518)</u>	<u>\$ (16,711,280)</u>	<u>\$ (18,188,099)</u>	<u>\$ (18,732,373)</u>	<u>\$ (18,038,725)</u>	<u>\$ (18,053,687)</u>
\$ 7,069,242	\$ 7,463,959	\$ 7,929,096	\$ 7,203,337	\$ 6,792,510	\$ 7,883,583
1,189,328	1,160,380	1,039,843	741,049	539,534	1,204,521
4,439,667	4,600,984	4,474,576	4,338,748	4,379,236	4,760,684
633,288	667,395	703,972	733,899	746,685	771,020
539,468	1,025,820	1,011,494	955,785	997,214	1,074,769
659,980	647,168	651,988	758,271	826,574	851,245
2,663,939	2,154,689	2,149,162	2,206,648	2,224,237	2,192,739
184,139	184,924	186,425	176,140	157,924	172,207
101,803	155,016	121,638	57,790	21,242	19,836
28,447	91,867	103,416	95,316	145,608	139,406
-	-	-	-	-	-
(474,090)	(510,578)	(654,359)	(610,880)	(543,525)	(584,171)
<u>\$ 17,035,211</u>	<u>\$ 17,641,624</u>	<u>\$ 17,717,251</u>	<u>\$ 16,656,103</u>	<u>\$ 16,287,239</u>	<u>\$ 18,485,839</u>
\$ 18,300	\$ 26,786	\$ 48,126	\$ 32,306	\$ 8,483	\$ 7,058
17,141	17,811	1,649	630	-	18,765
474,090	510,578	654,359	610,880	543,525	584,171
<u>\$ 509,531</u>	<u>\$ 555,175</u>	<u>\$ 704,134</u>	<u>\$ 643,816</u>	<u>\$ 552,008</u>	<u>\$ 609,994</u>
<u>\$ 17,544,742</u>	<u>\$ 18,196,799</u>	<u>\$ 18,421,385</u>	<u>\$ 17,299,919</u>	<u>\$ 16,839,247</u>	<u>\$ 19,095,833</u>
\$ 1,893,208	\$ 1,204,558	\$ 64,564	\$ (1,088,368)	\$ (760,645)	\$ 690,476
(15,229)	7,684	-	94,658	87,186	15,857
-	-	91,812	(45,854)	115,817	-
-	(9,472)	-	-	-	(58,916)
-	-	-	-	-	-
379,016	280,961	168,722	(344,086)	(438,833)	351,670
-	-	-	-	43,559	-
-	-	-	-	-	-
-	9,472	-	-	-	58,916
<u>\$ 2,256,995</u>	<u>\$ 1,493,203</u>	<u>\$ 325,098</u>	<u>\$ (1,383,650)</u>	<u>\$ (952,916)</u>	<u>\$ 1,058,003</u>

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

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

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 228,640	\$ 155,985	\$ 153,150	\$ 111,182	\$ -	\$ -
610,167	1,124,122	689,476	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(752,490)</u>	<u>-</u>	<u>-</u>
<u>\$ 838,807</u>	<u>\$ 1,280,107</u>	<u>\$ 842,626</u>	<u>\$ (641,308)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,805,382	\$ 2,020,610	\$ 1,931,753	\$ 1,858,589	\$ -	\$ -
715,202	1,139,133	1,266,623	1,214,750	-	-
-	704,800	707,086	742,069	-	-
-	15,690	9,479	5,862	-	-
239,599	243,192	339,989	344,884	-	-
<u>(48,184)</u>	<u>6,044</u>	<u>(12,873)</u>	<u>2,472</u>	<u>-</u>	<u>-</u>
<u>\$ 3,711,999</u>	<u>\$ 4,129,469</u>	<u>\$ 4,242,057</u>	<u>\$ 4,168,626</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 4,550,806</u>	<u>\$ 5,409,576</u>	<u>\$ 5,084,683</u>	<u>\$ 3,527,318</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ -	\$ -	\$ -	\$ 465,601	\$ 579,800
-	-	-	-	173,687	171,033
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(1,525,534)	(900,675)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (886,246)</u>	<u>\$ (149,842)</u>
\$ -	\$ -	\$ -	\$ -	\$ 718,469	\$ 833,403
-	-	-	-	2,380,542	2,450,612
-	-	-	-	537,009	382,939
-	-	-	-	3,920	2,306
-	-	-	-	-	(19,905)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,639,940</u>	<u>\$ 3,649,355</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,753,694</u>	<u>\$ 3,499,513</u>

Schedule 4 - Changes in Fund Balances - Governmental Funds
Last Ten 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
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	-	14,897	-	17,885
Proceeds from Refunding Bonds	37,405	391,680	20,855	171,880
Payment of Refunding Bonds	(37,405)	-	(425,715)	(171,880)
Bond Issue Premium	35,476	58,252	33,455	61,662
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(601,319)	(523,318)	(456,971)	(387,029)
Capital Leases	3,326	3,134	1,774	8,387
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 was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

