**OFFICIAL STATEMENT DATED OCTOBER 2, 2001**

**NEW ISSUE**

**RATING: Moody's: Aaa**
**Standard & Poor's: AAA**
**Fitch's: AAA**

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of tax matters see ''Tax Exemption and Collateral Tax Matters'' herein.

# $355,000,000
# STATE OF MINNESOTA

## General Obligation
## State Bonds

**Dated: October 1, 2001** **Due: October 1, as shown below**

| Year | Amount | Interest Rate | Price or Yield | Year | Amount | Interest Rate | Price or Yield |
|---|---|---|---|---|---|---|---|
| 2002 | $24,150,000 | 5.00% | 2.10% | 2012 | $15,300,000 | 5.00% | 4.11% |
| 2003 | 24,150,000 | 5.00 | 2.35 | 2013 | 15,300,000 | 5.00 | 4.28 |
| 2004 | 24,150,000 | 5.00 | 2.69 | 2014 | 15,300,000 | 5.00 | 4.37 |
| 2005 | 24,150,000 | 5.00 | 2.98 | 2015 | 15,300,000 | 5.00 | 4.53 |
| 2006 | 24,150,000 | 5.00 | 3.17 | 2016 | 15,300,000 | 5.00 | 4.62 |
| 2007 | 15,350,000 | 5.00 | 3.45 | 2017 | 15,300,000 | 5.00 | 4.71 |
| 2008 | 15,350,000 | 5.00 | 3.67 | 2018 | 15,300,000 | 5.00 | 4.78 |
| 2009 | 15,350,000 | 5.00 | 3.81 | 2019 | 15,300,000 | 5.00 | 4.86 |
| 2010 | 15,350,000 | 5.00 | 3.91 | 2020 | 15,300,000 | 5.00 | 4.91 |
| 2011 | 19,850,000 | 5.00 | 4.01 | 2021 | 15,300,000 | 5.00 | 4.96 |

(Plus accrued interest from October 1, 2001)

The Bonds comprise $330,000,000 General Obligation State Various Purpose Bonds and $25,000,000 General Obligation State Trunk Highway Bonds.

**THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE ISSUED TO FINANCE THE COST OF CAPITAL IMPROVEMENTS, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE BONDS AND INTEREST THEREON WHEN DUE.**

Bonds maturing after October 1, 2011 will be subject to redemption and prepayment by the State as provided herein.

**Form and Payment:**

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

The Bonds are offered by the State subject to the legal opinions of Dorsey & Whitney LLP, bond counsel, as to the validity of the Bonds and tax exemption, and of the State Attorney General as to the validity of the Bonds. Delivery will be made on or before October 17, 2001.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the State and available at the date of publication of this Official Statement.**

**No dealer, broker, salesman or other person has been authorized by the State to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State. Certain information contained herein has been obtained from sources other than records of the State and is believed to be reliable, but it is not guaranteed. Information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there have not been any changes in the affairs of the State since the date hereof.**

**This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.**

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**STATE OF MINNESOTA OFFICERS**

| | |
|---|---|
| GOVERNOR | Jesse Ventura |
| LIEUTENANT GOVERNOR | Mae Schunk |
| SECRETARY OF STATE | Mary Kiffmeyer |
| STATE TREASURER | Carol C. Johnson |
| STATE AUDITOR | Judith H. Dutcher |
| ATTORNEY GENERAL | Mike Hatch |
| LEGISLATIVE AUDITOR | James R. Nobles |

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**COMMISSIONER OF FINANCE**

Pamela Wheelock

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**TABLE OF CONTENTS**

**OFFICIAL STATEMENT**

# STATE OF MINNESOTA
# $355,000,000
## General Obligation
## State Bonds
## Dated October 1, 2001

### INTRODUCTION

**General**

This Official Statement, including the cover page, this Official Statement Supplement contained on pages S-1 through S-41, and Appendices A through K (this "Official Statement"), has been prepared by the State of Minnesota Department of Finance to furnish information relating to $330,000,000 General Obligation State Various Purpose Bonds and $25,000,000 General Obligation State Trunk Highway Bonds of the State of Minnesota (the "State") to be dated October 1, 2001 (collectively the "Bonds"), to prospective purchasers and actual purchasers of the Bonds. This Introduction contains only a brief description of or references to a portion of such information, and prospective and actual purchasers should read this entire Official Statement.

**Purpose**

The Bonds are being issued by the State of Minnesota, acting by and through its Commissioner of Finance (the "Commissioner" or "Commissioner of Finance"), pursuant to the constitutional and statutory authority described under the section hereof entitled "The Bonds — Authorization and Purpose." Bonds are being issued for the purpose of financing all or a portion of the cost of the programs and capital projects described in the section hereof entitled "The Bonds — Authorization and Purpose" and Appendix C. The types of capital projects to be funded include educational facilities, parks, correctional facilities, pollution control facilities, transportation, natural resources, agricultural enterprises, dam repairs, and trunk highway improvements. Pending use of the bond proceeds for these purposes, they will be invested for the State by the State Board of Investment in accordance with State and federal laws and federal tax regulations.

**Security**

The Bonds are general obligations of the State secured by the pledge of the full faith and credit and taxing powers of the State. (See the section hereof entitled "The Bonds — Security".) For information as to the credit ratings assigned to the Bonds by various rating agencies see the section hereof entitled "Ratings."

**Bond Terms**

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months, and is payable semiannually on each April 1 and October 1 to maturity or prior redemption, commencing April 1, 2002. If principal or interest is due on a date on which commercial banks are not open for business, then payment will be made on the first day thereafter when such banks are open for business. The Bonds are subject to redemption and prepayment at the option of the State on the terms and conditions stated in the section hereof entitled "Redemption and Prepayment."

The Bonds are issuable in fully registered form without interest coupons and in denominations of $5,000 or multiples thereof of a single maturity. However, the Bonds will be issued in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Accordingly, printed Bonds will not be available to purchasers of the Bonds. For a description of the book entry system pursuant to which the Bonds will be issued see the section hereof entitled "Book Entry System."

### Bond Maturity Schedule

The Bonds are comprised of $330,000,000 General Obligation State Various Purpose Bonds and $25,000,000 General Obligation State Trunk Highway Bonds. The maturity schedules are shown below.

**$330,000,000 General Obligation State Various Purpose Bonds**

| Year | Principal Amount | Year | Principal Amount |
|---|---|---|---|
| 2002 | $22,900,000 | 2012 | $14,050,000 |
| 2003 | 22,900,000 | 2013 | 14,050,000 |
| 2004 | 22,900,000 | 2014 | 14,050,000 |
| 2005 | 22,900,000 | 2015 | 14,050,000 |
| 2006 | 22,900,000 | 2016 | 14,050,000 |
| 2007 | 14,100,000 | 2017 | 14,050,000 |
| 2008 | 14,100,000 | 2018 | 14,050,000 |
| 2009 | 14,100,000 | 2019 | 14,050,000 |
| 2010 | 14,100,000 | 2020 | 14,050,000 |
| 2011 | 18,600,000 | 2021 | 14,050,000 |

**$25,000,000 General Obligation State Trunk Highway Bonds**

| Year | Principal Amount | Year | Principal Amount |
|---|---|---|---|
| 2002 | $1,250,000 | 2012 | $1,250,000 |
| 2003 | 1,250,000 | 2013 | 1,250,000 |
| 2004 | 1,250,000 | 2014 | 1,250,000 |
| 2005 | 1,250,000 | 2015 | 1,250,000 |
| 2006 | 1,250,000 | 2016 | 1,250,000 |
| 2007 | 1,250,000 | 2017 | 1,250,000 |
| 2008 | 1,250,000 | 2018 | 1,250,000 |
| 2009 | 1,250,000 | 2019 | 1,250,000 |
| 2010 | 1,250,000 | 2020 | 1,250,000 |
| 2011 | 1,250,000 | 2021 | 1,250,000 |

### Legal Opinions — Tax Exemption

The Bonds are approved as to validity by the State Attorney General and Dorsey & Whitney LLP, bond counsel.

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

For a discussion of tax matters see "Tax Exemption and Collateral Tax Matters" herein.

### Additional Bonds

The State plans to sell $4 million of taxable general obligation bonds during October, 2001. The State does not expect to sell additional tax-exempt general obligation bonds within 30 days after the date of sale of the Bonds.

### Revenue and Expenditure Forecasting

The State operates on a biennial budget basis with each biennium ending on June 30 of an odd numbered year and comprising two fiscal years with each fiscal year running July 1 through June 30 ("Fiscal Year"). Legislative appropriations for each biennium are prepared and adopted by the State's legislature (the "Legislature") during the final legislative session prior to the beginning of the next biennium.

Revenue forecasts are prepared by the Department of Finance which uses for forecasting purposes data provided by DRI•WEFA, an independent forecasting service. Expenditure forecasts are prepared by the Department of Finance based upon current annual budgets and upon current cash expenditure estimates provided by State agencies responsible for significant expenditure items.

### Budget — Current Biennium

Approved revenue and expenditure measures for the biennium ending June 30, 2003 (the "Current Biennium") are summarized as set forth below. The Accounting General Fund is defined on page S-2 and Trunk Highway Fund is defined on page S-32.

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 1,109 |
| Non-dedicated Revenues | $27,490 |
| Dedicated Revenues, Transfers In and Other | $ 394 |
| Total Resources | $28,993 |
| **Expenditures** | 27,604 |
| **Projected Unreserved Balance at June 30, 2003** | $ 1,389 |
| **Cash Flow Account** | $ 350 |
| **Budget Reserve Account** | $ 653 |
| **Dedicated Reserves** | $ 151 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 235 |

**CURRENT BIENNIUM**
**TRUNK HIGHWAY FUND**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 158 |
| Tax Revenues: Highway User Taxes | $1,502 |
| Federal Aid | $ 647 |
| Non-Dedicated Revenues | $ 129 |
| Dedicated Revenues, Transfers In and Other | $ 108 |
| Prior Year Accounting Adjustments | 10 |
| Total Resources | $2,554 |
| **Expenditures** | $2,431 |
| **Projected Unreserved Balance at June 30, 2003** | $ 123 |

## Economic Update

The Commissioner of Finance believes that both national and state economies are growing more slowly than was assumed in the February 2001 revenue and expenditure forecast. The Finance Department's July, 2001 *Economic Update* reported that revenues for Fiscal Year 2001 were $36.5 million below forecast. Actual revenues from July 1, 2001 through August 31, 2001 were $25.9 million below forecast.

The Commissioner of Finance expects the November 2001 revenue and expenditure forecast to show a reduction in revenues for the Current Biennium and the Next Biennium from levels forecast in February after adjustments for legislative action during the 2001 legislative sessions. The amount of the revenue decreases will not be known until the forecast is completed at the end of November 2001.

## Bonds Outstanding

The total amount of State general obligation bonds outstanding on October 1, 2001, including this issue will be approximately $2.8 billion. The total amount of general obligation bonds authorized but unissued as of October 1, 2001, will be approximately $540 million. See Appendix B, pages B-1 and B-2.

## Cash Flow Information

The June 2001, end of session cash flow analysis for the State's Statutory General Fund as defined in Appendix D indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium. The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding. See Appendix D.

## Strike by State Labor Unions

Certain employees of the State are represented by two unions, the American Federation of State County and Municipal Employees ("AFSCME") and the Minnesota Association of Professional Employees ("MAPE"). The State has been negotiating with both unions on the terms of the contracts to replace the existing contracts under which the parties are operating notwithstanding their expiration date of June 30, 2001. The two unions both began a strike on October 1, 2001.

The Commissioner of Finance believes that the strike by both unions will have no impact on the payment of principal and interest on the Bonds.

## Additional Information

Questions regarding this Official Statement should be directed to Peter Sausen, Assistant Commissioner, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8372, email peter.sausen@state.mn.us, or Susan Gurrola, Financial Bond

Analyst, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8373, email sue.gurrola@state.mn.us. Questions regarding legal matters should be directed to Leonard S. Rice, Dorsey & Whitney LLP, 220 South Sixth Street, Minneapolis, Minnesota 55402, telephone (612) 343-7971, email rice.len@dorseylaw.com.

## THE BONDS

### Authorization and Purpose

*Constitutional Provisions.* Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for the acquisition and betterment of public land, buildings and other improvements of a capital nature, or for appropriations or loans to State agencies or political subdivisions for this purpose, as the Legislature by a three-fifths vote of both the House of Representatives and the Senate may direct, and to finance the development of the agricultural resources of the State by extending credit on real estate security, as the Legislature may direct. Article XI requires all such debt to be evidenced by the issuance of State bonds maturing within 20 years of their date of issue, for which the full faith and credit and taxing powers of the State are irrevocably pledged. Public debt is defined by Article XI, Section 4 to include any obligation payable directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes. The Minnesota Constitution places no limitation on the amount or interest rate of bonds which may be authorized for these and certain other purposes. Article XIV, Section 11 and Article XI, Section 5 of the Minnesota Constitution authorize the Legislature to provide by law for the issuance of State general obligation bonds to finance the construction of improvements to and maintenance of the Trunk Highway System.

*Statutory Provisions.* The $330,000,000 General Obligation State Various Purpose Bonds and $25,000,000 General Obligation State Trunk Highway Bonds being issued comprise bonds authorized by several different laws.

*State General Obligation Various Purpose Bonds.*

Laws 1983, Chapter 323, as amended, authorizes the issuance of $29,979,900 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide funds appropriated to the Commissioner of Finance for the purpose of making loans to school districts and municipalities for capital expenditures for energy conservation investments in accordance with the provisions of Minnesota Statutes, Section 216C.37, of which $140,000 are included in this issue.

Laws 1989, Chapter 300, Article 1, as amended, authorizes the issuance of $112,865,400 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $20,000 are included in this issue.

Laws 1990, Chapter 610, as amended, authorizes the issuance of $270,129,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $225,000 are included in this issue.

Laws 1990, Chapter 610, as amended, authorizes the issuance of $5,375,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 84.943 to 84.944, and 103F.513, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature comprising the construction of dams, acquisition of conservation easements on marginal agricultural lands, acquisition of fish and wildlife habitat, and acquisition of critical habitat, of which $25,000 are included in this issue.

Laws 1990, Chapter 610 authorizes the issuance of $7,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and

115A.54, to finance capital assistance grants to local government units for the development of projects which comprise solid waste disposal facilities, of which $250,000 are included in this issue.

Laws 1990, Chapter 610, as amended, authorizes the issuance of $11,035,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 174.50 to 174.51, to finance grants to political subdivisions to pay costs of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the development of the State transportation system, including key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $30,000 are included in this issue.

Laws 1992, Chapter 558, authorizes the issuance of $2,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 115A.54, to finance capital assistance grants to local government units for the development of projects which comprise solid waste disposal facilities, of which $1,375,000 are included in this issue.

Laws 1994, Chapter 643, as amended, authorizes the issuance of $526,506,800 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $3,475,000 are included in this issue.

Laws 1994, Chapter 643, authorizes the issuance of $4,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide funds appropriated to the Commissioner of Finance for the purpose of making loans to school districts and municipalities for capital expenditures for energy conservation investments in accordance with the provisions of Minnesota Statutes, Section 216C.37, of which $25,000 are included in this issue.

Laws 1994, Chapter 643, authorizes the issuance of $34,948,700 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the development of the State Transportation System, and to finance grants to political subdivision for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, and light rail transit system, of which $1,000,000 are included in this issue.

Special Session Laws 1995, Chapter 2, authorizes the issuance of $4,880,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $10,000 are included in this issue.

Laws 1996, Chapter 463, as amended, authorizes the issuance of $481,700,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $11,000,000 are included in this issue.

Laws 1997, Chapter 246, authorizes the issuance of $4,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $100,000 are included in this issue.

Second Special Session Laws 1997, Chapter 2, as amended, authorizes the issuance of $44,055,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota

Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $1,800,000 are included in this issuance.

Laws 1998, Chapter 404, as amended, authorizes the issuance of $98,795,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $18,325,000 are included in this issue.

Laws 1999, Chapter 240, as amended, authorizes the issuance of $444,805,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $117,200,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $28,440,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public lands, buildings, and improvements of a capital nature needed for the development of the State transportation system, and to finance grants to political subdivisions for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $2,500,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $39,500,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $5,000,000 are included in this issue.

Laws 2000, Chapter 492, as amended, authorizes the issuance of $535,060,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $144,500,000 are included in this issue.

Laws 2000, Chapter 479, as amended, authorizes the issuance of $7,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public land, buildings and improvements of a capital nature needed for the development of the State transportation system, and to finance grants to political subdivisions for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $4,000,000 are included in this issue.

Special Session Laws 2001, Chapter 12, authorizes the issuance of $117,205,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $19,000,000 are included in this issue.

*State General Obligation Trunk Highway Bonds.*

Laws 2000, Chapter 479 authorizes the issuance of $100,100,000 State Trunk Highway Bonds pursuant to the Minnesota Constitution, Articles XI and XIV, and the Minnesota Statutes, Sections

167.50 to 167.52, to finance capital improvements to the trunk highway system including interstate routes, of which $25,000,000 are included in this issue.

**Security**[(1)]

*State Bond Fund and Property Tax:* The Bonds are issued as general obligations of the State, and the laws authorizing their issuance pledge the full faith and credit and taxing powers of the State to the payment of the principal of and interest on the Bonds when due. The Minnesota Constitution, Article XI, requires the State Treasurer to maintain a State bond fund (the "Debt Service Fund"), and provides that when the full faith and credit of the State has been pledged for the payment of State general obligation bonds, the State Auditor is required to levy each year a tax on all taxable property in the State in the amount needed, if any, with the balance then on hand in the Debt Service Fund, to pay all principal and interest due and to become due on such State bonds through July 1 of the second ensuing year.

*General Fund Appropriations:* Article XI of the Minnesota Constitution also provides that no money is to be paid out of the State Treasury except pursuant to an appropriation. Each law authorizing the issuance of general obligation bonds appropriates moneys either directly or by reference to Minnesota Statutes, Chapter 16A, to the Debt Service Fund out of the Accounting General Fund (as defined on page S-2) and, in some cases, from special enterprise or loan repayment funds, sufficient to provide for the payment of such bonds and interest thereon without the levy of a property tax otherwise required by the provisions of the Minnesota Constitution. Moneys on hand in the Debt Service Fund, including all moneys derived from: (i) the foregoing statutory appropriations; (ii) the levy of the State property tax required by the Minnesota Constitution if the amount of appropriated funds on hand does not equal the total required amount of the tax at the time the levy is required; and (iii) income from the investment of the foregoing, are appropriated for the payment of the principal of and interest on State general obligation bonds when due. If moneys on hand at the due date are not sufficient, the statutes also appropriate from the Accounting General Fund an amount equal to the deficiency. Since 1966, as a result of transfer of moneys to the Debt Service Fund from the Accounting General Fund each December, no State property tax has been levied to pay debt service on State general obligation bonds.

Minnesota Statutes, Chapter 16A, makes an annual appropriation to the Debt Service Fund from the Accounting General Fund of the amount that, added to the amount already on hand in the Debt Service Fund, is an amount needed to pay the principal of and interest on all State bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the Accounting General Fund to the Debt Service Fund for the Bonds included in this issue will be made by December 1 of each year. (Also see information on page B-4 with respect to Debt Service Fund transfer.)

*Additional Security — State Trunk Highway Bonds:* The Minnesota Constitution, Article XIV, establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into and briefly maintained in such fund. Article XIV also establishes a Trunk Highway Fund (the "Trunk Highway Fund") to be used solely for Trunk Highway system purposes and for the payment of principal and interest on Trunk Highway Bonds. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from the fund as follows: 62% to the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues are distributed to the same three funds in accordance with a formula that the legislature establishes. According to the Minnesota Constitution, no change in the formula may be made within six years of the last previous change. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. The next time this distribution formula may be

(1) While the State has adopted the revised Article 9 of the Uniform Commercial Code that generally eliminates the exclusion for security interests created by government debtors, Minnesota Statutes, Section 475.78 provides that Article 9 does not apply to security interests created by the State (except security interests in equipment and fixtures).

changed will be during the 2004 legislative session. Article XIV provides that the payment of the principal and interest on State trunk highway bonds is "a first charge on money coming into [the State Trunk Highway Fund] during the year in which the principal or interest is payable."

Minnesota Statutes, Chapter 167, makes an annual appropriation to the trunk highway bond account in the Debt Service Fund from the State Trunk Highway Fund of the amount that, added to the amount already on hand in a trunk highway bond account in the Debt Service Fund, is an amount needed to pay the principal of and interest on all State trunk highway bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the State Trunk Highway Fund to the trunk highway bond account in the Debt Service Fund for the State trunk highway bonds included in this issue will be made by December 1 of each year.

*Waiver of Immunity:* Under Minnesota Statutes, Section 3.751, the State has waived immunity from suit with respect to the controversies arising out of its debt obligations incurred pursuant to Article XI of the Minnesota Constitution, and has conferred jurisdiction on State District Courts to hear and determine such controversies. Accordingly, if the State fails to pay in full the principal of and interest on the Bonds when due, a holder of a Bond on which principal or interest is past due is entitled to commence an action in the District Court for Ramsey County, Minnesota, to enforce the pledge of the State's full faith and credit to the payment of such principal and interest.

## BOOK ENTRY SYSTEM

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

DTC will record on its books and records the names and addresses of the DTC Participants for which it holds the Bonds of the various maturities at the written direction of the successful bidder. So long as DTC or its nominee is the registered owner of the Bonds, principal and interest payments will be made to DTC for redistribution and disbursement by it to the DTC Participants, who in turn will distribute or credit payments to the beneficial owners of the Bonds as reflected on their records (the "Beneficial Owners"). The State will not be responsible for the performance by DTC of its duties as securities depository.

Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, and shall be registered in the name of DTC, or a successor securities depository or its nominee. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds.

With respect to Bonds registered in the name of DTC, or a successor securities depository, or its nominee, the State and the registrar of the Bonds ("Registrar") shall have no responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to the following: (i) the accuracy of the records of DTC, or a successor securities depository, or its nominee with respect to any ownership interest in the Bonds; (ii) the delivery to any DTC Participant or any other person other than DTC, or a successor securities depository, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any DTC Participant or any other person, other than DTC, or a successor securities depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds. The Registrar shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, or a successor securities depository, and all such payments shall be valid and effective to fully satisfy and discharge the State's obligations with respect to the principal and interest on the Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System is in effect, no person other than DTC, or a successor securities depository, shall receive an authenticated Bond.

DTC or a successor securities depository may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the State and discharging its responsibilities with respect thereto under applicable law. Upon receipt by the State and the Registrar of written notice from DTC or a successor securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, then the Registrar shall issue, transfer and exchange Bonds of the initial series as requested by a successor securities depository in appropriate amounts, and whenever the securities depository requests the State and the Registrar to do so, the State and the Registrar shall cooperate with DTC, or a successor securities depository in taking appropriate action after reasonable notice: (i) to arrange for a substitute securities depository willing and able, upon reasonable and customary terms, to maintain custody of the Bonds; or (ii) to make available Bonds registered in whatever name or names the DTC Participant registering ownership, transferring or exchanging such Bonds shall designate.

In the event the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Bonds, the State may so notify DTC, or a successor securities depository and the Registrar, whereupon DTC, or a successor securities depository shall notify the DTC Participants of the availability through DTC, or a successor securities depository of such printed Bonds. In such event, the State shall cause to be prepared and the Registrar shall issue, transfer and exchange the printed Bonds fully executed and authenticated, as requested by DTC, or a successor securities depository, in appropriate amounts and, whenever DTC, or a successor securities depository, requests, the State and the Registrar shall cooperate with DTC, or a successor securities depository, in taking appropriate action after reasonable notice to make available printed Bonds registered on the bond register maintained by the Registrar in whatever name or names the DTC Participants for which the Bonds are held shall designate.

Notwithstanding the foregoing, so long as any Bond is registered in the name of DTC, or a successor securities depository, or its nominee, all payments of principal and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, to DTC, or a successor securities depository, as provided in the representation letter given to it by the State and the Registrar.

The above information contained in "Book-Entry System" is based solely on information provided by DTC. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The State cannot and does not give any assurances that DTC, or a successor securities depository, or DTC Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest and premium, if any, on the Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, or a successor securities depository, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, or the DTC Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The State will have no responsibility or obligation to any DTC Participant, or any Beneficial Owner or any other person with respect to: (i) the Bonds; (ii) the accuracy of any records maintained by DTC, or a successor securities depository, or any DTC Participant; (iii) the payment by DTC, or a successor securities depository, or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (iv) the delivery by DTC, or a successor securities depository, or any DTC Participant of any notice to any Beneficial Owner which is required or permitted to be given to owners of Bonds; (v) the selection of which Beneficial Owners will receive payment in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or a successor securities depository as a Bondholder.

## REDEMPTION AND PREPAYMENT

Bonds maturing on or before October 1, 2011 will not be subject to redemption prior to their stated maturity dates, but Bonds maturing on or after October 1, 2012 will be subject to redemption and prepayment by the State at its option on October 1, 2011 and any interest payment date thereafter, in whole or in part, in an order determined by the State and by lot within each maturity, at a price of par plus accrued interest to the date specified for redemption.

Notice of any redemption of Bonds will be published in financial newspapers circulated in the Minneapolis-St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York, not less than thirty days before the redemption date, stating: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Bonds to be redeemed, (ii) if less than all Bonds of any maturity are to be redeemed, the registration numbers of those to be redeemed, (iii) the principal amount to be redeemed if less than the entire principal amount of any Bond, (iv) the redemption date and price and the name and address of the paying agent where such Bonds must be presented for payment, (v) that on the redemption date the redemption price of the Bonds or portions thereof to be redeemed will be payable, and (vi) that after the redemption date interest will cease to accrue or be payable thereon. Notice will also be mailed to the registered owner of any such Bond at the address shown on the bond register, not less than twenty days before the redemption date. During the period when the book entry system is in effect, the Bonds will be registered in the name of the nominee of DTC or another securities depository designated for this purpose as indicated in the section hereof entitled “Book Entry System,” and thus notice of redemption will be mailed only to such securities depository which in turn is obligated to notify its participants who are obligated to notify the Beneficial Owners of the Bonds. However, the State assumes no responsibility with respect to the giving of such notice of redemption by the securities depository or its participants.

Notice of redemption having been so published and mailed, the Bonds or portion of Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the paying agent so as to be available therefor, interest thereon shall cease to accrue, and such Bonds or portions thereof shall no longer be considered outstanding under the Commissioner’s order authorizing their issuance. The failure to publish notice of redemption shall not affect the validity or effectiveness of mailed notice, and the failure to mail notice to any registered owner, or any defect in the notice mailed to any registered owner, shall not affect the validity or effectiveness of the notice of redemption mailed to any other registered owner.

## TAX EXEMPTION AND COLLATERAL TAX MATTERS

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds:

(1) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes;

(2) is subject to Minnesota franchise taxes imposed on corporations and financial institutions;

(3) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and

(4) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal alternative minimum taxes.

The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

**Arbitrage/Use of Proceeds**

Failure to comply with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), may cause interest on the Bonds to become subject to federal and Minnesota income taxation retroactive to the date of issuance of the Bonds. These provisions include investment restrictions, required periodic payments of arbitrage profits to the United States, and requirements concerning the timely and proper use of Bond proceeds and the facilities and activities financed therewith and certain other matters. The documents authorizing the issuance of the Bonds include provisions which, if complied with by the State, meet the requirements of the Code. Such documents also include a covenant of the Commissioner to take all legally permissible actions necessary to preserve the tax exemption of interest on the Bonds. However, no provision is made for redemption of the Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes subject to federal or Minnesota income taxation.

**Future Tax Legislation**

The exemption of interest to be paid on the Bonds for federal or Minnesota income tax purposes is not mandated or guaranteed by the United States or Minnesota Constitutions. Accordingly, federal and Minnesota laws providing for tax-exemption of the interest may be subject to change. In the event federal or Minnesota law is changed to provide that interest on the Bonds is subject to federal or Minnesota income taxation, or if federal or Minnesota income tax rates are reduced, the market value of the Bonds may be adversely affected.

**Future Judicial Decisions**

The Minnesota Legislature enacted a statement of intent, in Minnesota Statutes, Section 289A.50, subdivision 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts and estates for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. The Commissioner is not aware of any judicial decision holding that a state's exemption of interest on its own bonds or those of its political subdivisions or Indian tribes, but not of interest on the bonds of other states or their political subdivisions or Indian tribes, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. Nevertheless, the Commissioner cannot predict the likelihood that interest on the Bonds would become taxable (for Minnesota income tax purposes) under this Minnesota statutory provision.

**Premium Bonds**

The Bonds maturing in the years 2002 through 2021 (the "Premium Bonds") are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, who are subject to special rules, bondholders must from time to time reduce their federal income tax bases for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Premium Bonds. This might result in taxable gain upon sale of the Premium Bonds, even if they are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Similar rules apply for Minnesota income tax purposes. Bondholders should consult their tax advisors concerning the timing and rate of premium amortization.

**Collateral Tax Matters**

The following tax provisions also may be applicable to the Bonds and interest thereon:

(1) Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits;

(2) passive investment income, including interest on the Bonds, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation

that has accumulated earnings and profits at the close of the taxable year if more than 25 percent of its gross receipts is passive investment income;

(3) interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code;

(4) in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year;

(5) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds;

(6) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds; and

(7) in the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Bonds within the meaning of Section 265(b) of the Code.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership, disposition, or receipt of interest on the Bonds. Prospective purchasers or bondholders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than Minnesota.

## LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Dorsey & Whitney LLP, bond counsel, and the State Attorney General. Only Dorsey & Whitney LLP will offer an opinion as to tax-exemption. The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

## FINANCIAL INFORMATION

General financial information relating to the State is set forth in this Official Statement Supplement attached hereto, which comprises pages S-1 through S-41 and Appendices A through K, and is a part of this Official Statement.

## LITIGATION

There is not now pending or threatened any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or in any manner questioning or affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State which could, if determined adversely to the State, affect the State's expenditures and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 11 to the State Financial Statements for the Fiscal Year Ended June 30, 2000, set forth in Appendix A and additional actions, if any, discussed in the paragraphs below, no pending actions are likely to have a material adverse effect in excess of $10 million on the State's expenditures or revenues during the Current Biennium.

The following is a discussion of developments regarding the actions described in the referenced Note 11 that occurred and are subsequent to the date of the financial statements contained in

Appendix A, and a description of additional actions that have been initiated against the State since the date of the financial statements contained in Appendix A and are material for purposes of this Official Statement.

1. *Tort Claims.* The Tort Claims appropriations for the fiscal years ending June 30, 2002, and June 30, 2003, are $875,000.

2. *Amoco, et al., v. Commissioner of Revenue.* Minnesota Tax Court. The amount in controversy, including interest, is approximately $29 million.

3. *James Lee Brown and Ronald Bergeron v. State of Minnesota.* Hennepin County District Court. The Minnesota Supreme Court denied review of the Minnesota Appeals Court's decision affirming the Hennepin County District Court's dismissal of this matter, and the United States Supreme Court has denied certiorari. Therefore, this matter is concluded without any monetary liability being imposed upon the State of Minnesota.

4. *Danny's Tranny's, Inc., and all other similarly situated v. State of Minnesota et al.* Ramsey County District Court. The district court upheld all but $32 million (plus one year of interest) of the disputed $450 million in transfers. Entry of judgment has been stayed pending the court's review of motions to reconsider and clarify its decision. An appeal is likely after judgment is entered. It is unclear whether the $32 million award is to be paid to employers from the State's general fund or from the remaining excess surplus in the Minnesota Workers Compensation Assigned Risk Plan, which presently is over $100 million.

5. *Jacobson, et al v. Board of Trustees of the Teachers Retirement Ass'n., et al.* Ramsey County District Court. Defendants' motion to dismiss on statute of limitations grounds was granted by the Ramsey County District Court. The Minnesota Court of Appeals affirmed the Ramsey County District Court's dismissal and the Minnesota Supreme Court denied a request for any further review, which concludes this matter without any monetary liability being imposed upon the State of Minnesota.

6. *U.S. West Communications, Inc. v. Commissioner of Revenue; and Qwest Corporation, f/k/a U.S. West Communications, Inc. v. Commissioner of Revenue.* Minnesota Tax Court. The Minnesota Tax Court ruled in favor of the Commissioner of Revenue on April 2, 2001, and Plaintiffs have appealed that decision to the Minnesota Supreme Court. A decision regarding the appeal is expected by the spring of 2002.

7. *Minneapolis Branch of the NAACP v. State of Minnesota; and Xiong v. State of Minnesota.* Hennepin County District Court. A settlement of this matter has been negotiated that does not require the State to expend or pay substantial sums of money.

8. *Great Lakes Gas Transmission, LP v. Commissioner of Revenue.* Minnesota Supreme Court. This action involves the imposition and collection of a sales/use tax on the purchase of natural gas. The taxpayer claims that (i) it did not make a taxable purchase of the gas, (ii) the sales/use tax violates the interstate commerce clause and equal protection guarantees, (iii) the sales/use tax is preempted by federal law, and (iv) the gas is exempt from the sales/use tax because it is consumed in industrial production. The Minnesota Tax Court held that natural gas burned to power pipeline compressors is exempt from sales/use tax as fuel consumed in industrial production and ordered a refund of the tax paid. The Commissioner of Revenue has appealed the Minnesota Tax Court's decision to the Minnesota Supreme Court. The refund amount requested for all pipelines is estimated to be $11.4 million plus interest.

## CONTINUING DISCLOSURE

The Commissioner, in the order authorizing and ordering the issuance of the Bonds, has covenanted and agreed on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of events which materially affect the terms, payment, security, rating or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). A description of the Commissioner's undertaking is set forth in Appendix I.

## UNDERWRITING

The Commissioner acting on behalf of the State has sold the Bonds at public sale to Salomon Smith Barney, Inc. as Underwriters, for a price of $373,071,220.00 and accrued interest, with the Bonds to bear interest at the rates set forth on the cover page of this Official Statement.

The Underwriters have advised the Commissioner that they will offer the Bonds to the public at the initial public offering prices set forth on the cover page of this Official Statement, and that after the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

## RATINGS

The Bonds described herein have been rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Group, and "AAA" by Fitch Investors Service, L.P. The ratings reflect only the views of these services. For an explanation of the ratings as described by those services see Appendix J. These bond ratings are subject to change or withdrawal by the rating agencies at any time. Therefore, after the date hereof investors should not assume that such ratings are still in effect. A revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## AUTHORIZATION OF OFFICIAL STATEMENT

The State has prepared and delivered this Official Statement to the Underwriters of the Bonds and has authorized the Underwriters to use it in connection with the offering and sale of the Bonds to investors.

Pamela Wheelock
Commissioner of Finance
State of Minnesota

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**OFFICIAL STATEMENT SUPPLEMENT**

# STATE OF MINNESOTA

## General Obligation Bonds

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### TABLE OF CONTENTS

## FINANCIAL STATEMENTS

The general purpose financial statements for the State for the Fiscal Year ended June 30, 2000 are included herein as Appendix A. These financial statements provide financial information for the State's general fund as set forth in the audited financial statements included in Appendix A (the "Accounting General Fund") and the Debt Service Fund; for all other funds, such information is summarized by fund type. These financial statements have been examined by the Legislative Auditor of the State to the extent indicated in his report included in Appendix A. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in the Appendix in reliance upon the report of the Legislative Auditor and upon the expertise of the Legislative Auditor in accounting and auditing.

The State's Comprehensive Annual Financial Reports, including information by individual fund for Fiscal Year 1999 and prior years, are available from the Commissioner of Finance ("Commissioner") at www.finance.state.mn.us.

Financial statements for the Fiscal Year ending June 30, 2001 will not be available until December 31, 2001. Revenues and expenditures on a budgetary basis for the twelve-month period ending June 30, 2001 and for the two-month period ending August 31, 2001 with comparative data for the same periods ending June 30, 2000 and August 31, 2000 are summarized on pages S-7 and S-8.

## FINANCIAL INFORMATION

### Budgeting Process

The State's constitutionally prescribed fiscal period is a biennium, and the State adopts budgets on a biennial basis. Each biennium ends on June 30 of an odd-numbered year and includes two fiscal years, each beginning on July 1 and ending on June 30. The biennium which began on July 1, 1999, and which ended on June 30, 2001, is referred to herein as the "Previous Biennium." The biennium which began on July 1, 2001, and which will end on June 30, 2003, is referred to herein as the "Current Biennium." The biennium which will begin on July 1, 2003 and which will end on June 30, 2005, is referred to herein as the "Next Biennium."

Major operating budget appropriations for each biennium are enacted during the final legislative session of the immediately preceding biennium (in odd-numbered calendar years). Appropriations for the Current Biennium, for example, were enacted by the 2001 Legislature in June 2001. Supplemental appropriations and changes in revenue measures are usually adopted during legislative sessions in even-numbered calendar years.

Preliminary planning for the Current Biennium budget began in February 1999 when the Department of Finance began forecasting the Current Biennium revenues that would be available or generated and expenditures that would be incurred if the Governor's then proposed Previous Biennium revenues and expenditures were as forecasted and associated laws were to continue unchanged into the Current Biennium. Throughout the budget process, and at the end of the 1999 and 2000 legislative sessions, the Department of Finance continued to project the ongoing effects (called "planning estimates") of the Previous Biennium budget on Current Biennium revenues and spending. Planning estimates from the end of the 2000 legislative sessions became the basis for the Governor's Current Biennium budget proposals as described below.

