

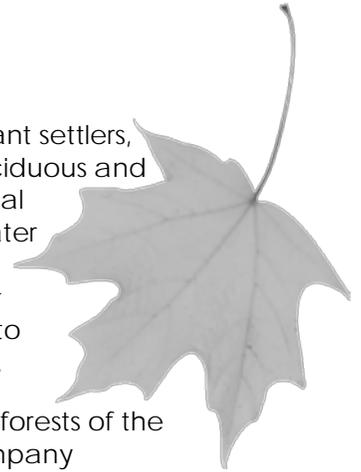
# State of Minnesota

## Comprehensive Annual Financial Report

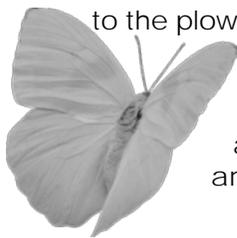


For the Year Ended June 30, 2011

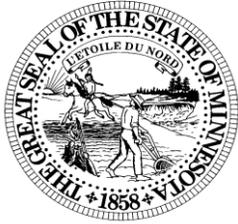
Long before its land was cultivated by native people and immigrant settlers, Minnesota was covered by two distinct landscapes: forests of deciduous and evergreen trees and rolling prairies of grass and flowers. Four glacial periods had carved out thousands of lakes from which flowing water eroded the 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  
Comprehensive  
Annual  
Financial Report

---

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

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

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

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

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

---



2011 Comprehensive Annual Financial Report
Table of Contents

Introduction

Transmittal Letter from the Commissioner of Minnesota Management and Budget ..... vii
Certificate of Achievement..... xi
State Organization Chart..... xii
State Principal Officials.....xiii

Financial Section

Independent Auditor's Report.....2
Management's Discussion and Analysis ..... 5

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Assets ..... 24
Statement of Activities ..... 26

Fund Financial Statements

Governmental Fund Financial Statements ..... 31
Balance Sheet ..... 32
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Assets ..... 33
Statement of Revenues, Expenditures and Changes in Fund Balances ..... 34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities ..... 35
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Budgetary Basis General Fund ..... 36
Proprietary Fund Financial Statements ..... 37
Statement of Net Assets ..... 38
Statement of Revenues, Expenses and Changes in Net Assets ..... 39
Statement of Cash Flows ..... 40
Fiduciary Fund Financial Statements ..... 43
Statement of Net Assets ..... 44
Statement of Changes in Net Assets ..... 45
Component Unit Financial Statements ..... 47
Statement of Net Assets ..... 48
Statement of Activities ..... 49
Index of Notes to the Financial Statements ..... 51
Notes to the Financial Statements ..... 53

Required Supplementary Information

Modified Approach for Infrastructure ..... 141
Actuarial Measures of Pension Funding Progress ..... 144
Actuarial Measures of Other Postemployment Benefits Funding Progress ..... 145
Public Employees Insurance Program Development Information ..... 146

Combining and Individual Fund Statements - Nonmajor Funds

Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds ..... 151
Combining Balance Sheet ..... 152
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 153
Nonmajor Special Revenue Funds ..... 154
Combining Balance Sheet ..... 156
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 160
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual -
Budgetary Basis ..... 164
Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues,
Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis ..... 169

## Financial Section (continued)

|  |     |
|--|-----|
| Nonmajor Capital Projects Funds .....  | 171 |
| Combining Balance Sheet.....   | 172 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... | 173 |
| Nonmajor Enterprise Funds .....  | 175 |
| Combining Statement of Net Assets.....   | 176 |
| Combining Statement of Revenues, Expenses and Changes in Net Assets.....         | 178 |
| Combining Statement of Cash Flows .....  | 180 |
| Internal Service Funds .....   | 183 |
| Combining Statement of Net Assets.....   | 184 |
| Combining Statement of Revenues, Expenses and Changes in Net Assets.....         | 186 |
| Combining Statement of Cash Flows .....  | 188 |
| Pension Trust Funds.....   | 190 |
| Combining Statement of Net Assets.....   | 192 |
| Combining Statement of Changes in Net Assets.....                                | 196 |
| Investment Trust Fund .....  | 201 |
| Combining Statement of Plan Net Assets.....                                      | 202 |
| Combining Statement of Changes in Plan Net Assets .....                          | 203 |
| Agency Fund.....   | 205 |
| Statement of Changes in Assets and Liabilities.....                              | 207 |
| Nonmajor Component Unit Funds.....   | 209 |
| Combining Statement of Net Assets.....   | 210 |
| Combining Statement of Activities.....   | 212 |
| Nonmajor Component Units Not Issuing Separately Audited Financial Statements     |     |
| Combining Statement of Revenues, Expenses and Changes in Net Assets.....         | 214 |
| Combining Statement of Cash Flows .....  | 215 |
| General Obligation Debt Schedule   |     |
| General Obligation Bonds Authorized, Issued and Unissued .....                   | 218 |

## Statistical Section

|  |     |
|--|-----|
| Index of Statistical Section .....                                     | 223 |
| Financial Trends   |     |
| Schedule 1 - Net Assets by Component .....                             | 224 |
| Schedule 2 - Changes in Net Assets .....                               | 226 |
| Schedule 3 - Fund Balances – Governmental Funds.....                   | 230 |
| Schedule 4 - Changes in Fund Balances – Governmental Funds.....        | 234 |
| Revenue Capacity   |     |
| Schedule 5 - Revenue Base .....  | 236 |
| Schedule 6 - Revenue Rates .....                                       | 238 |
| Schedule 7 - Principal Tax Payers .....                                | 241 |
| Debt Capacity  |     |
| Schedule 8 - Ratios of Outstanding and General Bonded Debt.....        | 242 |
| Schedule 9 - Pledged Revenue Coverage.....                             | 244 |
| Economic and Demographic Information                                   |     |
| Schedule 10 - Demographic and Economic Statistics.....                 | 249 |
| Schedule 11 - Principal Employers .....                                | 249 |
| Operating Information  |     |
| Schedule 12 - Full-Time Equivalent State Employees by Function.....    | 250 |
| Schedule 13 - Operating and Capital Asset Indicators by Function ..... | 252 |



State of Minnesota

---

---

# Introduction

---

2011  
Comprehensive  
Annual  
Financial Report





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

AN EQUAL OPPORTUNITY EMPLOYER

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 12<sup>th</sup> 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,



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. Davison*

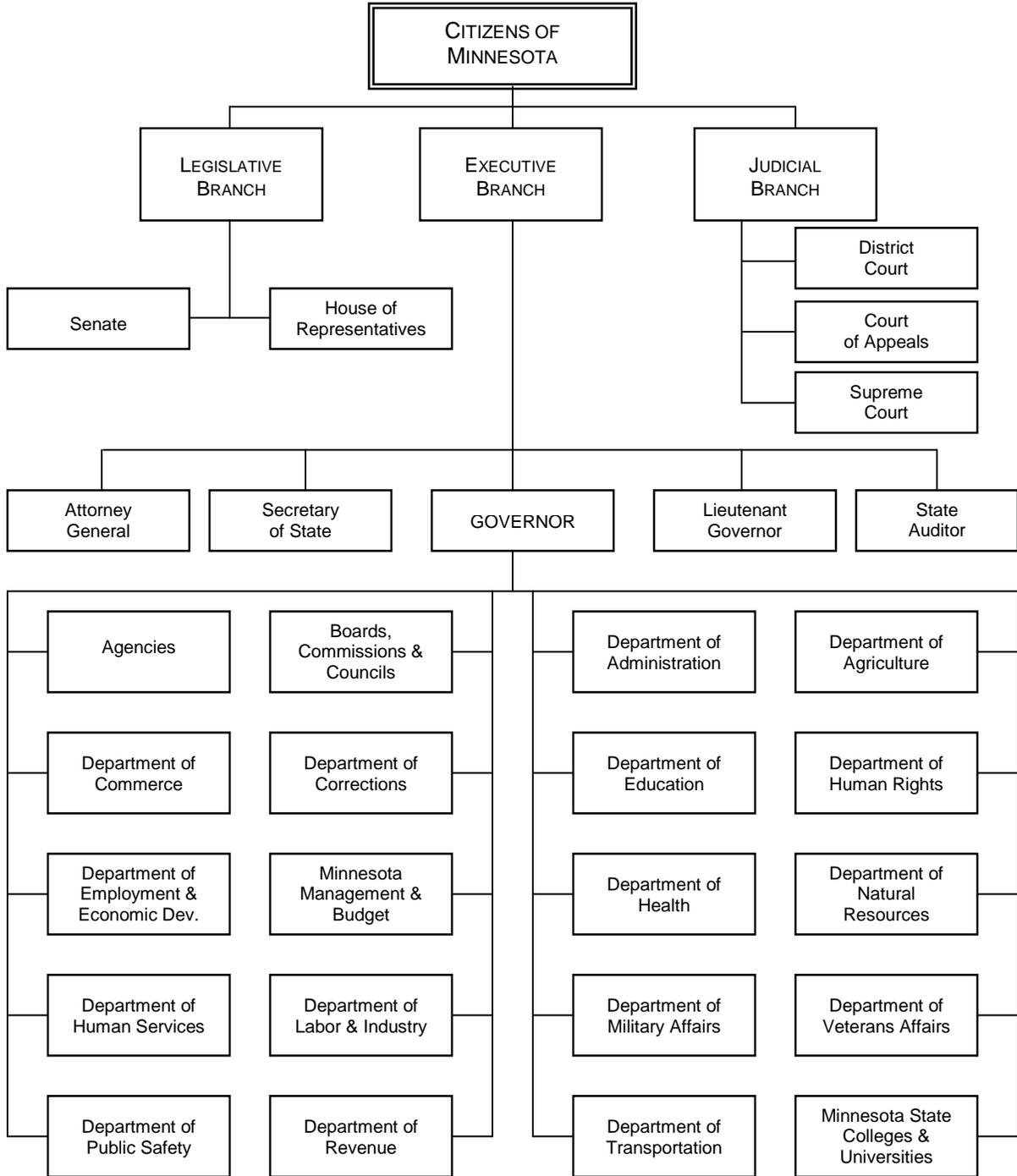
President

*Jeffrey R. Emer*

Executive Director



# 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 Prettner 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  
Comprehensive  
Annual  
Financial Report

---



## 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.

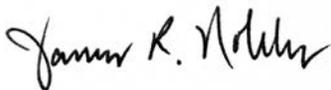
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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<br>June 30, 2011 and 2010<br>(In Thousands)            |                         |                      |                          |                     |                          |                      |
|---|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|   | Governmental Activities |                      | Business-type Activities |                     | Total Primary Government |                      |
|   | 2011                    | 2010                 | 2011                     | 2010                | 2011                     | 2010                 |
| Current Assets <sup>(1)</sup>                                     | \$ 10,141,456           | \$ 9,048,422         | \$ 1,545,363             | \$ 1,402,508        | \$ 11,686,819            | \$ 10,450,930        |
| Noncurrent Assets:  |                         |                      |                          |                     |                          |                      |
| Capital Assets <sup>(1)</sup>                                     | 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 <sup>(1)</sup>                                | \$ 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,<br>Net of Related Debt <sup>(1)</sup> | \$ 9,147,520            | \$ 8,963,198         | \$ 1,352,739             | \$ 1,293,856        | \$ 10,500,259            | \$ 10,257,054        |
| Restricted <sup>(1)</sup>   | 3,396,243               | 3,060,905            | 643,700                  | 538,589             | 4,039,943                | 3,599,494            |
| Unrestricted <sup>(1)</sup>                                       | (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> |

<sup>(1)</sup> 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                  |
| <b>Revenues:</b>                                 |                         |                      |                          |                     |                          |                       |
| <b>Program Revenues:</b>                         |                         |                      |                          |                     |                          |                       |
| 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               |
| <b>General Revenues:</b>                         |                         |                      |                          |                     |                          |                       |
| 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               |
| <b>Total Revenues</b>                            | <b>\$ 29,975,149</b>    | <b>\$ 28,432,522</b> | <b>\$ 4,552,528</b>      | <b>\$ 4,457,861</b> | <b>\$ 34,527,677</b>     | <b>\$ 32,890,383</b>  |
| <b>Expenses:</b>                                 |                         |                      |                          |                     |                          |                       |
| Public Safety and Corrections <sup>(1)</sup>     | \$ 976,261              | \$ 939,818           | \$ -                     | \$ -                | \$ 976,261               | \$ 939,818            |
| Transportation <sup>(1)</sup>                    | 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               |
| <b>Economic and Workforce Development</b>        |                         |                      |                          |                     |                          |                       |
| 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 <sup>(1)</sup>         | 12,274,181              | 11,950,195           | -                        | -                   | 12,274,181               | 11,950,195            |
| General Government <sup>(1)</sup>                | 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 <sup>(1)</sup>                             | -                       | -                    | 269,880                  | 247,989             | 269,880                  | 247,989               |
| <b>Total Expenses</b>                            | <b>\$ 28,700,502</b>    | <b>\$ 28,612,868</b> | <b>\$ 4,785,029</b>      | <b>\$ 5,466,098</b> | <b>\$ 33,485,531</b>     | <b>\$ 34,078,966</b>  |
| <b>Excess (Deficiency) Before</b>                |                         |                      |                          |                     |                          |                       |
| Transfers  | \$ 1,274,647            | \$ (180,346)         | \$ (232,501)             | \$ (1,008,237)      | \$ 1,042,146             | \$ (1,188,583)        |
| Transfers <sup>(1)</sup>                         | (584,171)               | (608,660)            | 584,171                  | 608,660             | -                        | -                     |
| <b>Change in Net Assets</b>                      | <b>\$ 690,476</b>       | <b>\$ (789,006)</b>  | <b>\$ 351,670</b>        | <b>\$ (399,577)</b> | <b>\$ 1,042,146</b>      | <b>\$ (1,188,583)</b> |
| <b>Net Assets, Beginning<sup>(1)</sup></b>       | <b>\$ 9,319,091</b>     | <b>\$ 10,108,097</b> | <b>\$ 1,561,862</b>      | <b>\$ 1,961,439</b> | <b>\$ 10,880,953</b>     | <b>\$ 12,069,536</b>  |
| <b>Net Assets, Ending</b>                        | <b>\$ 10,009,567</b>    | <b>\$ 9,319,091</b>  | <b>\$ 1,913,532</b>      | <b>\$ 1,561,862</b> | <b>\$ 11,923,099</b>     | <b>\$ 10,880,953</b>  |

<sup>(1)</sup> 2010 has been restated to be consistent with 2011 presentation.

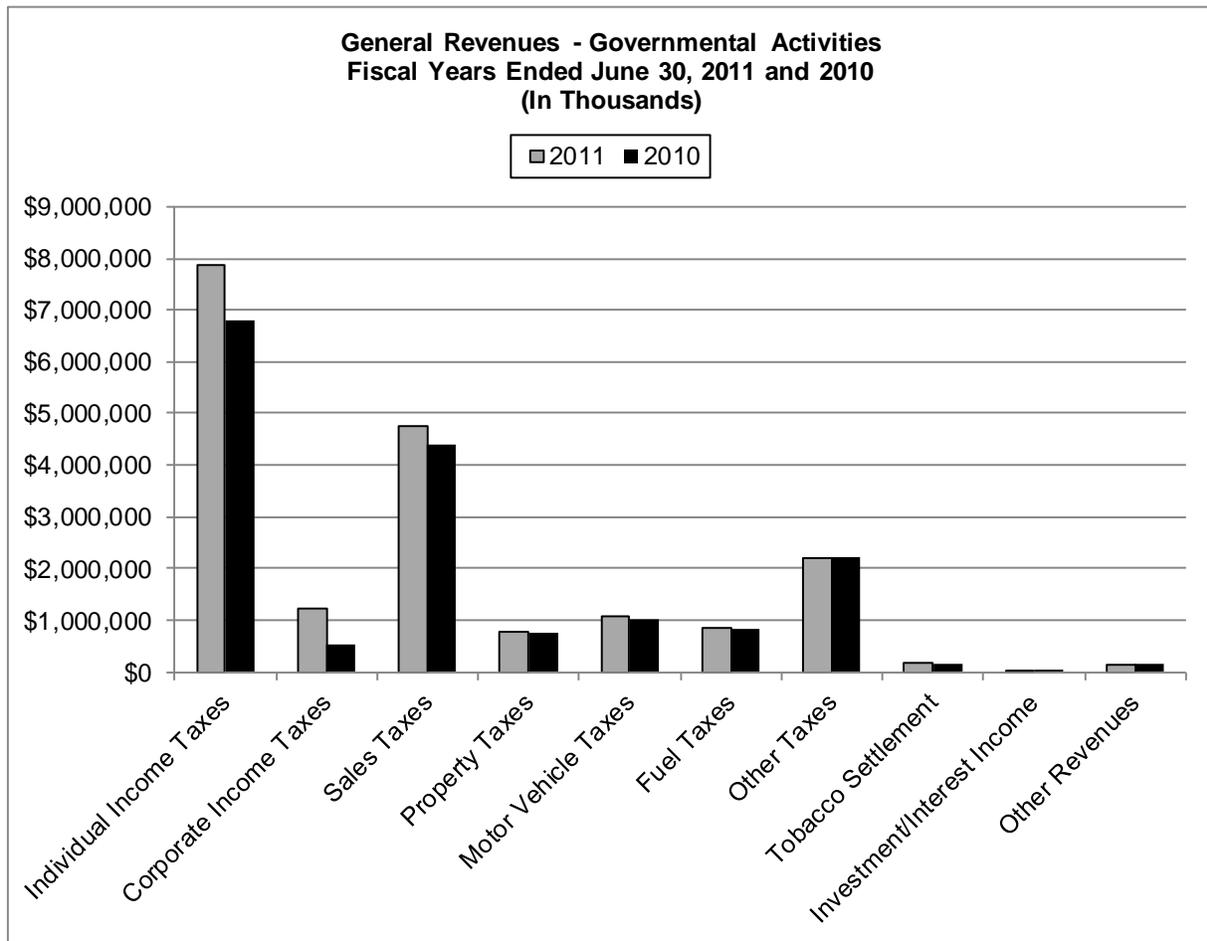
Approximately 54 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 33 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 1 percent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