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

2006	2007	2008	2009	2010	2011
\$ 7,068,712	\$ 7,412,381	\$ 7,932,036	\$ 7,162,974	\$ 6,729,244	7,828,818
1,189,915	1,163,095	1,024,040	727,928	540,504	1,135,193
4,473,275	4,513,452	4,499,550	4,279,178	4,411,277	4,681,525
631,279	665,746	704,246	729,373	766,830	766,926
1,037,593	1,025,820	1,011,494	955,785	997,214	1,074,769
659,647	648,078	651,860	756,381	825,341	852,765
5,864,373	6,333,686	6,858,191	7,887,945	10,020,456	9,162,775
4,080,518	4,027,767	4,005,067	3,810,907	4,074,393	4,249,437
<u>\$ 25,005,312</u>	<u>\$ 25,790,025</u>	<u>\$ 26,686,484</u>	<u>\$ 26,310,471</u>	<u>\$ 28,365,259</u>	<u>\$ 29,752,208</u>
\$ 793,202	\$ 813,636	\$ 858,385	\$ 891,480	\$ 901,983	\$ 911,490
1,776,980	1,765,410	2,029,762	2,040,334	2,416,333	2,673,915
537,220	755,168	782,381	866,963	918,410	1,022,523
703,108	605,784	719,801	704,736	755,337	720,542
7,337,888	7,320,491	7,673,220	7,808,279	8,038,447	7,494,180
786,606	922,772	983,319	913,292	981,868	892,947
8,820,143	9,581,606	10,298,462	11,238,043	11,929,558	12,252,582
690,753	699,585	772,835	753,882	730,091	787,042
1,400,479	1,489,439	1,511,715	1,435,897	1,549,453	1,317,185
18,049	29,929	21,534	1,237	132	89
854,612	693,041	818,701	746,955	643,736	699,583
288,932	349,941	373,619	389,371	381,845	344,703
183,240	222,175	220,957	230,645	295,974	352,557
<u>\$ 24,191,212</u>	<u>\$ 25,248,977</u>	<u>\$ 27,064,691</u>	<u>\$ 28,021,114</u>	<u>\$ 29,543,167</u>	<u>\$ 29,469,338</u>
<u>\$ 814,100</u>	<u>\$ 541,048</u>	<u>\$ (378,207)</u>	<u>\$ (1,710,643)</u>	<u>\$ (1,177,908)</u>	<u>\$ 282,870</u>
\$ 377,949	\$ 720,445	\$ 637,744	\$ 675,810	\$ 722,904	\$ 843,496
-	-	-	-	74,980	-
24,388	24,610	414	549	5,729	677
160,960	264,050	-	155,415	426,505	907,785
(160,960)	(264,050)	-	(155,415)	(426,505)	(907,785)
45,141	57,918	34,016	56,112	108,704	233,570
-	-	-	-	7,411	-
(449,246)	(479,598)	(622,455)	(580,540)	(523,176)	(557,776)
180,005	1,090	1,308	-	3,356	-
<u>\$ 178,237</u>	<u>\$ 324,465</u>	<u>\$ 51,027</u>	<u>\$ 151,931</u>	<u>\$ 399,908</u>	<u>\$ 519,967</u>
-	2,845	2,287	1,347	4,376	1,898
-	(9,588)	-	-	-	(58,916)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 992,337</u>	<u>\$ 858,770</u>	<u>\$ (324,893)</u>	<u>\$ (1,557,365)</u>	<u>\$ (773,624)</u>	<u>\$ 745,819</u>
2.0%	2.3%	2.3%	2.3%	2.3%	2.4%