The Current Biennium budget process officially began when the Governor issued budgetary policies and objectives in July 2000. On the basis of these instructions, agencies submitted expenditure plans for the Current Biennium to the Department of Finance in October 2000. In November 2000, the Department of Finance updated its forecast of revenues and expenditures, and it was on the basis of this forecast that final budget recommendations were prepared by the Governor for submission to the Legislature in January 2001. In February 2001, the Department of Finance prepared a revised forecast of revenues and expenditures, and on the basis of this forecast, the Governor provided supplemental budget recommendations to the Legislature in March 2001. Legislative hearings were conducted, after which the Legislature enacted appropriation and tax bills having the effect of either adopting or modifying the Governor's proposals. The Governor signed into law most of the bills passed by the Legislature, and also exercised his authority to veto certain items of appropriation. The financial summary presented under the heading "BUDGET — CURRENT BIENNIUM" portrays the effects of the appropriation and tax bills that were enacted by the Legislature and approved by the Governor. The Department of Finance has also developed planning estimates for the Next Biennium, based upon the Current Biennium revenue and expenditure forecasts and existing laws.

The budget process just outlined, beginning with the development of planning estimates in February 2000, and finishing with gubernatorial approvals and vetoes, describes the process that is generally followed for each biennium.

During each biennium, there are four new Revenue and Expenditure Forecasts. Based upon the results of these forecasts, the Governor may recommend tax law and expenditure changes for the biennium for which the changes are recommended to the Legislature. In addition, the Legislature may, also based on these forecasts, approve tax law changes and budget changes for the biennium for which the changes are approved.

Pages S-9 to S-20 show in summary form the results of the Revenue and Expenditure Forecasts, the Governor's Recommendations to the Legislature and the Legislative changes made during the Previous Biennium.

**Cash Flow Account**

The cash flow account (the "Cash Flow Account") was established in the Accounting General Fund for the purpose of providing sufficient cash balances to cover monthly revenue and expenditure imbalances. The use of funds from the Cash Flow Account is governed by statute. The Cash Flow Account balance is set for the Current Biennium at $350 million.

**Budget Reserve Account**

The budget reserve account (the "Budget Reserve Account") was established in the Accounting General Fund for the purpose of reserving funds to cushion the State from an economic downturn. The use of funds from the Budget Reserve Account and the allocation of surplus forecast balances to the Budget Reserve Account are governed by statute. The Budget Reserve Account balance is set for the Current Biennium at $653 million.

**Control Procedures**

*Dollar Control:* Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, the Department of Finance requires State agencies to identify their appropriations and establish them in the State's accounting system as the limit on spending. The accounting system will reject transactions that exceed these limits. This control procedure also prevents agencies from spending from unauthorized sources of funds.

*Allotment and Encumbrance Control:* Before money can be disbursed pursuant to an appropriation, it must first be allotted (administratively allocated and approved for expenditure). Prior to each Fiscal Year, therefore, the Department of Finance allots the applicable State agency appropriations based on legislatively-enacted budgets. An allotment is a subdivision of an appropriation into smaller, detailed components used by agencies to budget expenditures by category of expenditure. The accounting system prevents allotments from exceeding appropriations.

Once allotments have been established, but before spending obligations can be incurred, for most purchases agencies must establish encumbrances against their allotments. Encumbrances are the accounting control device agencies use for reserving portions of their allotments for expenditures that will soon be incurred. The encumbrance process helps agencies keep track of their outstanding obligations, and the accounting system prevents agencies from encumbering more funding than has been allotted.

*Executive Budget Officer Oversight:* The Department of Finance assigns an Executive Budget Officer to each State agency for the purposes of approving agency accounting structures, appropriations, and allotments, and for monitoring overall agency revenues and expenditures.

*Monthly Reports:* The Department of Finance maintains a data warehouse which is used to produce periodic and ad hoc reports on revenues and expenditures that agency staff and Executive Budget Officers use to monitor agency spending and receipts.

## REVENUE AND EXPENDITURE FORECASTING

### General

The State's biennial budget appropriation process relies on revenue and expenditure forecasting as the basis for establishing aggregate revenue and expenditure levels. Revenue forecasting for the State is conducted within the Department of Finance by the Economic Analysis Division. Expenditure forecasts for the State are prepared by the Department of Finance based on current annual budgets and on current cash expenditure estimates provided by State agencies responsible for significant expenditure items.

In addition to the forecasts prepared for the Legislature before the commencement of each new biennium, reforecasts are made throughout the biennium. Based on each revenue and expenditure reforecast, the Department of Finance prepares a new cash flow analysis for the biennium.

### Forecasting Risks

Risks are inherent in the revenue and expenditure forecasts. Assumptions about U.S. economic activity and federal tax and expenditure policy underlie these forecasts. In the forecast it is assumed that existing federal tax law will remain in place and that current federal budget authority will remain in place. Reductions in federal spending programs may affect State spending. Finally, even if economic and federal tax assumptions are correct, revenue forecasts are still subject to other variables and some normal level of statistical deviations.

### Current Forecast Methods and Assumptions

The basic economic data on which the State Economist relies for forecasting purposes are provided by DRI•WEFA of Lexington, Massachusetts. DRI•WEFA furnishes a monthly report which forecasts trends in economic growth and individual incomes across all segments of the national economy. The DRI•WEFA national economic forecasts are reviewed by the Governor's Council of Economic Advisors consisting of economists from academia and the private sector.

The DRI•WEFA national economic forecasts are reviewed by Minnesota's Council of Economic Advisors, a group of macro-economists from the private sector and academia. The Council provides an independent check on the DRI•WEFA forecast. If the Council determines that the DRI•WEFA forecast is significantly more optimistic than the current consensus, the Commissioner of Finance will base the State forecast on a less optimistic scenario of national economic growth.

Forecasts of individual income tax receipts are based on DRI•WEFA forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The DRI•WEFA forecasts are then entered into an economic model of Minnesota developed by DRI•WEFA and the Minnesota Department of Finance. State forecasts of employment by major industry sector as well as wage and aggregate earnings are then derived by the Department of Finance. Aggregate annual earnings are used, in turn, to forecast calendar year tax liabilities by application of a simulation of the State's individual income tax structure. Calendar year liabilities are converted into fiscal year income tax revenues, with regard given to the timing of withholding tax receipts, quarterly estimated payments, refunds and final payments.

Capital gains realizations are becoming an increasingly important share of Minnesota's income tax base. Net capital gains realizations by Minnesota resident taxpayers are estimated to have totaled $8.3 billion in tax year 1999, 7.7 percent of resident's adjusted gross income. In tax year 1995 net capital gains realizations by Minnesota residents were estimated to total $2.7 billion.

Minnesota capital gains are forecast using an econometric model which relates the increase in taxable capital gains to the underlying growth in household wealth, and to changes in inflation and in the real growth rate of the economy. Federal tax variables are also included. The model is designed to allow realizations to move gradually toward an equilibrium level rather than adjust instantaneously to a shock to model variables. This model's forecast of no growth in capital gains for tax year 2001, and 5.6 percent growth in tax years 2002 and 2003 is incorporated in the Minnesota income tax forecast.

Corporate income tax receipts are forecast using DRI•WEFA's forecast of major variables affecting pre-tax corporate profits. The volatility of corporate profits and the various loss carry-forward and carry-back provisions make this the most difficult revenue source to forecast.

Sales tax receipts are estimated on the basis of a forecast of the sales tax base. The historical base is constructed largely on the basis of national data for items that would be subject to tax if sold in Minnesota. Those data are then allocated to Minnesota on the basis of Minnesota's share of national income and employment to arrive at a Minnesota specific base. By means of a regression equation, the base is calibrated to historical collections. Using national forecasts of sales of taxable items and allocating them to Minnesota on the basis of forecasts on Minnesota's share of national income and employment the base is extended into the future. Using information from the forementioned regression equation the forecast collections are derived from the forecast of the base.

Numerous other revenue sources are forecast, some by the Department of Finance and others by the agencies responsible for their collection. In general, none is of significant size, and historically, variances among them have frequently been offsetting.

The February 2001 DRI•WEFA Control Forecast, the scenario which DRI•WEFA considered to be the most likely at the time it was made, was the baseline for the February 2001 revenue and expenditure forecast. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. DRI•WEFA's estimates potential GDP growth at 4.0 percent over the 2000 to 2003 period. The growth rates for 2001 through 2003 are more or less consistent with the potential rate of growth. Inflation, as measured by the implicit price deflator for GDP, was expected to remain moderate.

**DRI•WEFA FEBRUARY 2001**
**GROSS DOMESTIC PRODUCT (GDP)**
**CONTROL FORECAST**
**(Chained Rates of Growth)**

| | Calendar Year 1999 Actual % | Calendar Year 2000 Actual % | Calendar Year 2001 Forecast % | Calendar Year 2002 Forecast % | Calendar Year 2003 Forecast % |
|---|---|---|---|---|---|
| REAL GDP Growth Rate | 4.2 | 5.0 | 2.1 | 4.0 | 4.8 |
| GDP DEFLATOR (Inflation) | 1.5 | 2.1 | 2.0 | 1.6 | 1.6 |
| NOMINAL GDP Growth Rate | 5.8 | 7.2 | 4.2 | 5.7 | 6.4 |

A report is published with each forecast and is available from the Commissioner of Finance upon request or www.finance.state.mn.us. The November 2001 revenue and expenditure forecast is scheduled for release in late November 2001. The November 2001 DRI•WEFA Control Forecast will in all likelihood be used as the baseline for this revenue and expenditure forecast.

**Economic Update**

The Commissioner of Finance believes that both national and state economies are growing more slowly than was assumed in the February 2001 revenue and expenditure forecast. The Finance Department's July, 2001 *Economic Update* reported that revenues for Fiscal Year 2001 were $36.5 million below forecast. Actual revenues from July 1, 2001 through August 31, 2001 were $25.9 million below forecast.

The Commissioner of Finance expects the November 2001 revenue and expenditure forecast to show a reduction in revenues for the Current Biennium and the Next Biennium from levels forecast in

February after adjustments for legislative action during the 2001 legislative sessions. The amount of the revenue decreases will not be known until the forecast is completed at the end of November 2001.

## HISTORIC REVENUES AND EXPENDITURES

The following two tables set forth the State's Accounting General Fund revenues and expenditures for the Fiscal Years ending June 30, 1998 through 2000, and for the additional time periods shown. For the Fiscal Years ended June 30, 1998 through 2000 the revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such Fiscal Years. For the twelve-month periods ending June 30, 2000 and June 30, 2001 and for the two-month periods ending August 31, 2000 and August 31, 2001, such revenues and expenditures include only cash receipts and disbursements allocable to Fiscal Years 2000 and 2001 and Fiscal Years 2001 and 2002, respectively. The schedules of revenues and expenditures are presented for comparison purposes only and are not intended to reflect any increases or decreases in fund balance. Beginning balances or deficits are not included. The actual expenditures set forth in the second table are presented by object of expenditure, the State's historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with current generally accepted accounting principles for reporting purposes.

**STATE OF MINNESOTA**
**ACCOUNTING GENERAL FUND**
**COMPARATIVE STATEMENT OF REVENUES**
**(THOUSANDS OF DOLLARS)**
**(UNAUDITED)**

| | Fiscal Year Ended June 30 (1) | | | July 1,1999 through June 30, 2000 (1) | July 1,2000 through June 30, 2001 (1) | July 1,2000 through August 31, 2000(1) | July 1,2001 through August 31, 2001 (1) |
|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | | | | |
| UNRESTRICTED REVENUES: | | | | | | | |
| Income Tax - Individual ............................. | $5,643,217 | $6,204,274 | $6,458,103 | $6,431,982 | $6,754,345 | $800,376 | $823,285 |
| Income Tax - Corporation.......................... | 842,397 | 883,302 | 938,396 | 920,467 | 895,086 | 64,239 | 42,862 |
| Sales Tax (2).............................................. | 3,363,527 | 2,330,834 | 3,307,708 | 3,922,408 | 4,018,734 | 563,109 | 567,210 |
| Inheritance and Gift Tax............................. | 63,374 | 58,695 | 82,509 | 83,845 | 53,155 | 8,886 | 9,637 |
| Liquor, Wine and Malt Beverage Tax......... | 58,771 | 61,551 | 60,356 | 62,138 | 60,961 | 6,391 | 6,375 |
| Cigarette and Tobacco Tax ....................... | 181,212 | 186,012 | 175,089 | 180,881 | 177,292 | 22,742 | 23,759 |
| Mining Taxes.............................................. | 2,725 | 2,307 | 2,292 | 2,292 | 2,190 | - | - |
| Gross Earnings Taxes................................ | 166,018 | 174,351 | 171,130 | 176,476 | 189,712 | 2,106 | 2,338 |
| Motor Vehicle Excise Tax........................... | 454,493 | 498,635 | 521,547 | 534,020 | 540,641 | 91,610 | 102,856 |
| Income Reciprocity Tax.............................. | 38,535 | 40,782 | 45,584 | 46,475 | 42,610 | - | - |
| Department Earnings (3)............................ | 114,556 | 119,734 | 120,752 | 127,880 | 121,680 | 20,110 | 50,073 |
| Investment Income..................................... | 171,262 | 219,586 | 190,573 | 138,527 | 182,867 | 16,876 | 11,658 |
| Tobacco Settlement ………………….. | - | - | 104,926 | 104,926 | 132,133 | - | - |
| All Other Revenues (4).............................. | 380,803 | 398,403 | 364,309 | 374,109 | 564,554 | 160,804 | 67,145 |
| TOTAL UNRESTRICTED REVENUES.. | $ 11,480,890 | $ 11,178,466 | $ 12,543,274 | $ 13,106,426 | $ 13,735,960 | $ 1,757,249 | 1,707,197 |
| RESTRICTED REVENUES.............................. | 568,325 | 525,412 | 595,068 | 595,068 | 537,407 | 86,013 | 71,693 |
| LESS REVENUE REFUNDS: | | | | | | | |
| Income Tax - Individual (5)........................ | 896,648 | 899,097 | 866,777 | 866,777 | 810,653 | 14,999 | 18,696 |
| Income Tax - Corporation.......................... | 90,336 | 105,020 | 104,153 | 104,153 | 158,809 | 9,698 | 7,171 |
| Sales Tax.................................................... | 132,012 | 203,791 | 195,335 | 195,335 | 231,056 | 39,411 | 28,979 |
| All Other...................................................... | 26,538 | 14,898 | 16,195 | 16,195 | 16,687 | 727 | 1,923 |
| TOTAL REFUNDS................................. | $ 1,145,534 | $ 1,222,806 | $ 1,182,460 | $ 1,182,460 | $ 1,217,205 | $ 64,836 | $ 56,769 |
| NET REVENUES................................ | $ 10,903,681 | $ 10,481,072 | $ 11,955,882 | $ 12,519,034 | $ 13,056,162 | $ 1,778,426 | $ 1,722,122 |

(1) For Fiscal Years 1998, 1999 and 2000, the schedule of revenues includes all revenues for the fiscal year, including revenue accruals at June 30. For the twelve-month periods ended June 30, 1999 and 2000 current year receipts have been included with adjustments for the Sales Tax Rebates. For the two -month periods ended August 31, 2000 and 2001 only current year receipts have been included.

(2) Sales Tax Revenues decreased from 1998 to 1999 and 2000 due to Legislative action which provided a sales tax rebate of $1.3 billion in Fiscal Year 1999 and a sales tax rebate of $624 million in Fiscal Year 2000.

(3) Departmental Earnings revenue increased from Fiscal Year 2001 to Fiscal Year 2002 due to outstanding revenue bonds being retired. All nondedicated Departmental Earnings previously recorded in a separate fund are now being recorded in the Accounting General Fund.

(4) Other Revenue increased from Fiscal Year 2000 to Fiscal Year 2001 due to Legislative action which transferred $125 million of excess balance from the Workers' Compensation Assigned Risk Plan to the Accounting General Fund.

(5) Income Tax Refunds for Individuals increased from Fiscal Year 1998 to 1999 due to 1997 Legislative action which provided income tax credit on property taxes paid in 1998 for homeowners and renters.

**STATE OF MINNESOTA**
**ACCOUNTING GENERAL FUND**
**COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS**
**(THOUSANDS OF DOLLARS)**
**(UNAUDITED)**

| | Fiscal Year Ended June 30 (1) | | | July 1,1999 through June 30, 2000 (1) | July 1,2000 through June 30, 2001 (1) | July 1,2000 through August 31, 2000 (1) | July 1, 2001 through August 31, 2001 (1) |
|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | | | | |
| EXPENDITURES: | | | | | | | |
| Personal Services.................... | $1,328,757 | $1,445,970 | $1,572,572 | $1,479,167 | $1,586,687 | $ 174,486 | $ 181,746 |
| Purchased Services.................... | 369,567 | 458,327 | 483,177 | 456,490 | 532,685 | 56,833 | 51,977 |
| Materials and Supplies............... | 96,831 | 108,441 | 106,532 | 99,860 | 113,451 | 11,672 | 11,947 |
| Capital Outlay: | | | | | | | |
| Equipment................................ | 47,045 | 67,368 | 52,360 | 45,689 | 61,262 | 4,291 | 3,710 |
| Real Property........................... | 5,005 | 7,408 | 6,241 | 6,241 | 8,418 | 741 | 9,782 |
| Grants and Subsidies: | | | | | | | |
| Individuals................................. | 2,125,064 | 2,280,046 | 2,450,527 | 2,290,404 | 2,506,692 | 547,402 | 568,846 |
| Municipalities and Towns (2)...... | 518,414 | 803,980 | 814,144 | 754,098 | 770,523 | 320,768 | 329,731 |
| Counties (2)............................... | 643,822 | 752,426 | 773,891 | 727,188 | 708,604 | 238,669 | 230,173 |
| School Districts (3).................... | 3,451,999 | 3,970,847 | 4,402,847 | 4,155,991 | 4,615,280 | 478,723 | 495,382 |
| Private Organizations................. | 196,932 | 186,300 | 191,224 | 177,880 | 201,622 | 41,734 | 31,508 |
| University of Minnesota............. | 453,507 | 435,065 | 436,853 | 436,853 | 503,652 | - | - |
| Other........................................... | 138,961 | 166,421 | 171,820 | 165,149 | 183,226 | 35,794 | 33,064 |
| TOTAL EXPENDITURES......................... | $ 9,375,904 | $ 10,682,599 | $ 11,462,188 | $ 10,795,010 | $ 11,792,102 | $ 1,911,114 | # $ 1,947,866 |
| NET TRANSFERS OUT (4).................. | 638,837 | 411,364 | 593,660 | 593,660 | 807,844 | 359,421 | 170,426 |
| TOTAL EXPENDITURES and NET TRANSFERS OUT............................. | $ 10,014,741 | $ 11,093,963 | $ 12,055,848 | $ 11,388,670 | $ 12,599,946 | $ 2,270,534 | $ 2,118,292 |

(1) For Fiscal Years 1998, 1999 and 2000, the schedule of expenditures includes all expenditures for the fiscal year, and encumbrances outstanding as of June 30. For the twelve-month periods ended June 30, 2000 and 2001 and the two-month periods ended August 31, 2000 and 2001, only current year expenditures have been included.

(2) Grants and subsidies to Municipalities, Towns, Counties decreased in 1998 due to 1997 Legislative action that authorized early payment of certain state aids to local governments incurring flood damage in 1997.

(3) Grants and subsidies to School Districts increased from Fiscal Year 1998 to Fiscal Year 1999 and from Fiscal Year 1999 to Fiscal Year 2000 due partially to a new Education Homestead Credit authorized by 1999 Legislative action.

(4) Net Transfers Out increased in Fiscal Year 1998 due to 1998 legislative action that authorized a direct transfer from the Accounting General Fund to the General Project Fund (a capital project fund). Net Transfers Out increased from Fiscal Year 1999 to Fiscal Year 2000 due to several new projects. Net Transfers Out increased from Fiscal Year 2000 to Fiscal Year 2001 due a one-time transfer of approximately $130 million for transportation funding and for capital projects. In addition approximately $160 million was transferred to the Highway User Tax Distribution Fund to replace the reduction in Motor Vehicle Registration Tax.

## BUDGET — PREVIOUS BIENNIUM

### November 1998 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in November 1998. Accounting General Fund resources were forecast to be $27.625 billion and Accounting General Fund expenditures were forecast to be $22.648 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.977 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $613 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.880 billion.

The 1998 Legislature enacted provisions ("statutory allocations") that allocated portions of any Projected Unrestricted Accounting General Fund Balance contained in the November 1998 forecast. These provisions required that (1) the first $9 million of any Projected Unrestricted Accounting General Fund Balance be allocated to increase the Budget Reserve Account, (2) the next $200 million of any Projected Unrestricted Accounting General Fund Balance be placed in a tax reform and reduction account, and (3) the next $400 million of the Projected Unrestricted Accounting General Fund Balance be used to replace 1998 bond authorizations for capital projects with Accounting General Fund cash appropriations.

A sufficient Unrestricted Accounting General Fund balance existed in the November 1998 forecast to accomplish all three of the statutory allocations. The first $9 million of the Projected Unrestricted Accounting General Fund Balance was used to increase the Budget Reserve Account to $622 million. The next $200 million of the Projected Unrestricted Accounting General Fund Balance was placed in a tax reform and reduction account. The next $400 million of the Projected Unrestricted Accounting General Fund Balance was designated to pay for capital projects that had originally been designated to be funded with bonds. The replacement of the 1998 bond authorizations with cash had the effect of decreasing the projected Unreserved Balance at June 30, 1999 by $400 million.

After statutory allocations, Accounting General Fund resources were forecast to be $27.225 billion and Accounting General Fund expenditures were forecast to be $22.596 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.629 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.324 billion.

The November 1998 forecast of Previous Biennium resources, expenditures, and fund balances, after required statutory allocations, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**NOVEMBER 1998 FORECAST**
**AFTER STATUTORY ALLOCATIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 2,587 |
| Non-dedicated Revenues | 23,975 |
| Dedicated Revenues, Transfers In and Other | 663 |
| Total Resources | $27,225 |
| **Expenditures** | 22,596 |
| **Projected Unreserved Balance at June 30, 2001** | $ 4,629 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Tax Reform and Reduction Account** | 200 |
| **Dedicated Reserves** | 133 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 3,324 |

### January 1999 Governor's Budget Recommendation

In January 1999 the Governor submitted a proposed budget to the Legislature for the Previous Biennium, which was based on the November 1998 forecast of Accounting General Fund revenues and expenditures. The January 1999 Governor's recommendation is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**JANUARY 1999 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,434 |
| Non-dedicated Revenues | 22,373 |
| Dedicated Revenues, Transfers In and Other | 694 |
| Total Resources | $24,501 |
| **Expenditures** | 23,346 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,155 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 667 |
| **Tax Reform and Reduction Account** | 0 |
| **Dedicated Reserves** | 133 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 5 |

**February 1999 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in February 1999. The February 1999 Previous Biennium forecast of resources, expenditures, and fund balances, without regard to the Governor's January recommendation, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**FEBRUARY 1999 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 2,869 |
| Non-dedicated Revenues | 24,349 |
| Dedicated Revenues, Transfers In and Other | 687 |
| Total Resources | $27,905 |
| **Expenditures** | 22,544 |
| **Projected Unreserved Balance at June 30, 2001** | $ 5,361 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Tax Reform and Reduction Account** | 200 |
| **Dedicated Reserves** | 133 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 4,056 |

**March 1999 Governor's Budget Recommendation Revisions**

Based upon the February 1999 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations to the Legislature in March 1999. The Previous Biennium resources, expenditures, and fund balances based on the March 1999 Governor's Budget Recommendation is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**MARCH 1999 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,494 |
| Non-dedicated Revenues | 22,385 |
| Dedicated Revenues, Transfers In and Other | 690 |
| Total Resources | $24,569 |
| **Expenditures** | 23,398 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,171 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 667 |
| **Farm Aid Abatement Reserve** | 20 |
| **Dedicated Reserves** | 133 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

**1999 Legislative Session**

During the 1999 legislative session which ended on May 17, 1999, the Legislature enacted revenue measures and appropriations to establish the biennial operating budget for the Previous Biennium. The end of 1999 legislative session estimates of resources, expenditures, and fund balances is detailed below.

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**END OF 1999 LEGISLATIVE SESSION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,518 |
| Non-dedicated Revenues | 22,395 |
| Dedicated Revenues, Transfers In and Other | 707 |
| Total Resources | $24,620 |
| **Expenditures** | 23,384 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,236 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 133 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 130 |

**November 1999 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in November 1999. The November 1999 Previous Biennium forecast of resources, expenditures, and fund balances after required statutory allocations, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**NOVEMBER 1999 FORECAST**
**AFTER STATUTORY ALLOCATIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,549 |
| Dedicated Revenues, Transfers In and Other | 824 |
| Total Resources | $26,294 |
| **Expenditures** | 23,593 |
| **Projected Unreserved Balance at June 30, 2001** | $ 2,701 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Property Tax Reform Account** | 1,013 |
| **Dedicated Reserves** | 145 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 571 |

**January 2000 Governor's Budget Recommendation**

In January 2000 the Governor submitted recommendations to the Legislature for the Previous Biennium (the "Governor's January Recommendation"), which were based on the November 1999 forecast of Accounting General Fund revenues and expenditures. The Previous Biennium resources, expenditures, and fund balances based on the January 2000 Governor's Recommendation is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**JANUARY 2000 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,107 |
| Dedicated Revenues, Transfers In and Other | 777 |
| Total Resources | $25,805 |
| **Expenditures** | 23,879 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,926 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Tax Relief and Reform Account** | 809 |
| **Property Tax Reform Account** | 0 |
| **Dedicated Reserves** | 145 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

**February 2000 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in February 2000. The February 2000 Previous Biennium forecast of resources, expenditures, and fund balances is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**FEBRUARY 2000 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,734 |
| Dedicated Revenues, Transfers In and Other | 861 |
| Total Resources | $26,516 |
| **Expenditures** | 23,581 |
| **Projected Unreserved Balance at June 30, 2001** | $ 2,935 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Property Tax Reform Account** | 1,018 |
| **Dedicated Reserves** | 145 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 800 |

**March 2000 Governor's Budget Recommendation**

In March 2000 the Governor submitted only minor changes to the Governor's January recommendations for the Previous Biennium that had a minor effect on resources and expenditures. The Previous Biennium resources, expenditures, and fund balances based on the March 2000 Governor's Recommendation is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**MARCH 2000 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,308 |
| Dedicated Revenues, Transfers In and Other | 826 |
| Total Resources | $26,055 |
| **Expenditures** | 23,888 |
| **Projected Unreserved Balance at June 30, 2001** | $ 2,167 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Tax Relief and Reform Account** | 1,050 |
| **Property Tax Reform Account** | 0 |
| **Dedicated Reserves** | 145 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

**2000 Legislative Session**

During the 2000 legislative session, the Legislature enacted revenue measures and appropriations that modified the budget for the Previous Biennium. The end of 2000 legislative session estimates of resources, expenditures, and fund balances is detailed below.

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**END OF 2000 LEGISLATIVE SESSION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,028 |
| Dedicated Revenues, Transfers In and Other | 817 |
| Total Resources | $25,766 |
| **Expenditures** | 24,640 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,126 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 145 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 9 |

*Capital Budget:*

The 2000 Legislature approved $847 million in capital improvements.

**2000 LEGISLATIVE SESSION**
**ENACTED CAPITAL BUDGET**
**($ in Millions)**

| | |
|---|---|
| General Fund Supported Bonding | $471 |
| User-Financed Bonding | $ 71 |
| Trunk Highway Bonding | $100 |
| Total Bond Authorization | $642 |
| General Fund Appropriations | $205 |
| Total Cash Appropriations | $205 |
| Total Capital Budget | $847 |
| Cancellations of Prior Bond Authorizations | $ (21) |
| Cancellations of Prior General Fund Appropriation | $ (9) |
| Net Capital Budget | $817 |

**November 2000 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in November 2000. The November 2000 forecast of Previous Biennium resources, expenditures, and fund balances, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**NOVEMBER 2000 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,898 |
| Dedicated Revenues, Transfers In and Other | 812 |
| Total Resources | $26,631 |
| **Expenditures** | 24,599 |
| **Projected Unreserved Balance at June 30, 2001** | $ 2,032 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 136 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 924 |

**January 2001 Governor's Budget Recommendation**

In January 2001 the Governor submitted a proposed budget to the Legislature for the Previous Biennium that was based on the November 2000 forecast of Accounting General Fund revenues and expenditures. The Governor's January 2001 recommendation is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**GOVERNOR'S JANUARY 2001 RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 22,982 |
| Dedicated Revenues, Transfers In and Other | 812 |
| Total Resources | $25,715 |
| **Expenditures** | 24,607 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,108 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 136 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

The Governor recommended that $925 million be returned to taxpayers in a sales tax rebate. Other revenue changes amounted to $10 million. The Governor's recommendations for the Previous Biennium increased spending by $9 million. The spending increase was for deficiencies in the Previous Biennium including a $4 million state match for federal disaster assistance.

**February 2001 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in February 2001. The February 2001 forecast of Previous Biennium resources, expenditures, and fund balances, before required statutory designation, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**FEBRUARY 2001 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 23,778 |
| Dedicated Revenues, Transfers In and Other | 833 |
| Total Resources | $26,532 |
| **Expenditures** | 24,566 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,966 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 137 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 856 |

The February 2001 projected Unrestricted Accounting General Fund balance decreased by $68 million from the November 2000 forecast. Accounting General Fund revenues decreased by $99 million. Accounting General Fund expenditures and dedicated reserves also decreased by $31 million.

**March 2001 Governor's Budget Recommendation Revisions**

Based on the February 2001 forecast of Accounting General Fund revenues and expenditures, the Governor submitted revised budget recommendations to the Legislature for the Previous Biennium in March 2001. The March 2001 revised Governor's Budget recommendation for the Previous Biennium is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**MARCH 2001 REVISED GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 22,930 |
| Dedicated Revenues, Transfers In and Other | 833 |
| Total Resources | $25,684 |
| **Expenditures** | 24,575 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,109 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 137 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

Based on the lower projected Unrestricted Accounting General Fund balance at the February 2001 forecast, the Governor recommended that the sales tax rebate be reduced to $856 million.

**2001 Legislative Sessions**

The 2001 legislative session ended on the constitutional deadline of May 21, 2001. However, the Legislature was unable to agree on the omnibus tax and appropriation bills by that date. The Governor called a special legislative session that began June 11, 2001 and ended on June 30, 2001. Previous Biennium resources, expenditures, and fund balances, based on 2001 legislative sessions' actions, is detailed below:

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $ 1,921 |
| Non-dedicated Revenues | 22,946 |
| Dedicated Revenues, Transfers In and Other | 833 |
| Total Resources | $25,700 |
| **Expenditures** | 24,591 |
| **Projected Unreserved Balance at June 30, 2001** | $ 1,109 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 137 |
| **Projected Unrestricted Balance at June 30, 2001** | $ 0 |

For Fiscal Year 2001, the legislature passed a $791 million sales tax rebate. This rebate represents a refund of a portion of the sales taxes paid in the Previous Biennium and was paid out in August 2001. The final amount of the rebate was determined by actual fiscal year-end revenue collections certified on July 15, 2001.

## PREVIOUS BIENNIUM ESTIMATES — REVENUES AND EXPENDITURES

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the Accounting General Fund for the Previous Biennium based on end of 2001 legislative sessions estimates. Authorized expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

### PREVIOUS BIENNIUM
### ACCOUNTING GENERAL FUND
### ESTIMATES OF REVENUES AND EXPENDITURES
### END OF 2001 LEGISLATIVE SESSIONS
### ($ in Thousands)

| | Fiscal Year 2000 | Fiscal Year 2001 | Previous Biennium |
|---|---|---|---|
| Forecast Resources | | | |
| Prior Year Ending Balance[1] | 1,920,779 | 2,125,409 | 1,920,779 |
| Net Non-dedicated Revenues | 11,258,194 | 11,687,776 | 22,945,970 |
| Dedicated Revenues | 171,415 | 141,762 | 313,177 |
| Transfers From Other Funds | 235,036 | 239,589 | 474,625 |
| Prior Year Adjustments | 16,271 | 29,316 | 45,587 |
| Subtotal Current Resources | 11,680,916 | 12,098,443 | 23,779,359 |
| Total Revenues Plus Prior Year Ending Balance | 13,601,695 | 14,223,852 | 25,700,138 |
| Authorized Expenditures & Transfers | | | |
| Education Finance | 3,878,955 | 4,233,974 | 8,112,929 |
| Family & Early Childhood Education | 216,384 | 219,564 | 435,948 |
| Property Tax Aids & Credits | 1,571,928 | 1,738,678 | 3,310,606 |
| Higher Education | 1,279,584 | 1,362,192 | 2,641,776 |
| Health, Human Services & Corrections | 2,895,668 | 3,292,724 | 6,188,392 |
| Environment & Agriculture | 264,319 | 284,818 | 549,137 |
| Economic Development | 251,924 | 215,847 | 467,771 |
| Transportation & Public Safety | 248,757 | 656,583 | 905,340 |
| State Government | 360,547 | 418,799 | 779,346 |
| Debt Service & Borrowing | 255,190 | 312,001 | 567,191 |
| Capital Projects/Transit | 88,850 | 87,300 | 176,150 |
| Motor Vehicle Tab Fee Reduction | 0 | 149,804 | 149,804 |
| Deficiencies/Other | 4,994 | 22,449 | 27,443 |
| Cancellation Adjustment | 0 | (22,000) | (22,000) |
| Subtotal Expenditures & Transfers | 11,317,100 | 12,972,733 | 24,289,833 |
| Dedicated Revenue Expenditures | 159,186 | 141,762 | 300,948 |
| Total Expenditures and Transfers | 11,476,286 | 13,114,495 | 24,590,781 |
| Unreserved Balance | 2,125,409 | 1,109,357 | 1,109,357 |
| Cash Flow Account | 350,000 | 350,000 | 350,000 |
| Budget Reserve | 622,000 | 622,000 | 622,000 |
| Dedicated Reserves | 137,713 | 137,357 | 137,357 |
| Appropriations Carried Forward | 270,020 | 0 | 0 |
| Unrestricted Balance | 745,676 | 0 | 0 |

(1) Fiscal Year 1999 ended with an Unrestricted Accounting General Fund balance of $378.4 million and an Unreserved Accounting General Fund Balance of $1.921 billion.

The following table sets forth by source the forecast amounts of nondedicated revenues allocable to the Accounting General Fund for the Previous Biennium.

**PREVIOUS BIENNIUM**
**ACCOUNTING GENERAL FUND**
**ESTIMATES OF NONDEDICATED REVENUES**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Thousands)**

| | Fiscal Year 2000 | Fiscal Year 2001 | Previous Biennium |
|---|---|---|---|
| Net Nondedicated Revenues: | | | |
| Income Tax — Individual | 5,556,366 | 5,884,200 | 11,440,566 |
| Income Tax — Corporate | 800,129 | 811,500 | 1,611,629 |
| Sales Tax | 3,754,111 | 3,891,622 | 7,645,733 |
| Laws 1999 Sales Tax Rebate | (10,130) | (500) | (10,630) |
| Laws 2000 Sales Tax Rebate | (623,672) | 2,000 | (621,672) |
| Laws 2001 Sales Tax Rebate | 0 | (791,348) | (791,348) |
| Motor Vehicle Sales Tax | 540,961 | 519,900 | 1,060,861 |
| Estate Tax | 83,888 | 70,000 | 153,888 |
| Liquor, Wine & Beer | 62,138 | 60,881 | 123,019 |
| Cigarette & Tobacco | 179,186 | 179,197 | 358,383 |
| Mining | 2,292 | 2,232 | 4,524 |
| Deed & Mortgage Registration | 141,397 | 147,300 | 288,697 |
| Gross Earnings Taxes | 177,511 | 177,346 | 354,857 |
| Lawful Gambling Taxes | 65,433 | 61,371 | 126,804 |
| Health Care Provider Tax | 125,887 | 127,209 | 253,096 |
| Income Tax Reciprocity | 46,475 | 42,610 | 89,085 |
| Tobacco Settlements | 104,926 | 116,112 | 221,038 |
| Investment Income | 152,442 | 181,000 | 333,442 |
| All Other Nondedicated Revenue | 122,243 | 229,401 | 351,644 |
| All Other Refunds | (23,389) | (24,257) | (47,646) |
| Total Net Nondedicated Revenues | 11,258,194 | 11,687,776 | 22,945,970 |

## BUDGET — CURRENT BIENNIUM

### November 2000 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in November 2000. The November 2000 forecast of Current Biennium resources, expenditures, and fund balances is detailed below:

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**NOVEMBER 2000 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 2,032 |
| Non-dedicated Revenues | 27,848 |
| Dedicated Revenues, Transfers In and Other | 363 |
| Total Resources | $30,243 |
| **Expenditures** | 26,125 |
| **Projected Unreserved Balance at June 30, 2003** | $ 4,118 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 111 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 3,035 |

Net non-dedicated revenues for the Current Biennium were forecast to total $27.848 billion, up 16.5 percent from levels projected in the November 2000 forecast for the Previous Biennium. Receipts from individual income taxes were forecast to total $13.293 billion. Sales tax receipts were forecast to be $8.600 billion. Corporate income taxes were forecast at $1.735 billion. Motor Vehicle Sales Tax receipts were projected to total $953 million. Revenues from tobacco settlements were projected to be $639 million. Other non-dedicated revenues were projected to total $2.628 billion.

The November 2000 forecast used planning estimates based on the assumption that current laws and policies for the Previous Biennium would continue unchanged, and that inflationary costs would increase state spending by 2.0 percent per year. The estimates did not assume any Governor's recommendations or subsequent legislative action. Expenditures for the Current Biennium were estimated to total $26.125 billion, or $1.526 billion more than the November 2000 estimate for the Previous Biennium. Estimated inflation accounted for $736 million of the forecast growth in spending over the Previous Biennium.