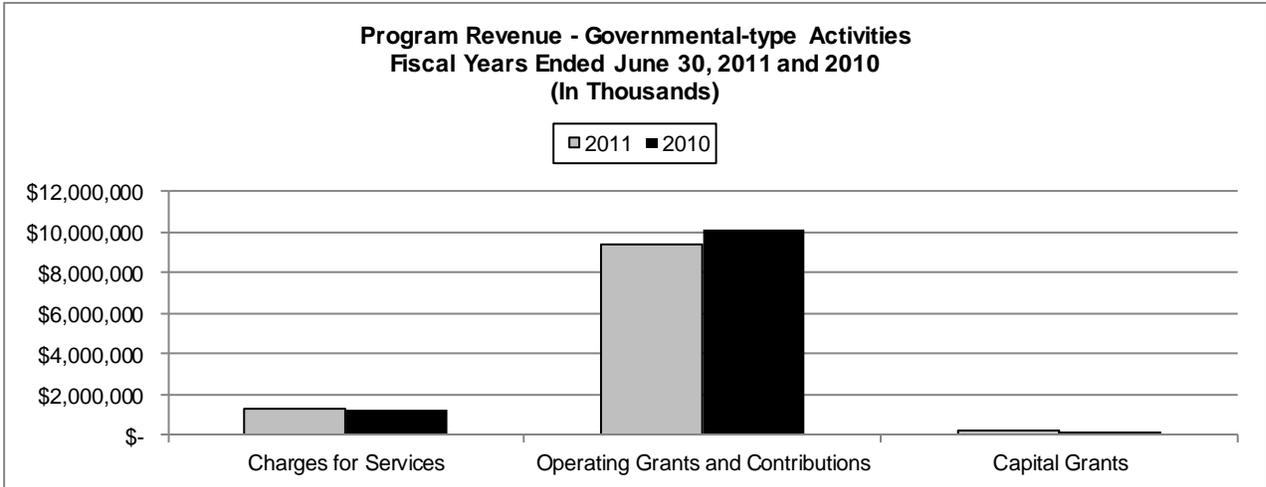
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

**Governmental Activities**

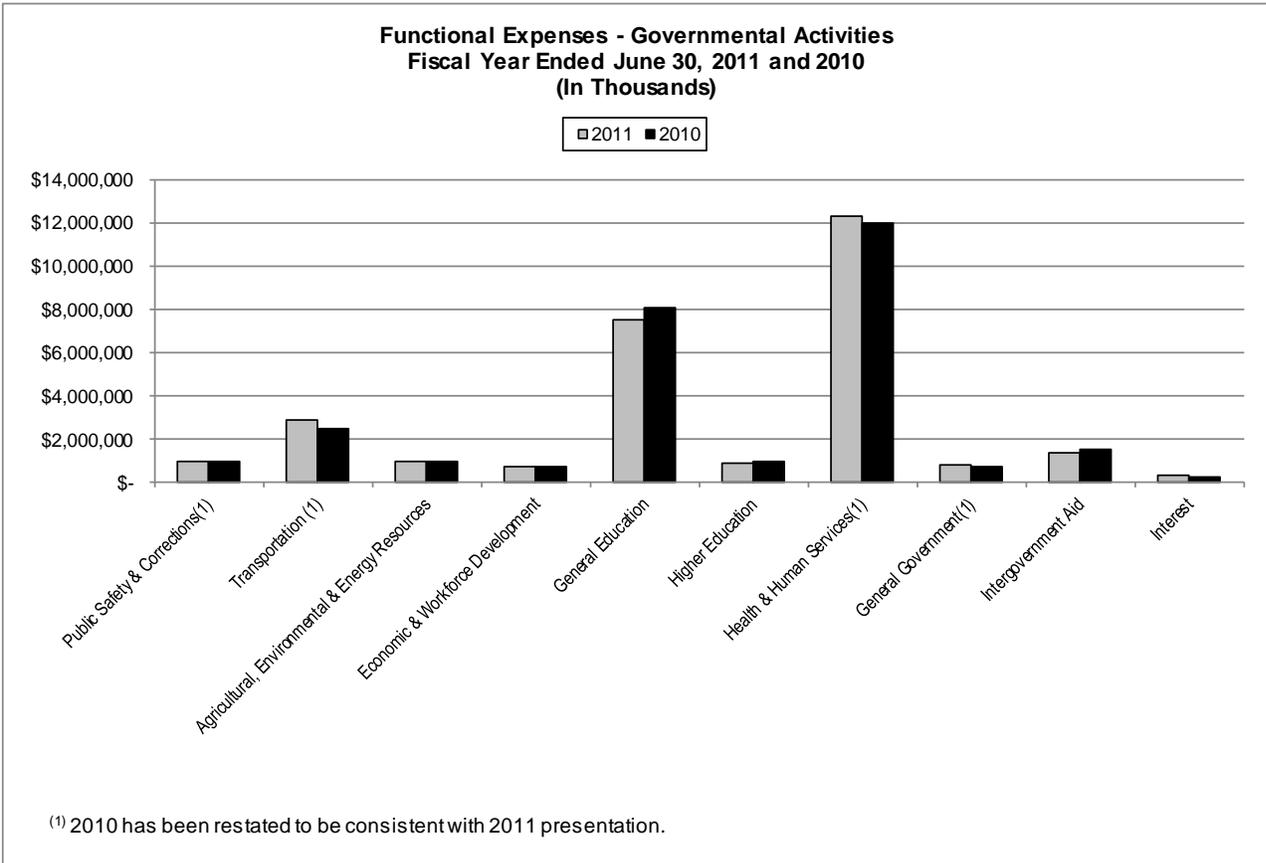
Governmental activities increased the state's net assets by \$690 million compared to a decrease of \$789 million in the prior year.

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).



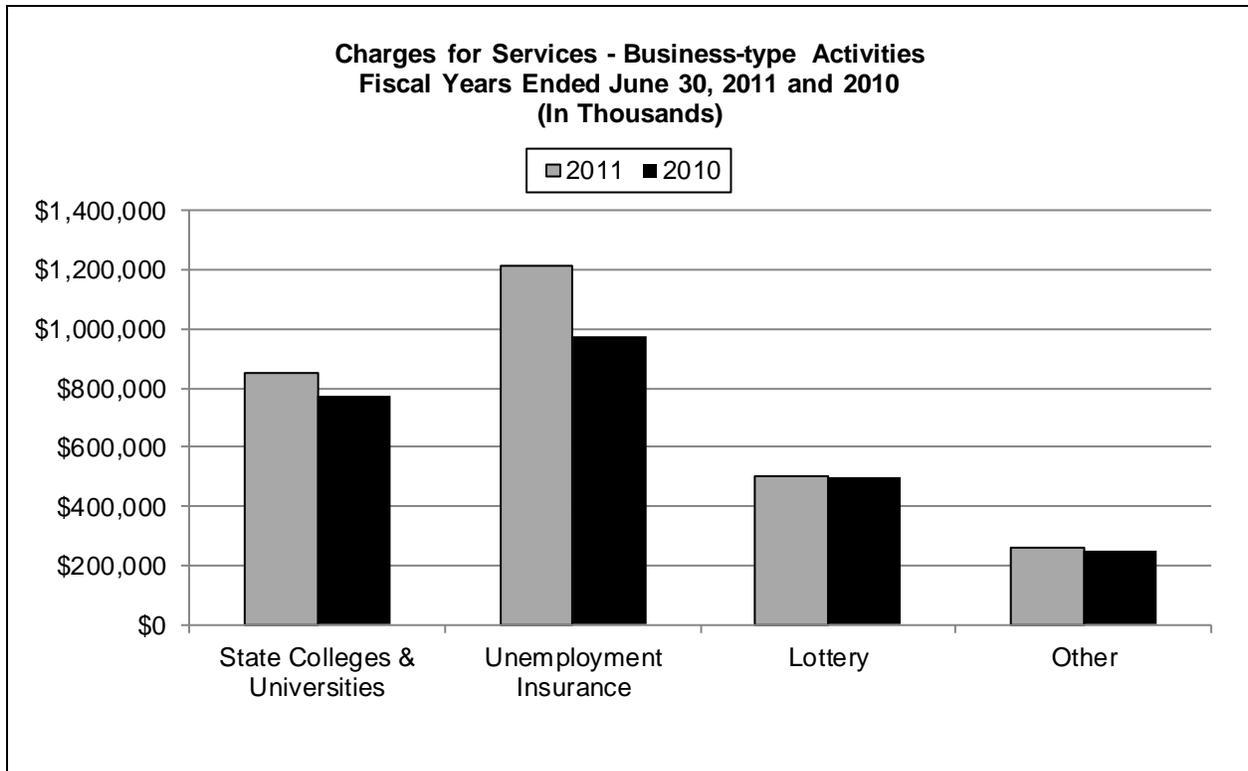


The slight net increase in functional expenses is attributable to increases in some expenses substantially offset by decreases in others. The increase in transportation expense related to increased grants to counties and cities as well as a grant to Metropolitan Council (component unit) as a result of 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 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 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<br>June 30, 2011 and 2010<br>(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 <sup>(1)</sup>                             | \$ 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 <sup>(1)</sup>                                  | <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> |
| <sup>(1)</sup> 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  
Comprehensive  
Annual  
Financial Report





State of Minnesota

---

---

# Government-wide Financial Statements

---

2011  
Comprehensive  
Annual  
Financial Report

---

**STATE OF MINNESOTA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

**(IN THOUSANDS)**

|   | PRIMARY GOVERNMENT      |                          |                      | COMPONENT UNITS      |
|---|-------------------------|--------------------------|----------------------|----------------------|
|   | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL                |                      |
| <b>ASSETS</b>                                       |                         |                          |                      |                      |
| <b>Current Assets:</b>                              |                         |                          |                      |                      |
| 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               | 50,365               |
| 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               |
| <b>Total Current Assets.....</b>                    | <b>\$ 10,141,456</b>    | <b>\$ 1,545,363</b>      | <b>\$ 11,686,819</b> | <b>\$ 3,000,836</b>  |
| <b>Noncurrent Assets:</b>                           |                         |                          |                      |                      |
| 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               |
| <b>Total Noncurrent Assets.....</b>                 | <b>\$ 13,164,092</b>    | <b>\$ 2,083,040</b>      | <b>\$ 15,247,132</b> | <b>\$ 15,859,953</b> |
| <b>Total Assets.....</b>                            | <b>\$ 23,305,548</b>    | <b>\$ 3,628,403</b>      | <b>\$ 26,933,951</b> | <b>\$ 18,860,789</b> |
| <b>LIABILITIES</b>                                  |                         |                          |                      |                      |
| <b>Current Liabilities:</b>                         |                         |                          |                      |                      |
| 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               |
| <b>Total Current Liabilities.....</b>               | <b>\$ 6,476,809</b>     | <b>\$ 700,861</b>        | <b>\$ 7,177,670</b>  | <b>\$ 1,567,805</b>  |
| <b>Noncurrent Liabilities:</b>                      |                         |                          |                      |                      |
| 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               |
| <b>Total Noncurrent Liabilities.....</b>            | <b>\$ 6,819,172</b>     | <b>\$ 1,014,010</b>      | <b>\$ 7,833,182</b>  | <b>\$ 7,444,682</b>  |
| <b>Total Liabilities.....</b>                       | <b>\$ 13,295,981</b>    | <b>\$ 1,714,871</b>      | <b>\$ 15,010,852</b> | <b>\$ 9,012,487</b>  |

CONTINUED

**STATE OF MINNESOTA**

**STATEMENT OF NET ASSETS (CONTINUED)**

**JUNE 30, 2011**

**(IN THOUSANDS)**

| NET ASSETS  | PRIMARY GOVERNMENT         |                             |                | COMPONENT<br>UNITS |
|---|----------------------------|-----------------------------|----------------|--------------------|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL          |                    |
| Invested in Capital Assets,<br>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 |
| <b>Primary Government:</b>                            |                      |                      |                                    |                                  |
| 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>\$ 33,485,531</u> | <u>\$ 4,132,112</u>  | <u>\$ 11,095,932</u>               | <u>\$ 203,800</u>                |
| <b>Component Units:</b>                               |                      |                      |                                    |                                  |
| 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>\$ 4,895,001</u>  | <u>\$ 2,099,954</u>  | <u>\$ 1,486,704</u>                | <u>\$ 422,829</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<br>ACTIVITIES | BUSINESS-<br>TYPE<br>ACTIVITIES | TOTAL                  | COMPONENT<br>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)            |
|                            |                                 |                        | (138,476)           |
|                            |                                 |                        | <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

---

2011  
Comprehensive  
Annual  
Financial Report





State of Minnesota

---

---

# 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.

2011  
Comprehensive  
Annual  
Financial Report

---

**STATE OF MINNESOTA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011  
(IN THOUSANDS)**

|   | GENERAL             | FEDERAL             | NONMAJOR FUNDS      | TOTAL                |
|---|---------------------|---------------------|---------------------|----------------------|
| <b>ASSETS</b>                                   |                     |                     |                     |                      |
| 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               |
| <b>Total Assets .....</b>                       | <b>\$ 5,235,934</b> | <b>\$ 1,350,716</b> | <b>\$ 4,386,306</b> | <b>\$ 10,972,956</b> |
| <b>LIABILITIES AND FUND BALANCES</b>            |                     |                     |                     |                      |
| <b>Liabilities:</b>                             |                     |                     |                     |                      |
| 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                |
| <b>Total Liabilities.....</b>                   | <b>\$ 5,385,776</b> | <b>\$ 1,350,593</b> | <b>\$ 737,074</b>   | <b>\$ 7,473,443</b>  |
| <b>Fund Balances:</b>                           |                     |                     |                     |                      |
| 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)            |
| <b>Total Fund Balances.....</b>                 | <b>\$ (149,842)</b> | <b>\$ 123</b>       | <b>\$ 3,649,232</b> | <b>\$ 3,499,513</b>  |
| <b>Total Liabilities and Fund Balances.....</b> | <b>\$ 5,235,934</b> | <b>\$ 1,350,716</b> | <b>\$ 4,386,306</b> | <b>\$ 10,972,956</b> |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 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> |                   |
| <b>Total Capital Assets.....</b>   |                    | <b>12,310,048</b> |

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

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

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

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> |                    |
| <b>Total Liabilities.....</b>                     |                 | <b>(7,495,125)</b> |

**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<br>FUNDS     | TOTAL                |
|--|----------------------|---------------------|-----------------------|----------------------|
| <b>Net Revenues:</b>   |                      |                     |                       |                      |
| 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              |
| <b>Net Revenues.....</b>                                     | <b>\$ 16,836,517</b> | <b>\$ 8,697,741</b> | <b>\$ 4,217,950</b>   | <b>\$ 29,752,208</b> |
| <b>Expenditures:</b>   |                      |                     |                       |                      |
| <b>Current:</b>  |                      |                     |                       |                      |
| 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                   |
| <b>Total Current Expenditures.....</b>                       | <b>\$ 15,344,885</b> | <b>\$ 8,611,234</b> | <b>\$ 4,116,376</b>   | <b>\$ 28,072,495</b> |
| Capital Outlay.....  | 25,571               | 47,728              | 626,284               | 699,583              |
| Debt Service.....  | 40,867               | 418                 | 655,975               | 697,260              |
| <b>Total Expenditures.....</b>                               | <b>\$ 15,411,323</b> | <b>\$ 8,659,380</b> | <b>\$ 5,398,635</b>   | <b>\$ 29,469,338</b> |
| <b>Excess of Revenues Over (Under)<br/>Expenditures.....</b> | <b>\$ 1,425,194</b>  | <b>\$ 38,361</b>    | <b>\$ (1,180,685)</b> | <b>\$ 282,870</b>    |
| <b>Other Financing Sources (Uses):</b>                       |                      |                     |                       |                      |
| 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)          |
| <b>Net Other Financing Sources (Uses).....</b>               | <b>\$ (688,790)</b>  | <b>\$ (38,361)</b>  | <b>\$ 1,247,118</b>   | <b>\$ 519,967</b>    |
| <b>Net Change in Fund Balances.....</b>                      | <b>\$ 736,404</b>    | <b>\$ -</b>         | <b>\$ 66,433</b>      | <b>\$ 802,837</b>    |
| 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                |
| <b>Fund Balances, Ending.....</b>                            | <b>\$ (149,842)</b>  | <b>\$ 123</b>       | <b>\$ 3,649,232</b>   | <b>\$ 3,499,513</b>  |

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)**

|  |                          |
|--|--------------------------|
| <b>Net Change in Fund Balances for Governmental Funds.....</b>   | <b>\$ 802,837</b>        |
| 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                   |
| <b>Change in Net Assets of Governmental Activities.....</b>  | <b>\$ <u>690,476</u></b> |

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<br>BUDGET   | FINAL<br>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.....                                     | <u>\$ 15,668,390</u> | <u>\$ 15,573,815</u> | <u>\$ 15,928,093</u> |
| 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.....                               | <u>\$ 15,510,670</u> | <u>\$ 14,711,431</u> | <u>\$ 14,365,472</u> |
| Excess of Revenues Over (Under)<br>Expenditures.....  | <u>\$ 157,720</u>    | <u>\$ 862,384</u>    | <u>\$ 1,562,621</u>  |
| 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).....               | <u>\$ (384,134)</u>  | <u>\$ (750,946)</u>  | <u>\$ (748,382)</u>  |
| Net Change in Fund Balances.....                      | <u>\$ (226,414)</u>  | <u>\$ 111,438</u>    | <u>\$ 814,239</u>    |
| Fund Balances, Beginning, as Reported .....           | \$ 501,641           | \$ 501,641           | \$ 501,641           |
| Prior Period Adjustments.....                         | -                    | -                    | 33,488               |
| Fund Balances, Beginning, as Restated.....            | <u>\$ 501,641</u>    | <u>\$ 501,641</u>    | <u>\$ 535,129</u>    |
| 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.....               | <u>\$ 275,227</u>    | <u>\$ 613,079</u>    | <u>\$ 994,439</u>    |

The notes are an integral part of the financial statements.