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

	2001	2002	2003
Farm Earnings	\$ 1,004,155	\$ 980,509	\$ 1,890,660
Private Earnings:			
Forestry, Fishing, Related Activities	\$ 298,387	\$ 282,013	\$ 296,927
Mining	415,323	380,852	399,799
Utilities	1,143,504	1,176,293	1,136,952
Construction	8,994,221	9,279,159	9,693,308
Manufacturing:			
Durable Goods Manufacturing	13,321,368	13,377,345	13,858,423
Nondurable Goods Manufacturing	6,632,406	6,981,285	7,155,596
Wholesale Trade	8,499,396	8,605,381	8,930,235
Retail Trade	8,676,404	8,974,539	9,258,367
Transportation and Warehousing	5,276,600	5,010,525	5,178,203
Information	4,021,489	4,005,539	3,915,092
Finance and Insurance	10,306,601	10,702,728	11,492,034
Real Estate and Rental and Leasing	2,532,330	2,821,021	2,893,049
Professional and Technical Services	10,115,591	10,074,878	10,221,545
Management of Companies and Enterprises	6,231,039	6,062,365	6,052,241
Administrative and Waste Services	3,906,768	3,991,636	4,124,896
Educational Services	1,377,067	1,525,624	1,621,389
Health Care and Social Assistance	12,536,745	13,859,167	14,908,626
Arts, Entertainment, and Recreation	1,187,536	1,317,325	1,440,220
Accommodation and Food Services	3,131,273	3,215,164	3,376,348
Other Services, Except Public Administration	4,728,135	5,266,709	5,232,613
Total Private Earnings	<u>\$ 113,332,183</u>	<u>\$ 116,909,548</u>	<u>\$ 121,185,863</u>
Government and Government Enterprises:			
Federal, Civilian	\$ 2,314,424	\$ 2,434,264	\$ 2,557,012
Military	368,330	473,651	663,606
State and Local	14,823,299	15,625,483	16,089,018
Total Government and Government Enterprises	<u>\$ 17,506,053</u>	<u>\$ 18,533,398</u>	<u>\$ 19,309,636</u>
Nonfarm Earnings	<u>130,838,236</u>	<u>135,442,946</u>	<u>140,495,499</u>
Total Earnings By Industry	<u><u>\$ 131,842,391</u></u>	<u><u>\$ 136,423,455</u></u>	<u><u>\$ 142,386,159</u></u>
Derivation of Personal Income:			
Earnings By Place of Work	\$ 131,842,391	\$ 136,423,455	\$ 142,386,159
Other Personal Income ⁽¹⁾	34,324,879	34,574,578	35,760,502
Personal income	<u><u>\$ 166,167,270</u></u>	<u><u>\$ 170,998,033</u></u>	<u><u>\$ 178,146,661</u></u>

⁽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 22, 2011.

Note The estimates of earnings for 2001-2006 are based upon the 2002 North American Industry Classification System (NAICS). The estimates for 2007 forward are based on the 2007 NAICS. Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services.

2004	2005	2006	2007	2008	2009	2010
\$ 2,466,520	\$ 3,089,441	\$ 2,680,438	\$ 2,611,979	\$ 4,535,094	\$ 3,160,488	\$ 4,563,352
\$ 301,315	\$ 301,845	\$ 322,520	\$ 331,291	\$ 363,146	\$ 363,332	\$ 370,882
430,736	453,720	510,529	496,648	569,845	393,298	523,052
1,273,103	1,248,361	1,359,490	1,341,776	1,561,135	1,513,054	1,590,697
10,377,189	10,574,558	10,519,155	10,188,790	9,180,291	7,884,091	7,635,500
14,703,033	14,903,048	15,139,874	15,449,197	15,546,328	14,021,677	14,921,873
7,284,143	7,260,833	7,557,310	7,584,431	8,723,769	7,598,026	7,659,286
9,500,469	10,025,738	10,539,400	11,060,667	11,560,985	10,790,321	11,051,210
9,590,980	9,571,126	9,640,300	9,758,460	9,293,512	9,066,319	9,214,551
5,433,112	5,583,772	5,294,729	5,549,312	5,662,288	5,161,337	5,186,093
4,091,623	4,142,205	4,179,078	4,467,478	4,577,311	4,323,618	4,351,596
12,187,514	12,647,381	13,391,232	14,038,193	13,706,413	13,208,624	13,759,406
2,914,275	2,970,362	2,983,106	2,653,833	2,836,482	2,593,357	2,779,117
10,825,901	11,440,141	12,375,438	13,460,799	14,392,038	13,322,113	13,720,741
6,926,319	6,719,458	7,217,755	8,291,254	9,623,179	8,058,875	9,376,901
4,333,128	4,611,705	4,902,735	5,081,752	5,114,199	4,787,313	5,200,563
1,739,372	1,781,380	1,938,994	2,091,268	2,265,163	2,368,223	2,449,375
15,988,253	16,675,293	18,059,007	19,331,595	20,311,633	21,144,677	21,789,960
1,502,810	1,523,561	1,731,523	1,816,631	1,809,448	1,762,726	1,887,807
3,587,470	3,677,062	3,795,917	4,058,411	3,998,056	3,824,735	4,069,722
5,453,478	5,693,557	5,824,217	5,992,562	5,786,357	5,725,346	5,794,773
\$ 128,444,223	\$ 131,805,106	\$ 137,282,309	\$ 143,044,348	\$ 146,881,578	\$ 137,911,062	\$ 143,333,105
\$ 2,757,741	\$ 2,832,440	\$ 2,995,599	\$ 3,059,076	\$ 3,179,606	\$ 3,258,645	\$ 3,288,681
745,144	966,040	896,525	971,403	961,427	1,056,362	1,054,626
16,567,688	17,138,227	17,962,127	18,715,439	19,758,691	20,315,077	20,447,396
\$ 20,070,573	\$ 20,936,707	\$ 21,854,251	\$ 22,745,918	\$ 23,899,724	\$ 24,630,084	\$ 24,790,703
148,514,796	152,741,813	159,136,560	165,790,266	170,781,302	162,541,146	168,123,808
\$ 150,981,316	\$ 155,831,254	\$ 161,816,998	\$ 168,402,245	\$ 175,316,396	\$ 165,701,634	\$ 172,687,160
\$ 150,981,316	\$ 155,831,254	\$ 161,816,998	\$ 168,402,245	\$ 175,316,396	\$ 165,701,634	\$ 172,687,160
37,348,629	38,158,390	44,040,406	48,438,103	52,732,782	52,002,961	54,856,630
\$ 188,329,945	\$ 193,989,644	\$ 205,857,404	\$ 216,840,348	\$ 228,049,178	\$ 217,704,595	\$ 227,543,790