**COMPARISON OF CURRENT BIENNIUM**
**TO PREVIOUS BIENNIUM**
**NOVEMBER 2000 FORECAST**

| | Percent Change |
|---|---|
| **Receipts:** | |
| Individual Income Tax | 16.2% |
| Sales Tax | 21.8% |
| Corporate Income Tax | 4.4% |
| Motor Vehicle Sales Tax | (11.6)% |
| Other Non-Dedicated Revenues | 7.8% |
| Total Net Non-Dedicated Revenues | 16.5% |
| Expenditures | 6.2% |

**January 2001 Governor's Budget Recommendation**

In January 2001 the Governor submitted a proposed budget to the Legislature for the Current Biennium that was based on the November 2000 forecast of Accounting General Fund revenues and expenditures. The January 2001 Governor's recommendation is detailed below:

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**JANUARY 2001 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 1,108 |
| Non-dedicated Revenues | 27,036 |
| Dedicated Revenues, Transfers In and Other | 387 |
| Total Resources | $28,531 |
| **Expenditures** | 27,324 |
| **Projected Unreserved Balance at June 30, 2003** | $ 1,207 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 700 |
| **Dedicated Reserves** | 110 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 47 |

*Revenue Changes Proposed in the Governor's Budget:*

The January 2001 Governor's recommendation reflected a net reduction in Accounting General Fund resources of $787 million from the November 2000 forecast for the Current Biennium. Current resources, total resources less the balance from the Previous Biennium, in the January 2001 Governor's recommendation increased by $3.629 billion (15.3 percent) over the Previous Biennium.

The Governor included major tax reform proposals in his January 2001 recommendation. Proposed tax reductions and tax reform totaled $822 million in the Current Biennium. These reductions were offset in part by increased revenues of $470 million from a proposed statewide business property tax levy. All other Accounting General Fund revenues were reduced by $102 million from the November 2000 forecast. The Governor proposed to re-direct the remaining two years of one-time tobacco settlement revenues to endowment funds resulting in a $334 million reduction in Accounting General Fund revenues.

*Expenditure Changes Proposed in the Governor's Budget:*

The January 2001 Governor's recommendation for the Current Biennium increased Accounting General Fund spending by $1.936 billion over the November 2000 forecast base (excluding inflation). This amounted to a $2.717 billion (11.0 percent) increase over the January 2001 Governor's recommendation for the Previous Biennium.

The largest single increase proposed, $1.389 billion over the November 2000 forecast, would occur in tax reform and relief. Property taxes would be reduced by increasing state spending for K-12 education and by increasing state aids to cities, towns and counties. The changes proposed by the Governor for property tax reform and relief would increase state spending in the K-12 education and local aid programs, thereby having the effect of reducing local property taxes.

Other new spending initiatives proposed by the Governor totaled $709 million. The Governor proposed to dedicate a portion of the motor vehicle sales tax rather than make an appropriation to the State Trunk Highway Fund to replace revenue resulting from the lower motor vehicle registration tax.

The Governor also recommended increasing the Budget Reserve Account from $622 million to $700 million by the end of the Current Biennium. He recommended that interest earned on cash balances in the Budget Reserve Account be deposited into the Budget Reserve Account, allowing it to grow by $78 million in the Current Biennium.

*Next Biennium:*

The planning estimates for the Next Biennium, based upon the Governor's budget recommendations, indicate that there will be structural balance, meaning that total revenues will exceed total expenditures.

**February 2001 Forecast — Current Law**

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in February 2001. The February 2001 Current Biennium forecast of resources, expenditures, and fund balances, without regard to the Governor's January 2001 recommendation, is detailed below:

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**FEBRUARY 2001 FORECAST**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 1,966 |
| Non-dedicated Revenues | 27,253 |
| Dedicated Revenues, Transfers In and Other | 363 |
| Total Resources | $29,582 |
| **Expenditures** | 26,055 |
| **Projected Unreserved Balance at June 30, 2003** | $ 3,527 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 622 |
| **Dedicated Reserves** | 137 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 2,418 |

The February 2001 forecast reflected a decrease of $66 million in the Unreserved Balance brought forward from the Previous Biennium. Forecast revenues for the Current Biennium decreased by $594 million and revisions to expenditure projections lowered forecast spending by $69 million. Dedicated reserves increased by $27 million. The net effect of the February 2001 forecast was a decrease in the Current Biennium Unrestricted Accounting General Fund balance of $618 million.

**March 2001 Governor's Budget Recommendation Revisions**

Based upon the February 2001 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations to the Legislature in March 2001. The Current Biennium resources, expenditures, and fund balances based on the March 2001 Governor's Budget Recommendation is detailed below:

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**MARCH 2001 GOVERNOR'S RECOMMENDATION**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 1,109 |
| Non-dedicated Revenues | 26,768 |
| Dedicated Revenues, Transfers In and Other | 387 |
| Total Resources | $28,264 |
| **Expenditures** | 27,013 |
| **Projected Unreserved Balance at June 30, 2003** | $ 1,251 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 719 |
| **Dedicated Reserves** | 137 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 45 |

*Additional Revenue Changes Proposed by the Governor:*

The March 2001 Governor's recommendation made a number of changes to his tax proposals based on the lowered forecast in February 2001. The most significant of these changes included a modification of the Governor's proposal for individual income tax rate reductions that produced a savings of $213 million. The proposal to reduce the motor vehicle registration tax was postponed for one year which produced a savings of $84 million. There were also a number of minor changes and technical corrections to the January 2001 Governor's recommendation.

*Additional Expenditure Changes Proposed by the Governor:*

The March 2001 Governor's recommendation included withdrawing a proposal to shift the local aids payment schedule at a one-time savings of $255 million. The Governor's revised recommendations also included a variety of minor changes and technical corrections to expenditures, compared to the January 2001 Governor's recommendation.

*Next Biennium:*

The planning estimates for the Next Biennium, based upon the Governor's budget recommendations, indicate that there will be structural balance, meaning that total revenues will exceed total expenditures.

**2001 Legislative Sessions**

The 2001 legislative session ended on the constitutional deadline of May 21, 2001. However, the Legislature was unable to agree on the tax and appropriation bills by that date. A special legislative session took place from June 11 to June 30, 2001. A compromise was reached on the tax and spending measures and the related bills were passed by the Legislature and signed by the Governor. The end of the 2001 legislative sessions' estimates of revenues, expenditures and fund balances is detailed below.

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $ 1,109 |
| Non-dedicated Revenues | 27,490 |
| Dedicated Revenues, Transfers In and Other | 394 |
| Total Resources | $28,993 |
| **Expenditures** | 27,604 |
| **Projected Unreserved Balance at June 30, 2003** | $ 1,389 |
| **Cash Flow Account** | 350 |
| **Budget Reserve Account** | 653 |
| **Dedicated Reserves** | 151 |
| **Projected Unrestricted Balance at June 30, 2003** | $ 235 |

*Resources:*

The 2001 legislative sessions produced significant tax law changes. The Legislature adopted and the Governor approved major property tax reform and large tax reductions for Minnesota taxpayers.

The omnibus tax bill passed in the 2001 special legislative session provided for comprehensive property tax reform and relief changes beginning in Fiscal Year 2003. The major component of the enacted reform eliminated the local property tax component of the K-12 general education levy with the state assuming the full share of general education costs beginning in Fiscal Year 2003. A corresponding change created a new state level property tax on businesses and cabins beginning with property taxes payable in 2003. This change will increase state Accounting General Fund revenues $296 million in Fiscal Year 2002 and $592 million in Fiscal Year 2003. This increase in state Accounting General Fund revenues, however, is more than offset by related increases in state spending reducing the net amount received from property taxes payable in 2002 by $804 million.

Property tax changes also removed property tax levies for local transit operations and dedicated a portion of motor vehicle sales tax revenues for that purpose. When combined with changes dedicating motor vehicle sales tax revenues to offset previously enacted motor vehicle registration tax reductions, a total of 54 percent of this Accounting General Fund revenue source will be deposited directly to the Highway User Tax Distribution Fund and newly created transit funds by Fiscal Year 2003. These changes are a reduction in Accounting General Fund revenues.

The Legislature set aside remaining one-time tobacco settlement revenues totaling $343 million into a new endowment fund. The endowment is expected to provide an additional $20 million annually for the Academic Health Center at the University of Minnesota. These funds, as those similar endowments created in the Previous Biennium, are removed from the Accounting General Fund and are separately invested with the investment income available for program expenditures.

Other miscellaneous changes and technical corrections, including adopting 2000 and 2001 federal tax law changes, also affect the level of Accounting General Fund resources.

*Expenditures:*

The adopted budget includes Accounting General Fund spending of $27.604 billion. This amount is $3.013 billion (12.3 percent) greater than estimated spending for the Previous Biennium. The largest single change in projected Accounting General Fund spending occurs as a result of the actions to reform and reduce property taxes and the corresponding increase in spending related to the state assumption of general education costs and local aid program reforms. Over one-half of the spending increase is attributable to the impact of spending increases related to property tax reform and relief. Excluding the cost of property tax reform and relief, spending will increase $1.463 billion or 6.9 percent over the Previous Biennium.

Spending changes that were enacted:

— K-12 education funding was increased by $646 million (8.0 percent). In addition to the normal biennial growth in pupil units and formula inflation, the enacted budget provides for an increase in the general education formula of 2.6 percent per year, a biennial increase of $285 million. The Legislature also adopted provisions that created pilot programs to link teacher compensation to student achievement, accountability audits to allow comparison of district finances and student performance, and requirements that school district budgets be structurally balanced when negotiating labor contracts.

When these changes are combined with the accompanying increases in K-12 education spending associated with the takeover of the local K-12 general education levy, its share of Accounting General Fund spending will increase from 32.2 percent in Fiscal Year 2001 to 40.0 percent by Fiscal Year 2003.

— Health, human services and corrections programs will grow $1.076 billion (17.4 percent) over the Previous Biennium. Long-term care changes provided for significant reductions in the number of nursing home beds in the state while funding a 3.0 percent annual increase in provider rates. Health insurance programs were expanded to about 18,000 more Minnesota children and 4,000 parents, and funding was approved to adjust welfare time limits so that about one-half of Minnesota welfare recipients approaching the five year limit could continue to receive benefits.

— Higher education funding and financial aid will grow $203 million (7.7 percent) over the Previous Biennium.

— State agencies' funding for salaries was increased 3.0 percent per year.

*Reserves, Future Forecast Contingencies:*

The Legislature also adopted several changes governing state reserves and future forecast allocations:

— The Accounting General Fund Budget Reserve Account was increased from $622 million to $653 million effective July 1, 2001. Combined with the $350 million Cash Flow Account, the total represents 6.8 percent of forecast Fiscal Year 2003 spending.

— The General Contingent Account was increased from $200,000 in the Previous Biennium to $6 million in the Current Biennium. The General Contingent Account, as authorized by Minnesota Statutes, Section 3.30, is used to fund expenditures of an emergency nature when appropriated funds are insufficient to carry out agency responsibilities.

— Previously enacted laws designating the allocation of 60 percent of future forecast positive Unrestricted Accounting General Fund balances to a Property Tax Reform Account were repealed.

*Next Biennium:*

The planning estimates for the Next Biennium, based upon the end of the 2001 legislative sessions, indicate that there will be structural balance, meaning that total revenues will exceed total expenditures.

## CURRENT BIENNIUM ESTIMATES — REVENUES AND EXPENDITURES

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the Accounting General Fund for the Current Biennium based on end of 2001 legislative sessions estimates. Authorized expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

### CURRENT BIENNIUM ACCOUNTING GENERAL FUND ESTIMATES OF REVENUES AND EXPENDITURES END OF 2001 LEGISLATIVE SESSIONS ($ in Thousands)

| | Fiscal Year 2002 | Fiscal Year 2003 | Current Biennium |
|---|---|---|---|
| Forecast Resources | | | |
| Prior Year Ending Balance[1] | $ 1,109,357 | $ 1,622,693 | $ 1,109,357 |
| Net Non-dedicated Revenues | 13,253,150 | 14,236,627 | 27,489,777 |
| Dedicated Revenues | 142,031 | 142,031 | 284,062 |
| Transfers From Other Funds | 48,043 | 41,985 | 90,028 |
| Prior Year Adjustments | 10,100 | 10,100 | 20,200 |
| Subtotal Current Resources | 13,453,324 | 14,430,743 | 27,884,067 |
| Total Revenues Plus Prior Year Ending Balance | 14,562,681 | 16,053,436 | 28,993,424 |
| Authorized Expenditures & Transfers | | | |
| Education Finance | 4,308,186 | 4,450,316 | 8,758,502 |
| Family & Early Childhood Education | 273,380 | 270,471 | 543,851 |
| Property Tax Aids & Credits | 1,853,825 | 3,006,687 | 4,860,512 |
| Higher Education | 1,380,089 | 1,464,164 | 2,844,253 |
| Health, Human Services & Corrections | 3,462,478 | 3,801,446 | 7,263,924 |
| Environment & Agriculture | 268,150 | 271,287 | 539,437 |
| Economic Development | 194,120 | 195,860 | 389,980 |
| Transportation & Public Safety | 372,066 | 363,016 | 735,082 |
| State Government | 393,576 | 381,130 | 774,706 |
| Debt Service & Borrowing | 297,087 | 332,652 | 629,739 |
| Cancellation Adjustment | (5,000) | (15,000) | (20,000) |
| Subtotal Expenditures & Transfers | 12,797,957 | 14,522,029 | 27,319,986 |
| Dedicated Revenue Expenditures | 142,031 | 142,031 | 284,062 |
| Total Expenditures and Transfers | 12,939,988 | 14,664,060 | 27,604,048 |
| Unreserved Balance | 1,622,693 | 1,389,376 | 1,389,376 |
| Cash Flow Account | 350,000 | 350,000 | 350,000 |
| Budget Reserve | 653,000 | 653,000 | 653,000 |
| Dedicated Reserves | 137,357 | 151,357 | 151,357 |
| Unrestricted Balance | $ 482,336 | $ 235,019 | $ 235,019 |

(1) Fiscal Year 2001 ended with an Unrestricted Accounting General Fund balance of zero and an Unreserved Accounting General Fund Balance of $1.109 billion.

The following table sets forth by source the forecast amounts of nondedicated revenues allocable to the Accounting General Fund for the Current Biennium.

**CURRENT BIENNIUM**
**ACCOUNTING GENERAL FUND**
**ESTIMATES OF NONDEDICATED REVENUES**
**END OF 2001 LEGISLATIVE SESSIONS**
**($ in Thousands)**

| | Fiscal Year 2002 | Fiscal Year 2003 | Current Biennium |
|---|---|---|---|
| Net Nondedicated Revenues: | | | |
| Income Tax — Individual | $ 6,288,588 | $ 6,775,550 | $13,064,138 |
| Income Tax — Corporate | 788,440 | 883,440 | 1,671,880 |
| Sales Tax | 4,076,115 | 4,246,706 | 8,322,821 |
| Motor Vehicle Sales Tax | 361,130 | 263,117 | 624,247 |
| Statewide Property Tax | 296,000 | 592,000 | 888,000 |
| Estate Tax | 70,000 | 70,000 | 140,000 |
| Liquor, Wine & Beer | 57,827 | 61,104 | 118,931 |
| Cigarette & Tobacco | 165,028 | 176,050 | 341,078 |
| Mining | 2,150 | 2,100 | 4,250 |
| Deed & Mortgage Registration | 156,455 | 157,065 | 313,520 |
| Gross Earnings Taxes | 185,046 | 192,026 | 377,072 |
| Lawful Gambling Taxes | 61,092 | 61,092 | 122,184 |
| Health Care Provider Tax | 129,639 | 132,827 | 262,466 |
| Income Tax Reciprocity | 44,675 | 48,029 | 92,704 |
| Tobacco Settlements | 155,285 | 158,423 | 313,708 |
| Investment Income | 87,000 | 88,000 | 175,000 |
| DHS RTC Collections | 68,153 | 62,175 | 130,328 |
| Lottery Revenue | 31,309 | 32,173 | 63,482 |
| Departmental Earnings | 187,158 | 192,482 | 379,640 |
| All Other Nondedicated Revenue | 76,206 | 76,427 | 152,633 |
| Tax and Non-Tax Refunds | (34,146) | (34,159) | (68,305) |
| Total Net Nondedicated Revenues | $13,253,150 | $14,236,627 | $27,489,777 |

## ACCOUNTING GENERAL FUND REVENUE SOURCES

### Tax Sources

The State's principal sources of non-dedicated revenues are taxes of various types. A description of the major taxes imposed by the current State law is set forth below.

*Income Tax:* The income tax rate schedules for 2001 consist of three income brackets having tax rates of 5.35 percent, 7.05 percent and 7.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the National CPI. The base of the tax is federal taxable income, with selected additions and subtractions. There is an income exclusion for low-income elderly and disabled taxpayers. The exclusion phases out as adjusted gross income and nontaxable sources of income rise. Two earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is $261. In addition, the State tax code contains a refundable child care credit and a working family credit, both targeted at low income parents.

#### SINGLE FILER

| Taxable Income | Tax |
|---|---|
| on the first $18,120 | 5.35 percent |
| on all over $18,120, but not over $59,500 | 7.05 percent |
| on all over $59,500 | 7.85 percent |

#### MARRIED FILING JOINTLY

| Taxable Income | Tax |
|---|---|
| on the first $26,480 | 5.35 percent |
| on all over $26,480, but not over $105,200 | 7.05 percent |
| on all over $105,200 | 7.85 percent |

Married individuals filing separate returns, estates and trusts must compute their income tax by applying married rates, except that the income brackets will be one-half of the above amounts.

#### HEAD OF HOUSEHOLD

| Taxable Income | Tax |
|---|---|
| on the first $22,300 | 5.35 percent |
| on all over $22,300, but not over $89,610 | 7.05 percent |
| on all over $89,610 | 7.85 percent |

*Sales and Use Tax:* The sales tax of 6.5 percent is applicable to most retail sales of goods with the exception of food, clothing, and prescription drugs. Purchases made by non-profit organizations and the federal government and school districts are exempt.

*Statewide Property Tax:* Beginning with property taxes payable in calendar year 2002, there will be a state general property tax of $592 million levied on commercial and industrial property, public utility real property and power transmission and distribution lines, unmined iron ore, resort properties, cabins, and golf courses. Utility attached personal property and property located at the Minneapolis St. Paul International Airport and the St. Paul Airport will be exempt from the tax. The tax will be levied at a uniform rate across the state. The levy amount will be adjusted annually for changes in the implicit price deflator for government purchases.

*Corporate Franchise Tax:* A flat tax rate of 9.8% is imposed on Corporate taxable income. Corporations that do business both in and outside of Minnesota must apportion their taxable income on the basis of a three factor formula that gives a 75% weight to sales, a 12.5% weight to payroll and a 12.5% weight to property. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income (which is similar to federal alternative minimum taxable income) at a flat rate of 5.8%, to the extent the minimum tax exceeds the regular tax.

A fee is imposed as a part of the franchise tax liability. The fee is in addition to the regular and alternative minimum tax. The amount of the fee is based on the sum of Minnesota property, payroll and sales. The fee schedule is shown below:

| Fee Basis | Amount of Fee |
|---|---|
| Less than $500,000 | $ 0 |
| $500,000 to $1 million | 100 |
| $1 to $5 million | 300 |
| $5 to $10 million | 1,000 |
| $10 to $20 million | 2,000 |
| $20 million or more | 5,000 |

*Insurance Gross Earnings Tax:* A tax is imposed on the gross premium revenue of insurance companies at the following rates:

| | |
|---|---|
| 2.0% | Domestic and foreign company premiums. |
| 1.0% | Mutual property and casualty companies with assets of 5 million or less on 12/31/89 |
| 1.26% | Mutual property and casualty companies with assets in excess of 5 million but less than 1.6 billion on 12/31/89 |
| 3.0% | Surplus line agents. |
| 0.5% | Fire Marshal tax on fire premiums. |
| 2.0% | Surcharge on fire premiums for property located in cities of the first class. |

*Motor Vehicle Sales Tax:* Motor vehicle sales, new and used, are exempt from the sales and use tax, but are subject to a 6.5% motor vehicle sales tax. The tax is collected at the time of title registration or transfer. Thirty two percent of the collections are dedicated to transit.

In FY 2002, 30.86% of the collections are dedicated to transportation related funds, in FY 2003 that will increase to 53.75% and in FY 2004 it will increase an additional two percentage points to 55.75%.

*Liquor, Wine and Fermented Malt Beverages:* Liquor is taxed at $5.03 per gallon. Wine is taxed at rates that vary from $.30 per gallon to $3.52 per gallon, depending on the alcohol content. Beer is taxed at $2.40 per 31-gallon barrel for beer with alcoholic contents of 3.2% by volume or less, and $4.60 per 31-gallon barrel for strong beer. Liquor, wine and beer sales are also subject to sales tax at a rate of 9.0%.

*Cigarette and Tobacco Products Taxes:* The excise tax on cigarettes is 48 cents per pack. Tobacco products other than cigarettes are subject to an excise tax, imposed on distributors thereof, equal to 35% of the wholesale price of such tobacco products.

*Estate Tax:* The tax base is the federal gross estate less various exemptions and deductions. The tax may not exceed the State death tax credit.

*Mortgage Tax:* A tax of 23 cents is imposed on each $100 dollars of debt secured by real property. Ninety-seven percent of the proceeds go to the State's Accounting General Fund and three percent to the county in which the property is located.

*Deed Tax:* A tax of $1.65 per $500 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. Ninety-seven percent of the proceeds go to the State's Accounting General Fund and three percent to the county in which the property is located.

*Legalized Gambling Taxes:*

*Pari-Mutuel Tax:* A 6% tax is imposed on the takeout of pari-mutuel horse races at licensed tracks. The takeout is 17% of straight pools and 23% for multiple pools.

*Lawful Gambling Tax:* A 8.5% tax is imposed on bingo, raffles and paddlewheels gross receipts less prizes of organizations licensed to operate such games of chance.

*Pull-Tab and Tip Board Tax:* A 1.7% tax is imposed on the "Ideal Gross" of each pull tab or tipboard deal sold by a distributor. A deal is defined as each separate package, or series of packages, consisting of one game of pull-tabs or tipboards. In addition, a "Combined Receipts Tax", with rates ranging from 1.7% to 5.1% is imposed on organizations with pull tab and tip board gross receipts in excess of $500,000 per year.

*Rental Motor Vehicle Tax:* In addition to the general sales tax a 6.2 percent sales tax is imposed on the lease or rental, on a daily or weekly basis, of a passenger automobile, van or pickup truck.

In order to comply with the multistate agreement on a "streamlined" sales tax, this tax is repealed effective December 31, 2005.

*Taconite and Iron Ore Occupation Taxes:* The base of the occupation tax is the value of the ore less expenses required to convert it into marketable quality. The rate of the tax is 9.8%.

*Health Care Provider Surcharge:* A tax imposed upon licensed nursing homes, hospitals, and health maintenance organizations. It includes a $625 tax per licensed nursing home bed, 1.56% tax on the net patient revenue of hospitals (excluding Medicare revenue), and a 0.6% tax on the total premium revenue of health maintenance organizations.

**Other Sources**

In addition to the major taxes described above, other sources of non-dedicated revenues include minor taxes, unrestricted grants, certain fees and charges of State agencies and departments, and investment income.

The Accounting General Fund receives no unrestricted federal grants. The only federal funds deposited into the Accounting General Fund are to reimburse the State for expenditures on behalf of federal programs.

**Tobacco Settlement**

On May 8, 1998, the State entered into a settlement of a lawsuit which it had initiated against several tobacco companies. The settlement requires the defendant tobacco companies to pay to the State an amount of $6.1 billion over a period of 25 years. This settlement will produce additional annual calendar year revenue to the State ranging from a low of approximately $204 million to a high of approximately $418 million.

## TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of 11,914 miles of highways, 4,668 bridges, and 974 maintenance, enforcement, service, and administrative buildings at 397 sites. Minnesota has 914 miles of interstate highways, all of which are part of the State trunk highway system. Total highway mileage, including roads and streets under local jurisdiction, is 132,252 miles.

The State trunk highway system is constructed and maintained by the Minnesota Department of Transportation (Mn/DOT). Construction work is contracted to private construction contractors on a competitive bid basis, while maintenance is performed by Mn/DOT's own forces. Maintenance includes routine patching; short overlays; snow and ice control; and traffic services such as signing, paint striping, etc.

### Trunk Highway Fund

The Minnesota Constitution, Article XIV, establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into and briefly maintained in such fund. Article XIV also establishes a Trunk Highway Fund (the "Trunk Highway Fund"), to be used solely for State trunk highway system purposes and for the payment of principal and interest on trunk highway bonds. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from the fund as follows: 62% to the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues are distributed to the same three funds in accordance with a formula that the Legislature establishes. According to the Minnesota Constitution, no change in the formula may be made within six years of the last previous change. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. The next time this distribution formula may be changed will be during the 2004 legislative session.

In addition to distributions from the Highway User Tax Distribution Fund, the Trunk Highway Fund receives revenue from deposits of federal aid reimbursements, drivers license fees, investment income, and miscellaneous fees and reimbursements.

A Minnesota motor fuel tax is collected on all fuel used to propel vehicles on the public roads of the state and includes gasoline, diesel fuel, and other special fuels. For gasoline and diesel fuel the current tax is twenty cents per gallon; this rate was enacted in 1988. For some special fuels the rate is different and is based on the equivalent energy content of the fuel compared to gasoline.

Revenues from motor fuels taxes generated approximately $591 million in Fiscal Year 2001, after refunds, collection costs and other transfers (e.g., estimated revenues from taxes paid on non-highway fuel transferred to other state accounts). Revenues are estimated to increase at a rate from 2.5% to 3.0% annually due to increased vehicle miles traveled, offset slightly by increases in fuel efficiency of the entire fleet of vehicles.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. For passenger vehicles the tax is $10 plus 1.25% times the original value of the vehicle, with all but the $10 portion of the tax being decreased in accordance with a statutory schedule. However, the maximum tax for the first renewal is $189 and for subsequent renewals is $99. The minimum tax is $35. Motor vehicle registration taxes for trucks are based on the weight and age of the vehicles, with the maximum tax being $1,760 for trucks registered at 80,000 pounds that are less than 9 years old. Trucks registered at a rate greater than 80,000 pounds pay an additional $50 per ton of registered weight. Motor vehicle registration taxes generated approximately $267 million in Fiscal Year 2001, after refunds and collection costs.

The Highway User Tax Distribution Fund also received a direct appropriation from the Accounting General Fund in Fiscal year 2001. The amount was $161.5 million.

The State of Minnesota has a sales tax of 6.5% on motor vehicles. Except for Fiscal Years 1985, 1988, 1989, and 1990, all of the revenue from the motor vehicle sales tax has been deposited into the Accounting General Fund. Action by the 2000 and 2001 Legislatures changed this policy. In Fiscal

Year 2002, 30.86% of the revenue from this tax will be deposited into the Highway User Tax Distribution Fund; it is estimated that this will be $161.6 million. In Fiscal Year 2003 and thereafter 32% of the revenue from this tax will be deposited into the Highway User Tax Distribution Fund; it is estimated that this will be $182.5 million in Fiscal Year 2003.

The 2000 Legislature authorized $100 million of Trunk Highway Bonds, which may be used for "reconstruction and replacement of key bridges on the state trunk highway system; for construction, improvement, and maintenance of the interregional corridor system as identified by the commissioner [of transportation]; for the improvement of highways classified as bottlenecks by the commissioner [of transportation]; for providing highway-related advantages for transit; and for acquisition of properties necessary to locate, construct, reconstruct, improve, and maintain the trunk highway system." This authorization provides that no more than $14,000,000 of the bonds may be spent for program delivery (program delivery consists of engineering work by both consultants and Mn/DOT staff needed to prepare plans and specifications used to solicit bids for construction contracts, construction contract supervision and inspection, and a variety of other project-specific support activities). Mn/DOT has determined and the Commissioner of Finance has concurred that the bond proceeds will be used as shown in Appendix C.

Activity in the Trunk Highway Fund for the Previous Biennium is detailed below:

**PREVIOUS BIENNIUM**
**TRUNK HIGHWAY FUND**
**ESTIMATED REVENUES AND EXPENDITURES**
**($ in Thousands)**

| | Fiscal Year Ended June 30, 2000 | Fiscal Year Ended June 30, 2001 | Previous Biennium |
|---|---|---|---|
| Beginning Fund Balance | $ 164,836 | $ 206,817 | $ 164,836 |
| Forecast Revenues | | | |
| Motor Fuel Tax | 346,038 | 352,060 | 698,098 |
| Motor Vehicle Tax | 352,624 | 266,826 | 619,450 |
| Accounting General Fund Appropriation | | 95,141 | 95,141 |
| Motor Vehicle Sales Tax | | | |
| Federal Aid Agreements | 319,467 | 391,487 | 710,954 |
| Drivers License | 23,985 | 22,121 | 46,106 |
| Investment Income | 17,357 | 17,496 | 34,853 |
| Other Miscellaneous Income | 32,955 | 45,150 | 78,105 |
| Bond Proceeds | | 30,000 | 30,000 |
| Prior Year Accounting Adjustments | (24,994) | 6,677 | (18,317) |
| Total Revenues | $1,067,432 | $1,226,958 | $2,312,707 |
| Estimated Expenditures | | | |
| State Roads | | | |
| State Road Construction | $ 510,223 | $ 679,688 | $1,189,911 |
| Highway Debt Service | 13,466 | 13,500 | 26,966 |
| Program Support | 77,922 | 62,967 | 140,889 |
| Program Delivery | 78,965 | 94,445 | 173,410 |
| Operations | 202,681 | 242,581 | 445,262 |
| General Support | 41,278 | 59,726 | 101,004 |
| Buildings | 7,551 | 37,116 | 44,667 |
| Other State Agencies | 93,365 | 85,680 | 179,045 |
| Total Expenditures | $1,025,451 | $1,275,702 | $2,301,153 |
| Ending Fund Balance | $ 206,817 | $ 158,073 | $ 158,073 |

Activity in the Trunk Highway Fund for the Current Biennium is detailed below:

**CURRENT BIENNIUM**
**TRUNK HIGHWAY FUND**
**ESTIMATES OF REVENUES AND EXPENDITURES**
**($ in Thousands)**

| | Fiscal Year Ended June 30, 2002 | Fiscal Year Ended June 30, 2003 | Current Biennium |
|---|---|---|---|
| Beginning Fund Balance | $ 158,073 | $ 120,355 | $ 158,073 |
| Forecast Revenues | | | |
| Motor Fuel Tax | 359,280 | 368,618 | 727,898 |
| Motor Vehicle Tax | 280,619 | 290,298 | 570,917 |
| Accounting General Fund Appropriation | 0 | 0 | 0 |
| Motor Vehicle Sales Tax | 95,188 | 107,509 | 202,697 |
| Federal Aid Agreements | 311,000 | 336,000 | 647,000 |
| Drivers License | 25,196 | 25,197 | 50,393 |
| Investment Income | 14,813 | 14,813 | 29,626 |
| Other Miscellaneous Income | 43,657 | 43,667 | 87,324 |
| Bond Proceeds | 25,000 | 45,000 | 70,000 |
| Prior Year Accounting Adjustments | (13,100) | 22,500 | 9,400 |
| Total Forecast Revenues | $1,141,653 | $1,253,602 | $2,395,255 |
| Estimated Expenditures | | | |
| State Roads | | | |
| State Road Construction | $ 605,932 | $ 625,952 | $1,231,884 |
| Highway Debt Service | 18,955 | 23,893 | 42,848 |
| Program Support | 80,136 | 81,596 | 161,732 |
| Program Delivery | 97,763 | 99,616 | 197,379 |
| Operations | 219,863 | 224,852 | 444,715 |
| General Support | 51,712 | 52,673 | 104,385 |
| Buildings | 7,716 | 46,200 | 53,916 |
| Other State Agencies | 97,294 | 96,553 | 193,847 |
| Total Estimated Expenditures | $1,179,371 | $1,251,335 | $2,430,706 |
| Ending Fund Balance | $ 120,355 | $ 122,622 | $ 122,622 |

**Capital Needs of the Trunk Highway System**

The trunk highway system includes 11,914 miles of roadways and bridges. The State manages the capital maintenance and upgrading of the trunk highway system, in partnership with the Federal Highway Administration. It uses an extensive planning process that includes a statewide transportation plan, updated every three years, and an annual Statewide Transportation Improvement Program (STIP), which details all highway construction and maintenance projects that are capital in nature. Projects included in the STIP range from major construction, involving building new highways or rebuilding highways that add additional traffic capacity, to less substantive improvements such as resurfacing existing highways.

Recently, a planning process identified an ongoing need for upgrading interregional corridors (between important regional centers of the State) and undertaking projects to eliminate “bottlenecks” on metropolitan area freeways and expressways. Over a ten year period over $1 billion of needs were identified in each of these two areas.

Minnesota’s 2000 Legislature appropriated $359 million over Fiscal Years 2001 - 2003 to begin addressing these needs. $177.5 million was designated for work on interregional corridors outside the seven county metropolitan area, and $177.5 million was designated for work on removing bottlenecks on freeways and expressways within the seven county metropolitan area. The remaining $5 million was allocated for bus transit ways or highway-related transit advantages projects. These appropriations are available until the end of Fiscal Year 2003 and if not used the balances will be cancelled and the amounts deposited to the Trunk Highway Fund. In addition, a bond authorization of $100 million was approved for these same purposes.

The Previous Biennium expenditures for the Trunk Highway Improvement Program are detailed below:

**PREVIOUS BIENNIUM**
**TRUNK HIGHWAY IMPROVEMENT PROGRAM**
**($ in Millions)**

| Improvement Category | Trunk Highway Funds and Federal Funds | Bond Funds | Total |
|---|---|---|---|
| Major Construction | $ 243.2 | $ 7.3 | $ 250.5 |
| Reconstruction | 148.1 | 0.0 | 148.1 |
| Bridge Reconstruction | 67.6 | 0.0 | 67.6 |
| Bridge Repair | 25.8 | 0.0 | 25.8 |
| Reconditioning | 103.2 | 0.0 | 103.2 |
| Resurfacing | 235.2 | 7.1 | 242.3 |
| Road Repair | 43.7 | 0.0 | 43.7 |
| Traffic Management and ITS | 52.2 | 0.0 | 52.2 |
| Safety | 31.3 | 0.0 | 31.3 |
| Municipal Agreements | 45.1 | 0.0 | 45.1 |
| Right of Way | 118.7 | 9.4 | 128.1 |
| Miscellaneous | 40.2 | 0.0 | 40.2 |
| Program Delivery | 0.0 | 3.8 | 3.8 |
| Total | $1,154.3(1) | $27.6 | $1,181.9 |

(1) The total expenditures, excluding the amount provided by bond funds, consisted of $540.9 million of highway user tax revenues and $613.4 million of federal funds.

The Current Biennium estimated expenditures for the Trunk Highway Improvement Program are detailed below:

**CURRENT BIENNIUM**
**TRUNK HIGHWAY IMPROVEMENT PROGRAM**
**($ in Millions)**

| Improvement Category | Trunk Highway Funds and Federal Funds | Bond Funds | Total |
|---|---|---|---|
| Major Construction | $ 462.9 | $33.3 | $ 496.2 |
| Reconstruction | 126.7 | 0.0 | 126.7 |
| Bridge Reconstruction | 49.1 | 0.0 | 49.1 |
| Bridge Repair | 30.8 | 0.0 | 30.8 |
| Reconditioning | 60.1 | 0.0 | 60.1 |
| Resurfacing | 108.1 | 0.0 | 108.1 |
| Road Repair | 32.7 | 0.0 | 32.7 |
| Traffic Management and ITS | 54.8 | 0.0 | 54.8 |
| Safety | 38.7 | 0.0 | 38.7 |
| Municipal Agreements | 34.3 | 0.0 | 34.3 |
| Right of Way | 117.3 | 29.6 | 146.9 |
| Miscellaneous | 124.2 | 0.0 | 124.2 |
| Program Delivery | 0.0 | 9.5 | 9.5 |
| Total | $1,239.7(1) | $72.4 | $1,312.1 |

(1) The total expenditures, excluding the amount provided by bond funds, consisted of $572.6 million of highway user tax revenues and $667.2 million of federal funds.

## HISTORIC REVENUES AND EXPENDITURES

The following two tables set forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 1998 through 2000, and for the additional time periods shown. For the Fiscal Years ended June 30, 1998 through 2000 the revenues and expenditures shown include all revenues and expenditures for that Fiscal Year, including revenue received and expenditures made after June 30 of such Fiscal Year which are properly allocable to such Fiscal Years. For the twelve-month periods ending June 30, 2000 and June 30, 2001 and for the two-month periods ending August 31, 2000 and August 31, 2001, such revenues and expenditures include only cash receipts and disbursements allocable to Fiscal Years 2000 and 2001 and Fiscal Years 2001 and 2002, respectively. The schedules of revenues and expenditures are presented for comparison purposes only and are not intended to reflect any increases or decreases in fund balance. Beginning balances or deficits are not included. The actual expenditures set forth in the second table are presented by object of expenditure, the State's historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with current generally accepted accounting principles for reporting purposes.