State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# Major Proprietary Funds

---

## **State Colleges and Universities Fund**

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

## **Unemployment Insurance Fund**

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

**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 |
| <b>ASSETS</b>                             |                               |                        |                           |                     |                        |
| 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.....                 | <u>\$ 922,356</u>             | <u>\$ 479,325</u>      | <u>\$ 181,880</u>         | <u>\$ 1,583,561</u> | <u>\$ 399,636</u>      |
| 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.....              | <u>\$ 1,960,998</u>           | <u>\$ -</u>            | <u>\$ 122,042</u>         | <u>\$ 2,083,040</u> | <u>\$ 30,979</u>       |
| Total Assets.....                         | <u>\$ 2,883,354</u>           | <u>\$ 479,325</u>      | <u>\$ 303,922</u>         | <u>\$ 3,666,601</u> | <u>\$ 430,615</u>      |
| <b>LIABILITIES</b>                        |                               |                        |                           |                     |                        |
| 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.....            | <u>\$ 299,404</u>             | <u>\$ 374,918</u>      | <u>\$ 64,737</u>          | <u>\$ 739,059</u>   | <u>\$ 97,308</u>       |
| 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.....         | <u>\$ 713,843</u>             | <u>\$ 183,133</u>      | <u>\$ 117,034</u>         | <u>\$ 1,014,010</u> | <u>\$ 14,968</u>       |
| Total Liabilities.....                    | <u>\$ 1,013,247</u>           | <u>\$ 558,051</u>      | <u>\$ 181,771</u>         | <u>\$ 1,753,069</u> | <u>\$ 112,276</u>      |
| <b>NET ASSETS</b>                         |                               |                        |                           |                     |                        |
| 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.....                     | <u>\$ 547,446</u>             | <u>\$ -</u>            | <u>\$ 96,254</u>          | <u>\$ 643,700</u>   | <u>\$ -</u>            |
| Unrestricted.....                         | <u>\$ -</u>                   | <u>\$ (78,726)</u>     | <u>\$ (4,181)</u>         | <u>\$ (82,907)</u>  | <u>\$ 303,421</u>      |
| Total Net Assets.....                     | <u>\$ 1,870,107</u>           | <u>\$ (78,726)</u>     | <u>\$ 122,151</u>         | <u>\$ 1,913,532</u> | <u>\$ 318,339</u>      |

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                  |
| <b>Total Operating Revenues.....</b>                  | <b>\$ 851,754</b>             | <b>\$ 1,211,352</b>    | <b>\$ 764,761</b>         | <b>\$ 2,827,867</b> | <b>\$ 876,214</b>      |
| Less: Cost of Goods Sold.....                         | -                             | -                      | 376,314                   | 376,314             | -                      |
| <b>Gross Margin.....</b>                              | <b>\$ 851,754</b>             | <b>\$ 1,211,352</b>    | <b>\$ 388,447</b>         | <b>\$ 2,451,553</b> | <b>\$ 876,214</b>      |
| 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                  |
| <b>Total Operating Expenses.....</b>                  | <b>\$ 1,867,436</b>           | <b>\$ 2,210,596</b>    | <b>\$ 228,583</b>         | <b>\$ 4,306,615</b> | <b>\$ 847,044</b>      |
| 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                    |
| <b>Total Nonoperating Revenues (Expenses).....</b>    | <b>\$ 483,161</b>             | <b>\$ 1,186,653</b>    | <b>\$ (47,253)</b>        | <b>\$ 1,622,561</b> | <b>\$ (2,258)</b>      |
| 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              |                        |                           |                |                        |
|---|-------------------------------|------------------------|---------------------------|----------------|------------------------|
|   | STATE COLLEGES & UNIVERSITIES | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTAL          | INTERNAL SERVICE FUNDS |
| <b>Cash Flows from Operating Activities:</b>                      |                               |                        |                           |                |                        |
| 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              |
| <b>Cash Flows from Noncapital Financing Activities:</b>           |                               |                        |                           |                |                        |
| 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)            |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |                               |                        |                           |                |                        |
| 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)             |
| <b>Cash Flows from Investing Activities:</b>                      |                               |                        |                           |                |                        |
| 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              |                        |                           |                |                        |
|---|-------------------------------|------------------------|---------------------------|----------------|------------------------|
|   | STATE COLLEGES & UNIVERSITIES | UNEMPLOYMENT INSURANCE | NONMAJOR ENTERPRISE FUNDS | TOTAL          | INTERNAL SERVICE FUNDS |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b> |                               |                        |                           |                |                        |
| Operating Income (Loss).....  | \$ (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              |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                   |                               |                        |                           |                |                        |
| 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.





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

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

The notes are an integral part of the financial statements.





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# 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<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|--|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>ASSETS</b>                                  |                              |                         |                               |                                |                             |
| 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               |
| <b>LIABILITIES</b>                             |                              |                         |                               |                                |                             |
| 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                |
| <b>NET ASSETS</b>                              |                              |                         |                               |                                |                             |
| 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<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>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**  
**Index of Notes to the Financial Statements**

---

|   | Page |
|---|------|
| Note 1 – Summary of Significant Accounting and Reporting Policies ..... | 53   |
| Note 2 – Cash, Investments, and Derivative Instruments .....            | 65   |
| Note 3 – Disaggregation of Receivables .....                            | 77   |
| Note 4 – Loans and Notes Receivable .....                               | 79   |
| Note 5 – Interfund Transactions .....                                   | 80   |
| Note 6 – Capital Assets .....   | 83   |
| Note 7 – Disaggregation of Payables .....                               | 87   |
| Note 8 – Pension and Investment Trust Funds .....                       | 88   |
| Note 9 – Termination and Postemployment Benefits .....                  | 97   |
| Note 10 – Long-Term Commitments .....                                   | 101  |
| Note 11 – Operating Lease Agreements .....                              | 103  |
| Note 12 – Long-Term Liabilities – Primary Government .....              | 104  |
| Note 13 – Long-Term Liabilities – Component Units .....                 | 115  |
| Note 14 – Segment Information .....                                     | 120  |
| Note 15 – Contingent Liabilities .....                                  | 122  |
| Note 16 – Equity .....  | 123  |
| Note 17 – Risk Management .....   | 126  |
| Note 18 – Budgetary Basis vs. GAAP .....                                | 132  |
| Note 19 – Litigation .....  | 133  |
| Note 20 – Subsequent Events .....                                       | 137  |





---

## 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<br>400 Sibley Street, Suite 300<br>St. Paul, Minnesota 55101-1998   | Office of Higher Education<br>1450 Energy Park Drive, Suite 350<br>St. Paul, Minnesota 55108-5227   |
| University of Minnesota<br>Office of the Controller<br>205 West Bank Office Building<br>1300 South Second Street<br>Minneapolis, Minnesota 55455 | Public Facilities Authority<br>Department of Employment & Economic Development<br>1st National Bank Building<br>332 Minnesota Street, Suite E-200<br>St. Paul, Minnesota 55101-1351 |
| National Sports Center Foundation<br>National Sports Center<br>1700 105th Avenue Northeast<br>Blaine, Minnesota 55449                            | Workers' Compensation Assigned Risk Plan<br>Affinity Insurance Services, Inc.<br>8300 Norman Center Drive, Suite 1000<br>Minneapolis, Minnesota 55437                               |
| Metropolitan Council<br>390 North Robert Street<br>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<br>2645 Long Lake Road<br>Roseville, Minnesota 55113                       | Minnesota State Retirement System<br>60 Empire Drive, Suite 300<br>St. Paul, Minnesota 55103  |
| Public Employees Retirement Association<br>60 Empire Drive, Suite 200<br>St. Paul, Minnesota 55103 | Teachers Retirement Association<br>60 Empire Drive, Suite 400<br>St. Paul, Minnesota 55103  |
| State Board of Investment<br>60 Empire Drive, Suite 355<br>St. Paul, Minnesota 55103               | Minnesota State Colleges and Universities<br>Financial Reporting Unit<br>500 Wells Fargo Place, 30 East 7 <sup>th</sup> Street<br>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:

| <b>Primary Government</b>                                   |                         |                             |                        |
|---|-------------------------|-----------------------------|------------------------|
| <b>Derivative Activity for the Year Ended June 30, 2011</b> |                         |                             |                        |
| <b>By Derivative Type</b>                                   |                         |                             |                        |
| <b>(In Thousands)</b>                                       |                         |                             |                        |
|   | Change in Fair<br>Value | Year End<br>Notional Amount | Year End Fair<br>Value |
| <b>Governmental Activities:</b>                             |                         |                             |                        |
| Futures   | \$ 25,767               | 32,868                      | \$ -                   |
| Warrants  | (9)                     | -                           | -                      |
|   | <u>\$ 25,758</u>        | <u>32,868</u>               | <u>\$ -</u>            |
| <b>Fiduciary Activities:</b>                                |                         |                             |                        |
| 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<br/>Average<br/>Maturity<br/>(Years)</u> | <u>AA or<br/>Better</u> | <u>BBB<br/>to A</u> | <u>BB or<br/>Lower</u> | <u>Not<br/>Rated</u> |
|---------------------------------|------------------------------------|--|-------------------------|---------------------|------------------------|----------------------|
| <b>Debt Securities:</b>         |                                    |  |                         |                     |                        |                      |
| 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>                |  |                         |                     |                        |                      |
| <b>Equity Investments:</b>      |                                    |  |                         |                     |                        |                      |
| Corporate Stock                 | \$ 753,913                         |  |                         |                     |                        |                      |
| <b>Other Investments:</b>       |                                    |  |                         |                     |                        |                      |
| 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> <sup>(1)</sup> |  |                         |                     |                        |                      |

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

**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<br>Average<br>Maturity<br>(Years) | AA or<br>Better | BBB to<br>A | BB or<br>Lower | Not<br>Rated |
|--|----------------------|--|-----------------|-------------|----------------|--------------|
| <b>Debt Securities:</b>                    |                      |  |                 |             |                |              |
| 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%         |
| <b>Total Debt Securities</b>               | <b>\$ 13,757,359</b> |  |                 |             |                |              |
| <b>Other Investments:</b>                  |                      |  |                 |             |                |              |
| <b>Guaranteed Investment Account</b>       |                      |  |                 |             |                |              |
| Guaranteed Investment Contract (GIC)       | \$ 189,423           |  |                 |             |                |              |
| Synthetic GIC                              | 907,557              |  |                 |             |                |              |
| Short Term Investments Pool                | 275,638              |  |                 |             |                |              |
| <b>Total Guaranteed Investment Account</b> | <b>\$ 1,372,618</b>  |  |                 |             |                |              |
| State Street Global Investment Pools       | 278,492              |  |                 |             |                |              |
| Mutual Funds                               | 3,958,308            |  |                 |             |                |              |
| <b>Total Other Investments</b>             | <b>\$ 5,609,418</b>  |  |                 |             |                |              |
| <b>Equity Investments:</b>                 |                      |  |                 |             |                |              |
| Corporate Stock                            | \$ 29,282,331        |  |                 |             |                |              |
| Alternative Equities                       | 6,949,235            |  |                 |             |                |              |
| Stock Rights/Warrants                      | 3,491                |  |                 |             |                |              |
| <b>Total Equity Investments</b>            | <b>\$ 36,235,057</b> |  |                 |             |                |              |
| <b>Total Investments</b>                   | <b>\$ 55,601,834</b> |  |                 |             |                | (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.

| <b>Major Component Unit<br/>Metropolitan Council<br/>Fair Value of Investments<br/>As of December 31, 2010<br/>(In Thousands)</b> |    | <u>Estimated Fair<br/>Value</u> |
|---|----|---------------------------------|
| 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

| <b>Nonmajor Component Units</b><br><b>Cash, Cash Equivalents, and Investments</b><br><b>As of December 31, 2010, or June 30, 2011, as applicable</b><br><b>(In Thousands)</b> |                              |             |
|---|------------------------------|-------------|
| Component Unit  | Cash and Cash<br>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   | \$ 654,871                   | \$ 425,962  |

### Note 3 – Disaggregation of Receivables

| <b>Primary Government<br/>Components of Net Receivables<br/>Government-wide<br/>As of June 30, 2011<br/>(In Thousands)</b> |                                    |                           |  |              |
|--|------------------------------------|---------------------------|--|--------------|
|  | Governmental Activities            |                           |  | Total        |
|  | General Fund                       | Federal Fund              | Nonmajor<br>Governmental<br>Funds <sup>(1)</sup> |              |
| 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  | \$ 2,367,692                       | \$ 207,636                | \$ 354,911                                       | \$ 2,930,239 |
|  | Business-type Activities           |                           |  |              |
|  | State Colleges<br>and Universities | Unemployment<br>Insurance | Nonmajor<br>Enterprise Funds                     | Total        |
| Insurance Premiums   | \$ -                               | \$ 444,398                | \$ -   | \$ 444,398   |
| Tuition and Fees   | 58,014                             | -                         | -  | 58,014       |
| Other  | -                                  | -                         | 25,680   | 25,680       |
| Net Receivables  | \$ 58,014                          | \$ 444,398                | \$ 25,680  | \$ 528,092   |
| Total Government-wide Net Receivables  |                                    |                           |  | \$ 3,458,331 |

<sup>(1)</sup>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**

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

| <b>Component Units<br/>                     Loans and Notes Receivable<br/>                     As of June 30, 2011<br/>                     (In Thousands)</b> |                            |
|---|----------------------------|
| 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                     |
| <b>Total</b>  | <b><u>\$ 4,880,507</u></b> |

## Note 5 – Interfund Transactions

### Primary Government

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

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

| <b>Primary Government</b><br><b>Interfund Receivables and Payables</b><br><b>As of June 30, 2011</b><br><b>(In Thousands)</b> |                   |
|---|-------------------|
| 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   | <u>\$ 29,063</u>  |
| Total Due to State Colleges and Universities From Other Funds   | <u>\$ 29,063</u>  |
| Due to the Nonmajor Enterprise Funds From:  |                   |
| Nonmajor Enterprise Funds   | <u>\$ 2,223</u>   |
| Total Due to Nonmajor Enterprise Funds From Other Funds   | <u>\$ 2,223</u>   |
| Due to Fiduciary Funds From:  |                   |
| Fiduciary Funds   | <u>\$ 13,576</u>  |
| 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

| <b>Primary Government and Component Units</b> |  |  |
|---|--|--|
| <b>Receivables and Payables</b>               |  |  |
| <b>As of June 30, 2011</b>                    |  |  |
| <b>(In Thousands)</b>                         |  |  |
|   | <u>Due From<br/>Primary Government</u> | <u>Due To<br/>Primary Government</u>   |
| <b>Component Units</b>                        |  |  |
| Major Component Units:                        |  |  |
| Metropolitan Council                          | \$ 81,081                              | \$ 299                                 |
| University of Minnesota                       | 3,188                                  | 35,511                                 |
| Total Major Component Units                   | <u>\$ 84,269</u>                       | <u>\$ 35,810</u>                       |
| Nonmajor Component Units                      | <u>\$ 19,060</u>                       | <u>\$ 116,476</u>                      |
| Total Component Units                         | <u><u>\$ 103,329</u></u>               | <u><u>\$ 152,286</u></u>               |
|   | <u>Due From<br/>Component Units</u>    | <u>Due To<br/>Component Units</u>      |
| <b>Primary Government</b>                     |  |  |
| Major Governmental Funds:                     |  |  |
| General Fund                                  | \$ 1,665                               | \$ 15,238                              |
| Federal Fund                                  | -                                      | 1,198                                  |
| Total Major Governmental Funds                | <u>\$ 1,665</u>                        | <u>\$ 16,436</u>                       |
| Nonmajor Governmental Funds                   | <u>\$ 108,301</u>                      | <u>\$ 3,701</u>                        |
| Total Primary Government                      | <u><u>\$ 109,966</u></u>               | <u><u>\$ 20,137</u></u> <sup>(1)</sup> |