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2002 Through 2011

Tax Year 2002

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

Tax Year 2003

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

Tax Year 2004

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

Tax Year 2005

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

Tax Year 2006

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

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

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2002 Through 2011 - (Cont'd.)

Tax Year 2007

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

Tax Year 2008

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

Tax Year 2009

	<u>5.35% Up To</u>	<u>7.05%</u>	<u>7.85% Over</u>
Married Joint	\$ 33,220	\$33,221 - \$131,970	\$ 131,970
Married Separate	\$ 16,610	\$16,611 - \$ 65,990	\$ 65,990
Single	\$ 22,730	\$22,731 - \$ 74,650	\$ 74,650
Head of Household	\$ 27,980	\$27,981 - \$112,420	\$ 112,420

Tax Year 2010

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

Tax Year 2011

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

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



Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2000 and 2009

Calendar Year 2000

<u>Federal Adjusted Gross Income</u>	<u>Number of Returns</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability⁽¹⁾</u>	<u>Percent of Total</u>
\$ 0 – 4,999	244,899	10.03%	\$ 2,801,382	0.05%
\$ 5,000 – 9,999	224,068	9.18%	15,890,099	0.28%
\$ 10,000 – 19,999	369,747	15.14%	103,195,876	1.80%
\$ 20,000 – 29,999	320,464	13.12%	231,759,906	4.04%
\$ 30,000 – 39,999	267,184	10.94%	322,485,289	5.62%
\$ 40,000 – 49,999	203,633	8.34%	336,767,359	5.87%
\$ 50,000 – 99,999	580,230	23.76%	1,703,694,527	29.70%
\$ 100,000 – 249,999	186,705	7.65%	1,349,479,006	23.52%
\$ 250,000 – 499,999	27,077	1.11%	511,773,735	8.92%
\$ 500,000 & Over	18,036	0.74%	1,158,706,862	20.20%
	<u>2,442,043</u>	<u>100.00%</u>	<u>\$ 5,736,554,041</u>	<u>100.00%</u>

Calendar Year 2009

<u>Federal Adjusted Gross Income</u>	<u>Number of Returns</u>	<u>Percent of Total</u>	<u>Personal Income Tax Liability⁽¹⁾</u>	<u>Percent of Total</u>
\$ 0 – 4,999	255,921	10.02%	\$ 2,055,060	0.03%
\$ 5,000 – 9,999	211,172	8.30%	6,360,809	0.10%
\$ 10,000 – 19,999	343,055	13.47%	65,284,888	1.02%
\$ 20,000 – 29,999	298,455	11.68%	162,711,135	2.54%
\$ 30,000 – 39,999	245,313	9.63%	242,366,207	3.79%
\$ 40,000 – 49,999	205,189	8.03%	309,989,000	4.83%
\$ 50,000 – 99,999	628,363	24.64%	1,759,377,575	27.44%
\$ 100,000 – 249,999	309,325	12.13%	2,102,277,927	32.79%
\$ 250,000 – 499,999	35,110	1.38%	651,286,597	10.16%
\$ 500,000 & Over	18,522	0.73%	1,108,403,637	17.31%
	<u>2,550,425</u>	<u>100.00%</u>	<u>\$ 6,410,112,835</u>	<u>100.00%</u>

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

Note: Calendar year 2009 is the most recent year available.

Source: Minnesota Department of Revenue, 2009 Individual Income Tax Sample.