### STATE OF MINNESOTA
### TRUNK HIGHWAY FUND
### COMPARATIVE STATEMENT OF REVENUES
### ($ in Thousands)

| | Fiscal Year Ended June 30(1) | | | July 1, 1999 Through | July 1, 2000 Through | July 1, 2000 Through | July 1, 2001 Through |
|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | June 30, 2000(1) | June 30, 2001(1) | Aug. 31, 2000(1) | Aug. 31, 2001(1) |
| **Revenues:** | | | | | | | |
| Taxes:(2) | | | | | | | |
| Motor Fuel . . . . . | $341,568 | $ 360,506 | $ 364,561 | $ 364,164 | $ 368,996 | $ 66,678 | $ 66,017 |
| Motor Vehicle . . | 322,516 | 346,499 | 371,562 | 368,042 | 285,166 | 44,987 | 40,920 |
| Less: Revenue Refunds . . . . . | (32,544) | (33,221) | (34,703) | (34,640) | (44,462) | (3,340) | (3,180) |
| Net Taxes . . . . . | $631,540 | $ 673,784 | $ 701,420 | $ 697,566 | $ 609,700 | $108,325 | $103,757 |
| Accounting General Fund Appropriation (2) . | | | | | $ 88,235 | | |
| Motor Vehicle Sales Tax . . . . . . . . . . . | | | | | | | |
| Federal Grants . . . | 239,746 | 287,922 | 318,729 | 308,604 | 316,520 | 68,545 | 67,346 |
| Drivers License . . . | 18,659 | 20,938 | 21,751 | 23,255 | 24,591 | 3,944 | 3,717 |
| Penalties & Fines . . | 7,031 | 6,915 | 7,817 | 5,819 | 5,147 | 51 | 631 |
| Investment Income . | 16,126 | 15,699 | 16,446 | 14,664 | 17,496 | | |
| Other Revenue . . . | 38,008 | 30,233 | 30,290 | 26,040 | 34,804 | 14,630 | 7,375 |
| TH Revenue Refunds . . . . . | (2,444) | (2,332) | (2,351) | (2,351) | (2,086) | (2) | (7) |
| **Total Revenues** | $948,666 | $1,033,159 | $1,094,102 | $1,073,597 | $1,094,407 | $195,493 | $182,819 |

(1) For Fiscal Years 1998, 1999, and 2000, the schedule of revenues includes all revenue for the Fiscal Year, including accruals at June 30. For the twelve-month periods ended June 30, 2000 and 2001, current year receipts, without auditing year-end accurals have been included.

(2) These amounts represent the Trunk Highway Fund portion of the Motor Fuel and Motor Vehicle Taxes, and the Accounting General Fund Appropriation to the Highway User Tax Distribution Fund.

## STATE OF MINNESOTA
## TRUNK HIGHWAY FUND
## COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
## ($ in Thousands)

| | Fiscal Year Ended June 30(1) | | | July 1, 1999 Through June 30, 2000(1) | July 1, 2000 Through June 30, 2001(1) | July 1, 2000 Through Aug. 31, 2000(1) | July 1, 2001 Through Aug. 31, 2001(1) |
|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | | | | |
| **Expenditures:** | | | | | | | |
| Personal Services | $311,636 | $ 327,599 | $ 347,821 | $336,211 | $ 352,330 | $45,507 | $46,043 |
| Purchased Services | 98,013 | 108,196 | 100,734 | 78,395 | 82,529 | 4,327 | 4,987 |
| Materials and Supplies | 47,459 | 67,484 | 49,647 | 42,026 | 52,949 | 3,633 | 2,786 |
| Capital Outlay: | | | | | | | |
| Equipment | 18,179 | 37,853 | 23,138 | 14,386 | 20,526 | 610 | 369 |
| Capital Outlay & Real Property(2) | 455,074 | 495,246 | 481,682 | 481,682 | 632,145 | 31,025 | 6,605 |
| Grants and Subsidies: | | | | | | | |
| Individuals | 10 | 41 | 28 | 25 | 19 | 1 | 0 |
| Counties | 85 | 234 | 312 | 208 | 121 | 0 | 0 |
| School Districts | 21 | 21 | 21 | 21 | 0 | 0 | 0 |
| Private Organizations | 3,224 | 1,413 | 628 | 606 | 0 | 0 | 0 |
| Other | 733 | 733 | 865 | 820 | 642 | 71 | 242 |
| **Total Expenditures** | $934,434 | $1,038,819 | $1,004,876 | $954,380 | $1,141,261 | $85,175 | $61,032 |
| **Transfers:** | | | | | | | |
| **Debt Service** | **5,626** | **5,149** | **3,744** | **3,744** | **6,352** | **0** | **0** |
| **Other Transfers** | (4,272) | 1,054 | (3,282) | (3,283) | (11,185) | 0 | 0 |
| **Net Transfers** | **$ 1,354** | **$ 6,203** | **$ 462** | **$ 461** | **($ 4,833)** | **$ 0** | **$ 0** |
| **Total Expenditures and Net Transfers Out** | **$935,788** | **$1,045,022** | **$1,005,338** | **$954,841** | **$1,136,428** | **$85,175** | **$61,032** |

(1) For Fiscal Years 1998, 1999 and 2000, the schedule of expenditures includes all expenditures for the respective fiscal years, plus encumbrances outstanding as of June 30. For the twelve-month periods ended June 30, 2000 and 2001 and also for the two-month periods ended August 31, 2000 and 2001, only current year expenditures have been included.

(2) Because construction contracts typically span into future Fiscal Years, and are encumbered in their entirety in the appropriate Fiscal Year, materially large amounts of encumbrances exist at the end of a Fiscal Year. Encumbrances have therefore been included in Capital Outlay and Real Property totals for all time periods.

## MINNESOTACARE® PROGRAM

The 1992 Legislature established the MinnesotaCare® program to provide subsidized health care insurance for long term uninsured Minnesotans, reform individual and small group health insurance regulations, create a health care analysis unit to collect condition-specific data about health care practices in order to develop practice parameters for health care providers, implement certain cost containment measures into the system, and establish an office of rural health to ensure the health care needs of all Minnesotans are being met.

The program is not part of the Accounting General Fund. A separate fund, called the Health Care Access Fund, has been established as a special revenue fund to account for revenues and expenditures for the MinnesotaCare® program. Program expenditures are limited to revenues received in the Health Care Access Fund. Program revenues are derived from a 2 percent gross revenue tax on hospitals, health care providers and wholesale drug distributors, and a 1 percent gross premium tax on nonprofit health service plans and HMO's. For calendar years 2002 and 2003, these permanent taxes have been temporarily lowered to 1.5 percent and to zero, respectively. The provider tax will continue at 1.5% and the gross premium tax will remain at zero percent until calendar year 2004.

Activity in the Health Care Access Fund for the Previous Biennium is detailed below:

**MINNESOTACARE®**
**PREVIOUS BIENNIUM**
**HEALTH CARE ACCESS FUND**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 1999 | $274 |
| Revenues | 423 |
| Total Resources | 697 |
| **Expenditures** | 432 |
| **Unreserved Balance at June 30, 2001** | $265 |
| **Premium and IBNR Reserve Account** | 0 |
| **Federal Reserves** | 150 |
| **Unrestricted Balance at June 30, 2001** | $115 |

Based on existing law after tax levels are adjusted, projected activity in the Health Care Access Fund for the Current Biennium is detailed below:

**MINNESOTACARE®**
**CURRENT BIENNIUM**
**HEALTH CARE ACCESS FUND**
**($ in Millions)**

| | |
|---|---|
| **Resources** | |
| Unreserved Balance at June 30, 2001 | $265 |
| Revenues | 465 |
| Total Resources | 730 |
| **Expenditures** | 575 |
| **Projected Unreserved Balance at June 30, 2003** | $155 |
| **Premium and IBNR Reserve Account** | 0 |
| **Federal Reserves** | 0 |
| **Projected Unrestricted Balance at June 30, 2003** | $155 |

## SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

Minnesota Statutes, Section 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Children, Families and Learning to pay debt service due on school district tax and state-aid anticipation certificates of indebtedness, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40 Subdivision 6, and school district general obligation bonds, in the event that the school district notifies the Commissioner of Children, Families and Learning that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Children, Families and Learning that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the Accounting General Fund to the Commissioner of Children, Families and Learning the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district are required to be repaid by it with interest, either through a reduction of subsequent state-aid payments or by the levy of an ad valorem tax which may be made with the approval of the Commissioner of Children, Families and Learning.

Under State law school districts are authorized to issue tax and state aid anticipation certificates of indebtedness in amounts not exceeding 75 percent of ad valorem taxes in the process of collection and 75 percent of state aids in the process of collection. As of October 1, 2001, there were approximately $302 million of certificates of indebtedness enrolled in the program all of which will mature within a thirteen month period. The State expects that school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

School districts may issue certificates of indebtedness or capital notes to purchase certain equipment. The certificates or notes may be issued by resolution of the board, must be payable in not more than five years, and are payable from school district taxes levied within statutory limits.

Under Minnesota Statutes, Section 126C.40, Subdivision 6, certain school districts, with the approval of the Commissioner of Children, Families and Learning, may issue certificates of participation in installment contracts for the purchase of real or personal property or in lease purchase agreements for the lease with option to purchase of real or personal property. Such certificates of participation, contracts and agreements are not general obligations of the school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder.

School districts are authorized to issue general obligation bonds only when authorized by school district electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district for the years and in amounts sufficient to produce sums not less than 5 percent in excess of the principal of and interest on the bonds when due. As of October 1, 2001 the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2030, is approximately $8.0 billion. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

Based upon the amount of certificates of indebtedness and capital notes for equipment, certificates of participation and bonds now enrolled in the program, during the Current Biennium the total amount of principal and interest coming due as of October 1, 2001 is about $1 billion, with the maximum amount of principal and interest payable in any one month being $344 million.

The State has not had to make any debt service payments on behalf of school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts.

## COUNTY CREDIT ENHANCEMENT PROGRAM

Minnesota Statutes, Section 373.45 establishes a County Credit Enhancement Program. The law authorizes and directs the Commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Public Facilities Authority to pay debt service coming due on certain county general obligation bonds, in the event that the county notifies the Public Facilities Authority that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Public Facilities Authority that it has not received from the county timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the Accounting General Fund to the Public Facilities Authority the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any county are required to be repaid by it with interest, either through a reduction of subsequent state-aid payments or by the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority.

Counties are authorized to issue general obligation bonds and must levy a direct, irrevocable ad valorem tax on all taxable property in the county for the years and in amounts sufficient to produce sums not less than 5 percent in excess of the principal of and interest on the bonds when due.

The program enrolls county general obligation bonds issued for the following purposes: (1) jails, (2) correctional facilities, (3) law enforcement facilities, (4) social services and human services facilities, and (5) solid waste facilities.

The County Credit Enhancement Program is administered by the Minnesota Public Facilities Authority.

The program is open and counties may enroll bond issues in the program. No county bonds have yet been enrolled in the program.

The State has not had to make any debt service payments on behalf of counties under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the counties.

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# APPENDIX A

## State Financial Statements
## For the Fiscal Year
## Ended June 30, 2000

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# APPENDIX A
# Table of Contents

## GENERAL PURPOSE FINANCIAL STATEMENTS

# Independent Auditor's Report

Members of the Legislature

The Honorable Jesse Ventura, Governor

Ms. Pamela Wheelock, Commissioner of Finance

We have audited the accompanying general purpose financial statements of the State of Minnesota as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Public Facilities Authority, Metropolitan Council, Minnesota Technology Incorporated, Higher Education Services Office, Minnesota Partnership for Action Against Tobacco, Housing Finance Agency, Minnesota Workers Compensation Assigned Risk Plan, National Sports Center Foundation, and University of Minnesota, which represent 98 percent of the assets and 99 percent of the revenues of the 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 discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Minnesota as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.



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E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

The combining and individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Minnesota. Such information has been subjected to the auditing procedures applied to the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The Introduction and Statistical Sections listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Minnesota. Such additional information has not been subjected to the auditing procedures applied to the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000, on our consideration of the State of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 2000

## COMBINED BALANCE SHEET
## ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
**JUNE 30, 2000**
**(IN THOUSANDS)**

| | GOVERNMENTAL FUND TYPES | | | |
|---|---|---|---|---|
| | GENERAL | SPECIAL REVENUE | CAPITAL PROJECTS | DEBT SERVICE |
| ASSETS AND OTHER DEBITS | | | | |
| Cash and Cash Equivalents | $ 3,214,044 | $ 1,289,816 | $ 378,765 | $ 251,794 |
| Investments | 31,244 | 8,164 | - | 117,332 |
| Accounts Receivable | 490,505 | 154,342 | 15 | 6 |
| Settlement Receivable | - | - | - | - |
| Interfund Receivables | 128,638 | 57,073 | 8,905 | 14,628 |
| Due from Other Governmental Units | - | - | - | - |
| Due from Primary Government | - | - | - | - |
| Due from Component Units | - | - | - | 48,298 |
| Accrued Investment/Interest Income | 65,554 | 29 | - | 1,799 |
| Federal Aid Receivable | - | 556,490 | - | - |
| Inventories | - | 13,934 | - | - |
| Food Stamps | - | 28,901 | - | - |
| Deferred Costs | - | - | - | - |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Loans Receivable | - | - | - | - |
| Interfund Receivables | - | - | - | - |
| Due from Other Governmental Units | - | - | - | - |
| Other Restricted Assets | - | - | - | - |
| Loans and Notes Receivable | 6,746 | 100,766 | 94,210 | - |
| Advances to Other Funds | 3,000 | 60 | - | - |
| Securities Lending Collateral | 686,911 | 181,420 | - | 59,559 |
| Fixed Assets (Net) | - | - | - | - |
| Other Assets | - | 2,418 | - | - |
| Amount Available for Debt Service | - | - | - | - |
| Amount to be Provided for Debt Service | - | - | - | - |
| Total Assets and Other Debits | $ 4,626,642 | $ 2,393,413 | $ 481,895 | $ 493,416 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | |
| Liabilities: | | | | |
| Warrants Payable | $ - | $ - | $ - | $ - |
| Accounts Payable | 1,626,384 | 667,851 | 59,084 | - |
| Interfund Payables | 42,186 | 137,076 | 26,333 | - |
| Payable to Other Governmental Units | - | - | - | - |
| Due to Component Units | 146,251 | 1,781 | - | - |
| Due to Primary Government | - | - | - | - |
| Deferred Revenue | 170,188 | 61,755 | - | - |
| Payable from Restricted Assets: | | | | |
| Accounts Payable | - | - | - | - |
| Interfund Payable | - | - | - | - |
| General Obligation Bonds Payable | - | - | - | - |
| Revenue Bonds Payable | - | - | - | - |
| Accrued Bond Interest Payable | - | - | - | - |
| Other Payable from Restricted Assets | - | - | - | - |
| General Obligation Bonds Payable | - | - | - | - |
| Loans and Notes Payable | - | - | - | - |
| Revenue Bonds Payable | - | - | - | - |
| Grants Payable | - | - | - | - |
| Claims Payable | - | - | - | - |
| Compensated Absences Payable | - | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Workers Compensation Liability | - | - | - | - |
| Securities Lending Collateral | 686,911 | 181,420 | - | 59,559 |
| Funds Held in Trust | - | - | - | - |
| Other Liabilities | - | 1,211 | - | - |
| Total Liabilities | $ 2,671,920 | $ 1,051,094 | $ 85,417 | $ 59,559 |
| Equity and Other Credits: | | | | |
| Contributed Capital | $ - | $ - | $ - | $ - |
| Investment in General Fixed Assets | - | - | - | - |
| Retained Earnings: | | | | |
| Reserved Retained Earnings | - | - | - | - |
| Unreserved Retained Earnings | - | - | - | - |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 106,615 | 90,821 | 4,843 | - |
| Budgetary Reserve | 972,000 | 127,259 | - | - |
| Other Reserved Fund Balances | 9,746 | 196,802 | 259,760 | 433,857 |
| Unreserved Fund Balances: | | | | |
| Designated Fund Balances | 415,151 | 409,274 | - | - |
| Undesignated Fund Balances | 451,210 | 518,163 | 131,875 | - |
| Total Equity and Other Credits | $ 1,954,722 | $ 1,342,319 | $ 396,478 | $ 433,857 |
| Total Liabilities, Equity and Other Credits | $ 4,626,642 | $ 2,393,413 | $ 481,895 | $ 493,416 |

The notes are an integral part of the financial statements.

| PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPES | ACCOUNT GROUPS | | PRIMARY GOVERNMENT | |
|---|---|---|---|---|---|---|
| ENTERPRISE | INTERNAL SERVICE | TRUST AND AGENCY | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATION | TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
| $ 71,874 | $ 123,592 | $ 3,943,301 | $ - | $ - | $ 9,273,186 | $ 1,290,471 |
| 34,802 | 19,761 | 44,299,063 | - | - | 44,510,366 | 2,217,707 |
| 19,447 | 28,502 | 94,532 | - | - | 787,349 | 272,455 |
| - | - | - | - | - | - | 57,700 |
| 8,826 | 28 | 45,069 | - | - | 263,167 | 765 |
| - | - | - | - | - | - | 9,872 |
| - | - | - | - | - | - | 157,333 |
| - | - | - | - | - | 48,298 | - |
| 923 | 426 | 183,253 | - | - | 251,984 | 33,685 |
| - | - | 46 | - | - | 556,536 | 64,571 |
| 14,452 | 1,176 | 2,197 | - | - | 31,759 | 33,435 |
| - | - | - | - | - | 28,901 | - |
| 657 | 1,532 | - | - | - | 2,189 | 13,659 |
| | | | | | | |
| - | - | - | - | - | - | 479,173 |
| 17,671 | - | - | - | - | 17,671 | 302,007 |
| - | - | - | - | - | - | 687,328 |
| - | - | - | - | - | - | 6,665 |
| - | - | - | - | - | - | 21,918 |
| - | - | - | - | - | - | 97,868 |
| 35,509 | - | 22,988 | - | - | 260,219 | 2,161,187 |
| - | - | - | - | - | 3,060 | - |
| - | 20,814 | 4,024,034 | - | - | 4,972,738 | 75,189 |
| 93,737 | 32,207 | 19,792 | 3,445,891 | - | 3,591,627 | 2,621,544 |
| 1,261 | - | - | - | - | 3,679 | 1,160 |
| - | - | - | - | 229,735 | 229,735 | 31,465 |
| - | - | - | - | 3,100,926 | 3,100,926 | 139,599 |
| $ 299,159 | $ 228,038 | $ 52,634,275 | $ 3,445,891 | $ 3,330,661 | $ 67,933,390 | $ 10,776,756 |
| | | | | | | |
| $ - | $ - | $ 203,144 | $ - | $ - | $ 203,144 | $ - |
| 28,509 | 62,742 | 1,364,277 | - | - | 3,808,847 | 280,070 |
| 14,854 | 1,352 | 41,366 | - | - | 263,167 | 7,371 |
| - | - | - | - | - | - | 799 |
| - | - | 9,301 | - | - | 157,333 | - |
| - | - | - | - | - | - | 51,930 |
| 3,255 | 3,063 | 4,345 | - | - | 242,606 | 62,613 |
| | | | | | | |
| 1,616 | - | - | - | - | 1,616 | 21,116 |
| - | - | - | - | - | - | 59 |
| - | - | - | - | - | - | 73,065 |
| 715 | - | - | - | - | 715 | 588,433 |
| - | - | - | - | - | - | 69,757 |
| 4,674 | - | - | - | - | 4,674 | 87,837 |
| 4,619 | - | - | - | 2,527,281 | 2,531,900 | 750,609 |
| 2,482 | 27,144 | - | - | 5,241 | 34,867 | 335,586 |
| 28,195 | - | 29,000 | - | 56,595 | 113,790 | 2,122,794 |
| - | - | - | - | - | - | 13,014 |
| - | - | - | - | 306,948 | 306,948 | 398,475 |
| 7,180 | 3,629 | 2,094 | - | 276,358 | 289,261 | 61,573 |
| 60 | 3,000 | - | - | - | 3,060 | - |
| - | - | - | - | 136,660 | 136,660 | - |
| - | 20,814 | 4,024,034 | - | - | 4,972,738 | 75,189 |
| - | - | 29,315 | - | - | 29,315 | 113,100 |
| 1,501 | - | 261 | - | 21,578 | 24,551 | 26,070 |
| $ 97,660 | $ 121,744 | $ 5,707,137 | $ - | $ 3,330,661 | $ 13,125,192 | $ 5,139,460 |
| | | | | | | |
| $ 25,848 | $ 6,064 | $ - | $ - | $ - | $ 31,912 | $ 962,334 |
| - | - | - | 3,445,891 | - | 3,445,891 | 1,016,752 |
| | | | | | | |
| 11,649 | 81,860 | - | - | - | 93,509 | 724,039 |
| 164,002 | 18,370 | - | - | - | 182,372 | 1,102,224 |
| | | | | | | |
| - | - | 8,868 | - | - | 211,147 | 38,079 |
| - | - | - | - | - | 1,099,259 | - |
| - | - | 46,082,588 | - | - | 46,982,753 | 1,030,019 |
| | | | | | | |
| - | - | 790,638 | - | - | 1,615,063 | 578,557 |
| - | - | 45,044 | - | - | 1,146,292 | 185,292 |
| $ 201,499 | $ 106,294 | $ 46,927,138 | $ 3,445,891 | $ - | $ 54,808,198 | $ 5,637,296 |
| $ 299,159 | $ 228,038 | $ 52,634,275 | $ 3,445,891 | $ 3,330,661 | $ 67,933,390 | $ 10,776,756 |

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

**YEAR ENDED JUNE 30, 2000**
**(IN THOUSANDS)**

| | GOVERNMENTAL FUND TYPES | | | |
|---|---|---|---|---|
| | GENERAL | SPECIAL REVENUE | CAPITAL PROJECTS | DEBT SERVICE |
| Net Revenues: | | | | |
| Individual Income Taxes | $ 5,591,326 | $ - | $ - | $ - |
| Corporate Income Taxes | 834,243 | - | - | - |
| Sales Taxes | 3,112,373 | - | - | 2,148 |
| Motor Vehicle License Taxes | 926 | 596,248 | - | - |
| Fuel Taxes | - | 611,112 | - | - |
| Other Taxes | 1,387,264 | 367,788 | - | 2,646 |
| Tobacco Settlement | 104,926 | - | - | - |
| Federal Revenues | 20,183 | 4,185,619 | - | - |
| Licenses and Fees | 151,860 | 210,127 | - | - |
| Care and Hospitalization Revenues | 39,543 | 505 | - | - |
| Tuition and Student Fees | 324,396 | 19,642 | - | - |
| Departmental Services | 52,601 | 125,860 | - | - |
| Investment/Interest Income | 190,573 | 64,958 | 547 | 38,062 |
| Deferred Compensation Contributions | - | - | - | - |
| Securities Lending Income | 6,004 | - | - | - |
| Other Revenues | 139,664 | 150,917 | 108 | 42 |
| Net Revenues | $ 11,955,882 | $ 6,332,776 | $ 655 | $ 42,898 |
| Expenditures: | | | | |
| Current: | | | | |
| Protection of Persons and Property | $ 130,116 | $ 138,383 | $ 716 | $ - |
| Transportation | 3,141 | 448,556 | 11,108 | - |
| Resource Management | 131,480 | 194,957 | 26,588 | - |
| Economic and Manpower Development | 75,161 | 155,445 | 318 | - |
| Education | 935,108 | 93,686 | 29,506 | - |
| Health and Social Services | 583,643 | 336,282 | 12 | - |
| General Government | 274,457 | 48,710 | 41,850 | 25 |
| Securities Lending Rebates and Fees | 5,910 | - | - | - |
| Total Current Expenditures | $ 2,139,016 | $ 1,416,019 | $ 110,098 | $ 25 |
| Capital Outlay | 31,773 | 549,483 | 96,870 | - |
| Debt Service | 42,984 | 12,779 | 146 | 391,176 |
| Grants and Subsidies | 8,121,715 | 3,848,345 | 133,195 | - |
| Deferred Compensation Withdrawals | - | - | - | - |
| Total Expenditures | $ 10,335,488 | $ 5,826,626 | $ 340,309 | $ 391,201 |
| Excess of Revenues Over (Under) Expenditures | $ 1,620,394 | $ 506,150 | $ (339,654) | $ (348,303) |
| Other Financing Sources (Uses): | | | | |
| General Obligation and Revenue Bonds | $ - | $ 2,000 | $ 356,900 | $ 4,191 |
| Operating Transfers-In | 78,787 | 912,349 | 97,004 | 336,060 |
| Operating Transfers to Debt Service | (317,816) | (5,856) | (12,302) | - |
| Other Operating Transfers-Out | (568,558) | (1,237,326) | (3,314) | - |
| Transfers-In from Primary Government | - | - | - | - |
| Transfers-Out to Primary Government | - | - | - | - |
| Transfers-In from Component Units | 385 | - | - | 11,031 |
| Transfers-Out to Component Units | (913,158) | (24,007) | (103,745) | - |
| Capital Leases | 3,643 | 5,658 | - | - |
| Net Other Financing Sources (Uses) | $ (1,716,717) | $ (347,182) | $ 334,543 | $ 351,282 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | $ (96,323) | $ 158,968 | $ (5,111) | $ 2,979 |
| Fund Balances, Beginning, as Reported | $ 2,031,411 | $ 1,199,516 | $ 407,429 | $ 385,193 |
| Prior Period Adjustments | - | - | - | 45,685 |
| Change in Fund Structure | - | - | - | - |
| Fund Balances, Beginning, as Restated | $ 2,031,411 | $ 1,199,516 | $ 407,429 | $ 430,878 |
| Residual Equity Transfers-In | 19,891 | - | - | - |
| Residual Equity Transfers-Out | (257) | (14,051) | (5,840) | - |
| Change in Inventory | - | (2,114) | - | - |
| Fund Balances, Ending | $ 1,954,722 | $ 1,342,319 | $ 396,478 | $ 433,857 |

The notes are an integral part of the financial statements.

| FIDUCIARY FUND TYPE EXPENDABLE TRUST | PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
|---|---|---|
| $ - | $ 5,591,326 | $ - |
| - | 834,243 | - |
| - | 3,114,521 | - |
| - | 597,174 | - |
| - | 611,112 | - |
| 383,672 | 2,141,370 | 49,566 |
| 221,785 | 326,711 | 3,800 |
| 12,073 | 4,217,875 | 4,687 |
| - | 361,987 | - |
| - | 40,048 | - |
| - | 344,038 | - |
| - | 178,461 | - |
| 168,701 | 462,841 | 17,040 |
| 140,146 | 140,146 | - |
| 3,256 | 9,260 | - |
| 36,021 | 326,752 | 57,886 |
| $ 965,654 | $ 19,297,865 | $ 132,979 |
| | | |
| $ 59 | $ 269,274 | $ - |
| 7,389 | 470,194 | 49,762 |
| 3,905 | 356,930 | 19,309 |
| 2,240 | 233,164 | 13,080 |
| 7,126 | 1,065,426 | 10,234 |
| 1,255 | 921,192 | 30,100 |
| 586 | 365,628 | 39,984 |
| 3,010 | 8,920 | - |
| $ 25,570 | $ 3,690,728 | $ 162,469 |
| 9,413 | 687,539 | 3,655 |
| - | 447,085 | 57,168 |
| 927,182 | 13,030,437 | 160,108 |
| 151,048 | 151,048 | - |
| $ 1,113,213 | $ 18,006,837 | $ 383,400 |
| $ (147,559) | $ 1,291,028 | $ (250,421) |
| $ - | $ 363,091 | $ 47,048 |
| 819,038 | 2,243,238 | 1,910 |
| - | (335,974) | - |
| (8,277) | (1,817,475) | (4,685) |
| - | - | 223,608 |
| - | - | (8,932) |
| - | 11,416 | - |
| (18,975) | (1,059,885) | - |
| - | 9,301 | - |
| $ 791,786 | $ (586,288) | $ 258,949 |
| $ 644,227 | $ 704,740 | $ 8,528 |
| $ 1,819,254 | $ 5,842,803 | $ 514,649 |
| - | 45,685 | - |
| 469,461 | 469,461 | - |
| $ 2,288,715 | $ 6,357,949 | $ 514,649 |
| - | 19,891 | - |
| - | (20,148) | (14,693) |
| - | (2,114) | - |
| $ 2,932,942 | $ 7,060,318 | $ 508,484 |

# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND AND APPROPRIATED SPECIAL REVENUE FUNDS BUDGETARY BASIS

### YEAR ENDED JUNE 30, 2000
### (IN THOUSANDS)

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Net Revenues: | | | | | | |
| Individual Income Taxes | $ 5,446,620 | $ 5,546,730 | $ 100,110 | $ - | $ - | $ - |
| Corporate Income Taxes | 742,110 | 811,177 | 69,067 | - | - | - |
| Sales Taxes | 3,076,722 | 3,097,320 | 20,598 | - | - | - |
| Motor Vehicle License Taxes | - | - | - | 608,112 | 608,112 | - |
| Fuel Taxes | - | - | - | 610,502 | 610,641 | 139 |
| Tobacco Taxes | - | - | - | 7,158 | 7,295 | 137 |
| Other Taxes | 1,399,186 | 1,409,906 | 10,720 | 188,464 | 202,943 | 14,479 |
| Federal Revenues | - | - | - | 313,800 | 333,105 | 19,305 |
| Licenses and Fees | - | - | - | 59,992 | 71,232 | 11,240 |
| Care and Hospitalization Revenues | 22,780 | 18,833 | (3,947) | - | - | - |
| Tuition and Student Fees | 265,463 | 325,155 | 59,692 | - | - | - |
| Departmental Services | 54,966 | 36,206 | (18,760) | 83,477 | 78,332 | (5,145) |
| Investment/Interest Income | 151,700 | 187,718 | 36,018 | 37,940 | 47,124 | 9,184 |
| Other Revenues | 359,867 | 524,432 | 164,565 | 151,988 | 143,564 | (8,424) |
| Net Revenues | $ 11,519,414 | $ 11,957,477 | $ 438,063 | $ 2,061,433 | $ 2,102,348 | $ 40,915 |
| Expenditures: | | | | | | |
| Protection of Persons and Property | $ 154,067 | $ 153,992 | $ 75 | $ 98,976 | $ 98,976 | $ - |
| Transportation | 70,177 | 70,177 | - | 945,703 | 941,106 | 4,597 |
| Resource Management | 219,228 | 218,952 | 276 | 139,975 | 133,898 | 6,077 |
| Economic and Manpower Development | 197,629 | 197,282 | 347 | 109,540 | 109,540 | - |
| Education | 5,383,881 | 5,383,269 | 612 | 744 | 744 | - |
| Health and Social Services | 2,987,511 | 2,973,749 | 13,762 | 152,488 | 152,455 | 33 |
| General Government | 1,618,689 | 1,552,628 | 66,061 | 21,566 | 21,052 | 514 |
| Total Expenditures | $ 10,631,182 | $ 10,550,049 | $ 81,133 | $ 1,468,992 | $ 1,457,771 | $ 11,221 |
| Excess of Revenues Over (Under) Expenditures | $ 888,232 | $ 1,407,428 | $ 519,196 | $ 592,441 | $ 644,577 | $ 52,136 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers-In | $ 248,963 | $ 234,936 | $ (14,027) | $ 688,142 | $ 723,201 | $ 35,059 |
| Operating Transfers to Debt Service | (255,037) | (255,037) | - | (3,820) | (3,820) | - |
| Other Operating Transfers-Out | (247,009) | (247,009) | - | (1,221,317) | (1,221,317) | - |
| Transfers-Out to Component Units | (913,158) | (913,158) | - | (4,803) | (4,803) | - |
| Net Other Financing Sources (Uses) | $ (1,166,241) | $ (1,180,268) | $ (14,027) | $ (541,798) | $ (506,739) | $ 35,059 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | $ (278,009) | $ 227,160 | $ 505,169 | $ 50,643 | $ 137,838 | $ 87,195 |
| Fund Balances, Beginning, as Reported | $ 1,987,350 | $ 1,987,350 | $ - | $ 574,517 | $ 574,517 | $ - |
| Prior Period Adjustments | - | 33,711 | 33,711 | (1) | 4,566 | 4,567 |
| Fund Balances, Beginning, as Restated | $ 1,987,350 | $ 2,021,061 | $ 33,711 | $ 574,516 | $ 579,083 | $ 4,567 |
| Budgetary Fund Balances, Ending | $ 1,709,341 | $ 2,248,221 | $ 538,880 | $ 625,159 | $ 716,921 | $ 91,762 |
| Less: Appropriation Carryover | - | 415,151 | (415,151) | - | 95,549 | (95,549) |
| Less: Budgetary Reserve | 972,000 | 972,000 | - | 127,259 | 127,259 | - |
| Undesignated Fund Balances, Ending | $ 737,341 | $ 861,070 | $ 123,729 | $ 497,900 | $ 494,113 | $ (3,787) |

The notes are an integral part of the financial statements.

# COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

**YEAR ENDED JUNE 30, 2000**
**(IN THOUSANDS)**

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | PRIMARY GOVERNMENT | |
|---|---|---|---|---|---|
| | ENTERPRISE | INTERNAL SERVICE | NONEXPENDABLE TRUST | TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
| Operating Revenues: | | | | | |
| Net Sales | $ 445,981 | $ 18,321 | $ 12,191 | $ 476,493 | $ 18,437 |
| Interest Income | 1,160 | - | - | 1,160 | 159,957 |
| Investment Income | - | - | 33,700 | 33,700 | 66,540 |
| Rental and Service Fees | 116,089 | 117,291 | - | 233,380 | 201,818 |
| Insurance Premiums | 10,327 | 361,229 | - | 371,556 | 33,741 |
| Other Income | 2,949 | 5,822 | 11 | 8,782 | 7,949 |
| Total Operating Revenues | $ 576,506 | $ 502,663 | $ 45,902 | $ 1,125,071 | $ 488,442 |
| Less: Cost of Goods Sold | 319,938 | 11,089 | - | 331,027 | - |
| Gross Margin | $ 256,568 | $ 491,574 | $ 45,902 | $ 794,044 | $ 488,442 |
| Operating Expenses: | | | | | |
| Interest and Financing Costs | $ - | $ - | $ - | $ - | $ 152,111 |
| Purchased Services | 69,861 | 156,960 | 85 | 226,906 | 67,467 |
| Salaries and Fringe Benefits | 85,252 | 34,616 | 4,896 | 124,764 | 187,394 |
| Claims | 9,643 | 253,038 | - | 262,681 | 14,930 |
| Depreciation | 8,960 | 11,996 | - | 20,956 | 65,610 |
| Amortization | - | 638 | - | 638 | 59 |
| Supplies and Materials | 8,818 | 5,670 | - | 14,488 | 22,432 |
| Indirect Costs | 3,621 | 2,967 | - | 6,588 | 23,682 |
| Other Expenses | 9,419 | 1,523 | - | 10,942 | 48,129 |
| Total Operating Expenses | $ 195,574 | $ 467,408 | $ 4,981 | $ 667,963 | $ 581,814 |
| Operating Income (Loss) | $ 60,994 | $ 24,166 | $ 40,921 | $ 126,081 | $ (93,372) |
| Nonoperating Revenues (Expenses): | | | | | |
| Investment Income | $ 8,083 | $ 10,472 | $ - | $ 18,555 | $ 51,066 |
| Grants and Subsidies | 284 | - | - | 284 | 173,718 |
| Other Nonoperating Revenues | 2,269 | - | - | 2,269 | 89,677 |
| Interest and Financing Costs | (2,543) | (1,409) | - | (3,952) | (27,600) |
| Rebate Costs | (2,347) | (5,800) | - | (8,147) | - |
| Grants, Aids and Subsidies | (1,002) | - | - | (1,002) | (199,014) |
| Other Nonoperating Expenses | (2,157) | - | - | (2,157) | 968 |
| Gain (Loss) on Sale of Fixed Assets | (10) | 493 | 143 | 626 | (5,806) |
| Net Nonoperating Revenues (Expenses) | $ 2,577 | $ 3,756 | $ 143 | $ 6,476 | $ 83,009 |
| Income Before Operating Transfers | $ 63,571 | $ 27,922 | $ 41,064 | $ 132,557 | $ (10,363) |
| Operating Transfers-In | 8,534 | 2,375 | - | 10,909 | 2,776 |
| Operating Transfers to Debt Service | (86) | - | - | (86) | - |
| Other Operating Transfers-Out | (65,478) | (12,838) | (22,296) | (100,612) | (1) |
| Transfers-In from Primary Government | - | - | - | - | 122,530 |
| Net Income (Loss) | $ 6,541 | $ 17,459 | $ 18,768 | $ 42,768 | $ 114,942 |
| Depreciation on Fixed Assets Acquired with Contributed Capital | 352 | - | - | 352 | 31,546 |
| Increase (Decrease) in Retained Earnings/Fund Balances | $ 6,893 | $ 17,459 | $ 18,768 | $ 43,120 | $ 146,488 |
| Retained Earnings/Fund Balances,Beginning, as Reported | $ 167,704 | $ 82,771 | $ 1,044,545 | $ 1,295,020 | $ 1,679,775 |
| Prior Period Adjustments | 1,054 | - | - | 1,054 | - |
| Change in Fund Structure | - | - | (469,461) | (469,461) | - |
| Retained Earnings/Fund Balances,Beginning, as Restated | $ 168,758 | $ 82,771 | $ 575,084 | $ 826,613 | $ 1,679,775 |
| Retained Earnings/Fund Balances, Ending | $ 175,651 | $ 100,230 | $ 593,852 | $ 869,733 | $ 1,826,263 |

The notes are an integral part of the financial statements.