(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

| <b>Primary Government<br/>Capital Asset Activity<br/>Government-wide Governmental Activities<br/>Year Ended June 30, 2011<br/>(In Thousands)</b> |                              |                            |                            |                              |
|--|------------------------------|----------------------------|----------------------------|------------------------------|
|  | <u>Beginning</u>             | <u>Additions</u>           | <u>Deductions</u>          | <u>Ending</u>                |
| <b>Governmental Activities</b>   |                              |                            |                            |                              |
| 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 <sup>(1)</sup>  | 1,989                        | 364                        | -                          | 2,353                        |
| <b>Total Capital Assets not Depreciated</b>  | <b><u>\$ 10,296,157</u></b>  | <b><u>\$ 649,600</u></b>   | <b><u>\$ (401,893)</u></b> | <b><u>\$ 10,543,864</u></b>  |
| Capital Assets Depreciated:  |                              |                            |                            |                              |
| Buildings, Structures, Improvements <sup>(2)</sup>   | \$ 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                      |
| <b>Total Capital Assets Depreciated</b>  | <b><u>\$ 3,019,537</u></b>   | <b><u>\$ 303,768</u></b>   | <b><u>\$ (83,595)</u></b>  | <b><u>\$ 3,239,710</u></b>   |
| Accumulated Depreciation for:  |                              |                            |                            |                              |
| Buildings, Structures, Improvements <sup>(2)</sup>   | \$ (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 <sup>(2)</sup>  | (378,104)                    | (64,103)                   | 26,038                     | (416,169)                    |
| <b>Total Accumulated Depreciation</b>  | <b><u>\$ (1,317,603)</u></b> | <b><u>\$ (147,177)</u></b> | <b><u>\$ 37,948</u></b>    | <b><u>\$ (1,426,832)</u></b> |
| <b>Total Capital Assets Depreciated, Net</b>   | <b><u>\$ 1,701,934</u></b>   | <b><u>\$ 156,591</u></b>   | <b><u>\$ (45,647)</u></b>  | <b><u>\$ 1,812,878</u></b>   |
| <b>Governmental Act. Capital Assets, Net</b>   | <b><u>\$ 11,998,091</u></b>  | <b><u>\$ 806,191</u></b>   | <b><u>\$ (447,540)</u></b> | <b><u>\$ 12,356,742</u></b>  |

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

<sup>(2)</sup> 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.

| <b>Primary Government<br/>Capital Asset Activity</b>                |                       |                     |                     |                       |
|---|-----------------------|---------------------|---------------------|-----------------------|
| <b>Government-wide Business-type Activities and Fiduciary Funds</b> |                       |                     |                     |                       |
| <b>Year Ended June 30, 2011</b>                                     |                       |                     |                     |                       |
| <b>(In Thousands)</b>   |                       |                     |                     |                       |
|   | <u>Beginning</u>      | <u>Additions</u>    | <u>Deductions</u>   | <u>Ending</u>         |
| <b>Business-type Activities</b>                                     |                       |                     |                     |                       |
| 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>   |
| <b>Fiduciary Funds</b>  |                       |                     |                     |                       |
| Capital Assets not Depreciated:                                     |                       |                     |                     |                       |
| Land  | \$ 429                | \$ -                | \$ -                | \$ 429                |
| Total Capital Assets not Depreciated                                | <u>\$ 429</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 429</u>         |
| Capital Assets Depreciated:   |                       |                     |                     |                       |
| Buildings   | \$ 29,763             | \$ -                | \$ -                | \$ 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>\$</u> | <u>139,149</u> |
|  |           |                |
| Business-type Activities:                      |           |                |
| State Colleges and Universities                | \$        | 97,297         |
| Lottery  |           | 913            |
| Other  |           | 9,944          |
| Total Business-type Activities                 | <u>\$</u> | <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<br>Component<br>Units | Totals              |
|--------------------------------|------------------------------|-------------------------|------------------------------------|--------------------------------|---------------------|
|                                | Housing<br>Finance<br>Agency | Metropolitan<br>Council | University of<br>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>\$ 1,445</u>              | <u>\$ 2,813,519</u>     | <u>\$ 2,605,072</u> <sup>(1)</sup> | <u>\$ 3,455</u>                | <u>\$ 5,423,491</u> |

<sup>(1)</sup> 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**

| <b>Primary Government<br/>                     Components of Accounts Payable<br/>                     Government-wide<br/>                     As of June 30, 2011<br/>                     (In Thousands)</b> |                                       |                           |  |                            |
|---|---------------------------------------|---------------------------|--|----------------------------|
| Governmental Activities   |                                       |                           |  |                            |
|   | General Fund                          | Federal Fund              | Nonmajor<br>Governmental<br>Funds <sup>(1)</sup> | 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<br>and<br>Universities | Unemployment<br>Insurance | Nonmajor<br>Enterprise<br>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> |

<sup>(1)</sup>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<br>Correctional Employees Retirement Fund<br>Elective State Officers Fund<br>Judges Retirement Fund<br>Legislators Retirement Fund<br>State Patrol Retirement Fund<br>Unclassified Employees Retirement Fund<br>Health Care Savings Plan<br>Minnesota Deferred Compensation Plan<br>Hennepin County Supplemental Retirement Fund |
| Public Employees Retirement Association (PERA) | General Employees Retirement Fund<br>Minneapolis Employees Retirement Fund<br>Police and Fire Fund<br>Public Employees Correctional Fund<br>Volunteer Firefighter Retirement Fund<br>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 a 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<br>Year Ended June 30, 2011 |      |        |       |        |                   |       |
|---|--|------|--------|-------|--------|-------------------|-------|
|   | Single Employer  |      |        |       |        | Multiple Employer |       |
|   | CERF   | ESOF | JRF    | LRF   | SPRF   | SERF              | TRF   |
| Statutory Authority,<br>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 <sup>(1)</sup>          | 2011 | \$ 118,563  | \$ 222,723 |
|                                   | 2010 | \$ 115,181  | \$ 220,538 |
|                                   | 2009 | \$ 107,211  | \$ 220,268 |
| Primary Government <sup>(2)</sup> | 2011 | \$ 86,698   | \$ 28,287  |
|                                   | 2010 | \$ 82,642   | \$ 28,693  |
|                                   | 2009 | \$ 77,816   | \$ 28,066  |

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

<sup>(2)</sup>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) <sup>(1)</sup>      | \$ 48,580        | \$ 11,645         | \$ 6,784        | \$ 20,818          |
| Interest on Net Pension Obligation (NPO) <sup>(1)</sup> | 4,989            | (668)             | 55              | (1,508)            |
| Amortization Adjustment to ARC <sup>(1)</sup>           | <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                              | \$ 9,183         | \$ 160            | \$ 3,785        | \$ 3,955           |
| NPO, Beginning Balance                                  | \$ 58,689        | \$ (7,857)        | \$ 642          | \$ (17,745)        |
| NPO, Ending (Asset)                                     | <u>\$ 67,872</u> | <u>\$ (7,697)</u> | <u>\$ 4,427</u> | <u>\$ (13,790)</u> |

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

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

|   |      | <u>CERF</u> | <u>JRF</u> | <u>LRF</u> | <u>SPRF</u> |
|---|------|-------------|------------|------------|-------------|
| 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)<br>(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)**

|   | <u>CERF</u> | <u>JRF</u> | <u>LRF</u> | <u>SPRF</u> |
|---|-------------|------------|------------|-------------|
| Actual Valuation Date <sup>(1)</sup>                            | 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%        |

<sup>(1)</sup> 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.

| <b>Defined Contribution Plans<br/>Contributions<br/>Year Ended June 30, 2011<br/>(In Thousands)</b> |              |             |             |            |             |
|---|--------------|-------------|-------------|------------|-------------|
|   | <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:

| <b>OPEB Disclosures<br/>As of June 30, 2011<br/>(In Thousands)</b>   |                          |
|--|--------------------------|
| Annual Required Contributions (ARC) <sup>(1)</sup>   | \$ 76,132                |
| Interest on Net OPEB Obligation (NOO) <sup>(1)</sup>   | 6,013                    |
| Amortization Adjustment to ARC <sup>(1)</sup>  | <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 <sup>(2)</sup>   | <u><u>\$ 164,311</u></u> |
| <sup>(1)</sup> Components of annual OPEB cost.   |                          |
| <sup>(2)</sup> 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:

| <b>OPEB Disclosures<br/>(In Thousands)</b> |                             |   |                                |
|--|-----------------------------|---|--------------------------------|
| <u>Fiscal Year<br/>Ended</u>               | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of Annual<br/>OPEB Cost Contributed</u> | <u>Net OPEB<br/>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:

| <b>Primary Government<br/>Encumbrances<br/>As of June 30, 2011<br/>(In Thousands)</b> |                     |
|---|---------------------|
| Major Fund: General Fund  | \$ 112,775          |
| Non-Major Governmental Funds  | <u>1,823,692</u>    |
| Total Encumbrances  | <u>\$ 1,936,467</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<br>Future Minimum Lease Payments<br>(In Thousands) |                   |                       |                  |                           |                 |
|---|-------------------|-----------------------|------------------|---------------------------|-----------------|
| Primary Government  |                   | Component Units       |                  |                           |                 |
| Year Ended<br>June 30   | Amount            | Year Ended<br>June 30 | Amount           | Year Ended<br>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

| <b>Primary Government<br/>Long-Term Liabilities<br/>Year Ended June 30, 2011<br/>(In Thousands)</b> |                       |                     |                     |                     |                                   |
|---|-----------------------|---------------------|---------------------|---------------------|-----------------------------------|
|   | Beginning<br>Balances | Increases           | Decreases           | Ending<br>Balances  | Amounts Due<br>Within One<br>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<br>Obligation  | 110,950               | 65,141              | 33,494              | 142,597             | -                                 |
| Due to Component Unit   | 21,376                | 227                 | 2,785               | 18,818              | 2,134                             |
| Total   | <u>\$ 6,781,649</u>   | <u>\$ 2,418,363</u> | <u>\$ 1,762,714</u> | <u>\$ 7,437,298</u> | <u>\$ 618,126</u>                 |
| 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<br>Obligation  | 15,482                | 11,914              | 5,883               | 21,513              | -                                 |
| Total   | <u>\$ 1,359,789</u>   | <u>\$ 1,218,663</u> | <u>\$ 1,259,908</u> | <u>\$ 1,318,544</u> | <u>\$ 336,784</u>                 |

**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                   |       |
| <b>Total</b>                                | <b>\$ 5,655,911</b>     | <b>\$ 1,758,986</b>   | <b>\$ 22,401</b>       | <b>\$ 1,318,544</b> | <b>\$ 8,755,842</b>      |       |

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<br>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              |
| <b>Total</b>          | <b>\$ 5,237,838</b>     | <b>\$ 1,819,955</b> | <b>\$ 243,097</b>        | <b>\$ 87,089</b> | <b>\$ 5,480,935</b> | <b>\$ 1,907,044</b> |
| Bond Premium          | 577,062                 | -                   | 17,521                   | -                | 594,583             | -                   |
| <b>Total</b>          | <b>\$ 5,814,900</b>     | <b>\$ 1,819,955</b> | <b>\$ 260,618</b>        | <b>\$ 87,089</b> | <b>\$ 6,075,518</b> | <b>\$ 1,907,044</b> |

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

| Year Ended<br>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<br>June 30 | Governmental Activities |                 | Business-type Activities <sup>(1)</sup> |                 | 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> |

<sup>(1)</sup> 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<br>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               | -                |
| <b>Total</b>          | <b>\$ 151,156</b>       | <b>\$ 73,303</b> | <b>\$ 46,168</b>         | <b>\$ 13,344</b> | <b>\$ 197,324</b> | <b>\$ 86,647</b> |

**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            |
| <b>Total</b>                             | <b>\$ 73,480</b>        | <b>\$ 16,259</b> |
| Premium on Certificates of Participation | 5,928                   | -                |
|  | <b>\$ 79,408</b>        | <b>\$ 16,259</b> |

## 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:

| <b>Primary Government<br/>Transfers to Debt Service Fund<br/>Year Ended June 30, 2011<br/>(In Thousands)</b> |                          |
|--|--------------------------|
| 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.

| <b>Primary Government<br/>General Obligation Bonds<br/>Outstanding Defeased Debt<br/>(In Thousands)</b> |                         |                        |   |                                    |
|---|-------------------------|------------------------|---|------------------------------------|
| <u>Refunding Date</u>   | <u>Refunding Amount</u> | <u>Refunded Amount</u> | <u>June 30, 2011<br/>Outstanding Amount</u> | <u>Refunded Bond<br/>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).

| <b>Primary Government</b>   |                            |                       |                             |  |
|---|----------------------------|-----------------------|-----------------------------|--|
| <b>General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding</b> |                            |                       |                             |  |
| <b>As of June 30, 2011</b>  |                            |                       |                             |  |
| <b>(In Thousands)</b>   |                            |                       |                             |  |
| Purpose   | Authorized But<br>Unissued | Amount<br>Outstanding | Interest Rates<br>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)**

| <u>Year Ended<br/>June 30</u> | <u>Principal</u> | <u>Interest</u>  |
|-------------------------------|------------------|------------------|
| 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                     | <u>7,472</u>     | <u>1,142</u>     |
| 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<br>December 31                                | MC           |                         | Year Ended<br>June 30 | U of M     |            |
|--|--------------|-------------------------|-----------------------|------------|------------|
|  | Principal    | Interest <sup>(1)</sup> |                       | 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/<br>Premiums and Issuance<br>Costs | 18,615       | -                       |                       | 37,948     | -          |
| Total  | \$ 1,307,427 | \$ 347,705              | Total                 | \$ 581,878 | \$ 282,297 |

<sup>(1)</sup>MC interest is net of Build America Bonds federal subsidy.

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

| Year Ended<br>June 30                                    | HFA                 |                     | U of M            |                   | Year Ended<br>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/<br>Premiums and Issuance<br>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> |

| <b>Component Units<br/>Revenue Bonds Nonmajor Component Units<br/>(In Thousands)</b> |                 |               |                   |                   |                     |                   |
|--|-----------------|---------------|-------------------|-------------------|---------------------|-------------------|
| Year Ended<br>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<br>Discounts/Premiums<br>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

| <b>Primary Government</b><br><b>Segment Information Financial Data</b><br><b>Year Ended June 30, 2011</b><br><b>(In Thousands)</b> |                   |                              |                           |                    |
|--|-------------------|------------------------------|---------------------------|--------------------|
| Minnesota State Colleges and Universities  |                   |                              |                           |                    |
|  | Revenue Fund      | Vermilion<br>Modular Housing | Itasca<br>Residence Halls | 911 Services       |
| <b>Condensed Statement of Net Assets</b>   |                   |                              |                           |                    |
| 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<br>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>   |
| <b>Condensed Statement of Revenues,<br/>Expenses and Changes in Fund Net Assets</b>  |                   |                              |                           |                    |
| 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>   |
| <b>Condensed Statement of Cash Flows</b>   |                   |                              |                           |                    |
| 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):

| <b>Primary Government<br/>Contingent Liabilities<br/>(In Thousands)</b> |                        |                               |
|---|------------------------|-------------------------------|
| <u>Fund</u>   | <u>Liability as of</u> | <u>Unfunded<br/>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 <sup>(1)</sup>                              | December 31, 2010      | \$ 207,574                    |

<sup>(1)</sup> 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:

| <b>Primary Government<br/>Restricted Net Asset Balances<br/>As of June 30, 2011<br/>(In Thousands)</b> |                                       |   |                                |                     |
|--|---------------------------------------|---|--------------------------------|---------------------|
|  | <u>Restricted by<br/>Constitution</u> | <u>Restricted by<br/>Enabling<br/>Legislation</u> | <u>Restricted by<br/>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:

| <b>Primary Government<br/>Fund Balances<br/>As of June 30, 2011<br/>(In Thousands)</b> |                     |   |                     |                     |
|--|---------------------|---|---------------------|---------------------|
|  | General<br>Fund     | Major<br>Special<br>Revenue Fund<br>Federal<br>Fund | Other<br>Funds      | Total               |
| <b>Fund Balances:</b>  |                     |   |                     |                     |
| <b>Nonspendable:</b>   |                     |   |                     |                     |
| Inventory  | \$ -                | \$ -  | \$ 31,476           | \$ 31,476           |
| Trust Fund Principal   | 579,800             | -   | -                   | 579,800             |
| Permanent Fund Principal   | -                   | -   | 801,927             | 801,927             |
| <b>Restricted for:</b>   |                     |   |                     |                     |
| 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               |
| <b>Committed to:</b>   |                     |   |                     |                     |
| 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              |
| <b>Assigned to:</b>  |                     |   |                     |                     |
| Capital Projects   | -                   | -   | 2,306               | 2,306               |
| <b>Unassigned:</b>   |                     |   |                     |                     |
|  | (900,675)           | -   | (19,905)            | (920,580)           |
| <b>Total Fund Balances</b>   | <b>\$ (149,842)</b> | <b>\$ 123</b>                                       | <b>\$ 3,649,232</b> | <b>\$ 3,499,513</b> |

## 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.

| <b>Primary Government<br/>Self-Insured Claim Liabilities<br/>(In Thousands)</b> |                                       |  |                              |                                    |  |
|---|---------------------------------------|--|------------------------------|------------------------------------|--|
|   | <u>Beginning<br/>Claims Liability</u> | <u>Net Additions<br/>and Changes<br/>in Claims</u> | <u>Payment of<br/>Claims</u> | <u>Ending Claims<br/>Liability</u> |  |
| <b>Risk Management Fund</b>   |                                       |  |                              |                                    |  |
| 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                           |  |
| <b>Tort Claims</b>  |                                       |  |                              |                                    |  |
| Fiscal Year Ended 6/30/10   | \$ -                                  | \$ 375   | \$ 375                       | \$ -                               |  |
| Fiscal Year Ended 6/30/11   | \$ -                                  | \$ 818   | \$ 818                       | \$ -                               |  |
| <b>Workers' Compensation</b>  |                                       |  |                              |                                    |  |
| 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                         |  |
| <b>State Employee Insurance Plans</b>   |                                       |  |                              |                                    |  |
| 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           |
| Incurred 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)**

|  | <u>Beginning<br/>Claims<br/>Liability</u> | <u>Net Additions<br/>and Changes<br/>in Claims</u> | <u>Payment of<br/>Claims</u> | <u>Ending Claims<br/>Liability</u> |
|--|---|--|------------------------------|------------------------------------|
| <b>Metropolitan Council - Workers' Compensation</b>    |   |  |                              |                                    |
| 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                          |
| <b>University of Minnesota – RUMINCO, Ltd.</b>         |   |  |                              |                                    |
| 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                           |
| <b>University of Minnesota – Workers' Compensation</b> |   |  |                              |                                    |
| 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                          |
| <b>University of Minnesota – Medical/Dental</b>        |   |  |                              |                                    |
| 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.