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

	2002	2003	2004
Governmental Activities:			
General Obligation Bonds ⁽¹⁾	\$ 2,923,221	\$ 3,387,932	\$ 3,173,115
Loans	39,618	24,198	19,653
Revenue Bonds	-	-	-
Cerificates of Participation Payable	-	-	-
Capital Leases	18,027	8,846	9,085
Total	<u>\$ 2,980,866</u>	<u>\$ 3,420,976</u>	<u>\$ 3,201,853</u>
Business-type Activities:			
General Obligation Bonds ⁽¹⁾	\$ 108,874	\$ 127,644	\$ 145,101
Loans	4,498	135,486	275,703
Revenue Bonds	53,365	52,925	51,410
Capital Leases	8,578	12,483	14,868
Total	<u>\$ 175,315</u>	<u>\$ 328,538</u>	<u>\$ 487,082</u>
Total Debt to the Primary Government	<u>\$ 3,156,181</u>	<u>\$ 3,749,514</u>	<u>\$ 3,688,935</u>
Less: Set Aside to Repay General Debt	<u>\$ (243,830)</u>	<u>\$ (263,810)</u>	<u>\$ (258,925)</u>
Net Debt to the Primary Government	<u><u>\$ 2,912,351</u></u>	<u><u>\$ 3,485,704</u></u>	<u><u>\$ 3,430,010</u></u>
Total Personal Income	\$ 166,167,270	\$ 170,998,033	\$ 178,146,661
Ratio of Total Debt to Personal Income	1.90%	2.19%	2.07%
Per Capita Total Outstanding Debt (Actual Dollars)	\$ 633	\$ 747	\$ 730
Ratio of Net General Obligation Debt to Personal Income	1.68%	1.90%	1.72%
Per Capita Net General Obligation Debt (Actual Dollars)	\$ 560	\$ 648	\$ 605

⁽¹⁾ Net of applicable premium or discount

Sources:

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

2005	2006	2007	2008	2009	2010	2011
\$ 3,483,856	\$ 3,615,381	\$ 4,036,703	\$ 4,330,291	\$ 4,667,902	\$ 5,103,210	\$ 5,814,900
17,130	45,918	60,494	59,889	53,658	41,319	31,583
-	-	15,145	14,500	13,715	12,900	12,055
-	-	-	-	-	80,649	79,408
11,037	182,930	172,732	167,877	161,629	158,175	151,156
<u>\$ 3,512,023</u>	<u>\$ 3,844,229</u>	<u>\$ 4,285,074</u>	<u>\$ 4,572,557</u>	<u>\$ 4,896,904</u>	<u>\$ 5,396,253</u>	<u>\$ 6,089,102</u>
\$ 149,448	\$ 164,631	\$ 199,690	\$ 224,090	\$ 241,946	\$ 250,353	\$ 260,618
87,376	5,832	5,419	5,829	5,582	603,020	465,280
52,475	95,780	170,941	209,719	278,246	320,779	375,409
26,497	26,520	25,382	22,647	20,324	18,662	46,168
<u>\$ 315,796</u>	<u>\$ 292,763</u>	<u>\$ 401,432</u>	<u>\$ 462,285</u>	<u>\$ 546,098</u>	<u>\$ 1,192,814</u>	<u>\$ 1,147,475</u>
<u>\$ 3,827,819</u>	<u>\$ 4,136,992</u>	<u>\$ 4,686,506</u>	<u>\$ 5,034,842</u>	<u>\$ 5,443,002</u>	<u>\$ 6,589,067</u>	<u>\$ 7,236,577</u>
<u>\$ (286,535)</u>	<u>\$ (313,324)</u>	<u>\$ (372,510)</u>	<u>\$ (368,800)</u>	<u>\$ (406,310)</u>	<u>\$ (420,055)</u>	<u>\$ (463,165)</u>
<u><u>\$ 3,541,284</u></u>	<u><u>\$ 3,823,668</u></u>	<u><u>\$ 4,313,996</u></u>	<u><u>\$ 4,666,042</u></u>	<u><u>\$ 5,036,692</u></u>	<u><u>\$ 6,169,012</u></u>	<u><u>\$ 6,773,412</u></u>
\$ 188,329,945	\$ 193,989,644	\$ 205,857,404	\$ 216,840,348	\$ 226,049,178	\$ 217,704,959	\$ 227,543,790
2.03%	2.13%	2.28%	2.32%	2.41%	3.03%	3.18%
\$ 752	\$ 808	\$ 908	\$ 967	\$ 1,037	\$ 1,248	\$ 1,363
1.78%	1.79%	1.88%	1.93%	1.99%	2.27%	2.47%
\$ 658	\$ 677	\$ 748	\$ 804	\$ 858	\$ 934	\$ 1,057