## COMBINED STATEMENT OF CASH FLOWS
## ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS
## AND DISCRETELY PRESENTED COMPONENT UNITS
**YEAR ENDED JUNE 30, 2000**
**(IN THOUSANDS)**

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | | |
|---|---|---|---|---|---|
| | ENTERPRISE | INTERNAL SERVICE | NON-EXPENDABLE TRUST | PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
| Cash Flows from Operating Activities: | | | | | |
| Operating Income (Loss) | $ 60,994 | $ 24,166 | $ 40,921 | $ 126,081 | $ (93,372) |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: | | | | | |
| Depreciation | $ 8,960 | $ 12,132 | $ - | $ 21,092 | $ 65,610 |
| Amortization | - | 638 | - | 638 | 59 |
| Write-off of Equipment | (27) | - | - | (27) | - |
| Investment Income | - | - | (33,700) | (33,700) | (66,540) |
| Interest and Financing Costs | - | - | - | - | 152,111 |
| Loan Principal Repayments | 5,247 | - | - | 5,247 | 303,291 |
| Loans Issued | (5,950) | - | - | (5,950) | (485,225) |
| Provision for Loan Defaults | 1,391 | - | - | 1,391 | (1,305) |
| Customer Deposits | - | - | - | - | 41,236 |
| Return of Customer Deposits | - | - | - | - | (32,096) |
| Net Nonoperating Revenues (Expenses) | 1,603 | - | - | 1,603 | 1,468 |
| Change in Assets and Liabilities: | | | | | |
| Accounts Receivable | 6,537 | 5,541 | (560) | 11,518 | 5,938 |
| Inventories | 918 | 22 | - | 940 | 24 |
| Other Assets | (311) | (1,148) | - | (1,459) | 360 |
| Accounts Payable | (197) | 8,047 | 150 | 8,000 | 2,303 |
| Deferred Revenues | (337) | 1,916 | - | 1,579 | 1,344 |
| Claims and Judgments Payable | - | - | - | - | (30,000) |
| Other Liabilities | (173) | 102 | - | (71) | (6,117) |
| Net Reconciling Items to be Added to (Deducted from) Operating Income | $ 17,661 | $ 27,250 | $ (34,110) | $ 10,801 | $ (47,539) |
| Net Cash Flows from Operating Activities | $ 78,655 | $ 51,416 | $ 6,811 | $ 136,882 | $ (140,911) |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Grant Receipts | $ 950 | $ - | $ - | $ 950 | $ 362,820 |
| Grant Disbursements | (1,002) | - | - | (1,002) | (207,693) |
| Transfers-In | 8,428 | 2,375 | - | 10,803 | 96,577 |
| Transfers-Out | (68,387) | (12,838) | (20,860) | (102,085) | (4,467) |
| Advances from Other Funds | - | 6,200 | - | 6,200 | - |
| Repayments of Advances from Other Funds | (680) | (5,660) | - | (6,340) | - |
| Contributed Capital | 258 | - | - | 258 | - |
| Rebate Costs | (1,002) | (5,200) | - | (6,202) | - |
| Proceeds from Bond Sales | - | - | - | - | 444,772 |
| Repayment of Debt | - | - | - | - | (493,738) |
| Bond Issuance Costs | - | - | - | - | (895) |
| Interest Paid | - | - | - | - | (155,004) |
| Net Cash Flows from Noncapital Financing Activities | $ (61,435) | $ (15,123) | $ (20,860) | $ (97,418) | $ 42,372 |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Investment in Fixed Assets | $ (9,217) | $ (9,873) | $ - | $ (19,090) | $ (116,181) |
| Investment Leasehold Improvements | - | (6) | - | (6) | - |
| Proceeds (Costs) of Disposal of Fixed Assets | (2,148) | 1,289 | 762 | (97) | 53 |
| Capital Contributions | - | - | - | - | 63,665 |
| Proceeds from Capital Lease | - | 83 | - | 83 | - |
| Capital Lease Payments | (248) | - | - | (248) | - |
| Proceeds from Loans | - | 9,641 | - | 9,641 | - |
| Repayment of Loan Principal | (174) | (13,404) | - | (13,578) | - |
| Proceeds from Bond Sales | - | - | - | - | 75,432 |
| Repayment of Bond Principal | (944) | - | - | (944) | (75,614) |
| Interest Paid | (2,544) | (669) | - | (3,213) | (30,273) |
| Net Cash Flows from Capital and Related Financing Activities | $ (15,275) | $ (12,939) | $ 762 | $ (27,452) | $ (82,918) |

## COMBINED STATEMENT OF CASH FLOWS
## ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS
## AND DISCRETELY PRESENTED COMPONENT UNITS
### YEAR ENDED JUNE 30, 2000
### (IN THOUSANDS)

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | | |
|---|---|---|---|---|---|
| | ENTERPRISE | INTERNAL SERVICE | NON-EXPENDABLE TRUST | PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
| Cash Flows from Investing Activities: | | | | | |
| Proceeds from Sales and Maturities of Investments | $ 211,938 | $ 2,504 | $ 42,024 | $ 256,466 | $ 1,628,839 |
| Purchase of Investments | (217,839) | (7,457) | (45,912) | (271,208) | (1,642,267) |
| Investment Earnings | 7,809 | 9,864 | 22,398 | 40,071 | 119,346 |
| Net Cash Flows from Investing Activities | $ 1,908 | $ 4,911 | $ 18,510 | $ 25,329 | $ 105,918 |
| Net Increase (Decrease) in Cash and Cash Equivalents | $ 3,853 | $ 28,265 | $ 5,223 | $ 37,341 | $ (75,539) |
| Cash and Cash Equivalents, Beginning, as Reported | $ 68,021 | $ 95,327 | $ 192,576 | $ 355,924 | $ 1,175,591 |
| Change in Fund Structure | - | - | (170,739) | (170,739) | - |
| Cash and Cash Equivalents, Beginning, as Restated | $ 68,021 | $ 95,327 | $ 21,837 | $ 185,185 | $ 1,175,591 |
| Cash and Cash Equivalents, Ending | $ 71,874 | $ 123,592 | $ 27,060 | $ 393,265 | $ 1,100,052 |

**Noncash Investing, Capital, and Financing Activities:**

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the Internal Service Funds because a portion of the depreciation is included in the Cost of Goods Sold.

| | ENTERPRISE | INTERNAL SERVICE | NON-EXPENDABLE TRUST | PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY) | COMPONENT UNITS |
|---|---|---|---|---|---|
| Depreciation on Fixed Assets Acquired with Contributed Capital | $ 352 | $ - | $ - | $ 352 | $ 31,546 |
| Change in Capitalization Policy | - | - | - | - | 5,795 |
| Fixed Assets Acquired Under Capital Leases | 2,573 | - | - | 2,573 | 744 |
| Fixed Assets Acquired Through Loans | - | 1,669 | - | 1,669 | - |
| Increase in Fair Value of Investments | - | - | 11,428 | 11,428 | - |

**Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:**

Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 2000, on the Combined Statement of Cash Flows is reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

**Cash and Cash Equivalents June 30, 2000:**
**(In Thousands)**

| | |
|---|---|
| Fiduciary Funds: | |
| Pension Trust Funds | $ 2,361,640 |
| Investment Trust Funds | 24,320 |
| Nonexpendable Trust Funds | 27,060 |
| Expendable Trust Funds | 1,277,342 |
| Agency Funds | 252,939 |
| Total Fiduciary Funds | $ 3,943,301 |
| Component Units: | |
| Governmental Funds | $ 168,251 |
| Proprietary Funds | 1,100,052 |
| University Fund | 501,341 |
| Total Component Units | $ 1,769,644 |

The notes are an integral part of the financial statements.

## COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION AND INVESTMENT TRUST FUNDS
### YEAR ENDED JUNE 30, 2000
### (IN THOUSANDS)

| | PENSION TRUST FUNDS | | | INVESTMENT TRUST | |
|---|---|---|---|---|---|
| | DEFINED BENEFIT | DEFINED CONTRIBUTION | TOTAL PENSION TRUST | SUPPLEMENTAL RETIREMENT | TOTAL |
| Additions: | | | | | |
| Contributions: | | | | | |
| Employer | $ 473,991 | $ 24,025 | $ 498,016 | $ - | $ 498,016 |
| Member | 428,943 | 19,694 | 448,637 | - | 448,637 |
| Contributions from Other Sources | 2,112 | - | 2,112 | - | 2,112 |
| Participating Plans | - | - | - | 70,379 | 70,379 |
| Total Contributions | $ 905,046 | $ 43,719 | $ 948,765 | $ 70,379 | $ 1,019,144 |
| Net Investment Income: | | | | | |
| Investment Income | $ 3,703,128 | $ 75,901 | $ 3,779,029 | $ 31,172 | $ 3,810,201 |
| Less: Investment Expense | (28,476) | - | (28,476) | (237) | (28,713) |
| Net Investment Income | $ 3,674,652 | $ 75,901 | $ 3,750,553 | $ 30,935 | $ 3,781,488 |
| Securities Lending Revenues (Expenses): | | | | | |
| Securities Lending Income | $ 225,039 | $ 1,736 | $ 226,775 | $ 2,125 | $ 228,900 |
| Borrower Rebates | (203,603) | (1,553) | (205,156) | (1,908) | (207,064) |
| Management Fees | (6,105) | (50) | (6,155) | (58) | (6,213) |
| Net Securities Lending Revenue | $ 15,331 | $ 133 | $ 15,464 | $ 159 | $ 15,623 |
| Total Investment Income | $ 3,689,983 | $ 76,034 | $ 3,766,017 | $ 31,094 | $ 3,797,111 |
| Transfers From Other Funds | $ 12,020 | $ 2,406 | $ 14,426 | $ - | $ 14,426 |
| Other Additions | 3,973 | 281 | 4,254 | - | 4,254 |
| Total Additions | $ 4,611,022 | $ 122,440 | $ 4,733,462 | $ 101,473 | $ 4,834,935 |
| Deductions: | | | | | |
| Benefits | $ 1,739,523 | $ - | $ 1,739,523 | $ - | $ 1,739,523 |
| Refunds/Withdrawals | 133,713 | 44,307 | 178,020 | 73,402 | 251,422 |
| Administrative Expenses | 29,852 | 9,608 | 39,460 | - | 39,460 |
| Transfers to Other Funds | 9,428 | 4,998 | 14,426 | - | 14,426 |
| Total Deductions | $ 1,912,516 | $ 58,913 | $ 1,971,429 | $ 73,402 | $ 2,044,831 |
| Net Increase | $ 2,698,506 | $ 63,527 | $ 2,762,033 | $ 28,071 | $ 2,790,104 |
| Net Assets Held in Trust for Pension Benefits, Beginning | $ 39,396,699 | $ 786,551 | $ 40,183,250 | $ 426,990 | $ 40,610,240 |
| Net Assets Held in Trust for Pension Benefits, Ending | $ 42,095,205 | $ 850,078 | $ 42,945,283 | $ 455,061 | $ 43,400,344 |

The notes are an integral part of the financial statements.

## UNIVERSITY OF MINNESOTA
## STATEMENT OF CHANGES
## IN FUND BALANCES - CONSOLIDATED TOTALS
### YEAR ENDED JUNE 30, 2000
### (IN THOUSANDS)

| | CONSOLIDATED TOTALS |
|---|---|
| Revenues and Other Additions: | |
| Unrestricted Revenues | $ 661,106 |
| Federal Appropriations | 17,357 |
| Transfers from Primary Government | 708,434 |
| Federal Grants and Contracts | 293,936 |
| State Grants and Contracts | 27,096 |
| Other Government Grants and Contracts | 4,168 |
| Private Gifts, Grants, and Contracts | 237,908 |
| Endowment Income | 15,681 |
| Investment Income | 14,124 |
| Realized Gains and Adjustments to Market Value, Net | 171,196 |
| Student Loan Interest | 2,215 |
| Expended for Plant Facilities | 255,165 |
| Retirement of Indebtedness | 4,343 |
| Other Additions | 783 |
| Total Revenues and Other Additions | $ 2,413,512 |
| Expenditures and Other Deductions: | |
| Education and General | $ 1,641,859 |
| Auxiliary Enterprises | 156,377 |
| Indirect Costs Recovered | 64,721 |
| Adjustments to Carrying Value of Loans | 368 |
| Administrative and Collection Costs | 700 |
| Expended for Plant Facilities | 237,493 |
| Transfer to Primary Government | 2,484 |
| Retirement of Indebtedness | 4,343 |
| Debt Incurred | 5,955 |
| Interest on Indebtedness | 21,785 |
| Depreciation of Investment in Plant | 113,846 |
| Disposal of Plant | 7,383 |
| Total Expenditures and Other Deductions | $ 2,257,314 |
| Net Increase for the Year | $ 156,198 |
| Fund Balance and Investment in Fixed Assets, Beginning | $ 2,171,837 |
| Fund Balance and Investment in Fixed Assets, Ending | $ 2,328,035 |

| | |
|---|---|
| Fund Balance and Investment in Fixed Assets: | |
| Investment in Fixed Assets | $ 1,004,572 |
| Fund Balance | 1,323,453 |
| Total | $ 2,328,025 |

The notes are an integral part of the financial statements.

# UNIVERSITY OF MINNESOTA
# STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
### YEAR ENDED JUNE 30, 2000
### (IN THOUSANDS)

| | UNRESTRICTED | RESTRICTED | TOTAL |
|---|---|---|---|
| Revenues and Transfers from Primary Government: | | | |
| Tuition and Fees | $ 281,369 | $ - | $ 281,369 |
| Federal Appropriations | - | 17,357 | 17,357 |
| Transfers from Primary Government | 510,192 | 80,961 | 591,153 |
| Federal Grants and Contracts | 53,150 | 237,228 | 290,378 |
| State Grants and Contracts | 1,272 | 54,386 | 55,658 |
| Other Government Grants and Contracts | 252 | 3,821 | 4,073 |
| Private Gifts, Grants and Contracts | 7,858 | 218,839 | 226,697 |
| Endowment Income | 120 | 15,629 | 15,749 |
| Investment Income | 23,577 | 1,409 | 24,986 |
| Realized Gains (Losses) and Adjustments to Market Value, Net | (6,309) | (63) | (6,372) |
| Sales and Services of Educational Activities | 98,667 | - | 98,667 |
| Sales and Services of Auxiliary Enterprises | 201,150 | - | 201,150 |
| Total Revenues and Transfers from Primary Government | $ 1,171,298 | $ 629,567 | $ 1,800,865 |
| Expenditures and Mandatory Transfers: | | | |
| Education and General: | | | |
| Instruction | $ 389,969 | $ 82,806 | $ 472,775 |
| Research | 59,919 | 313,751 | 373,670 |
| Public Service | 37,579 | 128,109 | 165,688 |
| Academic Support | 168,606 | 43,639 | 212,245 |
| Student Services | 55,388 | 5,404 | 60,792 |
| Institutional Support | 139,706 | 3,462 | 143,168 |
| Operation and Maintenance of Plant | 116,223 | 675 | 116,898 |
| Scholarship and Fellowships | 46,869 | 49,754 | 96,623 |
| Education and General Expenditures | $ 1,014,259 | $ 627,600 | $ 1,641,859 |
| Mandatory Transfers for: | | | |
| Principal and Interest | $ 5,629 | $ 97 | $ 5,726 |
| Student Aid Matching | 689 | (506) | 183 |
| Total Education and General | $ 1,020,577 | $ 627,191 | $ 1,647,768 |
| Auxiliary Enterprises: | | | |
| Expenditures | $ 154,001 | $ 2,376 | $ 156,377 |
| Mandatory Transfers for: | | | |
| Principal and Interest | 971 | - | 971 |
| Renewals and Replacements | 708 | - | 708 |
| Total Auxiliary Enterprises | $ 155,680 | $ 2,376 | $ 158,056 |
| Total Current Expenditures and Mandatory Transfers | $ 1,176,257 | $ 629,567 | $ 1,805,824 |
| Other Transfers, Additions (Deductions): | | | |
| Excess of Restricted Additions Over Expenditures | $ - | $ 5,643 | $ 5,643 |
| Refunded to Grantors | - | (1,017) | (1,017) |
| Nonmandatory Transfers | (2,743) | 11,931 | 9,188 |
| Total Other Transfers, Additions (Deductions) | $ (2,743) | $ 16,557 | $ 13,814 |
| Net Increase (Decrease) for the Year | $ (7,702) | $ 16,557 | $ 8,855 |

The notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2000

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

**Basis of Presentation**

The reporting policies of the state of Minnesota conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

This report includes the various state departments, agencies, institutions and organizational units, which are controlled by or dependent upon the Minnesota legislature and/or its constitutional officers. The state, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. GASB has set forth criteria to be used in determining financial accountability. 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. As required by GAAP, these financial statements include the state of Minnesota (the primary government) and its component units.

Discretely presented component units. These are entities that are legally separate from the state, but for which the state is financially accountable, or their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. These component units are reported in a separate column and separately identified in the note disclosures because of their separate legal status.

- *Metropolitan Council (MC)* (governmental and proprietary fund types). 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 council members are appointed by the governor with the chair responsible for the council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. MC's fiscal year ends December 31.

- *Minnesota Technology Incorporated (MTI)* (governmental fund type). MTI fosters long-term economic growth and job creation by stimulating innovation and the development of new products, services and production processes through technology transfer, applied research and financial assistance. The state's General Fund provides most of the funding for MTI.

- *Higher Education Services Office (HESO*) (governmental and proprietary fund types). HESO makes and guarantees loans to qualified post-secondary students. HESO provides the state grant and loan program services for which the state provides administrative funding. Revenue bonds are issued in its own name with limitations set by the legislature.

- *Export Finance Authority (EFA)* (governmental fund type). EFA aids and facilitates the financing of exports from the state. Excess revenue is transferred to the state's General Fund.

- *Agricultural and Economic Development Board (AEDB)* (governmental fund type). AEDB provides services to state government by administering state programs for agricultural and economic development. AEDB may issue revenue bonds for the purpose of financing development projects.

- *Rural Finance Authority (RFA)* (governmental fund type). RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program and agricultural improvement program. RFA is under the administrative control of a commissioner appointed by the governor. The state has issued general obligation bond debt for the programs administered by RFA.

- *Minnesota Partnership for Action Against Tobacco (MPAAT)* (governmental fund type). MPAAT issues grants to health, community and academic organizations throughout Minnesota in support of research and cessation activities that will encourage and help tobacco users quit. MPAAT is funded by a tobacco lawsuit settlement with the state of Minnesota.

- *Housing Finance Agency (HFA)* (proprietary fund type). HFA provides money for loans and technical assistance for the construction and rehabilitation of housing for families of low and moderate incomes. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.

- *Public Facilities Authority (PFA)* (governmental and proprietary fund types). PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to PFA. The state provides funding for PFA. The board members determine the funding for local government projects.

- *Workers' Compensation Assigned Risk Plan (WCARP)* (proprietary fund type). WCARP 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. The state Commissioner of the Department of Commerce 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. WCARP's fiscal year ends December 31.

- *National Sports Center Foundation (NSCF)* (proprietary fund type). NSCF is under contract with the Minnesota Amateur Sports Commission to operate the National Sports Center facility primarily for the purpose of holding youth-oriented athletic and other non-athletic functions and events. NSCF is responsible for certain improvements to the facility and the operating costs of the facility. The commission approves the foundation's spending budget, approves all rates and fees and has ownership of any reserve funds. The assets belong to the state. The foundation's fiscal year ends December 31.

- *University of Minnesota (U of M)* (college and university fund type). The U of M was established on a permanent basis by the Minnesota constitution. The state appropriates a large percentage of the U of M’s operating budget. The legislature elects the 12-member board of regents, which governs the U of M, but the state does not have direct authority over the U of M’s management. The state has issued debt for the U of M capital projects.

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

Metropolitan Council
Mears Park Centre
230 East Fifth Street
St. Paul, Minnesota 55101

Minnesota Technology Incorporated
400 Mill Place, 111 Third Avenue South
Minneapolis, Minnesota 55401

Public Facilities Authority
Department of Trade & Economic Development
500 Metro Square Bldg., 121 East Seventh Place
St. Paul, Minnesota 55101

Higher Education Services Office
1450 Energy Park Drive, Suite 350
St. Paul, Minnesota 55108

Agricultural & Economic Development Board
Dept. of Trade & Economic Development
500 Metro Square Bldg., 121 East Seventh Place
St. Paul, Minnesota 55101

Export Finance Authority
Dept. of Trade & Economic Development
1000 World Center, 30 East Seventh Street
St. Paul, Minnesota 55101

Rural Finance Authority
Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107

Workers' Compensation Assigned Risk Plan
Park Glen Management Company
4500 Park Glen Road, Suite 410
Minneapolis, Minnesota 55416

Minnesota Partnership for Action Against Tobacco
590 Park Street
Suite 400
St. Paul, Minnesota 55103

National Sports Center Foundation
National Sports Center
1700 105 Avenue Northeast
Blaine, Minnesota 55449

Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

University of Minnesota
301 Morrill Hall, 100 Church Street Southeast
Minneapolis, Minnesota 55455

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 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 governor appoints a majority of each board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

- *Medical Malpractice Joint Underwriting Association.* The governor 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.

- *State Fund Mutual Insurance Company.* The governor appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments.

- *Workers' Compensation Reinsurance Association.* The governor appoints a majority of the board. The association supports itself solely from revenues derived from premiums charged to its members. The state has no authority to affect the operations of the association.

The following organizations also prepare and publish their own financial reports, which may contain differences in presentation resulting from differing reporting emphasis. Copies of their reports may be obtained directly from the organization.

State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

Minnesota State Retirement System
175 West Lafayette Frontage Road, Suite 300
St. Paul, Minnesota 55107

Public Employees Retirement Association
Suite 200
514 St. Peter Street
St. Paul, Minnesota 55102

State Board of Investment
Capitol Professional Office Building
590 Park Street, Suite 200
St. Paul, Minnesota 55103

Teachers Retirement Association
500 Gallery Professional Building
17 West Exchange Street
St. Paul, Minnesota 55102

MnSCU Revenue Bond Fund
c/o MnSCU Campus Services Unit
1450 Energy Park Drive, Ste. 300
St. Paul, MN 55108

**Classification of Funds**

Individual funds have been established as stipulated by legal provisions or by administrative discretion. The funds presented are classified as follows:

Governmental Funds. These funds account for the acquisition, use and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. Included in this classification are the General Fund (which accounts for all financial resources except those required to be accounted for in another fund), special revenue, capital projects and debt service fund types. The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The capital project funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

Proprietary Funds. These funds account for all assets, liabilities and equities, and match revenues and expenses to determine net income and capital maintenance. The fund types included in this category are the enterprise and internal service funds.

Fiduciary Funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Included in this fund category are expendable and nonexpendable trust, pension and investment trust and agency fund types. Depending on their nature, fiduciary funds are classified as governmental (expendable trust funds) or proprietary funds (pension, investment and nonexpendable trust funds) for accounting measurement purposes. Agency funds are custodial in nature; thus, they do not measure results of operations.

Account Groups. These account for the fixed asset acquisitions and the general obligation long-term indebtedness for all governmental fund types.

Component Units. These account for the assets, liabilities and operations of discretely presented component units. Statements other than balance sheets are combined with statements of funds using a similar basis of accounting.

**Basis of Accounting**

All proprietary, pension, investment and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized as they are incurred. The accrual basis of accounting is also used for contributions, benefits and refunds paid for defined benefit and defined contribution pension plans. All proprietary funds, except the Workers' Compensation Assigned Risk Plan (WCARP) (component unit), follow applicable GASB guidance or Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with, or contradict, GASB pronouncements. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989 that do not contradict GASB pronouncements.

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting includes the following recognition principles:

Revenues. Individual income, sales and unemployment compensation taxes and federal grants are the major revenue sources susceptible to accrual. Tax revenues 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. *Available* means the revenue is collectible by the close of the books in September. Similarly, anticipated refunds of such taxes are recorded as reductions in revenue in the period when the claim is received and the state's liability is measurable. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made. Revenues collected on an advance basis, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized.

Taxpayer assessed revenues are recognized in accordance with GASB Statement 22, "Accounting for Taxpayer Assessed Tax Revenues". This principle requires that revenues are recognized in the accounting period in which they become susceptible to accrual. These tax revenues include sales, income, gasoline, medical providers and miscellaneous taxes, which are accrued in the fiscal period when they become both measurable and available to finance expenditures.

Expenditures and related liabilities. Expenditures and related liabilities are recognized when fund obligations are incurred as a result of the receipt of the goods and services, except principal and interest on long-term debt, which are recorded when due. Grant expenditures are discussed separately.

Encumbrances. Encumbrance accounting is used for budgetary control and reporting purposes only. In the financial statements, encumbrances are recorded in the balance sheet as a reservation of fund balance for subsequent year expenditures, except for those long-term commitments which rely significantly on future resources, as discussed in Note 10.

College and university type. College and university type (University of Minnesota) is accounted for on the accrual basis of accounting in accordance with accounting principles outlined in the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities and guidelines suggested by the National Association of College and University Business Officers. Under these standards, two types of operating statements are prepared, which should not be combined with governmental or proprietary statements. Only the combined totals are presented for the statement of revenues, expenses and changes in fund balance.

The above guidelines normally permit recognition of revenues and receivables when the state appropriates funds. For consistency in reporting intra-entity transactions, the state does not apply this guideline to transactions between the primary government and the college and university type.

**Grant Expenditures and Liabilities Recognition**

Grants are contributions of cash or other assets by the state to other governmental units, individuals or non-governmental organizations. Because the state does not receive a direct service for grant payments, expenditures and liabilities are not recognized at the point goods and services are received.

Grants are normally paid on an entitlement or reimbursement basis. Reimbursements may be for specific services provided to eligible recipients or for eligible types of expenditures. Reimbursement grants are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of specific services to eligible recipients or makes eligible expenditures. Entitlement grants may be based on services provided by the grantee, but are not based on the cost of providing the service. Expenditures and related liabilities for these grants are recognized as the service is provided if the amount owed is reasonably estimable soon after the end of the fiscal year. Other types of entitlement 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. Such leave is liquidated in cash only at the time of termination from state employment. For governmental funds, the liability for compensated absences is reported in the General Long-Term Obligation Account Group. This liability is reported as a fund liability by all other fund types.

### Cash Equivalents and Investments

Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash management pools and money market funds that are used essentially as demand deposit accounts are also included in cash equivalents. Investments are reported at fair value. The basis for determining the fair value of investments that are not based on market quotations includes analysis of future cash flows, audited financial statements and independent appraisals.

### Inventories

Inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. There are exceptions to this. The Trunk Highway Fund (special revenue fund) inventories are valued using the weighted-average cost. Inventories of the Miscellaneous Special Revenue (special revenue) and the Northeast Minnesota Economic Protection (expendable trust) funds consist of repossessed properties held for resale and are valued at market. Inventories for proprietary funds are expensed when consumed. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of the enterprise funds are valued using the first-in first-out, average cost and specific cost methods. Inventories of the internal service funds are valued using the first-in first-out method.

### Restricted Assets

Mandatory asset segregations are presented in various enterprise funds as restricted assets. Such segregations are required by bond covenants and other external restrictions. The excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable. The remainder, if any, is included in reserved retained earnings.

### Fixed Assets

Governmental Fund Types. Fixed assets for these funds are reported in the General Fixed Assets Account Group. General fixed assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings for the general fixed assets was completed in 1985. Historical cost records for older fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used in these situations. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions. Public domain (infrastructure) general fixed assets, such as highways, curbs, bridges and lighting systems, are not capitalized. Depreciation is not provided on the general fixed assets nor is interest capitalized during construction.

Proprietary and Fiduciary Fund Types. Fixed assets for these funds are stated at cost or, for donated assets, at fair value at date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful life of the assets. Estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 40-50 years |
| Improvements (large) | 20-50 years |
| Improvements (small) | 3-10 years |
| Equipment | 3-12 years |

Depreciation on fixed assets acquired with resources externally restricted for that purpose is closed to contributed capital after being recognized in operations.

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the internal service funds because a portion of depreciation is included in the cost of goods sold.

### General Long-Term Liabilities

All unmatured long-term indebtedness not reported in a proprietary or fiduciary fund is accounted for in the General Long-Term Obligation Account Group. Included among these liabilities are the non-current portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers' compensation claims and arbitrage rebate requirements (see Note 7).

**Deferred Costs**

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. In the proprietary funds, these costs are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method, which approximates the effective interest method. The deferred costs reported are primarily for bond issuance costs of the enterprise funds.

**Deferred Compensation Plan**

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan is available to all public employees in the state and is administered by Great West Life and Annuity. The State Board of Investment (SBI) and two insurance companies manage investments. The portion of the plan where participants have selected investment options provided by the two insurance companies is excluded from the state's financial statements because the funds are not under the state's control. The portion of the plan where participants have selected investment options provided by SBI is accounted for in the State Deferred Compensation Fund, an expendable trust fund, with its investments reported at fair value.

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 will be held in trust, in custodial accounts or in qualifying contracts as required by federal law. The state is not liable for any investment losses under the plan, but does have the duty of due care of a prudent investor where SBI manages the investments.

**Budgeting and Budgetary Control**

Minnesota 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 are available for either year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Maximum Effort School Loan, Iron Range Resources and Rehabilitation, Petroleum Tank Cleanup 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; i.e., there is no limit on the amount which 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 in their departments.

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

**Memorandum Only Totals Column**

The totals columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. The information in these columns does not present consolidated financial position, results of operations or cash flows.

2. CASH AND INVESTMENTS

**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. The cash in individual funds may be invested separately where permitted by statute, but 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. Investment earnings of the primary government's pools are allocated to the individual funds where provided by statute. Earnings for all other participants are credited to the General Fund.

The following table summarizes the state's cash and cash equivalents, including amounts reported as restricted assets at December 31, 1999 or June 30, 2000, whichever is applicable (in thousands). Cash with the U.S. Treasury is available for the cash demands of the Reemployment Insurance Fund (expendable trust fund).

Cash and Cash Equivalents
June 30, 2000 or December 31, 1999

| | Primary Government | Component Units |
|---|---|---|
| Cash in Bank | $ 83,785 | $ 10,512 |
| Cash on Hand and Imprest Cash | 2,318 | 11,359 |
| Cash with Fiscal Agent | 456 | - |
| Cash with U.S. Treasury | 666,847 | - |
| Cash Equivalent Investments: | | |
| Cash Management Investment Pools | 8,299,798 | 458,567 |
| Other Cash Equivalent Investments | 219,982 | 1,289,206 |
| Total Cash and Cash Equivalents | $ 9,273,186 | $ 1,769,644 |

**Deposits**

At June 30, 2000, the primary government's bank balance was $92,067,000. For component units at December 31, 1999 or June 30, 2000, whichever is applicable, the bank balances were $30,486,000. These bank balances were adjusted by items in transit to arrive at the state's cash in bank balance. The bank balances were fully covered by federal depository insurance or collateral held by the state's agent in the state's name or held by the component unit in the component unit's name (lowest risk category). 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. This statute further requires that such insurance and collateral shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the fair value of the collateral. During the year, certain bank accounts administered by Minnesota State Colleges and Universities carried balances exceeding the legally secured amount. Neither the frequency of the occurrence nor the amounts involved can be quantified.

**Investments**

The majority of the state's investing is managed by the Minnesota State Board of Investment (SBI). 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 their registered corporations, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments and restricted participation in registered mutual funds. The state has invested in derivatives. The risks and exposure of these investments at June 30, 2000 cannot be determined.

Primary Government
Investments at June 30, 2000
(In Thousands)

| Investment Type | Fair Value |
|---|---|
| Repurchase Agreements | $ 49,258 |
| Commercial Paper | 3,841,691 |
| Short Term Corporate Notes | 2,900 |
| U.S. Treasury Obligations | 2,038,617 |
| Mortgaged Backed | 7,289,976 |
| Corporate Obligations | 5,355,521 |
| Foreign & Other Obligations | 594,668 |
| Corporate Stocks | 28,089,471 |
| Other Equity | 2,742,239 |
| Total Investments in Risk Category 1 | $ 50,004,341 |
| Trustee Managed Pools (not categorized) | 3,043,476 |
| Total Investments | $ 53,047,817 |

Component Units
Investments at June 30, 2000 and December 31, 1999
(In Thousands)

| Investment Type | Risk Category 1 | Risk Category 2 | Risk Category 3 | Fair Value |
|---|---|---|---|---|
| Repurchase Agreements | $ 69,475 | $ - | $ - | $ 69,475 |
| Commercial Paper | 489,000 | - | - | 489,000 |
| Short Term Corporate Notes | 58,758 | - | - | 58,758 |
| U.S. Treasury Obligations | 583,635 | - | 34,617 | 618,252 |
| Mortgaged Backed | 676,496 | - | - | 676,496 |
| Corporate Obligations | 929,186 | - | - | 929,186 |
| Municipal & Other Obligations | 141,048 | - | - | 141,048 |
| Corporate Stocks | 845,225 | - | - | 845,225 |
| Other Equity | 103,716 | - | - | 103,716 |
| Total Investments | $ 3,896,539 | $ - | $ 34,617 | $ 3,931,156 |
| Trustee Managed Pools/ Mutual Funds | 336,331 | - | - | 336,331 |
| Total Investments | $ 4,232,870 | $ - | $ 34,617 | $ 4,267,487 |

The investment table above shows the state's risk category 1 and other investments, including cash equivalents, at their carrying and fair values. Risk category 1 includes securities which are insured or registered or are held by the state or its agent in the state's name. Investments in risk category 2 include uninsured and unregistered securities held by the counter party's trust department or agent in the component unit's name. Neither the primary government nor the component units have investments in risk category 2. Investments in risk category 3 include uninsured and unregistered securities held by the counter party or by its trust department or agent, but not in the component unit's name. The primary government has no investments in risk category 3.

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

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

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

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

Primary Government
Securities Lending Analysis, June 30, 2000

(In Thousands)

| | Wells Fargo | State Street |
|---|---|---|
| Fair Value of Securities on Loan | $ 1,017,709 | $ 4,185,767 |
| Collateral Held | $ 1,034,660 | $ 4,300,635 |
| Average Duration | 27 days | 78 days |
| Average Weighted Maturity | 28 days | 464 days |

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2000, Minnesota had no credit risk exposure to borrowers because the amounts the state owes the borrowers exceed the amounts the borrowers owe the state.

Funds not invested by SBI are primarily MnSCU agency funds. Investments for these funds must also conform to the above statute and may be further restricted by bond indentures.

3. CAMBRIDGE BANK LITIGATION FUNDS

Revenue bonds were issued to satisfy the claims and judgments resulting from litigation. The Cambridge Litigation Revenue Fund, the Cambridge Litigation Revenue Bond Fund and the Cambridge Litigation Revenue Bond Debt Service Fund are used to record revenues, bond proceeds, claims and judgments and debt service payments. These funds are presented as part of the General Fund and the Debt Service Fund (governmental funds).

The General Fund, as presented herein, includes the Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, which were established and maintained in the state treasury and on the state's books and records as a separate Special Revenue Fund, pursuant to Minnesota Statutes, Section 16A.67. The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund were established by the Commissioner of Finance's order dated May 1, 1996, which was entitled "Order of the Minnesota Commissioner of Finance for Issuance and Sale of $200,000,000 State Revenue Bonds, Series 1996A" (the "Order") and are required to be maintained until the State Revenue Bonds, Series 1996A, and any other revenue bonds hereafter issued and made payable from the Cambridge Litigation Revenue Bond Fund (the "Revenue Bonds") are paid or discharged in accordance with the Order. The Cambridge Litigation Revenue Fund is used to record receipts of certain non-tax revenues (comprising departmental earnings, medical payments and non-dedicated lottery revenues, all as defined in the Order), revenue bond proceeds and investment earnings, and the disbursement of revenue bond proceeds to pay costs of a judgment against the state and related claims described below, and the transfer of revenues and investment earnings first to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the revenue bonds, and second to the General Fund to pay costs of state government.

The terms, departmental earnings, medical payments and non-dedicated lottery revenues are defined in the Order substantially as follows:

- *Departmental Earnings* are certain license fees, service fees and other charges imposed by or pursuant to the state law, which are collected from the general public and regulated businesses and professions. The use of these fees is not otherwise restricted by federal law and is not determined to constitute a tax of statewide application on any class of property, income, transaction or privilege. In addition, these fees, penalties and interest may not be dedicated to another fund.

- *Medical Payments* are all amounts paid to the state by non-state resources for payment of, or as reimbursement for payment by the state from its General Fund of, costs incurred for the care and treatment of mentally ill and developmentally disabled persons at regional treatment centers.

- *Non-dedicated Lottery Revenues* are all lottery net income not dedicated and required by the State Constitution, Article XI, Section 14 to be transferred to the Environment and Natural Resources Trust Fund (expendable trust fund).

For the fiscal year ended June 30, 2000, the funding received by and transferred from the Cambridge Litigation Revenue Fund, including revenues, investment earnings and the moneys received by and disbursed from the Cambridge Litigation Revenue Bond Fund, were as follows:

Cambridge Litigation Revenue Fund and
Cambridge Litigation Revenue Bond Fund
(In Thousands)

| | | |
|---|---|---|
| Net Revenues: | | |
| License and Fees | $ | 109,342 |
| Care & Hospitalization | | 41,462 |
| Department Services | | 34,387 |
| Penalties & Fines | | 1,425 |
| Investment/Interest Income | | 458 |
| Net Revenues | $ | 187,074 |
| Other Financing Sources (Uses): | | |
| Operating Transfers | $ | 31,292 |
| Transfers to Debt Service and General Funds | | (219,135) |
| Net Other Financing Sources (Uses) | $ | (187,843) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | $ | (769) |

The 1997 legislature appropriated $16,600,000 from the General Fund to pay any additional claims. The total remaining claims are estimated to be $1,600,000 for the General Fund as of June 30, 2000. No additional claims are expected to be paid from the Cambridge Litigation Revenue Bond Fund. The principal and interest on claims paid during fiscal year 2000 totaled $121,000 and $163,000 respectively.

The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, while maintained and administered as separate funds on the official books and records of the state as covenanted and agreed in the Order, have been presented as part of the General Fund for financial reporting purposes for the following reasons. First, the purpose for which the revenue bonds were issued is to fund a portion of the judgment entered against the state in Cambridge State Bank vs. James, 514 N.W.2d 565 (Minn. 1994) and related claims, wherein the Minnesota Supreme Court held that certain banks were entitled to a refund of taxes paid on income from federal obligations. The judgment and related claims are obligations of the General Fund and have been recorded as an accrued liability in the General Long-Term Obligation Account Group. Second, the revenues appropriated to the Cambridge Litigation Revenue Fund, prior to the establishment of the Cambridge Litigation Revenue Fund, have been revenues of the General Fund. Third, revenues appropriated to the Cambridge Litigation Revenue Fund, which are not required to be transferred to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the Revenue Bonds, are required to be and have been transferred to the General Fund, and once so transferred, are available only for General Fund purposes.