| <b>General Fund</b><br><b>Reconciliation of GAAP Basis Fund Balance</b><br><b>to Budgetary Fund Balance</b><br><b>As of June 30, 2011</b><br><b>(In Thousands)</b> |                     |
|--|---------------------|
| 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>\$ 994,439</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<br>Average PQI | Non-Principal Arterial<br>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:

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

#### Established Condition Level

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

#### Assessed Conditions

| <u>Principal Arterial</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---------------------------|-------------|-------------|-------------|
| Fair to Good              | 94.4%       | 94.0%       | 93.5%       |

| <u>All Other Systems</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------------------|-------------|-------------|-------------|
| 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):

|        |      | <u>Costs to be Capitalized</u> |            |             | <u>Maintenance of System</u> |            |             | Total<br>Construction<br>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).

| <b>Required Supplementary Information<br/>Schedule of Funding Progress<br/>(In Thousands)</b> |                     |             |            |            |             |
|---|---------------------|-------------|------------|------------|-------------|
|   |                     | <u>CERF</u> | <u>JRF</u> | <u>LRF</u> | <u>SPRF</u> |
| Actuarial Valuation Date  | 2010 <sup>(1)</sup> | 7/1/2010    | 7/1/2010   | 7/1/2010   | 7/1/2010    |
|   | 2009                | 7/1/2009    | 7/1/2009   | 7/1/2009   | 7/1/2009    |
|   | 2008                | 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 <sup>(2)</sup>   | 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%        |

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

<sup>(2)</sup>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.

| <b>Required Supplementary Information<br/>Schedule of Funding Progress<br/>(In Thousands)</b>   |          |    |                         |
|---|----------|----|-------------------------|
| Actuarial Valuation Date  |          |    | 7/1/2010 <sup>(1)</sup> |
|   |          |    | 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 <sup>(2)</sup>   | 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<br>Liability to Annual Covered Payroll  | 7/1/2010 |    | 26%                     |
|   | 7/1/2008 |    | 27%                     |
|   | 7/1/2006 |    | 23%                     |
| <br><sup>(1)</sup> The July 1, 2010, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years. |          |    |                         |
| <br><sup>(2)</sup> Actuarial value of assets as a percent of actuarial accrued liability.   |          |    |                         |

## Public Employees Insurance Program Development Information

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

|  | Fiscal Year Ended (In Thousands) |           |           |           |           |           |           |           |           |           |
|--|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 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

---

2011  
Comprehensive  
Annual  
Financial Report





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# 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<br>REVENUE  | DEBT<br>SERVICE   | PERMANENT<br>PERMANENT<br>SCHOOL | CAPITAL<br>PROJECTS | TOTAL               |
|--|---------------------|-------------------|----------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                    |                     |                   |                                  |                     |                     |
| 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              |
| <b>Total Assets.....</b>                         | <b>\$ 2,481,956</b> | <b>\$ 840,683</b> | <b>\$ 816,345</b>                | <b>\$ 247,322</b>   | <b>\$ 4,386,306</b> |
| <b>LIABILITIES AND FUND BALANCES</b>             |                     |                   |                                  |                     |                     |
| <b>Liabilities:</b>                              |                     |                   |                                  |                     |                     |
| 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             |
| <b>Total Liabilities.....</b>                    | <b>\$ 614,834</b>   | <b>\$ 26,577</b>  | <b>\$ 8,576</b>                  | <b>\$ 87,087</b>    | <b>\$ 737,074</b>   |
| <b>Fund Balances:</b>                            |                     |                   |                                  |                     |                     |
| 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)            |
| <b>Total Fund Balances .....</b>                 | <b>\$ 1,867,122</b> | <b>\$ 814,106</b> | <b>\$ 807,769</b>                | <b>\$ 160,235</b>   | <b>\$ 3,649,232</b> |
| <b>Total Liabilities and Fund Balances .....</b> | <b>\$ 2,481,956</b> | <b>\$ 840,683</b> | <b>\$ 816,345</b>                | <b>\$ 247,322</b>   | <b>\$ 4,386,306</b> |

**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<br>REVENUE  | DEBT<br>SERVICE     | PERMANENT<br>PERMANENT<br>SCHOOL | CAPITAL<br>PROJECTS | TOTAL                 |
|---|---------------------|---------------------|----------------------------------|---------------------|-----------------------|
| <b>Net Revenues:</b>                                  |                     |                     |                                  |                     |                       |
| 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               |
| <b>Net Revenues.....</b>                              | <b>\$ 4,064,736</b> | <b>\$ 10,978</b>    | <b>\$ 142,190</b>                | <b>\$ 46</b>        | <b>\$ 4,217,950</b>   |
| <b>Expenditures:</b>                                  |                     |                     |                                  |                     |                       |
| <b>Current:</b>                                       |                     |                     |                                  |                     |                       |
| 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                    |
| <b>Total Current Expenditures.....</b>                | <b>\$ 3,599,140</b> | <b>\$ 202</b>       | <b>\$ 31,625</b>                 | <b>\$ 485,409</b>   | <b>\$ 4,116,376</b>   |
| Capital Outlay.....                                   | 359,346             | -                   | -                                | 266,938             | 626,284               |
| Debt Service.....                                     | 5,363               | 650,612             | -                                | -                   | 655,975               |
| <b>Total Expenditures.....</b>                        | <b>\$ 3,963,849</b> | <b>\$ 650,814</b>   | <b>\$ 31,625</b>                 | <b>\$ 752,347</b>   | <b>\$ 5,398,635</b>   |
| <b>Excess of Revenues Over (Under)</b>                |                     |                     |                                  |                     |                       |
| <b>Expenditures.....</b>                              | <b>\$ 100,887</b>   | <b>\$ (639,836)</b> | <b>\$ 110,565</b>                | <b>\$ (752,301)</b> | <b>\$ (1,180,685)</b> |
| <b>Other Financing Sources (Uses):</b>                |                     |                     |                                  |                     |                       |
| 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)             |
| <b>Net Other Financing Sources (Uses).....</b>        | <b>\$ (211,579)</b> | <b>\$ 689,495</b>   | <b>\$ 2,752</b>                  | <b>\$ 766,450</b>   | <b>\$ 1,247,118</b>   |
| <b>Net Change in Fund Balances.....</b>               | <b>\$ (110,692)</b> | <b>\$ 49,659</b>    | <b>\$ 113,317</b>                | <b>\$ 14,149</b>    | <b>\$ 66,433</b>      |
| <b>Fund Balances, Beginning, as Reported.....</b>     | <b>\$ 1,975,916</b> | <b>\$ 764,447</b>   | <b>\$ 694,452</b>                | <b>\$ 205,002</b>   | <b>\$ 3,639,817</b>   |
| Change in Fund Structure.....                         | -                   | -                   | -                                | (58,916)            | (58,916)              |
| <b>Fund Balances, Beginning, as Restated.....</b>     | <b>\$ 1,975,916</b> | <b>\$ 764,447</b>   | <b>\$ 694,452</b>                | <b>\$ 146,086</b>   | <b>\$ 3,580,901</b>   |
| Change in Inventory.....                              | 1,898               | -                   | -                                | -                   | 1,898                 |
| <b>Fund Balances, Ending.....</b>                     | <b>\$ 1,867,122</b> | <b>\$ 814,106</b>   | <b>\$ 807,769</b>                | <b>\$ 160,235</b>   | <b>\$ 3,649,232</b>   |



State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# 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<br>HIGHWAY | HIGHWAY<br>USER TAX<br>DISTRIBUTION | STATE<br>AIRPORTS | MUNICIPAL<br>STATE-AID<br>STREET |
|--|------------------|-------------------------------------|-------------------|----------------------------------|
| <b>ASSETS</b>                            |                  |                                     |                   |                                  |
| 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.....                        | \$ 690,562       | \$ 118,135                          | \$ 17,135         | \$ 135,307                       |
| <b>LIABILITIES AND FUND BALANCES</b>     |                  |                                     |                   |                                  |
| 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.....                   | \$ 96,654        | \$ 117,381                          | \$ 2,865          | \$ 16,940                        |
| Fund Balances:                           |                  |                                     |                   |                                  |
| Nonspendable.....                        | \$ 31,476        | \$ -                                | \$ -              | \$ -                             |
| Restricted.....                          | 562,432          | 754                                 | 14,270            | 118,367                          |
| Committed.....                           | -                | -                                   | -                 | -                                |
| Total Fund Balances.....                 | \$ 593,908       | \$ 754                              | \$ 14,270         | \$ 118,367                       |
| Total Liabilities and Fund Balances..... | \$ 690,562       | \$ 118,135                          | \$ 17,135         | \$ 135,307                       |

| COUNTY<br>STATE-AID<br>HIGHWAY | PETROLEUM<br>TANK<br>CLEANUP | NATURAL<br>RESOURCES | GAME AND<br>FISH | ENVIRONMENTAL<br>AND<br>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>                   |
| <br>                           |                              |                      |                  |                                    |
| \$ 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>                   |
| <br>                           |                              |                      |                  |                                    |
| \$ -                           | \$ -                         | \$ -                 | \$ -             | \$ -                               |
| 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<br>ECONOMIC<br>PROTECTION<br>TRUST | HERITAGE          | ENDOWMENT        | SPECIAL<br>COMPENSATION |
|--|--|-------------------|------------------|-------------------------|
| <b>ASSETS</b>                            |  |                   |                  |                         |
| 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>       |
| <b>LIABILITIES AND FUND BALANCES</b>     |  |                   |                  |                         |
| <b>Liabilities:</b>                      |  |                   |                  |                         |
| 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>       |
| <b>Fund Balances:</b>                    |  |                   |                  |                         |
| 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<br>HIGHWAY    | HIGHWAY<br>USER TAX<br>DISTRIBUTION | STATE<br>AIRPORTS | MUNICIPAL<br>STATE-AID<br>STREET |
|--|---------------------|-------------------------------------|-------------------|----------------------------------|
| <b>Net Revenues:</b>                                 |                     |                                     |                   |                                  |
| 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.....                                    | <u>\$ 1,535,803</u> | <u>\$ 13,386</u>                    | <u>\$ 17,927</u>  | <u>\$ 142,033</u>                |
| <b>Expenditures:</b>                                 |                     |                                     |                   |                                  |
| <b>Current:</b>                                      |                     |                                     |                   |                                  |
| 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.....                      | <u>\$ 1,053,979</u> | <u>\$ 10,645</u>                    | <u>\$ 22,700</u>  | <u>\$ 156,733</u>                |
| Capital Outlay.....                                  | 271,656             | -                                   | -                 | -                                |
| Debt Service.....                                    | 2,964               | 78                                  | -                 | -                                |
| Total Expenditures.....                              | <u>\$ 1,328,599</u> | <u>\$ 10,723</u>                    | <u>\$ 22,700</u>  | <u>\$ 156,733</u>                |
| Excess of Revenues Over (Under) Expenditures.....    | <u>\$ 207,204</u>   | <u>\$ 2,663</u>                     | <u>\$ (4,773)</u> | <u>\$ (14,700)</u>               |
| <b>Other Financing Sources (Uses):</b>               |                     |                                     |                   |                                  |
| Loan Proceeds.....                                   | \$ 450              | \$ -                                | \$ -              | \$ -                             |
| Transfers-In.....                                    | 6,061               | -                                   | -                 | 9,990                            |
| Transfers-Out.....                                   | (45,278)            | (2,294)                             | -                 | -                                |
| Net Other Financing Sources (Uses).....              | <u>\$ (38,767)</u>  | <u>\$ (2,294)</u>                   | <u>\$ -</u>       | <u>\$ 9,990</u>                  |
| Net Change in Fund Balances.....                     | <u>\$ 168,437</u>   | <u>\$ 369</u>                       | <u>\$ (4,773)</u> | <u>\$ (4,710)</u>                |
| Fund Balances, Beginning, as Reported.....           | \$ 423,573          | \$ 385                              | \$ 19,043         | \$ 123,077                       |
| Change in Inventory.....                             | 1,898               | -                                   | -                 | -                                |
| Fund Balances, Ending.....                           | <u>\$ 593,908</u>   | <u>\$ 754</u>                       | <u>\$ 14,270</u>  | <u>\$ 118,367</u>                |

| COUNTY STATE-AID HIGHWAY | PETROLEUM TANK CLEANUP  | NATURAL RESOURCES       | GAME AND FISH           | ENVIRONMENTAL AND REMEDIATION |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------------|
| \$ 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>                |
| <br>                     |                         |                         |                         |                               |
| \$ -                     | \$ -                    | \$ -                    | \$ -                    | 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>                |
| <br>                     |                         |                         |                         |                               |
| \$ -                     | \$ -                    | \$ -                    | \$ -                    | -                             |
| -                        | 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<br>ECONOMIC<br>PROTECTION |                   |                  | SPECIAL          |
|---|---------------------------------------|-------------------|------------------|------------------|
|   | TRUST                                 | HERITAGE          | ENDOWMENT        | 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.....                                   | <u>\$ 13,049</u>                      | <u>\$ 252,038</u> | <u>\$ 12,056</u> | <u>\$ 95,781</u> |
| 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.....                     | <u>\$ 2,570</u>                       | <u>\$ 184,700</u> | <u>\$ 7,431</u>  | <u>\$ 92,699</u> |
| Capital Outlay.....                                 | -                                     | 51,265            | 3,428            | -                |
| Debt Service.....                                   | 695                                   | -                 | -                | -                |
| Total Expenditures.....                             | <u>\$ 3,265</u>                       | <u>\$ 235,965</u> | <u>\$ 10,859</u> | <u>\$ 92,699</u> |
| Excess of Revenues Over (Under) Expenditures.....   | <u>\$ 9,784</u>                       | <u>\$ 16,073</u>  | <u>\$ 1,197</u>  | <u>\$ 3,082</u>  |
| Other Financing Sources (Uses):                     |                                       |                   |                  |                  |
| Loan Proceeds.....                                  | \$ -                                  | \$ -              | \$ -             | \$ -             |
| Transfers-In.....                                   | 1,214                                 | -                 | -                | 8                |
| Transfers-Out.....                                  | (8,708)                               | (3,252)           | -                | -                |
| Net Other Financing Sources (Uses).....             | <u>\$ (7,494)</u>                     | <u>\$ (3,252)</u> | <u>\$ -</u>      | <u>\$ 8</u>      |
| Net Change in Fund Balances.....                    | <u>\$ 2,290</u>                       | <u>\$ 12,821</u>  | <u>\$ 1,197</u>  | <u>\$ 3,090</u>  |
| Fund Balances, Beginning, as Reported.....          | \$ 169,521                            | \$ 151,188        | \$ 16,161        | \$ 19,447        |
| Change in Inventory.....                            | -                                     | -                 | -                | -                |
| Fund Balances, Ending.....                          | <u>\$ 171,811</u>                     | <u>\$ 164,009</u> | <u>\$ 17,358</u> | <u>\$ 22,537</u> |



| 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             |
| <u>\$ 553,085</u>   | <u>\$ 52,463</u>      | <u>\$ 552,179</u>             | <u>\$ 4,064,736</u> |
| <br>                |                       |                               |                     |
| \$ -                | \$ -                  | \$ 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                   |
| <u>\$ 562,246</u>   | <u>\$ 43,766</u>      | <u>\$ 535,035</u>             | <u>\$ 3,599,140</u> |
| 707                 | -                     | 27,644                        | 359,346             |
| 321                 | -                     | 1,304                         | 5,363               |
| <u>\$ 563,274</u>   | <u>\$ 43,766</u>      | <u>\$ 563,983</u>             | <u>\$ 3,963,849</u> |
| <u>\$ (10,189)</u>  | <u>\$ 8,697</u>       | <u>\$ (11,804)</u>            | <u>\$ 100,887</u>   |
| <br>                |                       |                               |                     |
| \$ -                | \$ -                  | \$ -                          | \$ 450              |
| -                   | 1,450                 | 120,880                       | 177,286             |
| (171,412)           | (4,491)               | (79,920)                      | (389,315)           |
| <u>\$ (171,412)</u> | <u>\$ (3,041)</u>     | <u>\$ 40,960</u>              | <u>\$ (211,579)</u> |
| <u>\$ (181,601)</u> | <u>\$ 5,656</u>       | <u>\$ 29,156</u>              | <u>\$ (110,692)</u> |
| \$ 243,715          | \$ 27,501             | \$ 217,684                    | \$ 1,975,916        |
| -                   | -                     | -                             | 1,898               |
| <u>\$ 62,114</u>    | <u>\$ 33,157</u>      | <u>\$ 246,840</u>             | <u>\$ 1,867,122</u> |