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

	2002	2003	2004	2005
State University Board Revenue				
- Segment of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 55,964	\$ 60,606	\$ 66,221	\$ 70,091
Less: Operating Expenses ⁽²⁾	(47,830)	(47,599)	(54,221)	(53,884)
Net Available Revenue	<u>\$ 8,134</u>	<u>\$ 13,007</u>	<u>\$ 12,000</u>	<u>\$ 16,207</u>
Debt Service				
Principal	\$ -	\$ -	\$ 1,065	\$ 1,115
Interest	-	2,247	1,695	1,401
Total Debt Service	<u>\$ -</u>	<u>\$ 2,247</u>	<u>\$ 2,760</u>	<u>\$ 2,516</u>
Coverage	N/A	5.79	4.35	6.44
Vermilion Community College and Itasca Community College Student Housing				
- Segments of College and University Enterprise Fund				
Gross Revenues ⁽¹⁾	\$ 544	\$ 570	\$ 595	\$ 595
Less: Operating Expenses ⁽²⁾	(309)	(335)	(332)	(385)
Net Available Revenue	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 263</u>	<u>\$ 210</u>
Debt Service				
Principal	\$ 120	\$ 130	\$ 140	\$ 150
Interest	101	96	86	75
Total Debt Service	<u>\$ 221</u>	<u>\$ 226</u>	<u>\$ 226</u>	<u>\$ 225</u>
Coverage	1.06	1.04	1.16	0.93
Giants Ridge Enterprise Fund⁽⁴⁾				
Gross Revenues ⁽¹⁾	\$ 3,455	\$ 3,128	\$ 4,994	\$ 5,138
Less: Operating Expenses ⁽²⁾	(4,070)	(3,876)	(4,283)	(4,532)
Net Available Revenue	<u>\$ (615)</u>	<u>\$ (748)</u>	<u>\$ 711</u>	<u>\$ 606</u>
Debt Service				
Principal ⁽³⁾	\$ 200	\$ 310	\$ 310	\$ 615
Interest	151	574	1,170	1,071
Total Debt Service	<u>\$ 351</u>	<u>\$ 884</u>	<u>\$ 1,480</u>	<u>\$ 1,686</u>
Coverage	(1.75)	(0.85)	0.48	0.36

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

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

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

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

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

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

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

⁽⁸⁾ In 2011, the entire \$11.31 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed \$8.70 million.

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

2006	2007	2008	2009	2010	2011
\$ 76,901	\$ 83,073	\$ 88,884	\$ 96,248	\$ 101,311	\$ 110,055
(57,496)	(60,778)	(65,166)	(69,867)	(71,426)	(72,391)
<u>\$ 19,405</u>	<u>\$ 22,295</u>	<u>\$ 23,718</u>	<u>\$ 26,381</u>	<u>\$ 29,885</u>	<u>\$ 37,664</u>
\$ 1,222	\$ 1,875	\$ 1,945	\$ 2,945	\$ 6,125	\$ 7,870
3,496	4,663	5,374	7,091	10,816	8,070
<u>\$ 4,718</u>	<u>\$ 6,538</u>	<u>\$ 7,319</u>	<u>\$ 10,036</u>	<u>\$ 16,941</u>	<u>\$ 15,940</u>
4.11	3.41	3.24	2.63	1.76	2.36
\$ 1,010	\$ 1,074	\$ 1,038	\$ 618	\$ 628	\$ 667
(660)	(567)	(675)	(346)	(338)	(348)
<u>\$ 350</u>	<u>\$ 507</u>	<u>\$ 363</u>	<u>\$ 272</u>	<u>\$ 290</u>	<u>\$ 319</u>
\$ 230	\$ 370	\$ 135	\$ 145	\$ 145	\$ 155
189	170	155	148	141	134
<u>\$ 419</u>	<u>\$ 540</u>	<u>\$ 290</u>	<u>\$ 293</u>	<u>\$ 286</u>	<u>\$ 289</u>
0.84	0.94	1.25	0.93	1.01	1.10
\$ 4,693	\$ 4,204	\$ 4,338	\$ 4,195	\$ 4,184	\$ 3,922
(5,139)	(5,293)	(5,447)	(5,796)	(5,889)	(6,005)
<u>\$ (446)</u>	<u>\$ (1,089)</u>	<u>\$ (1,109)</u>	<u>\$ (1,601)</u>	<u>\$ (1,705)</u>	<u>\$ (2,083)</u>
\$ 615	\$ 665	\$ 705	\$ 760	\$ 815	\$ 11,310
1,045	1,009	963	917	858	630
<u>\$ 1,660</u>	<u>\$ 1,674</u>	<u>\$ 1,668</u>	<u>\$ 1,677</u>	<u>\$ 1,673</u>	<u>\$ 11,940</u>
(0.27)	(0.65)	(0.66)	(0.95)	(1.02)	(0.17)

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

	2002	2003	2004	2005
D.J. Johnson Economic Protection Trust Fund⁽⁵⁾				
Taconite Production Tax ⁽⁷⁾	\$ -	\$ -	\$ -	\$ -
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	N/A	N/A	N/A	N/A
Iron Range Resources and Rehabilitation Agency (IRRRA)⁽⁸⁾				
Taconite Production Tax ⁽⁷⁾	\$ -	\$ -	\$ -	\$ -
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	N/A	N/A	N/A	N/A
911 Services Fund⁽⁶⁾				
911 Services Fees	\$ -	\$ -	\$ -	\$ -
Less: Operating Expenses ⁽²⁾	-	-	-	-
Net Available Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 and \$42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

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

⁽⁸⁾ In 2011, the entire \$11.31 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed \$8.70 million.