4. INTERFUND ACTIVITY

**Primary Government**

Primary Government Interfund receivables and payables at June 30, 2000, including the current portion of interfund advances, are summarized as follows (in thousands):

Primary Government

| Fund | Receivables | Payables |
|---|---|---|
| General Fund | $ 128,638 | $ 42,186 |
| Special Revenue Funds: | | |
| Trunk Highway | $ 28,971 | $ - |
| Highway UserTax Distribution | - | 50,710 |
| State Airports | 430 | - |
| Federal | 12,588 | 59,235 |
| Maximum Effort School Loan | - | 2,278 |
| Natural Resources | 3,254 | - |
| Health Care Access | - | 11,807 |
| Miscellaneous Special Revenue | 11,830 | 13,046 |
| Total Special Revenue Funds | $ 57,073 | $ 137,076 |
| Capital Projects Funds: | | |
| General Projects | $ 8,905 | $ - |
| Transportation | - | 15,190 |
| Building | - | 11,143 |
| Total Capital Projects Funds | $ 8,905 | $ 26,333 |
| Debt Service Fund | $ 14,628 | $ - |
| Enterprise Funds: | | |
| College & University Enterprise Act. | $ 7,696 | $ 2,099 |
| State Operated Community Services | 103 | - |
| State Lottery | - | 12,755 |
| State College & Universities Revenue | 999 | - |
| Enterprise Activities | 28 | - |
| Total Enterprise Funds | $ 8,826 | $ 14,854 |
| Internal Service Funds: | | |
| State Printer | $ 28 | $ - |
| Central Motor Pool | - | 1,296 |
| Central Services | - | 56 |
| Total Internal Service Funds | $ 28 | $ 1,352 |

| Fund | Receivables | Payables |
|---|---|---|
| Fiduciary Funds: | | |
| Pension Trust Funds: | | |
| Defined Benefit Pension Funds: | | |
| Public Employees Retirement | $ 876 | $ 325 |
| Public Employees Correctional | 33 | 116 |
| Police and Fire | 292 | 638 |
| State Employees Retirement | 567 | 5 |
| State Patrol Retirement | - | 86 |
| Correctional Employees Retirement | - | 228 |
| Judicial Retirement | - | 223 |
| Elective State Officers | 200 | 1 |
| Legislative Retirement | 7,076 | 31 |
| Defined Contribution Funds: | | |
| Unclassified Employees Retirement | 188 | 181 |
| Public Employees Retirement | - | 122 |
| Nonexpendable Trust Fund: | | |
| Permanent School | - | 10,625 |
| Expendable Trust Funds: | | |
| Municipal State-Aid Street | 3,821 | - |
| County State-Aid Highway | 15,050 | - |
| Endowment School | 5,846 | - |
| Endowment | 959 | 1,439 |
| Environment & Natural Resources | 4,175 | - |
| Reemployment Insurance | 211 | 7,436 |
| Agency Fund: | | |
| Miscellaneous Agency | 5,775 | 19,910 |
| Total Fiduciary Funds | $ 45,069 | $ 41,366 |
| Total Primary Government | $ 263,167 | $ 263,167 |

The noncurrent portion of interfund advances for the primary government at June 30, 2000 is summarized as follows (in thousands):

| | Advances to Other Funds | Advances from Other Funds |
|---|---|---|
| General Fund | $ 3,000 | $ - |
| Special Revenue Fund: | | |
| Health Care Access | 60 | - |
| Internal Service Fund: | | |
| Central Motor Pool | - | 3,000 |
| Enterprise Fund: | | |
| Private Employers Insurance | - | 60 |
| Total All Funds | $ 3,060 | $ 3,060 |

During the year ended June 30, 2000, the Private Employers Insurance Fund (enterprise fund) repaid $680,000 of the advance from the Health Care Access Fund (special revenue fund) reducing the outstanding balance to $60,000. The Private Employers Insurance Fund is discontinuing the full operation of the Minnesota Employees Insurance Program, which provides the income for the fund.

Residual equity transfers-out exceed similar transfers-in by $257,000 because of differing reporting focuses for proprietary and governmental fund types. These residual equity transfers from governmental fund types are reported as part of the increase to contributed capital in the proprietary fund types.

**Component Units**

Interfund receivables and payables at June 30, 2000, within component units and between the primary government and component units are summarized as follows (in thousands):

Component Units

| Fund | Receivables | Payables |
|---|---|---|
| Governmental Fund: | | |
| Metropolitan Council | $ 762 | $ 7,369 |
| Proprietary Funds: | | |
| Metropolitan Council-Unrestricted | 3 | 2 |
| Metropolitan Council-Restricted | 6,665 | 59 |
| Totals | $ 7,430 | $ 7,430 |

Primary Government and Component Units

| Fund | Due from | Due to |
|---|---|---|
| Component Units | | |
| Proprietary Funds: | | |
| Workers' Compensation | | |
| Assigned Risk Plan | $ - | $ 3,632 |
| Housing Finance Agency | 240 | - |
| College and University Funds: | | |
| University of Minnesota | 157,093 | 48,298 |
| Total Component Units | $ 157,333 | $ 51,930 |
| Primary Government | | |
| Governmental Funds: | | |
| General Fund | $ - | $ 146,251 |
| Federal Fund | - | 580 |
| Miscellaneous Special Revenue Fund | - | 218 |
| Health Care Access Fund | - | 746 |
| Minnesota Resources Fund | - | 237 |
| Environment and Natural Resources Fund | - | 704 |
| Medical Education and Research Fund | - | 8,597 |
| Debt Service Fund | 48,298 | - |
| Total Primary Government | $ 48,298 | $ 157,333 |
| Total | $ 205,631 | $ 209,263 |

Due to primary government exceeds the due from component units by $3,632,000 because the Workers' Compensation Assigned Risk Plan has a different fiscal year end than the primary government.

Transfers-out to component units exceeds transfers-in from primary government by $5,313,000. Of this amount, $3,000,000 and $2,313,000 were reported as transfers-out to component units in the Trunk Highway Fund (special revenue fund) and Building Fund (capital project fund), respectively. The $5,313,000 was recorded as contributed capital in the Public Facilities Authority Fund (proprietary fund type).

Residual equity transfers-out exceed similar transfers-in by $14,693,000 because of differing reporting focuses for proprietary and governmental fund types. These residual equity transfers from governmental fund types are reported as part of the increase to contributed capital in the proprietary fund types.

5. LOANS, NOTES AND FINANCING LEASES RECEIVABLE

Loans, notes and financing leases receivable, net of allowances for possible losses, as of June 30, 2000, consisted of the following (in thousands):

| | General Fund | Special Revenue Fund | Capital Projects Fund | Enterprise Fund | Fiduciary Fund |
|---|---|---|---|---|---|
| Student Loan Program | $ 147 | $ - | $ - | $ 35,509 | $ - |
| Economic Development | 243 | 19,552 | 83,407 | - | 22,988 |
| School Districts | - | 14,703 | - | - | - |
| Energy | - | 2,418 | 8,469 | - | - |
| Agricultural | 4,907 | 27,731 | 2,252 | - | - |
| Transportation | - | 23,969 | - | - | - |
| Resources | 1,449 | 10,708 | 62 | - | - |
| Other | - | 1,685 | 20 | - | - |
| Total | $ 6,746 | $ 100,766 | $ 94,210 | $ 35,509 | $ 22,988 |

| | Component Units | |
|---|---|---|
| | Non-restricted | Restricted |
| Metropolitan Council (Governmental) | $ 17,137 | $ - |
| Agricultural and Economic Development Board | 24,516 | - |
| Rural Finance Authority | 51,791 | - |
| Housing Finance Authority | 1,737,863 | - |
| Higher Education Services Office (Proprietary) | 266,135 | - |
| University of Minnesota | 63,745 | - |
| Public Facilities Authority (Proprietary) | - | 687,328 |
| Total | $ 2,161,187 | $ 687,328 |

6. FIXED ASSETS

**Primary Government**

Summary of Changes in General Fixed Assets
(In Thousands)

| | Beginning Balances | Additions | Deductions | Completed Construction | Other Adjustments | Ending Balances |
|---|---|---|---|---|---|---|
| Land | $ 322,358 | $ 13,851 | $ 81 | $ - | $ 2,698 | $ 338,826 |
| Buildings | 2,101,497 | 4,291 | 8,082 | 148,393 | 390 | 2,246,489 |
| Equipment | 459,541 | 63,603 | 50,054 | - | 27,609 | 500,699 |
| Construction in Progress | 229,197 | 129,846 | - | (148,393) | 149,227 | 359,877 |
| Total | $ 3,112,593 | $ 211,591 | $ 58,217 | $ - | $ 179,924 | $ 3,445,891 |

Governmental and expendable trust funds capital outlay expenditures totaled $687,539,000 for fiscal year 2000. Of this amount, $479,407,000 was for infrastructure fixed assets, which are not included in general fixed assets. Donations of general fixed assets received during fiscal year 2000 are valued at $3,459,000.

General fixed assets purchased with resources provided by outstanding capital lease agreements at June 30, 2000 consisted of equipment with a cost of $88,422,000 and buildings with a cost of $1,781,000.

Authorizations and commitments as of June 30, 2000 for the largest construction in progress projects consisted of the following (in thousands):

| | Administration Projects | Educational Buildings | Iron Range Resources | Veteran's Affairs | Corrections Facilities | Human Services |
|---|---|---|---|---|---|---|
| Authorization | $ 75,504 | $ 136,796 | $ 3,555 | $ 41,854 | $ 100,770 | $ 16,222 |
| Expended through June 30, 2000 | 31,298 | 89,483 | 1,268 | 32,968 | 94,215 | 14,194 |
| Available Authorization | $ 44,206 | $ 47,313 | $ 2,287 | $ 8,886 | $ 6,555 | $ 2,028 |

There were no commitments reserved in the fund balance for either encumbrances or long-term commitments related to the above construction in progress projects.

Proprietary and fiduciary fund type fixed assets consisted of the following as of June 30, 2000 (in thousands):

| | Enterprise Funds | Internal Service Funds | Fiduciary Funds | Combined Totals |
|---|---|---|---|---|
| Land | $ 789 | $ - | $ 15,584 | $ 16,373 |
| Buildings | 116,233 | - | 2,426 | 118,659 |
| Land and Building Improvements | 59,492 | 6,624 | - | 66,116 |
| Equipment | 30,543 | 79,408 | 4,537 | 114,488 |
| Total | $ 207,057 | $ 86,032 | $ 22,547 | $ 315,636 |
| Less: Accumulated Depreciation | 113,320 | 53,825 | 2,755 | 169,900 |
| Net Total | $ 93,737 | $ 32,207 | $ 19,792 | $ 145,736 |

Land in the Permanent School Fund (nonexpendable trust fund) totaling 2,510,635 acres was donated by the federal government and was valued at the estimated fair value at the time of donation.

### Component Units

Component Unit fixed assets consisted of the following as of the end of each component unit's respective fiscal year (in thousands):

| | Governmental Type | | | Proprietary Type | | | | | College and University Type | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Metropolitan Council | Minnesota Technology Incorporated | Higher Education Services Office | Housing Finance Agency | Public Facilities Authority | Metropolitan Council | National Sports Center Foundation | Higher Education Services Office | University of Minnesota | Combined Totals |
| Land | $ - | $ - | $ - | $ - | $ - | $ 27,897 | $ 2,500 | $ - | $ 33,754 | $ 64,151 |
| Buildings and Improvements | - | - | - | - | - | 1,545,576 | 685 | - | 1,886,905 | 3,433,166 |
| Equipment | 12,085 | 2,728 | 188 | 2,822 | 170 | 330,494 | 661 | 106 | 579,395 | 928,649 |
| Other Fixed Assets | - | - | - | - | - | - | - | - | 170,834 | 170,834 |
| Total | $ 12,085 | $ 2,728 | $ 188 | $ 2,822 | $ 170 | $ 1,903,967 | $ 3,846 | $ 106 | $ 2,670,888 | $4,596,800 |
| Less: Accumulated Depreciation | - | 2,333 | 93 | 1,558 | 170 | 705,907 | 483 | 69 | 1,264,643 | 1,975,256 |
| Net Total | $ 12,085 | $ 395 | $ 95 | $ 1,264 | $ - | $ 1,198,060 | $ 3,363 | $ 37 | $ 1,406,245 | $2,621,544 |

7. GENERAL LONG-TERM OBLIGATIONS

**Primary Government**

A summary of general long-term obligations at June 30, 2000 and the changes during fiscal year 2000 is as follows (in thousands):

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Liabilities For: | | | | |
| General Obligation Bonds | $ 2,384,195 | $ 360,000 | $ 216,914 | $ 2,527,281 |
| Loans | 10,482 | - | 5,241 | 5,241 |
| Revenue Bonds | 108,565 | - | 51,970 | 56,595 |
| Claims | 292,045 | 18,178 | 3,275 | 306,948 |
| Compensated Absences | 265,063 | 13,339 | 2,044 | 276,358 |
| Workers' Compensation | 116,135 | 33,645 | 13,120 | 136,660 |
| Capital Leases | 19,095 | 9,301 | 6,818 | 21,578 |
| Arbitrage Liabilities | 830 | - | 830 | - |
| Totals | $ 3,196,410 | $ 434,463 | $ 300,212 | $ 3,330,661 |

The resources to repay the various general long-term obligations have been or will be provided from the fund types as follows (in thousands):

| | General Fund | Special Revenue Funds | Total |
|---|---|---|---|
| Liabilities For: | | | |
| General Obligation Bonds | $ 2,428,181 | $ 99,100 | $ 2,527,281 |
| Loans | - | 5,241 | 5,241 |
| Revenue bonds | 52,880 | 3,715 | 56,595 |
| Claims | 120,306 | 186,642 | 306,948 |
| Compensated Absences | 171,436 | 104,922 | 276,358 |
| Workers' Compensation | 106,997 | 29,663 | 136,660 |
| Capital Leases | 10,435 | 11,143 | 21,578 |
| Totals | $ 2,890,235 | $ 440,426 | $ 3,330,661 |

Principal and interest payment schedules are provided in the following table for general obligation bonds, revenue bonds, loans and capital leases (in thousands). There are no payment schedules for claims, compensated absences or workers' compensation.

Principal and Interest Payments

| Fiscal Year (s) | General Obligation Bonds | Loans | Revenue Bonds | Capital Leases | Totals |
|---|---|---|---|---|---|
| 2001 | $ 349,739 | $ 5,241 | $ 55,884 | $ 8,631 | $ 419,495 |
| 2002 | 324,719 | - | 570 | 6,543 | 331,832 |
| 2003 | 307,379 | - | 465 | 4,237 | 312,081 |
| 2004 | 281,332 | - | 467 | 2,302 | 284,101 |
| 2005 | 261,918 | - | 463 | 1,155 | 263,536 |
| Thereafter | 1,971,016 | - | 3,224 | - | 1,974,240 |
| Total Payments | $ 3,496,103 | $ 5,241 | $ 61,073 | $ 22,868 | $3,585,285 |
| Less: Interest | 968,822 | - | 4,478 | 1,290 | 974,590 |
| Total Principal | $ 2,527,281 | $ 5,241 | $ 56,595 | $ 21,578 | $2,610,695 |

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 was enacted requiring the appropriation.

In fiscal year 2000, the Department of Finance made the necessary transfers to the Debt Service Fund as follows (in thousands):

| | | |
|---|---|---|
| General Fund | $ | 317,816 |
| Special Revenue Funds: | | |
| Trunk Highway Fund | $ | 3,744 |
| Natural Resources Funds | | 76 |
| Maximum Effort School Loan Fund | | 1,720 |
| Federal Fund | | 167 |
| Miscellaneous Special Revenue Fund | | 149 |
| Total Special Revenue Funds | $ | 5,856 |
| Building Capital Projects Fund | $ | 12,302 |
| Chemical Dependency Enterprise Fund | | 86 |
| Component Units: | | |
| Rural Finance Authority | $ | 8,547 |
| University of Minnesota | | 2,484 |
| Total Component Units | $ | 11,031 |
| Total Operating Transfers to Debt Service Fund | $ | 347,091 |

The amount shown in the Debt Service Fund as reserved for debt requirements differs from that shown in the General Long-Term Obligation Account Group as Amount Available in Debt Service Fund because the Debt Service Fund amount includes amounts for both principal and interest on general obligation bonds while the General Long-Term Obligation Account Group includes only the amount for bond principal.

General Obligation Bond Issues

On August 1, 1999 and June 1, 2000, $185,000,000 and $175,000,000, respectively, in general obligation state various purpose and state refunding bonds were issued at a true interest rate of 5.01 and 5.29 percent respectively. During fiscal year 2000, $216,914,000 in general obligation bonds principal was repaid.

In previous years, the state issued general obligation refunding bonds to refund obligations of certain bond issues. The proceeds of the bond issues were placed in special escrow accounts and invested in government securities. These investments have been certified to be sufficient to pay all principal and interest on the bonds when due. Accordingly, the original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the General Long-Term Obligation Account Group.

The balance outstanding for all extinguished debt at June 30, 2000 was $481,600,000, which is shown below. The state remains contingently liable to pay the refunded general obligation bonds.

Outstanding Defeased Debt
(In Thousands)

| Refunding Date | Refunding Amount | Refunded Amount | Outstanding Amount | Refunded Bond Call Date |
|---|---|---|---|---|
| May 1, 1993 | $ 292,260 | $ 273,190 | $ 207,950 | August 1, 2000 |
| August 1, 1993 | 146,995 | 133,770 | 95,900 | August 1, 2001 |
| November 1, 1993 | 91,720 | 81,650 | 81,650 | August 1, 2002 |
| November 1, 1998 | 99,700 | 96,100 | 96,100 | October 1, 2004 |
| Total | $ 630,675 | $ 584,710 | $ 481,600 | |

A schedule of general obligation bonds authorized, but unissued, and bonds outstanding at June 30, 2000 is provided in the table below. This schedule includes general obligation bonds that were sold for the State Operated Community Services Fund (enterprise fund).

General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
(In Thousands)

| Purpose | Authorized But Unissued | Amount Outstanding | Interest Rates Range - % |
|---|---|---|---|
| State Building | $ 435,058 | $ 1,382,401 | 3.75 - 7.56 |
| State Operated Community Services | 2,845 | 4,619 | 3.75 - 7.56 |
| State Transportation | 13,825 | 95,440 | 4.69 - 7.56 |
| Waste Management | 2,280 | 5,560 | 5.00 - 7.56 |
| Water Pollution Control | 7 | 112,120 | 4.58 - 7.56 |
| Maximum Effort School Loan | - | 85,920 | 5.00 - 7.56 |
| Reinvest in Minnesota | 685 | 13,485 | 5.00 - 6.90 |
| Rural Finance Administration | 5,400 | 69,625 | 5.00 - 6.98 |
| Refunding Bonds | - | 634,611 | 3.97 - 6.95 |
| Exchange Bonds | - | 6,289 | 0.05 |
| Municipal Energy Building | 370 | 8,250 | 5.00 - 7.56 |
| Game and Fish Building | - | 110 | 5.33 - 6.95 |
| Trunk Highway | 100,100 | 13,070 | 3.75 - 6.95 |
| Airport Facilities | 81,275 | 41,560 | 4.40 - 7.95 |
| Landfill | 52,460 | 31,970 | 4.54 - 5.76 |
| Various Purpose | 444,030 | 26,870 | |
| Totals | $ 1,138,335 | $ 2,531,900 | |

Revenue Bonds Payable

Revenue bonds payable of $56,595,000 as reported in the General Long-Term Obligation Account group consist of $52,455,000 for special obligations of the state, $425,000 for airport facilities secured by St. Louis County and $3,715,000 for the financing of the Giants Ridge recreational area.

Loans

Loans payable are the result of loans from local governments to the state for the financing of highway construction projects. This financing provides advance funding of the state and federal share of these projects. Loan repayment without interest begins after completion of the related project.

Claims

Municipal solid waste landfills liability totaling $254,151,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Solid Waste Fund (special revenue fund) and the General Fund.

Additional claims of $52,797,000 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).

Compensated Absences

The liability for compensated absences for governmental funds totaling $276,358,000 is primarily for vacation leave and for vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid only when an employee terminates from state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The liability for workers' compensation reported is $136,660,000 based on claims filed for injuries to state employees occurring prior to June 30, 2000 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Leases

Capital leases payable are for those leases which meet the criteria in GASB Statement 1, "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide". See Note 8 for the minimum future payments under operating leases.

Arbitrage Liabilities

For fiscal year 2000, there is no arbitrage rebate payable to the federal government as required by the Tax Reform Act of 1986 and the U.S. Treasury regulations and penalties. There were no estimated excess earnings on tax-exempt bond proceeds and debt service reserves. Interest earnings on bond proceeds are used primarily for debt service payments. Any future arbitrage rebate will be paid through an appropriation from the General Fund.

Revenue Bonds Payable - Fiduciary Funds

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

Long-Term Debt Repayment Schedule
Fiduciary Funds – June 30, 2000
(In Thousands)

Revenue Bonds- SERF, TRF & PERF

| Fiscal Year(s) | Amount |
|---|---|
| 2001 | $ 833 |
| 2002 | 1,667 |
| 2003 | 2,080 |
| 2004 | 2,082 |
| 2005 | 2,082 |
| Thereafter | 53,741 |
| Total Payments | $ 62,485 |
| Less: Interest | 33,485 |
| Total Principal | $ 29,000 |

**Component Units**

The Metropolitan Council (MC) (governmental fund type) issues general obligation bonds for parks, solid waste, sewers and transportation, backed by MC's full faith and credit and taxing powers. MC had $128,109,000 in general obligation bonds outstanding on December 31, 1999.

The Agricultural and Economic Development Board (AEDB) issues revenue bonds for agricultural and economic projects.

Long-Term Debt Repayment Schedule
Component Units - Government Funds
(In Thousands)

| | General Obligation Bonds MC | | Revenue Bonds AEDB |
|---|---|---|---|
| Year Ending December 31 | Amount | Year Ending June 30 | Amount |
| 2000 | $ 23,653 | 2001 | $ 4,148 |
| 2001 | 21,452 | 2002 | 4,156 |
| 2002 | 19,007 | 2003 | 4,865 |
| 2003 | 14,692 | 2004 | 4,860 |
| 2004 | 12,560 | 2005 | 4,837 |
| Thereafter | 67,156 | Thereafter | 42,336 |
| Total Payments | $ 158,520 | | $ 65,202 |
| Less: Interest | 30,411 | | 24,505 |
| Total Principal | $ 128,109 | | $ 40,697 |

8. LEASE AGREEMENTS

**Operating Leases**

The state and its component units are committed under various leases primarily for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2000 totaled approximately $67,128,000 and $15,103,000 for the primary government and component units respectively. Lease expenditures for the year ended December 31, 1999 totaled approximately $2,944,000 for component units.

Future Minimum Lease Payments
(In Thousands)

| Primary Government | | Component Units | | | |
|---|---|---|---|---|---|
| Year Ending June 30 | Amount | Year Ending June 30 | Amount | Year Ending December 31 | Amount |
| 2001 | $ 63,724 | 2001 | $ 11,377 | 2000 | $ 1,948 |
| 2002 | 55,218 | 2002 | 10,096 | 2001 | 1,728 |
| 2003 | 43,760 | 2003 | 8,473 | 2002 | 1,611 |
| 2004 | 31,561 | 2004 | 7,978 | 2003 | 1,573 |
| 2005 | 20,802 | 2005 | 5,931 | 2004 | 1,436 |
| Thereafter | 13,626 | Thereafter | 42,877 | Thereafter | 3,010 |
| Total | $ 228,691 | Total | $ 86,732 | Total | $ 11,306 |

**Capital Leases**

The state and its component units have entered into several capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by "Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the equipment at any time during the lease period.

In the governmental funds, equipment purchased through capital lease agreements is included with the general fixed assets. The state's liability for these capital leases is included in general long-term obligations (see Note 7).

9. LONG-TERM OBLIGATIONS - PROPRIETARY FUNDS

**Revenue and General Obligation Bonds**

Primary Government

The enterprise funds listed below have the authority to issue, and have issued, revenue bonds which are not general obligations of the state, but are payable solely from rentals, revenues and other income, charges and monies that were pledged for repayment. Premiums and discounts on revenue bonds are amortized using the interest method over the life of the bonds to which they relate.

The State Colleges and Universities Revenue (SCU) is authorized by Minnesota Statutes, Section 136F.98 to issue revenue bonds, whose aggregate principal shall not exceed $100,000,000 at any time, to finance the acquisition, construction and remodeling of college buildings for dormitory, residence hall, student union and food service purposes.

The Minnesota State Colleges and Universities (MnSCU), which is included in the College and Universities Enterprise Activities (CUEA), financed the construction of a dormitory and a modular housing project through the Higher Education Facilities Authority. The $1,520,000 debt for these two projects is reported by MnSCU in CUEA.

In addition, the State Operated Community Services (SOCS) has been appropriated money to provide group residential housing for individuals with developmental disabilities. The state has issued general obligation bonds to finance these projects. The debt service costs on the bonds sold to finance these projects must be paid from the group residential housing fees charged in accordance with Minnesota Statutes, Section 16A.643.

Component Units (proprietary funds)

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Sections 462A.21-.22 to issue bonds and notes for the purpose of providing funds for rehabilitation, construction and mortgage loans, or for refunding 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 $2,400,000,000, according to Minnesota Statutes, Section 462A.22.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072 to issue revenue bonds for the purpose of making loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $850,000,000, according to Minnesota Statutes, Section 446A.12.

The Higher Education Services Office (HESO) 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, may not exceed $550,000,000, according to Minnesota Statutes, Section 136A.171.

The University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects.

The Metropolitan Council (MC) issues environmental services general obligation bonds backed by MC in full faith and credit and taxing powers.

Primary Government

Long-Term Debt Repayment Schedule
Proprietary Funds - June 30, 2000
(In Thousands)

| | Revenue Bonds | | General Obligation Bonds |
|---|---|---|---|
| Fiscal Year(s) | SCU | CUEA | SOCS |
| 2001 | $ 2,422 | $ 110 | $ 415 |
| 2002 | 2,409 | 120 | 415 |
| 2003 | 2,419 | 130 | 415 |
| 2004 | 2,429 | 140 | 415 |
| 2005 | 2,413 | 150 | 415 |
| Thereafter | 38,365 | 870 | 4,874 |
| Total Payments | $ 50,457 | $ 1,520 | $ 6,949 |
| Less: Interest | 23,067 | - | 2,330 |
| Total Principal | $ 27,390 | $ 1,520 | $ 4,619 |

Component Units

Long-Term Debt Repayment Schedule
Component Units - June 30, 2000
(In Thousands)

| | Revenue Bonds | | | | General Obligation Bonds | |
|---|---|---|---|---|---|---|
| Fiscal Year(s) | HFA | PFA | HESO | U of M | MC* | U of M |
| 2000 | $ - | $ - | $ - | $ - | $ 39,286 | $ - |
| 2001 | 341,075 | 55,595 | 6,889 | 1,437 | 25,951 | 22,866 |
| 2002 | 217,428 | 58,693 | 6,889 | 1,411 | 24,203 | 36,474 |
| 2003 | 139,489 | 57,749 | 6,889 | 1,397 | 22,755 | 37,103 |
| 2004 | 139,879 | 55,168 | 6,889 | 1,407 | 21,876 | 116,228 |
| 2005 | 96,626 | 54,524 | 6,889 | 1,409 | 18,428 | 31,331 |
| Thereafter | 2,924,707 | 529,750 | 245,693 | 10,783 | 142,861 | 487,448 |
| Total Payments | $ 3,859,204 | $ 811,479 | $ 280,138 | $ 17,844 | $ 295,360 | $ 731,450 |
| Unamortized (Discount)/Premium | - | 2,614 | 934 | - | (788) | - |
| Less: Interest | 1,884,247 | 260,460 | 151,372 | 5,604 | 74,483 | 255,974 |
| Total Principal | $ 1,974,957 | $ 553,633 | $ 129,700 | $ 12,240 | $ 220,089 | $ 475,476 |

* MC fiscal year ended December 31, 1999

**Bond Defeasances**

Primary Government

For proprietary fund debt that was defeased in prior years through in-substance defeasances, the outstanding defeased amount as of June 30, 2000 for SCU is $9,287,000. SCU remains contingently liable to pay this defeased debt.

Component Units

Public Facilities Authority (proprietary fund type) had $127,380,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2000.

10. LONG-TERM COMMITMENTS

Long-term commitments consist of grant agreements, construction and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, mining tax revenues and federal grants. Long-term commitments as of June 30, 2000 were as follows (in thousands):

| | |
|---|---|
| Special Revenue Fund: | |
| Trunk Highway Fund | $ 431,792 |
| Capital Projects Funds: | |
| General Project Fund | 75,127 |
| Transportation Fund | 19,934 |
| Building Fund | 173,366 |
| Total Primary Government | $ 700,219 |
| Component Unit: | |
| University of Minnesota | $ 451,527 |

11. CONTINGENT LIABILITIES – LITIGATION

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable or from funds appropriated for the payment of tort claims. The tort claims appropriations for fiscal years ending June 30, 2000 and June 30, 2001 were $875,000 for each year. The maximum limits of liability for tort claims are $300,000 for any one claim and $1,000,000 for any number of claims arising out of a single occurrence.

2) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $10,000,000 in excess of current levels.

    a. At any one time, there are hundreds of Department of Transportation eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the Department and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been or will be acquired exceeds $10 million. Liability arising out of decisions unfavorable to the state may impact the state's trunk highway fund.

    b. At any one time, there are claims and cases pending against various state agencies, including but not limited to, the Departments of Administration and Transportation and the Minnesota State Colleges and Universities, and other state agencies which may be potentially responsible parties for clean-up of hazardous and other contaminated waste sites under federal and state superfund and other environmental laws. In the aggregate, it is possible that the potential liability of the state for such claims may exceed $10 million because all parties are jointly and severally liable under federal and state superfund laws. Liability out of decisions unfavorable to the state may impact the trunk highway fund for claims against the Department of Transportation and the state's General Fund for claims against other state agencies.

    c. *Amoco, et al., v. Commissioner of Revenue.* Minnesota Tax Court. These cases involve nine related corporations that are challenging the State's corporate franchise tax. The major issues involve; (i) whether the State's gasoline tax law prevents the State from imposing any other kind of tax on Amoco, (ii) whether Amoco and its affiliates are engaged in a unitary business so that the income of all affiliates may be combined and a proportionate share taxed by the State, and (iii) whether the franchise tax discriminates against combined groups conducting business overseas through U.S. domestic corporations and in favor of combined groups conducting their overseas operations through non-U.S. corporations. Resolution of this matter is not expected before the end of 2001. The amount in controversy is $23 million. An adverse precedent, however, would result in substantial additional liability as to these and other taxpayers.

d. *James Lee Brown and Ronald Bergeron v. State of Minnesota.* Plaintiffs are Medicaid and GAMC recipients who suffered tobacco-related illnesses during the period of January 1, 1978 and December 31, 1996. Plaintiffs claim rights to a share of the settlement proceeds in *State of Minnesota, et al. v. Philip Morris Incorporated, et al.* Plaintiffs have claimed that they are entitled to the difference between the amount of the tobacco trial settlement and the amount of moneys expended to treat smoking-related illnesses, but not less than one-third of the end recovery. This would amount to between $2.05 billion and $4.86 billion. The Minnesota Court of Appeals affirmed the District Court's granting of the State's motion to dismiss, and the plaintiffs have appealed that decision to the Minnesota Supreme Court.

e. *Danny's Tranny's, Inc., and all other similarly situated v. State of Minnesota et al.* Ramsey County District Court. This is a class action against the State of Minnesota, the Commissioners of Commerce and Finance, and the Minnesota Workers' Compensation Assigned Risk Plan Review Board challenging the constitutionality of legislation passed in the 2000 legislative session. The legislation at issue appropriated surplus funds in the Minnesota Workers' Compensation Assigned Risk Plan and transferred $450 million to various State agencies and funds. Plaintiffs contend the surplus funds rightfully belong to employers who paid premiums to the Minnesota Workers' Compensation Assigned Risk Plan, and allege the appropriation of the money violates their constitutional rights. The amount in controversy is the transferred amount of the surplus that was contained in the Minnesota Workers' Compensation Assigned Risk Plan.

f. *Jacobson, et al v. Board of Trustees of the Teachers Retirement Ass'n., et al.* Ramsey County District Court. This action was filed by a group of teachers claiming that various amendments to the teacher-pension laws from 1973 to 1989 constitute a breach of contract, violate the Contract Clause, and violate equal protection. They seek injunctive relief and damages to increase benefits to be paid to them, and the putative class they represent, by an amount estimated to be $600 million. The Defendants' motion to dismiss on statute of limitations grounds was successful. An appeal is anticipated. If Plaintiffs ultimately prevail, it is unclear whether a judgment of increased benefits would be satisfied out of the existing surplus in the Teachers Retirement Fund and/or by a new appropriation of funds by the State.

g. *U.S. West Communications, Inc. v. Commissioner of Revenue; and Qwest Corporation, f/k/a U.S. West Communications, Inc. v. Commissioner of Revenue.* Minnesota Tax Court. Plaintiff, a regional telecommunication public utility and its successor in interest, claim that that they are entitled to capital equipment refunds of sales taxes paid in an amount of $5.4 million plus interest in the first case and in an amount of $21 million plus interest in the second case. The claims are based on the theory that the Plaintiffs use the telecommunications equipment they purchase or install in Minnesota for the tax-exempt purpose of "manufacturing, fabricating or refining" of "tangible personal property." The first case covers a seven-month period ending June 1996, and the second case covers a thirty-month period ending December 1998. A determination in the Plaintiff's favor would result in a potential tax refund liability well in excess of $10 million when applied as precedent to Plaintiffs' subsequent tax periods, as well as to the potential refund claims of other telecommunications companies. A decision is not expected until next year. Since the filing of this case, several other telecommunications companies have filed similar suits. To date, the total for all such suits is $47 million. An adverse decision would impact the State's General Fund.

12. CONTINGENT LIABILITIES - OTHER

**Primary Government**

Pension Trust Funds

In addition to the pension trust funds included in the reporting entity (see Note 16), there are other public employee pension funds for which the state is funding a portion of the unfunded liability. Therefore, the state may be contingently liable for the unfunded liability of these funds. The pension trust funds involved, the year-end in which the most current data is available and the unfunded liabilities are described below (in thousands):

| | | |
|---|---|---|
| Minneapolis Employee Retirement Fund | June 30, 2000 | $ 99,471 |
| Minneapolis Teachers Retirement Fund | June 30, 2000 | $ 516,725 |
| St. Paul Teachers Retirement Fund | June 30, 2000 | $ 196,446 |
| Local Police and Fire Funds | December 31, 1999 | $ 21,607 |

In 1996, the Local Police and Fire funds consisted of nine local plans. In 1999, five of the plans were reported as part of the Public Employees Retirement pension trust funds, therefore the unfunded liability of the Local Police and Fire Fund for 1999 consisted of four local plans.

The pension trust funds for which the state has custodial responsibility, but for which the state is not contingently liable, include the Public Employees Retirement, Police and Fire and the Public Employees Correctional funds.

All of the above unfunded liabilities were computed using the entry age normal actuarial cost (level normal cost) method. Assumptions include 6 and 5 percent interest rates, and 4 and 3.5 percent annual salary growth rates for the Minneapolis Employee Retirement Fund and the Local Police and Fire funds, respectively. Additional annual contributions are provided to reduce the current unfunded liabilities. It has been the intent of the legislature, in establishing contribution rates, to provide sufficient resources to retire or fully fund the liabilities for the Local Police and Fire funds by June 30, 2009 and by June 30, 2020 for the Minneapolis Employees Retirement Fund.

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C.09, requires the state to reimburse owners for most of their costs to clean up contamination from leaks and spills from petroleum tanks. The payments will come from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). A significant number of unreported tank contamination sites and cleanup costs presently exist which will require Petrofund expenditures. As of June 30, 2000, the Petrofund has recognized liabilities of $291 million. Various studies have estimated that the total of all payments for the program may reach $450 to $800 million in cleanup costs (based on data available through July 1992).

Solid Waste Fund

The Closed Landfill program was established to provide environmental response to 106 qualified landfill sites. Currently, 101 closed state permitted sites are in the program. The state becomes responsible for the long-term care of these closed municipal solid waste facilities only after certain eligibility requirements are met. The state may perform cleanup and final closure work as well as all maintenance and monitoring functions at these qualifying sites in perpetuity. The state reports a portion of these costs as operating expenditures in each fiscal year. As of June 30, 2000, cumulative expenditures of $97.4 million have been made by the Solid Waste Fund. Estimates show that the total of all payments for the program may reach $547 million (based on 1999 dollars). These estimates include response action costs, costs for natural resources damage, costs representing future unknown additional remedies which have some probability of occurring and reimbursements. Actual costs may be higher because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations.

General Fund

A 1985 Supreme Court decision extended coverage of the Federal Fair Labor Standards Act (FLSA) to public employers. The state classified all professional and professional-supervisory employees as exempt under FLSA and paid overtime and compensation time at straight time in accordance with collective bargaining agreements. As a result of an agreement with the Department of Labor, the state is in the process of completing a self-audit of the exemption status of professional and professional-supervisory employees under FLSA. For employees who are determined to be non-exempt under FLSA, the state will be required to process retroactive pay from January 12, 1998 through October 10, 2000 up to time and one-half for qualifying overtime and compensation time. The state has recorded an estimated liability for FLSA of $15 million in the General Fund as the allocation of the liability to the fund level is still unknown. The state does not anticipate the actual liability to be significantly different than the recorded amount.

**Component Units**

The *Metropolitan Council* enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 1999, unpaid commitments for transit services were approximately $156.1 million, unpaid commitments for construction contracts were approximately $18.7 million and future commitments for regional transit capital projects were approximately $18.9 million.

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

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts in force at December 31, 1999 was approximately $4.9 million.

The *University of Minnesota (U of M)* has approximately $177,012,000 of construction projects in process, principally buildings, that have been included in the assets of the plant funds at June 30, 2000. The estimated cost to complete these facilities is $451,527,000, which is to be funded from plant fund assets and $77,289,000 in appropriations available from the state of Minnesota.