**STATE OF MINNESOTA**

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

**YEAR ENDED JUNE 30, 2011  
(IN THOUSANDS)**

|   | TRUNK HIGHWAY   |              | HIGHWAY USER TAX DISTRIBUTION |                |
|---|-----------------|--------------|-------------------------------|----------------|
|   | FINAL<br>BUDGET | ACTUAL       | FINAL<br>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<br>BUDGET | ACTUAL     | FINAL<br>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  |

| HERITAGE          |                   | SPECIAL COMPENSATION |                   | HEALTH CARE ACCESS  |                     |
|-------------------|-------------------|----------------------|-------------------|---------------------|---------------------|
| FINAL BUDGET      | ACTUAL            | FINAL BUDGET         | ACTUAL            | FINAL BUDGET        | ACTUAL              |
| \$ 249,700        | \$ 251,184        | \$ -                 | \$ -              | \$ -                | \$ -                |
| -                 | -                 | -                    | -                 | -                   | -                   |
| -                 | -                 | -                    | -                 | -                   | -                   |
| -                 | -                 | 95,357               | 131,206           | 557,900             | 545,525             |
| -                 | -                 | -                    | -                 | -                   | -                   |
| -                 | -                 | 3,660                | 4,698             | -                   | -                   |
| 701               | 796               | 550                  | 288               | 644                 | 1,017               |
| -                 | 61                | -                    | -                 | 7,092               | 8,668               |
| <u>\$ 250,401</u> | <u>\$ 252,041</u> | <u>\$ 99,567</u>     | <u>\$ 136,192</u> | <u>\$ 565,636</u>   | <u>\$ 555,210</u>   |
| \$ -              | \$ -              | \$ -                 | \$ -              | \$ -                | \$ -                |
| 27,520            | 27,520            | -                    | -                 | -                   | -                   |
| 190,676           | 155,388           | 892                  | 559               | -                   | -                   |
| 28,162            | 5,446             | 85,156               | 81,261            | -                   | -                   |
| 305               | 305               | -                    | -                 | -                   | -                   |
| 22,554            | 22,311            | -                    | -                 | -                   | -                   |
| 3,388             | 2,729             | -                    | -                 | 612,103             | 580,500             |
| 38,296            | 37,422            | 7,786                | 6,904             | 2,134               | 1,907               |
| -                 | -                 | -                    | -                 | 320                 | 320                 |
| <u>\$ 310,901</u> | <u>\$ 251,121</u> | <u>\$ 93,834</u>     | <u>\$ 88,724</u>  | <u>\$ 614,557</u>   | <u>\$ 582,727</u>   |
| \$ (60,500)       | \$ 920            | \$ 5,733             | \$ 47,468         | \$ (48,921)         | \$ (27,517)         |
| \$ -              | \$ -              | \$ -                 | \$ 8              | \$ -                | \$ -                |
| (3,283)           | (3,283)           | -                    | -                 | (173,570)           | (173,570)           |
| <u>\$ (3,283)</u> | <u>\$ (3,283)</u> | <u>\$ -</u>          | <u>\$ 8</u>       | <u>\$ (173,570)</u> | <u>\$ (173,570)</u> |
| \$ (63,783)       | \$ (2,363)        | \$ 5,733             | \$ 47,476         | \$ (222,491)        | \$ (201,087)        |
| \$ 83,665         | \$ 83,665         | \$ 21,983            | \$ 21,983         | \$ 222,720          | \$ 222,720          |
| -                 | 4,008             | -                    | 132               | -                   | 231                 |
| <u>\$ 83,665</u>  | <u>\$ 87,673</u>  | <u>\$ 21,983</u>     | <u>\$ 22,115</u>  | <u>\$ 222,720</u>   | <u>\$ 222,951</u>   |
| \$ 19,882         | \$ 85,310         | \$ 27,716            | \$ 69,591         | \$ 229              | \$ 21,864           |
| -                 | 44,737            | -                    | 3,498             | -                   | 5,346               |
| -                 | -                 | -                    | -                 | -                   | -                   |
| <u>\$ 19,882</u>  | <u>\$ 40,573</u>  | <u>\$ 27,716</u>     | <u>\$ 66,093</u>  | <u>\$ 229</u>       | <u>\$ 16,518</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)**

|   | 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<br>Highway | Highway<br>User Tax<br>Distribution | State<br>Airports | Petroleum<br>Tank<br>Cleanup | Natural<br>Resources | Game and<br>Fish | Environmental<br>&<br>Remediation | Heritage   | Special<br>Compensation | Health Care<br>Access | Workforce<br>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<br>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<br>PROJECTS | TRANSPORTATION     | TOTAL             |
|---|-------------------|---------------------|--------------------|-------------------|
| <b>ASSETS</b>                             |                   |                     |                    |                   |
| 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> |
| <b>LIABILITIES AND FUND BALANCES</b>      |                   |                     |                    |                   |
| 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<br>PROJECTS | TRANSPORTATION | TOTAL        |
|---|--------------|---------------------|----------------|--------------|
| Net Revenues:   |              |                     |                |              |
| Investment/Interest Income.....                       | \$ 10        | \$ -                | \$ -           | \$ 10        |
| Other Revenues.....                                   | 36           | -                   | -              | 36           |
| Net Revenues.....                                     | \$ 46        | \$ -                | \$ -           | \$ 46        |
| 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.....                       | \$ 320,529   | \$ 2,944            | \$ 161,936     | \$ 485,409   |
| Capital Outlay.....                                   | 124,231      | -                   | 142,707        | 266,938      |
| Total Expenditures.....                               | \$ 444,760   | \$ 2,944            | \$ 304,643     | \$ 752,347   |
| Excess of Revenues Over (Under) Expenditures.....     | \$ (444,714) | \$ (2,944)          | \$ (304,643)   | \$ (752,301) |
| 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).....               | \$ 492,120   | \$ 1,330            | \$ 273,000     | \$ 766,450   |
| Net Change in Fund Balances.....                      | \$ 47,406    | \$ (1,614)          | \$ (31,643)    | \$ 14,149    |
| 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.....            | \$ 130,428   | \$ 3,920            | \$ 11,738      | \$ 146,086   |
| Fund Balances, Ending.....                            | \$ 177,834   | \$ 2,306            | \$ (19,905)    | \$ 160,235   |





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# Nonmajor Enterprise Funds

---

## **Behavioral Services Fund**

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

## **Enterprise Activities Fund**

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

## **Giants Ridge Fund**

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

## **Minnesota Correctional Industries Fund**

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

## **911 Services Fund**

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

## **Public Employees Insurance Fund**

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

## **State Lottery Fund**

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

## **State Operated Community Services Fund**

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

**STATE OF MINNESOTA**

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2011  
(IN THOUSANDS)**

|   | BEHAVIORAL<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE  | MINNESOTA<br>CORRECTIONAL<br>INDUSTRIES |
|---|------------------------|--------------------------|------------------|---|
| <b>ASSETS</b>   |                        |                          |                  |   |
| 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.....                               | <u>\$ 5,907</u>        | <u>\$ 17,356</u>         | <u>\$ 2,345</u>  | <u>\$ 26,013</u>                        |
| Noncurrent Assets:                                      |                        |                          |                  |   |
| Depreciable Capital Assets (Net).....                   | \$ 1,174               | \$ 929                   | \$ 19,033        | \$ 5,231                                |
| Nondepreciable Capital Assets .....                     | -                      | 3                        | 1,489            | -                                       |
| Total Noncurrent Assets.....                            | <u>\$ 1,174</u>        | <u>\$ 932</u>            | <u>\$ 20,522</u> | <u>\$ 5,231</u>                         |
| Total Assets.....                                       | <u>\$ 7,081</u>        | <u>\$ 18,288</u>         | <u>\$ 22,867</u> | <u>\$ 31,244</u>                        |
| <b>LIABILITIES</b>                                      |                        |                          |                  |   |
| 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.....                          | <u>\$ 5,904</u>        | <u>\$ 8,498</u>          | <u>\$ 376</u>    | <u>\$ 1,754</u>                         |
| 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.....                       | <u>\$ 2,033</u>        | <u>\$ 503</u>            | <u>\$ 449</u>    | <u>\$ 903</u>                           |
| Total Liabilities.....                                  | <u>\$ 7,937</u>        | <u>\$ 9,001</u>          | <u>\$ 825</u>    | <u>\$ 2,657</u>                         |
| <b>NET ASSETS</b>                                       |                        |                          |                  |   |
| Invested in Capital Assets,<br>Net of Related Debt..... | <u>\$ 1,174</u>        | <u>\$ 932</u>            | <u>\$ 20,130</u> | <u>\$ 5,231</u>                         |
| Restricted for:   |                        |                          |                  |   |
| Public Safety and Corrections.....                      | \$ -                   | \$ -                     | \$ -             | \$ 23,356                               |
| Health and Human Services.....                          | -                      | -                        | -                | -                                       |
| Economic and Workforce Development.....                 | -                      | -                        | 1,912            | -                                       |
| Other Purposes.....                                     | -                      | 8,355                    | -                | -                                       |
| Total Restricted.....                                   | <u>\$ -</u>            | <u>\$ 8,355</u>          | <u>\$ 1,912</u>  | <u>\$ 23,356</u>                        |
| Unrestricted .....                                      | <u>(2,030)</u>         | <u>-</u>                 | <u>-</u>         | <u>-</u>                                |
| Total Net Assets.....                                   | <u>\$ (856)</u>        | <u>\$ 9,287</u>          | <u>\$ 22,042</u> | <u>\$ 28,587</u>                        |

| <u>911 SERVICES</u> | <u>PUBLIC<br/>EMPLOYEES<br/>INSURANCE</u> | <u>STATE<br/>LOTTERY</u> | <u>STATE<br/>OPERATED<br/>COMMUNITY<br/>SERVICES</u> | <u>TOTAL</u>      |
|---------------------|---|--------------------------|--|-------------------|
| \$ 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> |
| <u>\$ -</u>         | <u>\$ -</u>                               | <u>\$ 2,151</u>          | <u>\$ 460</u>  | <u>\$ 30,078</u>  |
| \$ 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<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE | MINNESOTA<br>CORRECTIONAL<br>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<br>SERVICES | ENTERPRISE<br>ACTIVITIES | GIANTS<br>RIDGE | MINNESOTA<br>CORRECTIONAL<br>INDUSTRIES |
|---|------------------------|--------------------------|-----------------|---|
| <b>Cash Flows from Operating Activities:</b>  |                        |                          |                 |   |
| 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                                |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                        |                          |                 |   |
| 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)                              |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                  |                        |                          |                 |   |
| 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)                              |
| <b>Cash Flows from Investing Activities:</b>  |                        |                          |                 |   |
| 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                               |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |                        |                          |                 |   |
| Operating Income (Loss).....  | \$ 77                  | \$ 8,092                 | \$ (3,386)      | \$ 2,992                                |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |                        |                          |                 |   |
| Depreciation.....   | \$ 64                  | \$ 94                    | \$ 1,216        | \$ 827                                  |
| Amortization.....   | -                      | -                        | 71              | -                                       |
| Miscellaneous Nonoperating Expenses.....  | -                      | (6,296)                  | -               | -                                       |
| <b>Change in Assets and Liabilities:</b>  |                        |                          |                 |   |
| 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<br>(Deducted from) Operating Income.....                     | \$ 205                 | \$ (6,744)               | \$ 1,251        | \$ (1,612)                              |
| Net Cash Flows from Operating Activities.....   | \$ 282                 | \$ 1,348                 | \$ (2,135)      | \$ 1,380                                |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                       |                        |                          |                 |   |
| 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              |
| \$ 126             | \$ 75                      | \$ 121              | \$ 120                            | \$ 650              |
| <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>     |





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# Internal Service Funds

---

## **Central Motor Pool Fund**

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

## **Central Services Fund**

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

## **Central Stores Fund**

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

## **Employee Insurance Fund**

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

## **Enterprise Technologies Fund**

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

## **Plant Management Fund**

The fund accounts for 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)**

| ASSETS  | CENTRAL<br>MOTOR POOL | CENTRAL<br>SERVICES | CENTRAL<br>STORES | EMPLOYEE<br>INSURANCE |
|---|-----------------------|---------------------|-------------------|-----------------------|
| <b>Current Assets:</b>                                  |                       |                     |                   |                       |
| 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.....                               | <u>\$ 4,707</u>       | <u>\$ 3,193</u>     | <u>\$ 39</u>      | <u>\$ 305,691</u>     |
| <b>Noncurrent Assets:</b>                               |                       |                     |                   |                       |
| Deferred Costs.....                                     | \$ -                  | \$ -                | \$ -              | \$ -                  |
| Depreciable Capital Assets (Net).....                   | 16,885                | 51                  | -                 | -                     |
| Total Noncurrent Assets.....                            | <u>\$ 16,885</u>      | <u>\$ 51</u>        | <u>\$ -</u>       | <u>\$ -</u>           |
| Total Assets.....                                       | <u>\$ 21,592</u>      | <u>\$ 3,244</u>     | <u>\$ 39</u>      | <u>\$ 305,691</u>     |
| <b>LIABILITIES</b>                                      |                       |                     |                   |                       |
| <b>Current Liabilities:</b>                             |                       |                     |                   |                       |
| 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.....                          | <u>\$ 4,905</u>       | <u>\$ 459</u>       | <u>\$ 39</u>      | <u>\$ 65,165</u>      |
| <b>Noncurrent Liabilities:</b>                          |                       |                     |                   |                       |
| Loans Payable.....                                      | \$ 6,180              | \$ -                | \$ -              | \$ -                  |
| Compensated Absences Payable.....                       | 93                    | 347                 | -                 | 482                   |
| Other Liabilities.....                                  | 9                     | 97                  | -                 | 33                    |
| Total Noncurrent Liabilities.....                       | <u>\$ 6,282</u>       | <u>\$ 444</u>       | <u>\$ -</u>       | <u>\$ 515</u>         |
| Total Liabilities.....                                  | <u>\$ 11,187</u>      | <u>\$ 903</u>       | <u>\$ 39</u>      | <u>\$ 65,680</u>      |
| <b>NET ASSETS</b>                                       |                       |                     |                   |                       |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ 6,097              | \$ 51               | \$ -              | \$ -                  |
| Unrestricted .....                                      | 4,308                 | 2,290               | -                 | 240,011               |
| Total Net Assets.....                                   | <u>\$ 10,405</u>      | <u>\$ 2,341</u>     | <u>\$ -</u>       | <u>\$ 240,011</u>     |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>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>  |
| <u>\$ 46,281</u>           | <u>\$ 31,441</u>    | <u>\$ 22,327</u>   | <u>\$ 430,615</u> |
| \$ 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<br>MOTOR POOL | CENTRAL<br>SERVICES | CENTRAL<br>STORES | EMPLOYEE<br>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.....                       | <u>\$ 13,934</u>      | <u>\$ 13,113</u>    | <u>\$ 8</u>       | <u>\$ 681,100</u>     |
| Gross Margin.....                                   | <u>\$ 13,934</u>      | <u>\$ 13,113</u>    | <u>\$ 8</u>       | <u>\$ 681,100</u>     |
| 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.....                       | <u>\$ 13,669</u>      | <u>\$ 13,063</u>    | <u>\$ 11</u>      | <u>\$ 701,232</u>     |
| Operating Income (Loss).....                        | <u>\$ 265</u>         | <u>\$ 50</u>        | <u>\$ (3)</u>     | <u>\$ (20,132)</u>    |
| 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).....         | <u>\$ 21</u>          | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ 2,353</u>       |
| Income (Loss) Before Transfers & Contributions..... | <u>\$ 286</u>         | <u>\$ 50</u>        | <u>\$ (3)</u>     | <u>\$ (17,779)</u>    |
| Capital Contributions.....                          | -                     | -                   | -                 | -                     |
| Transfers-In.....                                   | -                     | 1                   | -                 | -                     |
| Transfers-Out.....                                  | -                     | -                   | (1,077)           | (10)                  |
| Change in Net Assets.....                           | <u>\$ 286</u>         | <u>\$ 51</u>        | <u>\$ (1,080)</u> | <u>\$ (17,789)</u>    |
| Net Assets, Beginning, as Reported.....             | <u>\$ 10,119</u>      | <u>\$ 2,290</u>     | <u>\$ 1,080</u>   | <u>\$ 257,800</u>     |
| Net Assets, Ending.....                             | <u>\$ 10,405</u>      | <u>\$ 2,341</u>     | <u>\$ -</u>       | <u>\$ 240,011</u>     |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>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<br>MOTOR POOL  | CENTRAL<br>SERVICES    | CENTRAL<br>STORES     | EMPLOYEE<br>INSURANCE     |
|---|------------------------|------------------------|-----------------------|---------------------------|
| <b>Cash Flows from Operating Activities:</b>  |                        |                        |                       |                           |
| 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.....   | <u>\$ 4,499</u>        | <u>\$ 224</u>          | <u>\$ (18)</u>        | <u>\$ (19,999)</u>        |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                        |                        |                       |                           |
| Transfers-In.....   | \$ -                   | \$ 1                   | \$ -                  | \$ 10                     |
| Transfers-Out.....  | -                      | -                      | (1,200)               | (10)                      |
| Net Cash Flows from Noncapital Financing Activities.....  | <u>\$ -</u>            | <u>\$ 1</u>            | <u>\$ (1,200)</u>     | <u>\$ -</u>               |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                  |                        |                        |                       |                           |
| 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.....                                 | <u>\$ (3,603)</u>      | <u>\$ -</u>            | <u>\$ -</u>           | <u>\$ -</u>               |
| <b>Cash Flows from Investing Activities:</b>  |                        |                        |                       |                           |
| 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.....   | <u>\$ 63</u>           | <u>\$ -</u>            | <u>\$ -</u>           | <u>\$ 3,442</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents.....   | <u>\$ 959</u>          | <u>\$ 225</u>          | <u>\$ (1,218)</u>     | <u>\$ (16,557)</u>        |
| Cash and Cash Equivalents, Beginning, as Reported.....  | <u>\$ 2,205</u>        | <u>\$ 954</u>          | <u>\$ 1,257</u>       | <u>\$ 291,678</u>         |
| Cash and Cash Equivalents, Ending.....  | <u><u>\$ 3,164</u></u> | <u><u>\$ 1,179</u></u> | <u><u>\$ 39</u></u>   | <u><u>\$ 275,121</u></u>  |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |                        |                        |                       |                           |
| Operating Income (Loss).....  | <u>\$ 265</u>          | <u>\$ 50</u>           | <u>\$ (3)</u>         | <u>\$ (20,132)</u>        |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |                        |                        |                       |                           |
| Depreciation.....   | \$ 4,704               | \$ 23                  | \$ -                  | \$ -                      |
| Amortization.....   | -                      | -                      | -                     | -                         |
| Miscellaneous Nonoperating Expenses.....  | (635)                  | -                      | -                     | -                         |
| <b>Change in Assets and Liabilities:</b>  |                        |                        |                       |                           |
| 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<br>(Deducted from) Operating Income.....                     | <u>\$ 4,234</u>        | <u>\$ 174</u>          | <u>\$ (15)</u>        | <u>\$ 133</u>             |
| Net Cash Flows from Operating Activities.....   | <u><u>\$ 4,499</u></u> | <u><u>\$ 224</u></u>   | <u><u>\$ (18)</u></u> | <u><u>\$ (19,999)</u></u> |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                       |                        |                        |                       |                           |
| Transferred/Donated Assets.....   | \$ -                   | \$ -                   | \$ -                  | \$ -                      |
| Accrual of Computer Equipment as an Investment<br>in Capital Assets.....                          | -                      | -                      | -                     | -                         |