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

2006	2007	2008	2009	2010	2011
\$ -	\$ 2,864	\$ 4,002	\$ 3,682	\$ 3,197	\$ 4,302
\$ -	\$ 2,864	\$ 4,002	\$ 3,682	\$ 3,197	\$ 4,302
\$ -	\$ -	\$ 322	\$ 393	\$ 408	\$ 422
-	264	320	305	289	273
\$ -	\$ 264	\$ 642	\$ 698	\$ 697	\$ 695
N/A	10.85	6.23	5.28	4.59	6.19
\$ -	\$ 16,840	\$ 20,672	\$ 20,152	\$ 19,611	\$ 21,574
\$ -	\$ 16,840	\$ 20,672	\$ 20,152	\$ 19,611	\$ 21,574
\$ -	\$ -	\$ 322	\$ 393	\$ 408	\$ 422
-	265	320	305	289	273
\$ -	\$ 265	\$ 642	\$ 698	\$ 697	\$ 695
N/A	63.55	32.20	28.87	28.14	31.04
\$ -	\$ 49,527	\$ 52,271	\$ 52,677	\$ 60,229	\$ 63,373
-	(15,052)	(25,812)	(23,225)	(7,290)	(30,996)
\$ -	\$ 34,475	\$ 26,459	\$ 29,452	\$ 52,939	\$ 32,377
\$ -	\$ -	\$ 2,590	\$ 5,365	\$ 13,375	\$ 12,100
-	976	1,672	2,453	4,642	5,150
\$ -	\$ 976	\$ 4,262	\$ 7,818	\$ 18,017	\$ 17,250
N/A	35.32	6.21	3.77	2.94	1.88



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

<u>Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2001	4,982,796	\$ 166,167,270	\$ 33,348	35.7	3.8%
2002	5,018,935	\$ 170,998,033	\$ 34,071	35.9	4.5%
2003	5,053,572	\$ 178,146,661	\$ 35,252	36.1	4.9%
2004	5,087,713	\$ 188,329,945	\$ 37,017	36.3	4.6%
2005	5,119,598	\$ 193,989,644	\$ 37,892	36.5	4.2%
2006	5,163,555	\$ 205,857,404	\$ 39,867	36.7	4.1%
2007	5,207,203	\$ 216,840,348	\$ 41,642	36.9	4.6%
2008	5,247,018	\$ 228,049,178	\$ 43,463	37.1	5.4%
2009	5,281,203	\$ 217,704,595	\$ 41,223	37.3	8.1%
2010	5,310,584	\$ 227,543,790	\$ 42,847	37.4	7.3%

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 Ten Years Ago**

<u>Employer</u>	<u>2001</u>			<u>2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total State Employment</u>
State of Minnesota	56,320	1	2.09%	40,208	1	1.51%
United States Government	34,806	2	1.29%	34,000	2	1.28%
Mayo Foundation	24,587	5	0.91%	32,893	3	1.24%
Target Corporation	31,731	3	1.18%	30,500	4	1.15%
Allina Health System	22,261	6	0.83%	23,302	5	0.88%
Wal-Mart Stores Inc.	14,051	12	0.52%	20,434	6	0.77%
Fairview Health Services	18,495	8	0.69%	20,178	7	0.76%
Wells Fargo Bank Minnesota	15,259	10	0.57%	20,000	8	0.75%
University of Minnesota	30,823	4	1.15%	19,157	9	0.72%
MN State Colleges/Universities	-	-	-	18,516	10	0.70%
3M Company	18,606	7	0.69%	15,000	11	0.56%
Northwest Airlines Corp.	18,270	9	0.68%	-	-	-
Total	<u>285,209</u>			<u>274,188</u>		
Total State Employment	<u>2,689,351</u>			<u>2,656,421</u>		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published October 26, 2001, and September 23, 2011.
Minnesota Department of Employment and Economic Development

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

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

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

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5,752	6,245	6,198	6,447	6,517	6,553	6,569
4,849	4,710	4,435	4,544	4,713	4,969	4,964
4,389	4,019	4,322	4,465	4,515	4,467	4,416
4,136	3,976	3,486	2,379	2,499	2,661	2,621
864	964	935	897	882	880	877
14,407	14,150	14,437	14,841	15,592	15,835	15,851
7,570	7,827	8,042	9,587	8,257	9,167	8,997
6,050	6,520	6,559	7,393	8,393	6,868	7,005
<u>48,017</u>	<u>48,411</u>	<u>48,414</u>	<u>50,553</u>	<u>51,368</u>	<u>51,400</u>	<u>51,300</u>