The U of M owns certain steam production facilities which produce steam for heating and cooling for the Twin Cities campuses. These facilities are managed, operated and maintained by an unaffiliated company by agreement. The term of the agreement is 25 years and commenced on July 1, 1992. Under the agreement, the U of M must make minimum fixed payments for certain operating and maintenance costs as well as contingent payments based on monthly usage. The minimum fixed amount of the required payments at June 30, 2000 is as follows (in thousands):

| Fiscal Year Ending June 30 | Total |
|---|---|
| 2000 | $ 5,805 |
| 2001 | 5,805 |
| 2002 | 5,805 |
| 2003 | 5,805 |
| 2004 | 5,805 |
| Thereafter | 69,662 |
| Total | $ 98,687 |

**Other Contingent Liabilities**

The 1993 Legislature established a School District Credit Enhancement Program. The legislation authorized and directed the Commissioner of Finance to issue a warrant and authorized the commissioner of Children, Families and Learning (CFL) to pay debt service coming due, under certain circumstances and subject to the availability of funds. Payments are made on behalf of the school district if the district cannot pay for: 1) the school district tax and the state-aid anticipation certificates of indebtedness, 2) certificates of indebtedness and capital notes for equipment, 3) certificates of participation, and 4) school district general obligation bonds. The school district must notify the commissioner of CFL that it does not have sufficient money in its debt service fund for this purpose. Payment can also be made if the paying agent informs the commissioner of CFL that it has not received timely payments from the school district to be used to pay debt service. The school district must repay (with interest) amounts paid on their behalf. Repayment can be either through a reduction of subsequent state-aid payments or by the levy of an ad valorem tax, which may be made with the approval of the commissioner of CFL. As of October 24, 2000, there was approximately $6.9 billion in principal and interest of bonds, certificates of indebtedness and capital notes enrolled in the program. The state has not had to make any debt service payments on behalf of school districts under the program and does not expect to make any payments in the future.

13. NORTHWEST AIRLINES MAINTENANCE FACILITIES

Minnesota Laws 1991, Chapter 350 authorized the state to issue revenue bonds secured by the state's full faith and credit in an amount up to $50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. (NAI), the intended lessee of both facilities and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the state would use its best efforts to issue revenue bonds secured by the state's full faith and credit for the Duluth facility. The state issued $47,670,000 of revenue bonds in May 1995. As of June 30, 2000, $41,985,000 of the revenue bonds remained outstanding, of which $24,315,000 is payable primarily from lease payments of NAI, and $17,670,000 is payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event such revenues are insufficient, the state will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the city of Duluth. Of the $41,985,000 revenue bonds issued by the state, $41,560,000 is secured by the state's full faith and credit, and $425,000 is secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30-year amortization period. On July 1, 1999, $3,435,000 of the revenue bonds was defeased, thereby reducing the amount of the stated outstanding balance. The defeased funds are to be held in escrow. The invested funds will be sufficient to pay principal of, and interest on, the bonds to their earliest call date. The 1997 Minnesota legislature cancelled $48,765,000 of the bonding authorization for the engine repair facility.

14. EQUITY

**Contributed Capital**

Components of the changes in the contributed capital of the enterprise and internal service funds and component unit proprietary funds are as follows (in thousands):

| | Primary Government | | | Component Units |
|---|---|---|---|---|
| Source | Enterprise Funds | Internal Service Funds | Total | Proprietary Funds |
| Contributed Capital, Beginning | $ 25,474 | $ 6,064 | $ 31,538 | $ 852,490 |
| Additions: | | | | |
| Federal Grants | - | - | - | 65,978 |
| Other Contributions | 726 | - | 726 | 75,412 |
| Reductions: | | | | |
| Amortization/Depreciation on Fixed Assets Acquired with Contributed Capital | (352) | - | (352) | (31,546) |
| Contributed Capital, Ending | $ 25,848 | $ 6,064 | $ 31,912 | $ 962,334 |

**Retained Earnings**

The following table identifies in greater detail the retained earnings of the reporting entity (in thousands):

| | Proprietary Fund Types | | |
|---|---|---|---|
| | Enterprise | Internal Service | Component Units |
| Retained Earnings: | | | |
| Reserved for Debt Requirements | $ 11,649 | $ - | $ 579,972 |
| Reserved per State Law | - | - | 144,067 |
| Reserved for Claims | - | 81,860 | - |
| Total Reserved Retained Earnings | $ 11,649 | $ 81,860 | $ 724,039 |
| Unreserved Retained Earnings | 164,002 | 18,370 | 1,102,224 |
| Total Retained Earnings | $ 175,651 | $ 100,230 | $ 1,826,263 |

Reserved Retained Earnings

*Primary Government*

*Reserved for Claims* represents the accrued amount for claims incurred, but not reported for the Public Employees Insurance Program Fund.

*Component Units*

*Reserved Retained Earnings per State Law* consists of $144,067,000 in the Housing Finance Agency Fund. This reserve is the unused portion of state appropriations provided for specific programs. These programs are primarily for interest rate reductions on housing mortgages and home improvement loans.

Deficit Retained Earnings

The Chemical Dependency Treatment Fund (enterprise fund) has a deficit retained earnings of $1,385,000 at June 30, 2000. This was primarily due to a large write-off of receivables. The deficit is expected to be recovered within the next several years.

Fund Balances

The following table identifies in greater detail the fund balances of the reporting entity (in thousands):

| | Governmental Fund Types | | | | | Fiduciary Fund Types | University Fund Type |
|---|---|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Debt Service | Component Units | Trust and Agency | University of Minnesota |
| Fund Balances: | | | | | | | |
| Reserved for Encumbrances | $ 106,615 | $ 90,821 | $ 4,843 | $ - | $ 10,314 | $ 8,868 | $ 27,765 |
| Reserved for Inventory | - | 13,934 | - | - | - | 2,197 | - |
| Reserved for Long-Term Receivables | 6,746 | 91,652 | 94,210 | 48,298 | 93,444 | 22,988 | - |
| Reserved for Long-Term Commitments | - | 85,407 | 165,550 | - | 36,883 | - | - |
| Reserved for Local Governments | - | - | - | - | - | 407,657 | - |
| Reserved for Trust Principal | - | - | - | - | - | 1,550,246 | - |
| Reserved for Debt Requirements | - | - | - | 385,559 | - | - | - |
| Reserved for Pension Benefits | - | - | - | - | - | 44,099,500 | - |
| Budgetary Reserve | 972,000 | 127,259 | - | - | - | - | - |
| Reserved for Long-Term Advances | 3,000 | 60 | - | - | - | - | - |
| Reserved for Other | - | 5,749 | - | - | - | - | 899,692 |
| Total Reserved Fund Balances | $ 1,088,361 | $ 414,882 | $ 264,603 | $ 433,857 | $ 140,641 | $ 46,091,456 | $ 927,457 |
| Unreserved Fund Balances: | | | | | | | |
| Designated for Appropriation Carryover | 415,151 | 122,286 | - | - | - | - | - |
| Designated for Fund Purposes | - | 286,988 | - | - | 328,347 | 790,638 | 250,210 |
| Total Designated Fund Balance | $ 415,151 | $ 409,274 | $ - | $ - | $ 328,347 | $ 790,638 | $ 250,210 |
| Undesignated | 451,210 | 518,163 | 131,875 | - | 39,496 | 45,044 | 145,796 |
| Total Unreserved Fund Balances | $ 866,361 | $ 927,437 | $ 131,875 | $ - | $ 367,843 | $ 835,682 | $ 396,006 |
| Total Fund Balance | $ 1,954,722 | $ 1,342,319 | $ 396,478 | $ 433,857 | $ 508,484 | $ 46,927,138 | $ 1,323,463 |

Reserved Fund Balance

The reserved portion of the fund balances indicates that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use.

The *Budgetary Reserve* in the General Fund consists of two different accounts. The budget reserve account is appropriated by the legislature for use only when it appears that probable receipts will be less than anticipated and the amount available for the remainder of the biennium will be less than needed for budgeted expenditures. In this circumstance, state law requires that the commissioner of Finance, with the approval of the governor and after consulting with legislative leadership, transfer amounts necessary from the reserve to the unreserved fund balance. The cash flow account is used to meet cash flow deficiencies resulting from the uneven distribution of revenue collections and required expenditures during a fiscal year.

The *Budgetary Reserve* in the Health Care Access Fund (special revenue fund) is a statutory reserve established to preserve basic health care services when federal funding is significantly reduced. This reserve is limited to $150,000,000.

The *Reserved for Local Governments* is the equity amount in three expendable trust funds required by the state constitution to be paid to local governments. The funds are the Municipal State-Aid Street, County State-Aid Highway and Endowment School funds. The payments to these local governments are for street and highway projects (to municipalities and counties) and to subsidize education in the local school districts.

The *Reserved for Other* totaling $5,749,000 in the special revenue funds consists primarily of petroleum overcharge fines ($5,276,000 in the Federal Fund and $27,000 in the Miscellaneous Special Revenue Fund) allocated by the federal courts to be used for energy conservation programs. The balance consists of the reserve for a revenue bond ($446,000 in the Iron Range Resources and Rehabilitation Fund) as required by bond covenants.

*Reserved for Other* - University of Minnesota (component unit) totaling $899,692,000, consists primarily of current externally restricted operating funds along with restricted plant funds that may be utilized only in accordance with the purposes established by the source of the funds.

Unreserved Fund Balance

*Primary Government*

The unreserved portion of the fund balances consists of designated fund balances indicating tentative managerial plans for future use of resources and undesignated fund balances indicating those unreserved financial resources available for appropriation. A portion of the undesignated fund balances in the Natural Resources (special revenue) funds may be appropriated only for specific programs.

*Designated for Fund Purposes* consists of fund balances for non-appropriated funds to be used for the following purposes (in thousands):

| | Special Revenue Funds | Expendable Trust Funds |
|---|---|---|
| Education | $ 9,231 | $ 16,314 |
| Economic Development | 74,183 | 756,578 |
| Health and Social Services | 70,297 | - |
| Transportation | 9,266 | - |
| Resource Management | 20,945 | 17,746 |
| Protection of Persons and Property | 20,017 | - |
| General Government | 83,049 | - |
| Totals | $ 286,988 | $ 790,638 |

The total Designated for Fund Purposes of Governmental Component Units and the University of Minnesota of $328,347,000 and $250,210,000 respectively, is to be used primarily for debt service.

15. PRIOR PERIOD ADJUSTMENTS AND OTHER CHANGES IN ACCOUNTING PRINCIPLES

**Prior Period Adjustments**

Primary Government

The Enterprise Activities (enterprise fund) Retained Earnings increased by $1,054,000 to record previously unrecognized receivables in this fund.

In previous years, the University of Minnesota (U of M) (component unit) reported the liability for the amount that the university is required to repay for general obligation bonds issued by the primary government. The Debt Service Fund did not report the receivable. For fiscal year 2000, a prior period adjustment was recorded to report the receivable due to the Debt Service Fund of $45,685,000. As of June 30, 2000, the amount receivable from the U of M was $48,298,000.

**Changes in Fund Structure**

Primary Government

The Police and Fire Consolidation Fund with June 30, 1999 net assets of $1,323,291,000, was previously reported separately. However, in fiscal year 2000, this fund was combined with the Police and Fire Fund, (defined benefit pension fund) per Laws of Minnesota, 1999.

In prior years, the Environmental and Natural Resources Funds and the Medical Education Endowment Trust Funds were each comprised of a nonexpendable and an expendable trust fund. Effective for the year ended June 30, 2000, statutory provisions allow a portion of the principal of each nonexpendable trust fund to be expended. The net effect of this change for the Environmental and Natural Resources (nonexpendable trust fund) was a decrease in fund balance of $289,521,000 and a decrease to cash of $6,907,000 and for the Medical Education Endowment (nonexpendable trust fund) was a decrease to fund balance of $179,940,000 and a decrease to cash of $163,832,000. As a result of this statutory change, the nonexpendable and expendable trust funds were combined and reported as expendable trust funds. The respective fund balances as of June 30, 1999 were as follows:

| | |
|---|---|
| Environmental and Natural Resources: | |
| Nonexpendable Trust | $289,521,000 |
| Expendable Trust | 4,817,000 |
| Total ` | $294,338,000 |
| Medical Education Endowment: | |
| Nonexpendable Trust | $179,940,000 |
| Expendable Trust | - |
| Total | $179,940,000 |

16. PENSION AND INVESTMENT TRUST FUNDS

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

Pension fund information is provided by three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary 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 Summary of Significant Accounting and Reporting Policies (Note 1) for addresses.

| Plan Administrator | Plans Covered |
|---|---|
| Public Employees Retirement Association (PERA) | Public Employees Retirement Fund<br>Police and Fire Fund<br>Public Employees Correctional Fund<br>Public Employees Defined Contribution Retirement Fund |
| Teachers Retirement Association (TRA) | Teachers Retirement Fund |
| Minnesota State Retirement System (MSRS) | State Employees Fund<br>State Patrol Fund<br>Correctional Employees Fund<br>Judicial Fund<br>Elective State Officers Fund<br>Legislative Fund<br>Unclassified Employee Retirement Fund |

Wells Fargo is the plan administrator for the College and University Retirement Fund. Wells Fargo prepares, but does not publish its financial report. Copies of this report may be obtained from the Department of Finance.

**Defined Benefit Pension Funds**

Plan Descriptions and Contribution Information

■ Multiple employer, cost-sharing plans:

The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota and certain other entities not covered by other pension funds. Thirty-two 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 are 1.2 percent and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Four hundred sixty-one employers participate in this plan. Normal retirement is age 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 basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund. Currently, TRF does not have an unfunded actuarial accrued liability.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions, including counties, cities, school districts and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated. 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 basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state is not an employer of the participants in the plan, but performs only in a fiduciary capacity and is not responsible for the unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. 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. Approximately 500 employers participate in this plan.

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

- Single employer (state of Minnesota) plans:

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

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

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

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

The Legislative Retirement Fund (LRF) covers members of the state's house of representatives and senate. Vesting occurs after six years. Normal retirement age is 62. Annuity is 2.5 percent for each year of service.

Funding Policy Information

| | Single Employer | | | | | Multiple Employer | |
|---|---|---|---|---|---|---|---|
| | CERF | SPRF | JRF | ESOF | LRF | SERF | TRF |
| Statutory Authority, Minnesota, Chapter | 352 | 352B | 490 | 352C | 3A | 352 | 354 |
| Required Contribution Rate of Active Members (%) | 5.69 | 8.40 | 8.00 | 9.00 | 9.00 | 4.00 | 5.00 |
| Required Contribution Rate of Employer (%) | 7.98 | 12.60 | 20.50 | N/A | N/A | 4.00 | 5.00 |

Cost Sharing Plan Required Contributions
(In Thousands)

| | | SERF | TRF |
|---|---|---|---|
| Required Contributions: | | | |
| Employee and Employer * | 2000 | $ 139,700 | $ 273,115 |
| | 1999 | $ 132,802 | $ 262,565 |
| | 1998 | $ 125,216 | $ 275,419 |

* Contributions were 100 percent of required contributions.

Single Employer Plan Disclosures For Current Year
(In Thousands)

| | SPRF | CERF | JRF | LRF |
|---|---|---|---|---|
| Annual Required Contributions (ARC)* | $ 6,363 | $ 14,985 | $ 7,029 | $ 3,062 |
| Interest on Net Pension Obligation (NPO)* | - | - | - | - |
| Amort adj to ARC* | - | - | - | - |
| Annual Pension Cost | $ 6,363 | $ 14,985 | $ 7,029 | $ 3,062 |
| Contributions | 10,113 | 15,510 | 7,505 | 3,715 |
| Increase (Decrease) in NPO | $ (3,750) | $ (525) | $ (476) | $ (653) |
| NPO, Beginning (Asset) | (6,699) | (8,244) | (12,257) | (1,354) |
| NPO, Ending (Asset) | $ (10,449) | $ (8,769) | $ (12,733) | $ (2,007) |

* Components of Annual Pension Cost

Single Employer Plan Disclosures
(In Thousands)

| | | SPRF | CERF | JRF | LRF |
|---|---|---|---|---|---|
| Annual Pension Cost (APC) | 2000 | $ 6,363 | $ 14,985 | $ 7,029 | $ 3,062 |
| | 1999 | 6,410 | 13,786 | 8,999 | 3,535 |
| | 1998 | 6,765 | 12,161 | 6,803 | 3,353 |
| Percentage of ARC Contributed | 2000 | 159% | 104% | 107% | 121% |
| | 1999 | 149% | 106% | 101% | 78% |
| | 1998 | 135% | 116% | 128% | 173% |
| NPO (end of year) | 2000 | $ (10,449) | $ (8,769) | $ (12,733) | $ (2,007) |
| | 1999 | (6,699) | (8,244) | (12,257) | (1,354) |
| | 1998 | (3,548) | (7,480) | (12,136) | (2,124) |

*Actuarial Assumptions for Single Employers*

- The actuarial cost method used by all plans is the Entry Age Normal method.
- The method used to determine actuarial valuation of assets is cost plus one-third unrealized gains or losses.
- Minnesota statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Investment returns for pre-retirement and post-retirement are 8.5 percent and 6.0 percent respectively for SPRF, CERF and JRF; and 8.5 percent and 5.0 percent, respectively for LRF and ESOF.
- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF, ESOF and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6.0 percent are accounted for by 6.0 percent post-retirement assumptions for SPRF, CERF and JRF. Payment of earnings on retired reserves in excess of 5.0 percent are accounted for by 5.0 percent post-retirement assumptions for LRF and ESOF.
- The level percentage of projected payroll is the amortization method used, except for the ESOF plan which uses the level dollar amortization method.
- The amortization period is through July 1, 2020.
- The amortization period is closed.

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

| | | SPRF | CERF | JRF | LRF |
|---|---|---|---|---|---|
| Actuarial Valuation Date | 2000 | 7/1/00 | 7/1/00 | 7/1/00 | 7/1/00 |
| | 1999 | 7/1/99 | 7/1/99 | 7/1/99 | 7/1/99 |
| | 1998 | 7/1/98 | 7/1/98 | 7/1/98 | 7/1/98 |
| Actuarial Value of Plan Assets | 2000 | $ 528,573 | $ 386,964 | $ 111,113 | $ 37,265 |
| | 1999 | $ 472,687 | $ 335,408 | $ 97,692 | $ 33,474 |
| | 1998 | $ 430,011 | $ 295,291 | $ 86,578 | $ 31,212 |
| Actuarial Accrued Liability | 2000 | $ 458,384 | $ 359,885 | $ 153,660 | $ 69,364 |
| | 1999 | $ 406,215 | $ 307,408 | $ 139,587 | $ 66,418 |
| | 1998 | $ 371,369 | $ 261,869 | $ 130,727 | $ 62,928 |
| Total Unfunded Actuarial Liability (Asset) | 2000 | $ (70,189) | $ (27,079) | $ 42,547 | $ 32,099 |
| | 1999 | $ (66,472) | $ (28,000) | $ 41,895 | $ 32,944 |
| | 1998 | $ (58,642) | $ (33,422) | $ 44,149 | $ 31,716 |
| Funded Ratio* | 2000 | 115% | 108% | 72% | 54% |
| | 1999 | 116% | 109% | 70% | 50% |
| | 1998 | 116% | 113% | 66% | 50% |
| Annual Covered Payroll | 2000 | $ 48,167 | $ 112,587 | $ 26,315 | $ 5,808 |
| | 1999 | $ 45,333 | $ 106,131 | $ 32,940 | $ 7,490 |
| | 1998 | $ 43,170 | $ 97,363 | $ 24,647 | $ 6,965 |
| Ratio of Unfunded Actuarial Actuarial Liability to Annual Covered Payroll | 2000 | (146%) | (24%) | 162% | 553% |
| | 1999 | (147%) | (26%) | 127% | 440% |
| | 1998 | (136%) | (34%) | 179% | 455% |

* Actuarial value of assets as a % of actuarial accrued liability.

**Defined Contribution Funds**

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

Plan Descriptions and Contribution Information

The Unclassified Employee Retirement Fund, 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. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 58. Annuity is based on age and value of the participant's account. Eighteen employers participate in this plan.

The College and Universities Retirement funds, authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, cover unclassified teachers, librarians, administrators and certain other staff members who have been employed full-time for a minimum of two academic years. The plan administrator is Wells Fargo. Participation is mandatory for qualified employees. These funds consist of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). There are two member groups participating in the IRAP, one for faculty and one for managerial employees. For the faculty, the employer and employee statutory contribution rates are 6.0 and 4.5 percent respectively, while for the managerial employees the employer rate is 6.0 percent and the employee rate is 4.1 percent. For the SRP, the statutory contribution rate is 5 percent of salary between $6,000 and $15,000. Vesting occurs immediately, and normal retirement is age 55. One employer participates in this plan. Total current membership in the plan is approximately 13,400.

The Public Employee Defined Contribution Retirement Fund (PEDCR) 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. The plan administrator is the Public Employee Retirement Association. 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. PEDCR Fund covers approximately 1,000 units of government. There are 4,031 members in the plan.

Defined Contribution Plans
Contributions Made for Fiscal Year 2000
(In Thousands)

| | Unclassified Employee Retirement Fund | Colleges and Universities Retirement Fund | PERA Defined Contribution Fund |
|---|---|---|---|
| Employee Contributions | $4,259 | $14,588 | $847 |
| Employer Contributions | $5,873 | $17,216 | $936 |

**Investment Trust Funds**

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

**Component Units**

The following component units are participants in the SERF, P&FF and the Unclassified Employees Retirement funds:

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

17. POST-RETIREMENT BENEFITS

For certain employees, post-retirement benefits are available upon retirement at age 55 under terms of their employment contract. Through fiscal year 2000, the employees involved were primarily conservation officers, correctional counselors at correctional facilities, highway patrol officers and MnSCU faculty entitled to early retirement incentives. If these employees elect retirement at age 55, the state will pay the employer’s share of health insurance benefits until the employees reach age 65.

Periodically, the legislature has provided early retirement incentives for other employees meeting specific requirements. The specific circumstances usually require the employee to retire within a narrow time frame, whereby the state will pay the employer's share of health insurance benefits until the employee reaches age 65. The 1993 and 1995 legislatures approved incentive windows from May 17, 1993 through January 30, 1994, and from May 23, 1994 through January 30, 1995, respectively.

The cost of these benefits, which is recognized when paid, was $5,854,326 during fiscal year 2000. Approximately 1,200 former employees are currently receiving this benefit.

18. SEGMENT INFORMATION AND CONDENSED BALANCE SHEET

Significant enterprise fund financial data for the year ended June 30, 2000 follows.

**Primary Government**

Enterprise Funds Segment Information
(In Thousands)

| | State Colleges & Universities Revenue | State Lottery | Colleges & University Enterprise Activities | Minnesota Correctional Industries | Chemical Dependency Treatment | Public Employees Insurance | Private Employers Insurance | Enterprise Activities | State Operated Community Services | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenues | $ 48,895 | $371,463 | $ 62,888 | $ 20,122 | $ 14,736 | $ 10,948 | $ - | $ 6,486 | $ 40,968 | $576,506 |
| Depreciation/Amortization Expense | 5,498 | 1,609 | 479 | 451 | 154 | 2 | - | 64 | 703 | 8,960 |
| Operating Income (Loss) | 4,854 | 57,550 | 2,605 | (1,948) | (1,950) | (1,709) | (33) | 2,226 | (601) | 60,994 |
| Nonoperating Revenues (Expenses): | | | | | | | | | | |
| Investment Income | 2,575 | 2,205 | 1,459 | 362 | 254 | 295 | 33 | - | 900 | 8,083 |
| Grants (Revenue) | - | - | 168 | - | 116 | - | - | - | - | 284 |
| Grants (Expense) | - | - | (1,002) | - | - | - | - | - | - | (1,002) |
| Other Nonoperating Expense | (3,970) | - | (200) | (9) | (1) | - | - | (2,345) | (532) | (7,057) |
| Net Operating Transfers-In (Out) | - | (60,546) | (699) | 2,486 | (86) | - | - | - | 1,815 | (57,030) |
| Net Income (Loss) | 3,459 | - | 2,997 | 1,703 | (1,667) | (1,414) | - | (119) | 1,582 | 6,541 |
| Changes in Contributed Capital | (352) | - | - | - | 274 | - | - | - | 452 | 374 |
| Fixed Assets: Additions | 6,266 | 1,064 | 546 | 1,141 | 47 | - | - | - | 1,721 | 10,785 |
| Net Working Capital | 2,278 | (2,967) | 27,092 | 14,612 | 4,963 | 3,004 | 60 | 4,083 | 16,436 | 69,561 |
| Total Assets | 118,793 | 31,370 | 82,149 | 19,526 | 5,610 | 4,910 | 188 | 6,655 | 29,958 | 299,159 |
| Noncurrent Liabilities Payable from Other Sources | - | - | - | - | - | - | 60 | - | - | 60 |
| Total Fund Equity | $ 86,433 | $ - | $ 72,518 | $ 17,310 | $ 4,351 | $ 2,986 | $ - | $ 4,050 | $ 13,851 | $201,499 |

Significant component unit financial data for the year ended June 30, 2000 follows.

Component Units
Condensed Statements - Governmental Funds
(In Thousands)

| | PFA | MC* | MTI | HESO | EFA | AEDB | RFA | MPAAT | Totals |
|---|---|---|---|---|---|---|---|---|---|
| Balance Sheet: | | | | | | | | | |
| Current Assets | $ 39,748 | $ 82,633 | $ 4,983 | $ 4,241 | $ 1,060 | $ 29,580 | $ 14,284 | $ 57,969 | $ 234,498 |
| Non-Current Assets | - | 98,984 | - | - | - | 34,518 | 51,791 | 139,547 | 324,840 |
| Due from Other Governmental Units | - | 7,310 | - | - | - | - | - | - | 7,310 |
| Fixed Assets | - | 12,085 | 395 | 95 | - | - | - | - | 12,575 |
| Amount Available for Debt Service | - | 31,465 | - | - | - | - | - | - | 31,465 |
| Amount to be Provided for Debt Service | - | 98,902 | - | - | - | 40,697 | - | - | 139,599 |
| Total Assets and Other Debits | $ 39,748 | $ 331,379 | $ 5,378 | $ 4,336 | $ 1,060 | $ 104,795 | $ 66,075 | $ 197,516 | $ 750,287 |
| Current Liabilities | $ 1,664 | $ 46,216 | $ 362 | $ 1,768 | $ - | $ 964 | $ - | $ 178 | $ 51,152 |
| Due to Other Governmental Units | - | 799 | - | - | - | - | - | - | 799 |
| Long-Term Liabilities | - | 134,486 | 372 | 2,117 | - | 40,697 | - | - | 177,672 |
| Total Liabilities | $ 1,664 | $ 181,501 | $ 734 | $ 3,885 | $ - | $ 41,661 | $ - | $ 178 | $ 229,623 |
| Total Equity | $ 38,084 | $ 149,878 | $ 4,644 | $ 451 | $ 1,060 | $ 63,134 | $ 66,075 | $ 197,338 | $ 520,664 |
| Operating Statement: | | | | | | | | | |
| Revenues | $ 315 | $ 108,662 | $ 3,371 | $ 2,524 | $ 63 | $ 2,439 | $ 3,307 | $ 12,298 | 132,979 |
| Current Expenditures | - | (137,125) | (12,456) | (10,286) | - | (798) | - | (1,804) | (162,469) |
| Non-Current Expenditures: | | | | | | | | | |
| Capital Outlay | - | (3,655) | - | - | - | - | - | - | (3,655) |
| Debt Service | - | (41,414) | - | - | - | (15,754) | - | - | (57,168) |
| Grants & Subsidies | (23,274) | - | - | (136,834) | - | - | - | - | (160,108) |
| Total Non-Current Expenditures | $ (23,274) | $ (45,069) | $ - | $(136,834) | $ - | $ (15,754) | $ - | $ - | $ (220,931) |
| Total Expenditures | $ (23,274) | $ (182,194) | $(12,456) | $(147,120) | $ - | $ (16,552) | $ - | $ (1,804) | $ (383,400) |
| Excess of Revenues Over Expenditures | $ (22,959) | $ (73,532) | $ (9,085) | $(144,596) | $ 63 | $ (14,113) | $ 3,307 | $ 10,494 | $ (250,421) |
| Other Financing Sources (Uses): | | | | | | | | | |
| Bond Proceeds | $ - | $ 29,048 | $ - | $ - | $ - | $ 14,900 | $ 3,100 | $ - | $ 47,048 |
| Transfers-In from Primary Government | 19,319 | 54,684 | 4,605 | 145,000 | - | - | - | - | 223,608 |
| Transfers-Out for Primary Government | (319) | - | - | - | (66) | - | (8,547) | - | (8,932) |
| Operating Transfers-In | - | 1,910 | - | - | - | - | - | - | 1,910 |
| Other Operating Transfers-Out | - | (4,685) | - | - | - | - | - | - | (4,685) |
| Total Other Financing Sources (Uses) | $ 19,000 | $ 80,957 | $ 4,605 | $ 145,000 | $ (66) | $ 14,900 | $ (5,447) | $ - | $ 258,949 |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | $ (3,959) | $ 7,425 | $ (4,480) | $ 404 | $ (3) | $ 787 | $ (2,140) | $ 10,494 | $ 8,528 |

* December 31 year end

## Component Units - Governmental Funds

Public Facilities Authority (PFA)
Metropolitan Council (MC)
Minnesota Technology Incorporated (MTI)
Higher Education Services Office (HESO)
Export Finance Authority (EFA)
Agricultural and Economic Development Board (AEDB)
Rural Finance Authority (RFA)
Minnesota Partnership for Action Against Tobacco (MPAAT)

Component Units

Condensed Statements - Proprietary Funds

(In Thousands)

| | HFA | PFA | MC* | WCARP* | NSCF* | HESO | Totals |
|---|---|---|---|---|---|---|---|
| Balance Sheet: | | | | | | | |
| Current Assets | $ 571,573 | $ - | $ 94,292 | $ 210,436 | $ 591 | $ 10,473 | $ 887,365 |
| Non-Current Assets | 2,014,136 | - | 5,485 | 738,237 | - | 369,290 | 3,127,148 |
| Due from Other Governmental Units | - | - | 2,562 | - | - | - | 2,562 |
| Due from Primary Government | 240 | - | - | - | - | - | 240 |
| Restricted Assets | 250,752 | 1,085,131 | 225,096 | - | - | 21,747 | 1,582,726 |
| Fixed Assets | 1,264 | - | 1,198,060 | - | 3,363 | 37 | 1,202,724 |
| Total Assets | $ 2,837,965 | $ 1,085,131 | $ 1,525,495 | $ 948,673 | $ 3,954 | $ 401,547 | $ 6,802,765 |
| Current Liabilities | $ 10,932 | $ 3,822 | $ 73,697 | $ 17,044 | $ 815 | $ 438 | $ 106,748 |
| Due to Primary Government | - | - | - | 3,632 | - | - | 3,632 |
| Restricted Liabilities | 87,555 | 563,083 | 189,360 | - | - | 269 | 840,267 |
| Long-Term Liabilities | 2,059,670 | 14,030 | 481,987 | 375,000 | 2,938 | 129,896 | 3,063,521 |
| Total Liabilities | $ 2,158,157 | $ 580,935 | $ 745,044 | $ 395,676 | $ 3,753 | $ 130,603 | $ 4,014,168 |
| Total Equity | $ 679,808 | $ 504,196 | $ 780,451 | $ 552,997 | $ 201 | $ 270,944 | $ 2,788,597 |
| Operating Statement: | | | | | | | |
| Revenues | $ 171,866 | $ 44,175 | $ 214,215 | $ 33,741 | $ 6,228 | $ 18,217 | $ 488,442 |
| Operating Expenditures | (165,203) | (35,830) | (336,272) | (24,454) | (7,209) | (12,846) | (581,814) |
| Operating Income (Loss) | $ 6,663 | $ 8,345 | $ (122,057) | $ 9,287 | $ (981) | $ 5,371 | $ (93,372) |
| Nonoperating Revenues (Expenses) | (24,371) | (925) | 56,240 | 44,837 | 1,029 | 6,199 | 83,009 |
| Operating Transfers-In | - | - | 2,776 | - | - | - | 2,776 |
| Transfer-in from Primary Government | 93,010 | - | 29,520 | - | - | - | 122,530 |
| Operating Transfers-Out | - | - | (1) | - | - | - | (1) |
| Depreciation on Fixed Assets Acquired with Contributed Capital | - | - | 31,546 | - | - | - | 31,546 |
| Increase (Decrease) in Retained Earnings | $ 75,302 | $ 7,420 | $ (1,976) | $ 54,124 | $ 48 | $ 11,570 | $ 146,488 |
| Changes in Contributed Capital | $ - | $ 75,412 | $ 34,432 | $ - | $ - | $ - | $ 109,844 |

* December 31 year end

## Component Units - Proprietary Funds

Housing Finance Agency (HFA)
Public Facilities Authority (PFA)
Metropolitan Council (MC)
Workers' Compensation Assigned Risk Plan (WCARP)
National Sports Center Foundation (NSCF)
Higher Education Services Office (HESO)

Component Unit
Combined Condensed Balance Sheet - All Fund Types
(In Thousands)

| | Governmental Totals | Proprietary Totals | University of Minnesota | Total Component Units |
|---|---|---|---|---|
| Balance Sheet: | | | | |
| Current Assets | $ 234,498 | $ 887,365 | $ 735,622 | $ 1,857,485 |
| Non-Current Assets | 324,840 | 3,127,148 | 912,511 | 4,364,499 |
| Due from other Governmental Units | 7,310 | 2,562 | - | 9,872 |
| Due from Primary Government | - | 240 | 157,093 | 157,333 |
| Restricted Assets | - | 1,582,726 | 12,233 | 1,594,959 |
| Fixed Assets | 12,575 | 1,202,724 | 1,406,245 | 2,621,544 |
| Amount Available for Debt Service | 31,465 | - | - | 31,465 |
| Amount to be Provided fo Debt Service | 139,599 | - | - | 139,599 |
| Total Assets | $ 750,287 | $ 6,802,765 | $ 3,223,704 | $ 10,776,756 |
| Current Liabilities | $ 51,152 | $ 106,748 | $ 269,382 | $ 427,282 |
| Due to Other Governmental Units | 799 | - | - | 799 |
| Due to Primary Government | - | 3,632 | 48,298 | 51,930 |
| Restricted Liabilities | - | 840,267 | - | 840,267 |
| Long-Term Liabilities | 177,672 | 3,063,521 | 577,989 | 3,819,182 |
| Total Liabilities | $ 229,623 | $ 4,014,168 | $ 895,669 | $ 5,139,460 |
| Total Equity | $ 520,664 | $ 2,788,597 | $ 2,328,035 | $ 5,637,296 |

Investments are shown as non-current assets.

19. RISK MANAGEMENT

**Primary Government**

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

During the year ended June 30, 2000, the state changed insurance funding by shifting more to self-insurance. All health plans are now self-insured.

Risk Management Fund

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

The property coverage offers an agency a deductible between $1,000 and $100,000. The fund covers the balance of the claim up to $500,000. The primary reinsurer covers losses up to $25,000,000 after which the excess loss is shared among three reinsurers up to $400,000,000. The liability coverage is up to the statutory limit of $300,000 per person for property damage or $750,000 for bodily injury per occurrence. Once annual losses paid by the Risk Management Fund reach $3,500,000, the reinsurer will step in and cover those losses in excess of each covered agency’s deductible. Once this limit is reached, the fund has to pay a $10,000 maintenance deductible for each claim.

The Risk Management Fund purchases insurance policies for state agencies seeking other types of coverage. This type of policy covers risks that the state is not able to self-insure and includes aviation, medical malpractice and foster care liability. The premiums for these policies are billed back to agencies at cost.

Statutory provisions prohibit the state from insuring property against loss. Certain agencies and programs are exempted from this prohibition. These include the Minnesota Correctional Facility - Stillwater, Minnesota State Colleges and Universities, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board and the Sibley House. The Commissioner of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to protect buildings and contents. All losses of state property are either self-insured, covered by programs of the Risk Management Fund or covered by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Tort Claims

Tort claims against the state are limited by statute to $300,000 per person for property damage or $1,000,000 per person for bodily injury per occurrence. These risks are covered through self-insurance. Each state agency is responsible to pay for the cost of claims from its operating budget of various funds. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature.

Workers' Compensation

The state also participates in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims in excess of the retention amount of $1,240,000. These risks are covered through self-insurance. Each state agency is responsible to pay for the cost of claims from its operating budget of various funds.

The workers' compensation claims liability rose this year due to an increase in the number of lost time claims filed.

State Employee Group Insurance Program

The State Employee Group Insurance Program (SEGIP) was created by the Minnesota State Legislature as an employee insurance trust fund to provide eligible employees and other eligible persons with life insurance and hospital, medical and dental benefits coverage through provider organizations. The trust fund is not associated with a public risk pool. SEGIP fiscal activities are accounted for in an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained within the trust fund to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund. The contingency reserve balance is based on industry standards, actuarial projections, and claims experience. The fund has the authority to invest discretionary resources with the State Board of Investment. Earnings are credited to the fund.

SEGIP provides benefits coverage to employees by contracting with insurance carriers to provide for medical, dental, life, and disability coverage through a network of providers throughout the state.

In January 2000, the Fund became fully self-insured for medical coverage and now assumes all liability for medical claims. The self-funded programs within the fund establish claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred but not reported (IBNR). These estimates are provided by the insurance carriers and reviewed by the program managers 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 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.16. The PEIP became a self-funded program again in 1998 after a brief period as a fully funded entity.

PEIP's membership as of June 30, 2000 was 5,429 members, which includes seven school districts, 58 cities/townships, five counties and 22 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 $50,000. The employers' premium would be increased the next plan year and over several plan years, if necessary, to recover costs in the event of a deficiency. Investment income is not anticipated in calculating premium deficiencies. If the assets of the pool would be exhausted, members would not be responsible for the pool's liabilities.