| ENTERPRISE<br>TECHNOLOGIES | PLANT<br>MANAGEMENT | RISK<br>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)           |
| <u>\$ 11,325</u>           | <u>\$ 33,003</u>    | <u>\$ 1,395</u>    | <u>\$ 30,429</u>   |
| \$ 8                       | \$ -                | \$ -               | \$ 19              |
| -                          | (28,202)            | -                  | (29,412)           |
| <u>\$ 8</u>                | <u>\$ (28,202)</u>  | <u>\$ -</u>        | <u>\$ (29,393)</u> |
| \$ (1,957)                 | \$ (908)            | \$ (47)            | \$ (8,920)         |
| -                          | 72                  | -                  | 3,043              |
| 1,159                      | -                   | -                  | 6,173              |
| (3,062)                    | -                   | -                  | (8,413)            |
| (125)                      | -                   | -                  | (354)              |
| <u>\$ (3,985)</u>          | <u>\$ (836)</u>     | <u>\$ (47)</u>     | <u>\$ (8,471)</u>  |
| \$ -                       | \$ -                | \$ -               | \$ 26,572          |
| -                          | -                   | -                  | (25,790)           |
| 30                         | -                   | 111                | 2,864              |
| <u>\$ 30</u>               | <u>\$ -</u>         | <u>\$ 111</u>      | <u>\$ 3,646</u>    |
| \$ 7,378                   | \$ 3,965            | \$ 1,459           | \$ (3,789)         |
| \$ 15,115                  | \$ 19,730           | \$ 18,151          | \$ 349,090         |
| <u>\$ 22,493</u>           | <u>\$ 23,695</u>    | <u>\$ 19,610</u>   | <u>\$ 345,301</u>  |
| <br>                       |                     |                    |                    |
| \$ 10,788                  | \$ 33,938           | \$ 4,264           | \$ 29,170          |
| <br>                       |                     |                    |                    |
| \$ 3,312                   | \$ 402              | \$ -               | \$ 8,441           |
| 582                        | 52                  | -                  | 634                |
| (2,750)                    | (1,356)             | (515)              | (5,256)            |
| <br>                       |                     |                    |                    |
| 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                |
| <u>\$ 537</u>              | <u>\$ (935)</u>     | <u>\$ (2,869)</u>  | <u>\$ 1,259</u>    |
| <u>\$ 11,325</u>           | <u>\$ 33,003</u>    | <u>\$ 1,395</u>    | <u>\$ 30,429</u>   |
| <br>                       |                     |                    |                    |
| \$ 209                     | \$ 62               | \$ -               | \$ 271             |
| <br>                       |                     |                    |                    |
| 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<br>EMPLOYEES<br>RETIREMENT | ELECTIVE<br>STATE<br>OFFICERS | HENNEPIN<br>COUNTY<br>SUPPLEMENTAL<br>RETIREMENT | JUDICIAL<br>RETIREMENT |
| <b>ASSETS</b>   |   |                               |  |                        |
| 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             |
| <b>LIABILITIES</b>  |   |                               |  |                        |
| 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<br>and Pool Participants..... | \$ 646,581                              | \$ -                          | \$ 125,556                                       | \$ 148,504             |

MINNESOTA STATE RETIREMENT SYSTEM

| LEGISLATIVE<br>RETIREMENT | POSTRETIREMENT<br>HEALTH CARE<br>BENEFITS | STATE<br>DEFERRED<br>COMPENSATION | STATE<br>EMPLOYEES<br>RETIREMENT | STATE<br>PATROL<br>RETIREMENT | UNCLASSIFIED<br>EMPLOYEES<br>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<br>RETIREMENT ASSOCIATION |  |                    |
|---|--|--|--------------------|
|   | DEFINED<br>CONTRIBUTION                    | MINNEAPOLIS<br>EMPLOYEES<br>RETIREMENT | POLICE<br>AND FIRE |
| <b>ASSETS</b>   |  |  |                    |
| 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       |
| <b>LIABILITIES</b>  |  |  |                    |
| 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<br>and Pool Participants..... | \$ 39,058                                  | \$ 910,987                             | \$ 5,317,032       |

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

MINNESOTA STATE RETIREMENT SYSTEM

| LEGISLATIVE<br>RETIREMENT | POSTRETIREMENT<br>HEALTH CARE<br>BENEFITS | STATE<br>DEFERRED<br>COMPENSATION | STATE<br>EMPLOYEES<br>RETIREMENT | STATE<br>PATROL<br>RETIREMENT | UNCLASSIFIED<br>EMPLOYEES<br>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>                           |
| <u>\$ 4,142</u>           | <u>\$ 28,475</u>                          | <u>\$ 656,412</u>                 | <u>\$ 1,764,307</u>              | <u>\$ 110,909</u>             | <u>\$ 52,061</u>                        |
| \$ -                      | \$ -                                      | \$ -                              | \$ 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>                        |
| <u>\$ (388)</u>           | <u>\$ 112,694</u>                         | <u>\$ 684,074</u>                 | <u>\$ 1,505,133</u>              | <u>\$ 79,415</u>              | <u>\$ 31,310</u>                        |
| \$ 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>                       |
| <u>\$ 19,140</u>          | <u>\$ 433,872</u>                         | <u>\$ 4,180,052</u>               | <u>\$ 9,197,664</u>              | <u>\$ 568,285</u>             | <u>\$ 284,698</u>                       |

CONTINUED

**STATE OF MINNESOTA**

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

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

| PUBLIC EMPLOYEES<br>RETIREMENT ASSOCIATION |                                   |  |                        |   |                      |
|--|-----------------------------------|--|------------------------|---|----------------------|
| PUBLIC<br>EMPLOYEES<br>CORRECTIONAL        | PUBLIC<br>EMPLOYEES<br>RETIREMENT | VOLUNTEER<br>FIREFIGHTER<br>RETIREMENT | TEACHERS<br>RETIREMENT | STATE<br>COLLEGES AND<br>UNIVERSITIES<br>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               |
| <u>\$ 23,913</u>                           | <u>\$ 668,711</u>                 | <u>\$ 215</u>                          | <u>\$ 463,548</u>      | <u>\$ 78,060</u>                                    | <u>\$ 2,106,430</u>  |
| \$ 50,647                                  | \$ 2,622,424                      | \$ 241                                 | \$ 3,409,061           | \$ 178,092  | \$ 10,283,573        |
| (388)                                      | (18,955)                          | -                                      | (24,149)               | -   | (69,336)             |
| <u>\$ 50,259</u>                           | <u>\$ 2,603,469</u>               | <u>\$ 241</u>                          | <u>\$ 3,384,912</u>    | <u>\$ 178,092</u>                                   | <u>\$ 10,214,237</u> |
| \$ 158                                     | \$ 7,719                          | \$ 2                                   | \$ 9,828               | \$ -  | \$ 27,541            |
| (18)                                       | (865)                             | -                                      | (1,101)                | -   | (3,092)              |
| (56)                                       | (2,755)                           | (1)                                    | (3,508)                | -   | (9,822)              |
| <u>\$ 84</u>                               | <u>\$ 4,099</u>                   | <u>\$ 1</u>                            | <u>\$ 5,219</u>        | <u>\$ -</u>   | <u>\$ 14,627</u>     |
| \$ 50,343                                  | \$ 2,607,568                      | \$ 242                                 | \$ 3,390,131           | \$ 178,092  | \$ 10,228,864        |
| \$ -                                       | \$ 8                              | \$ -                                   | \$ -                   | \$ -  | \$ 47,737            |
| -  | 435                               | 2,426                                  | 4,271                  | -   | 9,797                |
| <u>\$ 74,256</u>                           | <u>\$ 3,276,722</u>               | <u>\$ 2,883</u>                        | <u>\$ 3,857,950</u>    | <u>\$ 256,152</u>                                   | <u>\$ 12,392,828</u> |
| \$ 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               |
| <u>\$ 5,593</u>                            | <u>\$ 998,682</u>                 | <u>\$ 127</u>                          | <u>\$ 1,493,913</u>    | <u>\$ 48,860</u>                                    | <u>\$ 3,962,787</u>  |
| \$ 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)              |
| <u>\$ 211,368</u>                          | <u>\$ 11,338,582</u>              | <u>\$ 764</u>                          | <u>\$ 14,939,539</u>   | <u>\$ 886,399</u>                                   | <u>\$ 45,738,828</u> |
| \$ 280,031                                 | \$ 13,616,622                     | \$ 3,520                               | \$ 17,303,576          | \$ 1,093,691  | \$ 54,168,869        |





State of Minnesota

---

---

# 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.

2011  
Comprehensive  
Annual  
Financial Report

---

**STATE OF MINNESOTA**

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

|   | SUPPLEMENTAL<br>RETIREMENT | INVESTMENT<br>TRUST | TOTAL      |
|---|----------------------------|---------------------|------------|
| <b>ASSETS</b>   |                            |                     |            |
| 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 |
| <b>LIABILITIES</b>  |                            |                     |            |
| Securities Lending Liabilities.....   | 30,252                     | -                   | 30,252     |
| Total Liabilities.....  | \$ 30,252                  | \$ -                | \$ 30,252  |
| Net Assets Held in Trust for Pension Benefits<br>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<br>RETIREMENT | INVESTMENT<br>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<br>and Pool Participants, Beginning, as Reported..... | \$ 316,211                 | \$ 166,503          | \$ 482,714 |
| Net Assets Held in Trust for Pension Benefits<br>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.

2011  
Comprehensive  
Annual  
Financial Report

---



**STATE OF MINNESOTA**

---

---

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

---

|                                | <u>BEGINNING<br/>BALANCE</u> | <u>INCREASES</u>    | <u>DECREASES</u>    | <u>ENDING<br/>BALANCE</u> |
|--------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| <b>MISCELLANEOUS AGENCY</b>    |                              |                     |                     |                           |
| 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>         |





State of Minnesota

---

2011  
Comprehensive  
Annual  
Financial Report

---

# 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)**

| ASSETS  | AGRICULTURAL<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | NATIONAL<br>SPORTS<br>CENTER<br>FOUNDATION | OFFICE OF<br>HIGHER<br>EDUCATION |
|---|--|--|----------------------------------|
| <b>Current Assets:</b>                                  |  |  |                                  |
| 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.....                               | <u>\$ 5,421</u>                                    | <u>\$ 1,232</u>                            | <u>\$ 198,611</u>                |
| <b>Noncurrent Assets:</b>                               |  |  |                                  |
| 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.....                            | <u>\$ 21,881</u>                                   | <u>\$ 6,390</u>                            | <u>\$ 831,135</u>                |
| Total Assets.....                                       | <u>\$ 27,302</u>                                   | <u>\$ 7,622</u>                            | <u>\$ 1,029,746</u>              |
| <b>LIABILITIES</b>                                      |  |  |                                  |
| <b>Current Liabilities:</b>                             |  |  |                                  |
| 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.....                          | <u>\$ 784</u>                                      | <u>\$ 5,056</u>                            | <u>\$ 4,469</u>                  |
| <b>Noncurrent Liabilities:</b>                          |  |  |                                  |
| 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.....                       | <u>\$ 3,770</u>                                    | <u>\$ 986</u>                              | <u>\$ 632,520</u>                |
| Total Liabilities.....                                  | <u>\$ 4,554</u>                                    | <u>\$ 6,042</u>                            | <u>\$ 636,989</u>                |
| <b>NET ASSETS</b>                                       |  |  |                                  |
| Invested in Capital Assets,<br>Net of Related Debt..... | \$ -   | \$ 3,440                                   | \$ 15                            |
| Restricted.....   | 20,251   | -  | 392,480                          |
| Unrestricted.....                                       | 2,497  | (1,860)                                    | 262                              |
| Total Net Assets.....                                   | <u>\$ 22,748</u>                                   | <u>\$ 1,580</u>                            | <u>\$ 392,757</u>                |

| <u>PUBLIC FACILITIES AUTHORITY</u> | <u>RURAL FINANCE AUTHORITY</u> | <u>WORKERS' COMPENSATION ASSIGNED RISK PLAN</u> | <u>TOTAL</u>        |
|------------------------------------|--------------------------------|---|---------------------|
| \$ 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<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | NATIONAL<br>SPORTS<br>CENTER<br>FOUNDATION | OFFICE OF<br>HIGHER<br>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                       |

| <u>PUBLIC<br/>FACILITIES<br/>AUTHORITY</u> | <u>RURAL<br/>FINANCE<br/>AUTHORITY</u> | <u>WORKERS'<br/>COMPENSATION<br/>ASSIGNED RISK<br/>PLAN</u> | <u>TOTAL</u> |
|--|--|---|--------------|
| \$ 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<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | RURAL<br>FINANCE<br>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.....               | <u>\$ 291</u>                                      | <u>\$ 3,256</u>               | <u>\$ 3,547</u>         |
| Operating Expenses:                         |  |                               |                         |
| Economic and Manpower Development.....      | \$ 1,757   | \$ 2,386                      | \$ 4,143                |
| Total Operating Expenses.....               | <u>\$ 1,757</u>                                    | <u>\$ 2,386</u>               | <u>\$ 4,143</u>         |
| Operating Income (Loss).....                | <u>\$ (1,466)</u>                                  | <u>\$ 870</u>                 | <u>\$ (596)</u>         |
| Nonoperating Revenues (Expenses):           |  |                               |                         |
| Bond Interest Expense.....                  | \$ (236)   | \$ -                          | \$ (236)                |
| Investment/Interest Income.....             | 381  | -                             | 381                     |
| Total Nonoperating Revenues (Expenses)..... | <u>\$ 145</u>                                      | <u>\$ -</u>                   | <u>\$ 145</u>           |
| Change in Net Assets.....                   | <u>\$ (1,321)</u>                                  | <u>\$ 870</u>                 | <u>\$ (451)</u>         |
| Net Assets, Beginning, as Reported.....     | <u>\$ 24,069</u>                                   | <u>\$ 5,028</u>               | <u>\$ 29,097</u>        |
| Net Assets, Ending.....                     | <u><u>\$ 22,748</u></u>                            | <u><u>\$ 5,898</u></u>        | <u><u>\$ 28,646</u></u> |

**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<br>& ECONOMIC<br>DEVELOPMENT<br>BOARD | RURAL<br>FINANCE<br>AUTHORITY | TOTAL             |
|---|--|-------------------------------|-------------------|
| <b>Cash Flows from Operating Activities:</b>  |  |                               |                   |
| 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.....   | <u>\$ 2,360</u>                                    | <u>\$ (4,208)</u>             | <u>\$ (1,848)</u> |
| <b>Cash Flows from Non-Capital Financing:</b>   |  |                               |                   |
| 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.....   | <u>\$ (3,471)</u>                                  | <u>\$ -</u>                   | <u>\$ (3,471)</u> |
| <b>Cash Flows from Investing Activities:</b>  |  |                               |                   |
| 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.....   | <u>\$ 2,451</u>                                    | <u>\$ -</u>                   | <u>\$ 2,451</u>   |
| Net Increase (Decrease) in Cash and Cash Equivalents.....   | <u>\$ 1,340</u>                                    | <u>\$ (4,208)</u>             | <u>\$ (2,868)</u> |
| Cash and Cash Equivalents, Beginning, as Reported.....  | <u>\$ 3,415</u>                                    | <u>\$ 25,678</u>              | <u>\$ 29,093</u>  |
| Cash and Cash Equivalents, Ending.....  | <u>\$ 4,755</u>                                    | <u>\$ 21,470</u>              | <u>\$ 26,225</u>  |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Flows from Operating Activities:</b> |  |                               |                   |
| Operating Income (Loss).....  | \$ (1,466)   | \$ 870                        | \$ (596)          |
| <b>Adjustments to Reconcile Operating Income to<br/>Net Cash Flows from Operating Activities:</b> |  |                               |                   |
| <b>Change in Assets and Liabilities:</b>  |  |                               |                   |
| 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<br>(Deducted from) Operating Income.....                     | <u>\$ 3,826</u>                                    | <u>\$ (5,078)</u>             | <u>\$ (1,252)</u> |
| Net Cash Flows from Operating Activities.....   | <u>\$ 2,360</u>                                    | <u>\$ (4,208)</u>             | <u>\$ (1,848)</u> |





State of Minnesota

---

---

# General Obligation Debt Schedule

---

2011  
Comprehensive  
Annual  
Financial Report

---

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

| <u>Purpose of Issue</u>                          | <u>Law Authorizing</u> | <u>Total Authorization</u> | <u>Previously Issued</u> | <u>Remaining Authorization</u> |
|--|------------------------|----------------------------|--------------------------|--------------------------------|
| Building <sup>17, 18, 19, 20</sup>               | 1990, Ch. 610          | \$ 270,129.1               | \$ 270,126.0             | \$ 3.1                         |
| Building <sup>10, 14, 16, 18</sup>               | 1994, Ch. 643          | 523,874.5                  | 523,849.0                | 25.5                           |
| Building <sup>8, 9, 10, 14</sup>                 | X1997, Ch. 2           | 37,432.0                   | 37,335.0                 | 97.0                           |
| Building <sup>8, 9, 10, 11, 14, 15</sup>         | 1999, Ch. 240          | 439,437.1                  | 438,865.0                | 572.1                          |
| Various Purpose <sup>1, 4, 8, 9, 10, 13</sup>    | 2000, Ch. 492          | 527,684.7                  | 519,170.0                | 8,514.7                        |
| Various Purpose <sup>1, 4, 8, 10, 12</sup>       | X2001, Ch. 12          | 116,758.7                  | 115,446.0                | 1,312.7                        |
| Various Purpose <sup>1, 3, 4, 6, 8, 10, 11</sup> | 2002, Ch. 393          | 600,831.8                  | 598,605.0                | 2,226.8                        |
| Various Purpose <sup>4, 8</sup>                  | X2002, Ch. 1           | 15,273.0                   | 15,055.0                 | 218.0                          |
| Trunk Highway <sup>4</sup>                       | X2003, Ch. 19, Art. 3  | 400,191.5                  | 399,990.0                | 201.5                          |
| Trunk Highway <sup>4</sup>                       | X2003, Ch. 19, Art. 4  | 106,026.5                  | 105,700.0                | 326.5                          |
| Various Purpose <sup>1, 3, 6</sup>               | 2005, Ch. 20           | 941,297.4                  | 920,079.0                | 21,218.4                       |
| Various Purpose <sup>1, 3, 6, 7</sup>            | 2006, Ch. 258          | 1,002,855.2                | 958,975.0                | 43,880.2                       |
| Various Purpose <sup>3</sup>                     | 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 <sup>3</sup>                       | 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 <sup>3, 5</sup>                  | 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 <sup>3</sup>                     | 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 <sup>2</sup>                     | 2010, Ch. 189          | 1,074,865.0                | 315,000.0                | 759,865.0                      |
| Trunk Highway <sup>2</sup>                       | 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                       |
| <b>Totals</b>                                    |                        | <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
Index of Statistical Section

Table with 2 columns: Section Name and Page. Sections include Financial Trends, Revenue Capacity, Debt Capacity, Economic and Demographic Information, and Operating Information.