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

	2002	2003	2004	2005
Public Safety and Corrections				
Incarcerated Inmates	6,583	7,073	7,795	7,978
Offenders on Supervision	15,797	16,753	19,061	18,106
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,677,848	2,700,603	2,363,013	2,344,311
Crashes Investigated By State Patrol	22,827	22,939	18,789	23,429
Transportation				
Miles of Highways	29,024	29,078	29,153	29,130
Trunk Highway Bridges	2,855	2,784	2,831	2,876
Acres of Right-of-Way	247,019	250,243	252,205	252,433
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,513,303	1,513,018	1,490,110	1,478,219
Watercraft Licenses Issued/Calendar Year	834,974	845,379	854,110	853,999
Acres of State Land Managed by Forestry/Fiscal Year	3,856,000	3,853,000	3,853,000	3,853,000
Farms/Calendar Year	80,900	80,000	79,600	79,600
Acres of Farmland/Calendar Year (1,000 Acres)	27,800	27,600	27,400	27,200
Agricultural Production-Crops/Calendar Year (In Thousands)	\$ 4,351,693	\$ 4,391,532	\$ 5,147,314	\$ 4,866,387
Agricultural Production-Livestock/Calendar Year (In Thousands)	\$ 3,615,553	\$ 4,089,925	\$ 4,974,098	\$ 4,970,842
Economic and Workforce Development				
Unemployment Claims Filed	319,647	323,262	299,630	285,669
Workplace Injuries Reported	50,470	44,983	43,871	42,002
General Education				
Kindergarten Through Grade 12 Students ⁽¹⁾	839,424	835,227	829,832	825,843
School Districts	343	343	343	343
Charter Schools	67	78	88	106
Special Education Age 0-21 Childcount	113,930	115,802	117,666	118,501
Higher Education				
Full Year Equivalents	126,215	132,586	135,819	135,494
Number of Students Graduated	26,680	29,438	32,480	32,638
Buildings - Square Footage	24,310,545	24,509,182	25,263,803	25,559,289
Health and Human Services				
Average Monthly Cash Recipients	179,905	184,848	182,645	171,738
Average Monthly Health Care Enrollees	579,388	636,228	649,032	663,529
Health Care Providers	5,250	5,517	5,491	5,726
General Government				
Individual Income Tax Payers/Calendar Year	2,415,039	2,416,197	2,415,563	2,501,144
Corporate Income Tax Returns/Calendar Year	50,498	37,522	51,803	39,334
Sales Tax Permit Holders/Calendar Year	234,000	226,000	229,000	219,000

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.

Source: Applicable State Agencies

2006	2007	2008	2009	2010	2011
8,874	8,900	9,270	9,217	9,619	9,429
19,977	18,979	20,132	20,974	20,559	19,727
10	10	10	10	10	10
1,542,648 ⁽²⁾	1,402,284	1,436,622	1,268,416	1,277,295	1,277,132
23,777	20,975	20,198	20,297	20,324	25,768
29,100	29,200	29,191	29,228	29,370	29,347
2,907	2,924	2,981	3,021	2,988	2,985
253,852	254,087	254,074	254,269	254,880	254,852
1,499,482	1,386,087	1,326,087	1,363,841	1,247,885	N/A
863,434	866,971	870,736	873,986	908,232	N/A
3,853,000	3,852,000	3,847,000	3,922,744	3,915,225	3,915,178
79,300	81,000	81,000	81,000	81,000	N/A
27,000	26,900	26,900	26,900	26,900	N/A
\$ 5,183,498	\$ 6,848,553	\$ 10,288,852	\$ 8,752,754	\$ 9,198,469	N/A
\$ 4,864,539	\$ 5,849,694	\$ 6,095,538	\$ 5,185,204	\$ 6,216,151	N/A
276,381	228,664	193,499	336,266	350,443	322,094 ⁽³⁾
39,919	39,827	38,178	35,416	32,828	33,889
826,543	827,197	823,755	821,021	821,923	823,753 ⁽³⁾
343	340	340	340	337	337
125	131	143	153	154	149
119,720	121,511	123,269	124,592	126,108	127,863
134,220	135,839	139,885	143,924	155,427	158,058 ⁽³⁾
33,860	33,796	33,328	35,026	36,464	38,385 ⁽³⁾
25,725,125	26,007,169	26,065,364	26,672,956	26,792,759	27,248,375
164,632	159,390	158,556	164,293	174,372	184,846
667,182	661,265	667,086	707,006	776,430	844,037
6,276	6,710	7,120	8,368	7,971	8,872
2,563,373	2,602,439	2,715,679	2,687,864	2,695,214	2,685,588
43,304	38,339	40,900	33,822	32,115	34,792
197,000	256,000	277,000	277,000	284,000	284,000

Note: Of the \$14.3 billion in capital assets owned by the state, \$9.5 billion (66.6 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining \$4.8 billion in capital assets is allocated to other functions.