**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>                |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Governmental Activities:</b>                  |                            |                            |                            |                            |
| 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>           |
| <b>Total Governmental Activities Net Assets</b>  | <b><u>\$ 8,180,576</u></b> | <b><u>\$ 6,753,077</u></b> | <b><u>\$ 6,925,577</u></b> | <b><u>\$ 7,722,231</u></b> |
| <b>Business-type Activities:</b>                 |                            |                            |                            |                            |
| 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>             |
| <b>Total Business-type Activities Net Assets</b> | <b><u>\$ 1,365,331</u></b> | <b><u>\$ 1,143,601</u></b> | <b><u>\$ 1,177,892</u></b> | <b><u>\$ 1,404,135</u></b> |
| <b>Primary Government:</b>                       |                            |                            |                            |                            |
| 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>           |
| <b>Total Primary Government Net Assets</b>       | <b><u>\$ 9,545,907</u></b> | <b><u>\$ 7,896,678</u></b> | <b><u>\$ 8,103,469</u></b> | <b><u>\$ 9,126,366</u></b> |

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            |
| <u>649,481</u>       | <u>1,317,416</u>     | <u>489,661</u>       | <u>(917,895)</u>     | <u>(2,646,096)</u>   | <u>(2,534,196)</u>   |
| <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              |
| <u>(1,089)</u>       | <u>(1,403)</u>       | <u>(5,900)</u>       | <u>(38,907)</u>      | <u>(300,615)</u>     | <u>(82,907)</u>      |
| <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            |
| <u>648,392</u>       | <u>1,316,013</u>     | <u>483,761</u>       | <u>(956,802)</u>     | <u>(2,946,711)</u>   | <u>(2,617,103)</u>   |
| <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 <sup>(1)</sup> | 179,838              | 179,037              | 187,779              | 196,047              |
| Economic and Workforce Development <sup>(1)</sup>               | 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 <sup>(1)</sup> | 609,199              | 541,828              | 557,414              | 612,566              |
| Economic and Workforce Development <sup>(1)</sup>               | 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> |

<sup>(1)</sup> 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)**

|  | <u>2002</u>            | <u>2003</u>            | <u>2004</u>            | <u>2005</u>            |
|--|------------------------|------------------------|------------------------|------------------------|
| Net (Expense)/Revenue:                           |                        |                        |                        |                        |
| Governmental Activities                          | \$ (13,477,412)        | \$ (15,248,419)        | \$ (14,273,350)        | \$ (14,779,372)        |
| Business-type Activities                         | (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>    |

<sup>(1)</sup> 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             | -                   | -           | -           |
| -                   | -                   | -                   | (752,490)           | -           | -           |
| <u>\$ 838,807</u>   | <u>\$ 1,280,107</u> | <u>\$ 842,626</u>   | <u>\$ (641,308)</u> | <u>\$ -</u> | <u>\$ -</u> |
| <br>                |                     |                     |                     |             |             |
| \$ 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>    |
| <br>                |                     |                     |                     |             |             |
| <u>\$ 3,711,999</u> | <u>\$ 4,129,469</u> | <u>\$ 4,242,057</u> | <u>\$ 4,168,626</u> | <u>\$ -</u> | <u>\$ -</u> |
| <br>                |                     |                     |                     |             |             |
| <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><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,753,694</u></u> | <u><u>\$ 3,499,513</u></u> |

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

|   | 2002                 | 2003                  | 2004                 | 2005                 |
|---|----------------------|-----------------------|----------------------|----------------------|
| <b>Revenues:</b>  |                      |                       |                      |                      |
| 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            |
| <b>Total Revenues</b>   | <b>\$ 19,490,591</b> | <b>\$ 20,691,613</b>  | <b>\$ 21,739,413</b> | <b>\$ 23,058,693</b> |
| <b>Expenditures:</b>  |                      |                       |                      |                      |
| <b>Current:</b>   |                      |                       |                      |                      |
| 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 <sup>(1)</sup> | 637,139              | 594,696               | 575,363              | 578,000              |
| Economic and Workforce Development <sup>(1)</sup>               | 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              |
| <b>Debt Service:</b>  |                      |                       |                      |                      |
| Principal   | 241,855              | 275,718               | 253,127              | 260,930              |
| Interest  | 142,567              | 144,940               | 184,833              | 184,191              |
| <b>Total Expenditures</b>                                       | <b>\$ 20,073,457</b> | <b>\$ 22,709,652</b>  | <b>\$ 22,187,301</b> | <b>\$ 22,707,599</b> |
| <b>Excess of Revenues Over (Under) Expenditures</b>             | <b>\$ (582,866)</b>  | <b>\$ (2,018,039)</b> | <b>\$ (447,888)</b>  | <b>\$ 351,094</b>    |
| <b>Other Financing Sources (Uses):</b>                          |                      |                       |                      |                      |
| 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                |
| <b>Total Other Financing Sources (Uses)</b>                     | <b>\$ 40,096</b>     | <b>\$ 201,007</b>     | <b>\$ (408,665)</b>  | <b>\$ 208,199</b>    |
| 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                | -                    | -                    |
| <b>Net Change in Fund Balances</b>                              | <b>\$ 1,876,587</b>  | <b>\$ (1,847,810)</b> | <b>\$ (855,121)</b>  | <b>\$ 560,601</b>    |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b>  | <b>2.0%</b>          | <b>1.9%</b>           | <b>2.0%</b>          | <b>2.0%</b>          |

<sup>(1)</sup> 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>\$ 131,842,391</u> | <u>\$ 136,423,455</u> | <u>\$ 142,386,159</u> |
| Derivation of Personal Income:               |                       |                       |                       |
| Earnings By Place of Work                    | \$ 131,842,391        | \$ 136,423,455        | \$ 142,386,159        |
| Other Personal Income <sup>(1)</sup>         | 34,324,879            | 34,574,578            | 35,760,502            |
| Personal income                              | <u>\$ 166,167,270</u> | <u>\$ 170,998,033</u> | <u>\$ 178,146,661</u> |

<sup>(1)</sup> 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             |
| <u>\$ 128,444,223</u> | <u>\$ 131,805,106</u> | <u>\$ 137,282,309</u> | <u>\$ 143,044,348</u> | <u>\$ 146,881,578</u> | <u>\$ 137,911,062</u> | <u>\$ 143,333,105</u> |
| \$ 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             |
| <u>16,567,688</u>     | <u>17,138,227</u>     | <u>17,962,127</u>     | <u>18,715,439</u>     | <u>19,758,691</u>     | <u>20,315,077</u>     | <u>20,447,396</u>     |
| <u>\$ 20,070,573</u>  | <u>\$ 20,936,707</u>  | <u>\$ 21,854,251</u>  | <u>\$ 22,745,918</u>  | <u>\$ 23,899,724</u>  | <u>\$ 24,630,084</u>  | <u>\$ 24,790,703</u>  |
| <u>148,514,796</u>    | <u>152,741,813</u>    | <u>159,136,560</u>    | <u>165,790,266</u>    | <u>170,781,302</u>    | <u>162,541,146</u>    | <u>168,123,808</u>    |
| <u>\$ 150,981,316</u> | <u>\$ 155,831,254</u> | <u>\$ 161,816,998</u> | <u>\$ 168,402,245</u> | <u>\$ 175,316,396</u> | <u>\$ 165,701,634</u> | <u>\$ 172,687,160</u> |
| \$ 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            |
| <u>\$ 188,329,945</u> | <u>\$ 193,989,644</u> | <u>\$ 205,857,404</u> | <u>\$ 216,840,348</u> | <u>\$ 228,049,178</u> | <u>\$ 217,704,595</u> | <u>\$ 227,543,790</u> |

**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**

| Federal Adjusted Gross<br>Income | Number of<br>Returns | Percent of Total | Personal Income<br>Tax Liability <sup>(1)</sup> | Percent of Total |
|----------------------------------|----------------------|------------------|---|------------------|
| \$ 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**

| Federal Adjusted Gross<br>Income | Number of<br>Returns | Percent of Total | Personal Income<br>Tax Liability <sup>(1)</sup> | Percent of Total |
|----------------------------------|----------------------|------------------|---|------------------|
| \$ 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>   |

<sup>(1)</sup>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                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>                         |                       |                       |                       |
| General Obligation Bonds <sup>(1)</sup>                 | \$ 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                 |
| <b>Total</b>  | <b>\$ 2,980,866</b>   | <b>\$ 3,420,976</b>   | <b>\$ 3,201,853</b>   |
| <b>Business-type Activities:</b>                        |                       |                       |                       |
| General Obligation Bonds <sup>(1)</sup>                 | \$ 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                |
| <b>Total</b>  | <b>\$ 175,315</b>     | <b>\$ 328,538</b>     | <b>\$ 487,082</b>     |
| <b>Total Debt to the Primary Government</b>             | <b>\$ 3,156,181</b>   | <b>\$ 3,749,514</b>   | <b>\$ 3,688,935</b>   |
| Less: Set Aside to Repay General Debt                   | \$ (243,830)          | \$ (263,810)          | \$ (258,925)          |
| <b>Net Debt to the Primary Government</b>               | <b>\$ 2,912,351</b>   | <b>\$ 3,485,704</b>   | <b>\$ 3,430,010</b>   |
| <b>Total Personal Income</b>                            | <b>\$ 166,167,270</b> | <b>\$ 170,998,033</b> | <b>\$ 178,146,661</b> |
| 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                |

<sup>(1)</sup> 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)**

|   | <u>2002</u>     | <u>2003</u>      | <u>2004</u>      | <u>2005</u>      |
|---|-----------------|------------------|------------------|------------------|
| <b>State University Board Revenue</b>   |                 |                  |                  |                  |
| <b>- Segment of College and University Enterprise Fund</b>                      |                 |                  |                  |                  |
| Gross Revenues <sup>(1)</sup>   | \$ 55,964       | \$ 60,606        | \$ 66,221        | \$ 70,091        |
| Less: Operating Expenses <sup>(2)</sup>   | <u>(47,830)</u> | <u>(47,599)</u>  | <u>(54,221)</u>  | <u>(53,884)</u>  |
| 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             |
| <b>Vermilion Community College and Itasca Community College Student Housing</b> |                 |                  |                  |                  |
| <b>- Segments of College and University Enterprise Fund</b>                     |                 |                  |                  |                  |
| Gross Revenues <sup>(1)</sup>   | \$ 544          | \$ 570           | \$ 595           | \$ 595           |
| Less: Operating Expenses <sup>(2)</sup>   | <u>(309)</u>    | <u>(335)</u>     | <u>(332)</u>     | <u>(385)</u>     |
| 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             |
| <b>Giants Ridge Enterprise Fund<sup>(4)</sup></b>                               |                 |                  |                  |                  |
| Gross Revenues <sup>(1)</sup>   | \$ 3,455        | \$ 3,128         | \$ 4,994         | \$ 5,138         |
| Less: Operating Expenses <sup>(2)</sup>   | <u>(4,070)</u>  | <u>(3,876)</u>   | <u>(4,283)</u>   | <u>(4,532)</u>   |
| Net Available Revenue   | <u>\$ (615)</u> | <u>\$ (748)</u>  | <u>\$ 711</u>    | <u>\$ 606</u>    |
| Debt Service  |                 |                  |                  |                  |
| Principal <sup>(3)</sup>  | \$ 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             |

<sup>(1)</sup> Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

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

<sup>(3)</sup> Revenue bonds were defeased in June 2001 and reissued in February 2002.

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

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

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

<sup>(7)</sup> 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.

<sup>(8)</sup> 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)**

|   | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|
| <b>D.J. Johnson Economic Protection Trust Fund<sup>(5)</sup></b>            |             |             |             |             |
| Taconite Production Tax <sup>(7)</sup>                                      | \$ -        | \$ -        | \$ -        | \$ -        |
| 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         |
| <b>Iron Range Resources and Rehabilitation Agency (IRRRA)<sup>(8)</sup></b> |             |             |             |             |
| Taconite Production Tax <sup>(7)</sup>                                      | \$ -        | \$ -        | \$ -        | \$ -        |
| 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         |
| <b>911 Services Fund<sup>(6)</sup></b>                                      |             |             |             |             |
| 911 Services Fees   | \$ -        | \$ -        | \$ -        | \$ -        |
| Less: Operating Expenses <sup>(2)</sup>                                     | -           | -           | -           | -           |
| 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         |

<sup>(1)</sup> Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

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

<sup>(3)</sup> Revenue bonds were defeased in June 2001 and reissued in February 2002.

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

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

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

<sup>(7)</sup> 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.

<sup>(8)</sup> 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<br/>Income<br/>(Thousands)</u> | <u>Per Capita<br/>Personal<br/>Income</u> | <u>Median<br/>Age</u> | <u>Unemployment<br/>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<br/>Total State<br/>Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percent of<br/>Total State<br/>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 <sup>(1)</sup> | 4,645                | 4,539                | 4,400                |
| Economic & Workforce Development <sup>(1)</sup>                 | 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> |

<sup>(1)</sup> 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                |
| <u>6,050</u>         | <u>6,520</u>         | <u>6,559</u>         | <u>7,393</u>         | <u>8,393</u>         | <u>6,868</u>         | <u>7,005</u>         |
| <u><u>48,017</u></u> | <u><u>48,411</u></u> | <u><u>48,414</u></u> | <u><u>50,553</u></u> | <u><u>51,368</u></u> | <u><u>51,400</u></u> | <u><u>51,300</u></u> |

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

|   | 2002         | 2003         | 2004         | 2005         |
|---|--------------|--------------|--------------|--------------|
| <b>Public Safety and Corrections</b>                              |              |              |              |              |
| 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       |
| <b>Transportation</b>   |              |              |              |              |
| 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      |
| <b>Agricultural, Environmental and Energy Resources</b>           |              |              |              |              |
| 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<br>(In Thousands)     | \$ 4,351,693 | \$ 4,391,532 | \$ 5,147,314 | \$ 4,866,387 |
| Agricultural Production-Livestock/Calendar Year<br>(In Thousands) | \$ 3,615,553 | \$ 4,089,925 | \$ 4,974,098 | \$ 4,970,842 |
| <b>Economic and Workforce Development</b>                         |              |              |              |              |
| Unemployment Claims Filed   | 319,647      | 323,262      | 299,630      | 285,669      |
| Workplace Injuries Reported                                       | 50,470       | 44,983       | 43,871       | 42,002       |
| <b>General Education</b>  |              |              |              |              |
| Kindergarten Through Grade 12 Students <sup>(1)</sup>             | 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      |
| <b>Higher Education</b>   |              |              |              |              |
| 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   |
| <b>Health and Human Services</b>                                  |              |              |              |              |
| 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        |
| <b>General Government</b>   |              |              |              |              |
| 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.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 <sup>(2)</sup> | 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 <sup>(3)</sup> |
| 39,919                   | 39,827       | 38,178        | 35,416       | 32,828       | 33,889                 |
| 826,543                  | 827,197      | 823,755       | 821,021      | 821,923      | 823,753 <sup>(3)</sup> |
| 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 <sup>(3)</sup> |
| 33,860                   | 33,796       | 33,328        | 35,026       | 36,464       | 38,385 <sup>(3)</sup>  |
| 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.