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

The following table presents changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2000 and 1999:

| | Beginning Claims Liability | Net Additions and Changes in Claims | Payment of Claims | Ending Claims Liability |
|---|---|---|---|---|
| Risk Management Fund | | | | |
| Fiscal Year Ended 6/30/99 | $ 6,532,000 | $ 1,807,000 | $ 2,210,000 | $ 6,129,000 |
| Fiscal Year Ended 6/30/00 | $ 6,129,000 | $ 1,873,000 | $ 2,420,000 | $ 5,582,000 |
| Tort Claims (*) | | | | |
| Fiscal Year Ended 6/30/99 | $ - | $ 702,000 | $ 702,000 | $ - |
| Fiscal Year Ended 6/30/00 | $ - | $ 514,000 | $ 514,000 | $ - |
| Workers' Compensation | | | | |
| Fiscal Year Ended 6/30/99 | $ 113,732,000 | $ 15,164,000 | $ 12,761,000 | $ 116,135,000 |
| Fiscal Year Ended 6/30/00 | $ 116,135,000 | $ 33,645,000 | $ 13,120,000 | $ 136,660,000 |
| State Employee Insurance Plans | | | | |
| Fiscal Year Ended 6/30/99 | $ 16,415,000 | $ 276,882,000 | $ 271,944,000 | $ 21,353,000 |
| Fiscal Year Ended 6/30/00 | $ 21,353,000 | $ 321,061,000 | $ 302,808,000 | $ 39,606,000 |
| Public Employee Insurance Program | | | | |
| Fiscal Year Ended 6/30/99 | $ 535,000 | $ 5,796,000 | $ 5,495,000 | $ 836,000 |
| Fiscal Year Ended 6/30/00 | $ 836,000 | $ 9,643,000 | $ 9,403,000 | $ 1,076,000 |

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

**Component Unit**

Metropolitan Council

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

*Liability*

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claims settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04 generally limits the MC's 1999 tort exposure to $300,000 per claim and $750,000 per occurrence for a claim arising on or after January 1, 1999. For claims arising earlier, the limits are $200,000 per claim and $600,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

*Workers' Compensation*

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 6.52 percent.

The self-insurance retention limit for workers' compensation is $1,160,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

The University is self-insured for medical malpractice, general liability, directors and officers liability and automobile liability through RUMINCO, Ltd., a wholly owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total estimated expense of a claim is estimated and booked as a liability when it is probable 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.

The University 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 University's liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 1999 and 1998 or June 30, 2000 and 1999, as applicable:

| | Beginning Claims Liability | Net Additions and Changes in Claims | Payment of Claims | Ending Claims Liability |
|---|---|---|---|---|
| Metropolitan Council | | | | |
| Fiscal Year Ended 12/31/98 | $ 15,314,000 | $ 5,649,000 | $ 5,546,000 | $ 15,417,000 |
| Fiscal Year Ended 12/31/99 | $ 15,417,000 | $ 8,290,000 | $ 6,001,000 | $ 17,706,000 |
| University of Minnesota - RUMINCO, Ltd. | | | | |
| Fiscal Year Ended 6/30/99 | $ 10,551,000 | $ 4,651,000 | $ 3,622,000 | 11,580,000 |
| Fiscal Year Ended 6/30/00 | $ 11,580,000 | $ 250,000 | $ 2,355,000 | 9,475,000 |
| University of Minnesota - Workers' Compensation | | | | |
| Fiscal Year Ended 6/30/99 | $ 17,000,000 | $ 549,000 | $ 2,849,000 | $ 14,700,000 |
| Fiscal Year Ended 6/30/00 | $ 14,700,000 | $ 1,854,000 | $ 2,554,000 | $ 14,000,000 |

20. BUDGETARY BASIS VS GAAP

Actual revenues, transfers-in, expenditures, encumbrances and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from 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 encumbered. A reconciliation of the fund balances under the two bases for the General and special revenue funds is provided in the table "Reconciliation of GAAP Basis Fund Balances to Budgetary Basis Fund Balances".

A major difference between GAAP and the budgetary fund balances for special revenue funds is an entity difference for those funds, which do not require legal appropriations. A reconciliation of this entity difference is presented below (in thousands). Other differences in basis of accounting and perspective (fund structure) are included in the subsequent table.

| | |
|---|---|
| Total GAAP Basis Fund Balance - All Special Revenue Funds | $ 1,342,319 |
| Special Revenue Funds not requiring Legal appropriation | (460,999) |
| Total GAAP Fund Balance - Appropriated Special Revenue Funds | $ 881,320 |

| | | Special Revenue Funds | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund | Trunk Highway | Highway User Tax Distribution | State Airport | Environ-mental | Solid Waste | Natural Resources | Special Compensation | Health Care Access | Total Special Revenue |
| GAAP Basis Fund Balances | $1,954,722 | $ 363,579 | $ 1,884 | $ 31,352 | $ 30,792 | $ 63,777 | $ 51,912 | $ 1,631 | $ 336,393 | $ 881,320 |
| Less: Reserved Fund Balances | 1,088,361 | 111,147 | 49 | 12,631 | 11,635 | - | 7,485 | 245 | 129,641 | 272,833 |
| Less: Designated Fund Balances | 415,151 | 43,112 | 1,835 | 5,722 | 16,409 | 797 | 11,847 | - | 12,888 | 92,610 |
| Undesignated Fund Balances | $ 451,210 | $ 209,320 | $ - | $ 12,999 | $ 2,748 | $ 62,980 | $ 32,580 | $ 1,386 | $ 193,864 | $ 515,877 |
| Basis of Accounting Differences | | | | | | | | | | |
| Revenue Accurals/ Adjustments: | | | | | | | | | | |
| Taxes Receivable | $ (432,085) | $ - | $ (2,076) | $ - | $ - | $ - | $ - | $ - | $ (30,770) | $ (32,846) |
| Human Services Receivable | (3,131) | - | - | - | - | - | - | - | - | - |
| Deferred Revenue | 153,905 | - | - | - | - | - | - | 5,474 | - | 5,474 |
| Other Receivables | (3,005) | - | - | - | - | (62) | (1,200) | (5,579) | - | (6,841) |
| Expenditure Accruals/ Adjustments: | | | | | | | | | | |
| Family Support, Medical Assist., and MAXIS | 193,873 | - | - | - | - | - | - | - | - | - |
| Police and Fire Aid | 58,300 | - | - | - | - | - | - | - | - | - |
| Education Aids | 402,584 | - | - | - | - | - | - | - | - | - |
| Other Payables | 46,648 | (1,292) | - | (518) | (54) | (180) | (144) | 33,791 | 4,184 | 35,787 |
| Other Financial Sources (Uses): | | | | | | | | | | |
| Transfers-In | (4,779) | (26,531) | - | - | - | - | (3,307) | - | - | (29,838) |
| Transfers-Out | - | - | 3,248 | - | - | - | - | - | - | 3,248 |
| Reserved Fund Balances: Long-Term Receivables | - | - | - | 3,252 | - | - | - | - | - | 3,252 |
| Fund Structure Differences | | | | | | | | | | |
| Terminally Funded Pension Plan | 7,276 | - | - | - | - | - | - | - | - | - |
| Cambridge Bank Fund Consolidation | (5,560) | - | - | - | - | - | - | - | - | - |
| Other | (4,166) | - | - | - | - | - | - | - | - | - |
| Budgetary Basis: Undesignated Fund Balances | $ 861,070 | $ 181,497 | $ 1,172 | $ 15,733 | $ 2,694 | $ 62,738 | $ 27,929 | $ 35,072 | $ 167,278 | $ 494,113 |

## 21. SUBSEQUENT EVENTS

### Primary Government

On November 8, 2000, $255,000,000 of general obligation state various purpose bonds and $30,000,000 of general obligation state trunk highway bonds were sold at a true interest rate of 5.05 percent. The bonds were issued to finance the cost of capital improvements. These bonds are backed by the full faith and credit and taxing powers of the state of Minnesota.

As required by the constitution and statutes, transfers from primary government and component unit funds presented below were made on November 30, 2000 to the separately invested Debt Service Fund to cover the principal and interest maturing through July 1, 2002 (in thousands):

| | |
|---|---|
| General Fund | $315,069 |
| Natural Resources Fund | 21 |
| Trunk Highway Fund | 6,352 |
| Maximum Effort School Loan Fund | 1,633 |
| University of Minnesota | 6,601 |
| Total Transfers to Debt Service | $329,676 |

A sales tax rebate not to exceed $635.6 million was approved by the 2000 legislature. The law specifies that the rebate is a reduction of fiscal year 2000 sales tax revenues. The amount necessary to pay the sales tax rebate and interest is appropriated from the General Fund to the Commissioner of Revenue in fiscal year 2000 and is available to claim by taxpayers until June 30, 2001. A sales tax rebate of $614,037,000 was recorded in the financial statements as reduction of the sales tax revenue and recorded as an additional accounts payable in the General Fund as of June 30, 2000. The majority of the sales tax rebate accrued in fiscal year 2000 was issued to the taxpayers in July 2000. Of this amount, approximately $21 million was collected by the state through revenue recapture programs.

**Component Units**

The Minnesota state legislature approved a workers' compensation bill that transferred $325 million of the Workers' Compensation Assigned Risk Plan's (WCARP) excess policyholders surplus to the primary government on July 10, 2000. This bill also provided for changes in certain benefits and a reduction in the Special Compensation Fund assessment rate. Adjustments necessary to reflect the financial statement impact of these changes have not been reflected in the WCARP or the primary government financial statements.

In March 2000, $42,000,000 of general obligation transit bonds with a true interest rate of 5.24 percent and $5,300,000 of general obligation park bonds with a true interest rate of 4.92 percent were issued by the Metropolitan Council (governmental fund type), which has a December 31 year end.

In July 2000, Housing Finance Authority (HFA, proprietary fund type) approved the issuance of $72,465,000 convertible option bonds to provide funds for certain homeownership programs. In August 2000 HFA also remarketed $33,955,000 of convertible option bonds.

In July 2000, Public Facilities Authority (proprietary fund type) issued $110,000,000 in revenue bonds for the purpose of funding loans.

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# APPENDIX B

## State General Obligation
## Long-Term Debt
## (Unaudited)

### General Obligation Bonds Outstanding October 1, 2001

The following schedule sets forth by type, all general obligation debt of the State expected to be outstanding as of October 1, 2001.

**GENERAL OBLIGATION BONDS OUTSTANDING OCTOBER 1, 2001**
**(INCLUDING THIS ISSUE)**
**($ in Thousands)**

| Category | Type | Principal Amount | |
|---|---|---|---|
| 1 | Building | $1,131,309 | |
| | Transportation | 91,305 | |
| | Pollution Control | 106,460 | |
| | Waste Management | 4,475 | |
| | Refunding Bonds | 503,122 | |
| | Reinvest in Minnesota | 10,430 | |
| | Land Fill | 29,400 | |
| | Infrastructure Development Bonds | 319,950 | |
| | Various Purpose | 34,406 | |
| | Total Category 1 | | $2,230,857 |
| 2 | School Loan | $ 40,275 | |
| | School Loan Refunding | 32,060 | |
| | Municipal Energy Building | 5,705 | |
| | Rural Finance Authority | 66,725 | |
| | Game and Fish Building | 68 | |
| | Total Category 2 | | $ 144,833 |
| 3 | Trunk Highway | $ 30,000 | |
| | Trunk Highway Refunding | 6,990 | |
| | Total Category 3 | | $ 36,990 |
| 4 | State Cigarette Tax Bonds Refunding Bonds | $ 2,335 | |
| | Total Category 4 | | $ 2,335 |
| 5 | State Sports & Health Club Tax Bonds Refunding Bonds | 8,225 | |
| | Total Category 5 | | $ 8,225 |
| | Total Outstanding October 1, 2001 — Previous Issues(1) | | $2,423,240 |
| | Plus October 1, 2001 Tax Exempt Bond Issue | | 355,000 |
| | Plus October 1, 2001 Taxable Bond Issue | | 4,000 |
| | Total Outstanding October 1, 2001, Including New Issues | | $2,782,240 |

(1) Excludes all bonds previously refunded.

The full faith and credit and unlimited taxing powers of the State are pledged for the payment of all of the above bonds.

The outstanding bonds comprising the first category are payable primarily from money appropriated to the Debt Service Fund from the Accounting General Fund, which is supported by income tax, sales tax, and other receipts. The bonds comprising the second category are payable to a substantial degree from money appropriated to the Debt Service Fund from special accounts in the Accounting General Fund to which the receipts from special revenue sources, such as school district capital and debt service loan repayments, State college charges, fees and rentals, have been pledged. The third category, Trunk Highway Bonds, are payable primarily from the Trunk Highway Fund, which receives 62 percent of the net proceeds of the State gasoline and motor vehicle registration taxes pursuant to the State Constitution. The fourth category, State Cigarette Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on the sale of cigarettes and other tobacco products. The fifth category, State Sports and Health Club Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on membership dues, initiation fees and facilities fees of private sports and health clubs.

**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED**
**October 1, 2001**
**($ in Thousands)**

| Purpose of Issue | Law Authorizing | Total Authorization(1)(2) | Previously Issued | Authorizations Dated October 1, 2001 and this Issue(3) | Remaining Authorization |
|---|---|---|---|---|---|
| Municipal Energy Building | 1983, Ch. 323 | $ 29,979.9 | $ 29,625.0 | $ 140.0 | $ 214.9 |
| Building | 1987, Ch. 400 | 369,687.2 | 369,560.5 | — | 126.7 |
| Water Pollution Control | 1987, Ch. 400 | 66,747.0 | 66,740.0 | — | 7.0 |
| Building | 1989, Ch. 300 | 112,865.4 | 112,215.0 | 20.0 | 630.4 |
| Building | 1990, Ch. 610 | 270,129.1 | 269,866.0 | 225.0 | 38.1 |
| Reinvest in Minnesota | 1990, Ch. 610 | 5,375.0 | 5,350.0 | 25.0 | 0.0 |
| Waste Management | 1990, Ch. 610 | 7,000.0 | 6,750.0 | 250.0 | 0.0 |
| Transportation | 1990, Ch. 610 | 11,035.0 | 11,005.0 | 30.0 | 0.0 |
| Wetlands/Reinvest in MN | 1991, Ch. 354 | 27,989.0 | 27,340.0 | — | 649.0 |
| Building | 1992, Ch. 558 | 202,134.0 | 196,615.0 | — | 5,519.0 |
| Waste Management | 1992, Ch. 558 | 2,000.0 | 250.0 | 1,375.0 | 375.0 |
| Transportation | 1992, Ch. 558 | 17,500.0 | 17,310.0 | — | 190.0 |
| Building | 1993, Ch. 373 | 39,605.6 | 38,355.0 | — | 1,250.6 |
| Transportation | 1993, Ch. 373 | 9,900.0 | 9,375.0 | — | 525.0 |
| Building | 1994, Ch. 643 | 526,506.8 | 514,789.0 | 3,475.0 | 8,242.8 |
| Municipal Energy Building | 1994, Ch. 643 | 4,000.0 | 3,950.0 | 25.0 | 25.0 |
| Transportation | 1994, Ch. 643 | 34,948.7 | 32,820.0 | 1,000.0 | 1,128.7 |
| Landfill | 1994, Ch. 639 | 37,540.0 | 37,540.0 | — | 0.0 |
| Water Pollution Control | X1995, Ch. 2 | 750.0 | 700.0 | 10.0 | 40.0 |
| Building | 1996, Ch. 463 | 481,770.0 | 461,435.0 | 11,000.0 | 9,335.0 |
| Municipal Energy Building | 1996, Ch. 463 | 3,908.3 | 3,850.0 | — | 58.3 |
| Water Pollution Control | 1996, Ch. 463 | 25,450.0 | 24,300.0 | — | 1,150.0 |
| Transportation | 1996, Ch. 463 | 10,000.0 | 9,965.0 | — | 35.0 |
| Rural Finance Authority | 1996, Ch. 463 | 38,100.0 | 38,100.0 | — | 0.0 |
| Building | 1997, Ch. 246 | 82,625.0 | 82,400.0 | — | 225.0 |
| Water Pollution Control | 1997, Ch. 246 | 4,000.0 | 3,500.0 | 100.0 | 400.0 |
| Transportation | 1997, Ch. 246 | 3,000.0 | 2,975.0 | — | 25.0 |
| Building | X1997, Ch. 2 | 44,055.0 | 33,500.0 | 1,800.0 | 8,755.0 |
| Building | 1998, Ch. 404 | 98,795.0 | 79,470.0 | 18,325.0 | 1,000.0 |
| Building | 1999, Ch. 240 | 444,805.0 | 238,165.0 | 117,200.0 | 89,440.0 |
| Water Pollution Control | 1999, Ch. 240 | 39,500.0 | 29,500.0 | 5,000.0 | 5,000.0 |
| Transportation | 1999, Ch. 240 | 28,440.0 | 24,700.0 | 2,500.0 | 1,240.0 |
| Transportation | 2000, Ch. 479 | 7,000.0 | 0.0 | 4,000.0 | 3,000.0 |
| Trunk Highway | 2000, Ch. 479 | 100,100.0 | 30,000.0 | 25,000.0 | 45,100.0 |
| Various Purpose | 2000, Ch. 492 | 535,060.0 | 128,175.0 | 148,500.0 | 258,385.0 |
| Various Purpose | X2001, Ch. 12 | 117,205.0 | 0.0 | 19,000.0 | 98,205.0 |
| Totals | | $3,839,506.0 | $2,940,190.5 | $359,000.0 | $540,315.5 |

*(footnotes on B-3)*

X indicates Special Session Laws.

(1) Amount as shown reflects any amendments by subsequent session laws.

(2) Minnesota Statutes, Section 16A.642, requires the Commissioner of Finance to prepare and present to appropriate legislative committees on or before February 1 of each odd-numbered year, a report on the status of certain bond authorizations which are more than four years old which have been implemented to a certain degree, and of other bond authorizations or bond proceeds balances that may be cancelled due to completion or cancellation of the projects to be financed. Bond authorizations and bond proceeds balances reported on by the Commissioner are cancelled effective the following July 1, unless specifically reauthorized by an act of the Legislature.

(3) The $359 million included in this total consists of $355 million in tax-exempt Various Purpose and Trunk Highway General Obligation Bonds and $4 million of taxable General Obligation Bonds both selling in October 2001. The taxable bonds to be sold are for the Rural Finance Authority Program authorized under Laws 2000, Chapter 492.

Pursuant to state law, in the Order authorizing the issuance of the Bonds the Commissioner of Finance has reserved the right, for a period of eighteen months after the Bonds have been issued, to amend the Order to determine that a portion of the Bonds were issued, or shall be deemed to have been issued, pursuant to a law other than the one specified in the Order and for a different purpose, and reallocate and transfer their proceeds to the appropriate account in the bond proceeds fund for expenditure pursuant to the law designated in the amendment.

**Debt Management Policy**

The Governor has established a State Debt Management Policy. Included in this policy is a guideline providing for the issuance of general obligation bonds in amounts such that appropriations to the Debt Service Fund from the Accounting General Fund should not exceed 3.0% of the Accounting General Fund non-dedicated revenues for a biennium; and a second guideline providing that the principal amount of general obligation bond debt should not exceed 2.5% of the personal income of State residents. A third guideline is that the total amount of all State general obligation bonds, moral obligation debt, State bond guarantees, equipment capital leases, and real estate leases outstanding at the end of any fiscal year should not exceed 5.0% of State personal income for that fiscal year. The purpose of the third guideline is to acknowledge all future commitments of the State, and to establish an upper limit on the total amount of the commitments.

The percentages of the appropriation for debt service from the Accounting General Fund and the ratios of debt to personal income are as follows:

| Biennium Ending | Percentage of Accounting General Fund Revenues for Debt Service | Debt/Personal Income | Future Commitments/ Personal Income |
|---|---|---|---|
| June 30, 1987 | 2.47% | 1.8% | — |
| June 30, 1989 | 2.76% | 1.9% | — |
| June 30, 1991 | 3.10% | 1.9% | — |
| June 30, 1993 | 2.79% | 1.8% | 4.44% |
| June 30, 1995 | 2.61% | 1.8% | 4.23% |
| June 30, 1997 | 2.47% | 1.8% | 3.64% |
| June 30, 1999 | 2.64% | 1.8% | 3.60% |
| June 30, 2001 | 2.43% | 1.6% | 3.04%(est) |
| June 30, 2003 (est) | 2.30% | 1.6% | 2.91% |

Of the State's general obligation bonds outstanding on June 30, 2001, 40.0 percent were scheduled to mature within five years, and 71.6 percent were scheduled to mature within ten years.

**NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE**

**($ in Thousands)**

| In Fiscal Year | Accounting General Fund | All Other Funds | Transfer Total |
|---|---|---|---|
| 1992 | 200,442 | 21,056 | 221,498 |
| 1993 | 208,311 | 17,417 | 225,728 |
| 1994 | 220,974 | 18,477 | 239,451 |
| 1995 | 212,890 | 24,372 | 237,262 |
| 1996 | 214,504 | 26,728 | 241,232 |
| 1997 | 235,519 | 22,459 | 257,978 |
| 1998 | 237,609 | 19,346 | 256,955 |
| 1999 | 286,495 | 20,445 | 306,940 |
| 2000 | 255,037 | 16,244 | 271,281 |
| 2001 | 304,994 | 18,315 | 323,309 |

The Net Transfer amount does not include investment earnings in the Debt Service Fund and the Bond Proceeds Fund which are also appropriated to pay debt service on State general obligation bonds.

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# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

**PRINCIPAL PAYMENTS - BOLD FACE** INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| GENERAL FUND | | | | | | | | |
| STATE BUILDING CAPITAL IMPROVEMENT | | | | | | | | |
| | '87.400 | **4,520** | **1,395** | **455** | **245** | **245** | **245** | **245** |
| | | 1,166 | 208 | 156 | 136 | 124 | 111 | 99 |
| | '88.718 | **55** | **45** | **10** | **0** | **0** | **0** | **0** |
| | | 2 | 2 | 0 | 0 | 0 | 0 | 0 |
| | '89.290 | **275** | **65** | **60** | **15** | **15** | **15** | **15** |
| | | 69 | 13 | 11 | 8 | 7 | 6 | 6 |
| | '89.300 | **30,165** | **3,750** | **2,530** | **2,110** | **2,110** | **2,110** | **2,005** |
| | | 10,657 | 1,523 | 1,357 | 1,238 | 1,129 | 1,018 | 904 |
| | '90.610 | **15,939** | **3,267** | **2,500** | **855** | **855** | **855** | **855** |
| | | 4,673 | 769 | 609 | 518 | 474 | 429 | 384 |
| | '91.354 | **2,275** | **175** | **175** | **175** | **175** | **175** | **175** |
| | | 781 | 113 | 105 | 96 | 88 | 79 | 70 |
| | '92.558 | **88,607** | **7,887** | **7,925** | **6,110** | **6,105** | **6,105** | **6,105** |
| | | 31,708 | 4,466 | 4,064 | 3,708 | 3,396 | 3,072 | 2,751 |
| | '93.373 | **4,830** | **355** | **345** | **345** | **345** | **345** | **335** |
| | | 1,908 | 257 | 239 | 221 | 201 | 181 | 162 |
| | '93.558 | **7,150** | **550** | **550** | **550** | **550** | **550** | **550** |
| | | 2,453 | 356 | 329 | 302 | 275 | 247 | 219 |
| | '94.643 | **285,653** | **18,665** | **18,660** | **18,110** | **18,105** | **18,100** | **18,410** |
| | | 120,457 | 14,592 | 13,681 | 12,761 | 11,809 | 10,823 | 9,813 |
| | X'95.002 | **3,980** | **270** | **245** | **245** | **245** | **245** | **280** |
| | | 1,652 | 207 | 193 | 181 | 168 | 154 | 139 |
| | '96.463 | **273,940** | **20,280** | **16,960** | **16,935** | **16,530** | **16,230** | **16,045** |
| | | 118,055 | 13,415 | 12,552 | 11,754 | 10,931 | 10,110 | 9,276 |
| | '97.246 | **63,990** | **3,755** | **3,755** | **3,855** | **4,255** | **4,555** | **4,255** |
| | | 26,526 | 3,068 | 2,893 | 2,718 | 2,533 | 2,328 | 2,108 |
| | X'97.002 | **30,600** | **2,285** | **2,280** | **1,755** | **1,755** | **1,755** | **1,755** |
| | | 13,559 | 1,536 | 1,427 | 1,317 | 1,228 | 1,139 | 1,050 |
| | '98.404 | **35,590** | **2,085** | **2,055** | **2,055** | **1,940** | **1,940** | **1,940** |
| | | 17,654 | 1,840 | 1,736 | 1,633 | 1,532 | 1,433 | 1,335 |
| | '99.240 | **225,355** | **18,505** | **15,990** | **15,990** | **14,650** | **11,715** | **11,715** |
| | | 103,453 | 11,323 | 10,402 | 9,605 | 8,837 | 8,173 | 7,574 |
| STATE MUNICIPAL ENERGY BUILDING BONDS | | | | | | | | |
| | '83.323 | **2,035** | **545** | **485** | **385** | **185** | **185** | **95** |
| | | 259 | 90 | 64 | 41 | 27 | 17 | 10 |
| | '94.643 | **2,205** | **395** | **395** | **395** | **395** | **395** | **95** |
| | | 336 | 104 | 85 | 65 | 45 | 22 | 9 |
| | '96.463 | **2,685** | **385** | **385** | **385** | **385** | **385** | **345** |
| | | 453 | 118 | 100 | 82 | 64 | 46 | 28 |
| REFUNDING BONDS | | | | | | | | |
| | '16A.66 | **548,189** | **70,192** | **76,557** | **68,712** | **63,647** | **49,142** | **48,247** |
| | | 127,234 | 26,090 | 22,537 | 18,837 | 15,505 | 12,562 | 10,102 |

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

($ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **245** | **245** | **245** | **245** | **245** | **245** | **170** | **20** | **20** | **5** | **5** | **0** | **0** | **0** |
| 86 | 73 | 60 | 47 | 34 | 21 | 7 | 2 | 1 | 0 | 0 | 0 | 0 | 0 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **15** | **15** | **15** | **15** | **15** | **15** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 5 | 4 | 3 | 2 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2,005** | **2,005** | **2,010** | **2,010** | **2,010** | **2,010** | **1,815** | **815** | **650** | **125** | **75** | **20** | **0** | **0** |
| 801 | 696 | 590 | 482 | 373 | 263 | 152 | 80 | 40 | 8 | 3 | 1 | 0 | 0 |
| **855** | **855** | **855** | **855** | **855** | **855** | **857** | **400** | **110** | **110** | **105** | **20** | **20** | **0** |
| 340 | 295 | 250 | 204 | 158 | 111 | 64 | 30 | 17 | 12 | 6 | 2 | 1 | 0 |
| **175** | **175** | **175** | **175** | **175** | **175** | **175** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 61 | 52 | 42 | 33 | 24 | 14 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **6,345** | **6,335** | **6,335** | **6,335** | **6,335** | **6,335** | **5,825** | **2,100** | **1,790** | **505** | **55** | **55** | **20** | **0** |
| 2,429 | 2,099 | 1,766 | 1,429 | 1,089 | 746 | 400 | 183 | 79 | 20 | 6 | 3 | 1 | 0 |
| **335** | **335** | **335** | **335** | **335** | **335** | **335** | **335** | **50** | **10** | **10** | **5** | **5** | **0** |
| 145 | 127 | 109 | 90 | 71 | 52 | 33 | 15 | 4 | 1 | 1 | 0 | 0 | 0 |
| **550** | **550** | **550** | **550** | **550** | **550** | **550** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 191 | 162 | 133 | 104 | 74 | 45 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **18,200** | **18,100** | **18,095** | **18,100** | **18,095** | **18,095** | **18,095** | **18,093** | **15,435** | **7,060** | **5,060** | **2,125** | **850** | **200** |
| 8,887 | 7,964 | 7,030 | 6,080 | 5,121 | 4,148 | 3,166 | 2,183 | 1,290 | 628 | 323 | 116 | 39 | 5 |
| **280** | **270** | **270** | **270** | **270** | **270** | **270** | **270** | **270** | **5** | **5** | **0** | **0** | **0** |
| 125 | 111 | 97 | 83 | 68 | 54 | 39 | 23 | 8 | 0 | 0 | 0 | 0 | 0 |
| **16,050** | **15,620** | **15,620** | **15,620** | **15,620** | **15,170** | **15,270** | **15,270** | **15,270** | **13,475** | **9,950** | **5,800** | **1,980** | **245** |
| 8,469 | 7,665 | 6,876 | 6,079 | 5,278 | 4,472 | 3,688 | 2,902 | 2,119 | 1,336 | 743 | 293 | 91 | 6 |
| **4,255** | **3,755** | **3,755** | **3,755** | **3,755** | **3,355** | **3,355** | **3,355** | **3,355** | **3,355** | **3,355** | **155** | **0** | **0** |
| 1,902 | 1,696 | 1,514 | 1,332 | 1,148 | 963 | 798 | 632 | 465 | 297 | 129 | 4 | 0 | 0 |
| **1,755** | **1,755** | **1,755** | **1,755** | **1,755** | **1,755** | **1,505** | **1,505** | **1,505** | **1,505** | **1,505** | **355** | **355** | **250** |
| 961 | 872 | 783 | 693 | 604 | 515 | 426 | 349 | 272 | 195 | 119 | 43 | 25 | 6 |
| **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,940** | **1,290** | **945** | **0** |
| 1,234 | 1,132 | 1,030 | 929 | 827 | 725 | 624 | 522 | 420 | 318 | 217 | 115 | 53 | 0 |
| **11,715** | **11,715** | **11,715** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **9,730** | **4,345** |
| 6,976 | 6,375 | 5,756 | 5,167 | 4,647 | 4,132 | 3,612 | 3,086 | 2,560 | 2,043 | 1,536 | 1,027 | 515 | 109 |
| **95** | **30** | **30** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 6 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **95** | **20** | **20** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 4 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **345** | **60** | **10** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 12 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **42,912** | **38,583** | **37,963** | **18,190** | **17,845** | **5,500** | **5,400** | **5,300** | **0** | **0** | **0** | **0** | **0** | **0** |
| 7,754 | 5,602 | 3,613 | 2,167 | 1,260 | 673 | 400 | 133 | 0 | 0 | 0 | 0 | 0 | 0 |

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| GENERAL FUND (CONT) | | | | | | | | |
| REINVESTMENT IN MINNESOTA (RIM) | | | | | | | | |
| | '87.400 | **500** | **60** | **110** | **20** | **25** | **25** | **30** |
| | | 162 | 26 | 22 | 18 | 16 | 15 | 14 |
| | '89.300 | **325** | **75** | **30** | **15** | **15** | **15** | **20** |
| | | 102 | 16 | 13 | 11 | 11 | 10 | 9 |
| | '90.610 | **1,170** | **160** | **145** | **85** | **85** | **85** | **85** |
| | | 377 | 60 | 54 | 46 | 42 | 38 | 33 |
| | '91.354 | **9,665** | **1,205** | **840** | **645** | **640** | **640** | **625** |
| | | 3,481 | 488 | 434 | 396 | 362 | 327 | 293 |
| RURAL FINANCE AUTHORITY (RFA) | | | | | | | | |
| | '86.398 | **31,625** | **0** | **3,625** | **5,000** | **0** | **14,000** | **9,000** |
| | | 7,907 | 1,856 | 1,856 | 1,503 | 1,380 | 942 | 369 |
| | '96.463 | **38,100** | **3,000** | **0** | **0** | **2,000** | **0** | **5,000** |
| | | 13,784 | 2,086 | 1,991 | 1,991 | 1,927 | 1,863 | 1,863 |
| LANDFILL | | | | | | | | |
| | '94.639 | **30,020** | **1,845** | **1,840** | **1,840** | **1,845** | **1,835** | **1,805** |
| | | 13,360 | 1,536 | 1,445 | 1,353 | 1,257 | 1,156 | 1,056 |
| POLLUTION CONTROL | | | | | | | | |
| | '87.400 | **3,515** | **655** | **310** | **210** | **210** | **210** | **210** |
| | | 1,194 | 174 | 147 | 134 | 123 | 111 | 99 |
| | '89.300 | **1,130** | **135** | **185** | **75** | **75** | **75** | **75** |
| | | 363 | 58 | 51 | 43 | 39 | 35 | 31 |
| | '90.610 | **4,905** | **1,525** | **275** | **275** | **275** | **275** | **280** |
| | | 1,403 | 229 | 176 | 162 | 148 | 134 | 119 |
| | '92.558 | **8,985** | **680** | **725** | **685** | **685** | **685** | **685** |
| | | 3,203 | 459 | 425 | 389 | 353 | 318 | 281 |
| | '93.373 | **4,900** | **330** | **330** | **330** | **330** | **330** | **325** |
| | | 2,058 | 260 | 244 | 227 | 209 | 190 | 170 |
| | '93.558 | **5,200** | **400** | **400** | **400** | **400** | **400** | **400** |
| | | 1,784 | 259 | 240 | 220 | 200 | 180 | 159 |
| | '94.643 | **27,940** | **1,805** | **1,805** | **1,800** | **1,800** | **1,800** | **1,820** |
| | | 11,631 | 1,429 | 1,340 | 1,251 | 1,156 | 1,057 | 956 |
| | X'95.002 | **510** | **30** | **30** | **30** | **30** | **30** | **30** |
| | | 210 | 24 | 22 | 21 | 19 | 18 | 17 |
| | '96.463 | **20,700** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** |
| | | 8,776 | 984 | 927 | 871 | 814 | 755 | 695 |
| | '97.246 | **3,175** | **175** | **175** | **175** | **175** | **175** | **175** |
| | | 1,566 | 162 | 154 | 145 | 136 | 128 | 119 |
| | '98.404 | **3,595** | **185** | **185** | **185** | **185** | **185** | **185** |
| | | 1,837 | 182 | 173 | 164 | 154 | 145 | 135 |
| | '99.240 | **28,470** | **1,500** | **1,495** | **1,495** | **1,480** | **1,470** | **1,470** |
| | | 15,118 | 1,503 | 1,425 | 1,347 | 1,268 | 1,190 | 1,112 |

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE | INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **30** | **30** | **30** | **30** | **30** | **30** | **20** | **20** | **10** | **0** | **0** | **0** | **0** | **0** |
| 12 | 10 | 9 | 7 | 6 | 4 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **20** | **20** | **20** | **20** | **20** | **20** | **20** | **10** | **5** | **0** | **0** | **0** | **0** | **0** |
| 8 | 7 | 6 | 5 | 4 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **85** | **85** | **85** | **85** | **85** | **85** | **5** | **5** | **5** | **0** | **0** | **0** | **0** | **0** |
| 29 | 24 | 20 | 15 | 10 | 6 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **625** | **625** | **625** | **625** | **625** | **625** | **560** | **380** | **275** | **45** | **45** | **15** | **0** | **0** |
| 261 | 228 | 195 | 162 | 128 | 94 | 59 | 33 | 15 | 4 | 2 | 0 | 0 | 0 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **18,000** | **4,500** | **3,100** | **2,500** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 1,343 | 414 | 236 | 69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,805** | **1,805** | **1,805** | **1,795** | **1,795** | **1,795** | **1,795** | **1,795** | **1,715** | **1,345** | **810** | **375** | **375** | **0** |
| 962 | 870 | 778 | 684 | 590 | 495 | 400 | 305 | 213 | 132 | 76 | 37 | 16 | 0 |
| **210** | **210** | **210** | **210** | **210** | **210** | **130** | **130** | **130** | **60** | **0** | **0** | **0** | **0** |
| 88 | 77 | 66 | 55 | 44 | 32 | 21 | 14 | 7 | 2 | 0 | 0 | 0 | 0 |
| **75** | **75** | **75** | **75** | **75** | **75** | **15** | **15** | **15** | **15** | **0** | **0** | **0** | **0** |
| 27 | 23 | 19 | 15 | 11 | 7 | 3 | 2 | 1 | 0 | 0 | 0 | 0 | 0 |
| **280** | **280** | **280** | **280** | **280** | **280** | **85** | **85** | **85** | **50** | **15** | **0** | **0** | **0** |
| 104 | 90 | 75 | 60 | 45 | 30 | 14 | 10 | 5 | 2 | 0 | 0 | 0 | 0 |
| **685** | **670** | **670** | **665** | **665** | **670** | **540** | **175** | **50** | **50** | **0** | **0** | **0** | **0** |
| 246 | 210 | 174 | 138 | 102 | 65 | 29 | 10 | 4 | 1 | 0 | 0 | 0 | 0 |
| **325** | **325** | **325** | **325** | **325** | **325** | **325** | **325** | **325** | **0** | **0** | **0** | **0** | **0** |
| 154 | 137 | 120 | 103 | 85 | 67 | 49 | 30 | 12 | 0 | 0 | 0 | 0 | 0 |
| **400** | **400** | **400** | **400** | **400** | **400** | **400** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 139 | 118 | 97 | 75 | 54 | 32 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,820** | **1,810** | **1,810** | **1,810** | **1,810** | **1,810** | **1,810** | **1,810** | **1,690** | **465** | **465** | **0** | **0** | **0** |
| 866 | 774 | 682 | 588 | 492 | 395 | 297 | 197 | 103 | 36 | 13 | 0 | 0 | 0 |
| **30** | **30** | **30** | **30** | **30** | **30** | **30** | **30** | **30** | **30** | **30** | **0** | **0** | **0** |
| 15 | 14 | 12 | 11 | 10 | 8 | 7 | 5 | 4 | 2 | 1 | 0 | 0 | 0 |
| **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **1,215** | **915** | **260** | **85** | **0** |
| 636 | 577 | 519 | 459 | 399 | 339 | 278 | 217 | 156 | 95 | 42 | 12 | 3 | 0 |
| **175** | **175** | **175** | **175** | **175** | **175** | **175** | **175** | **175** | **175** | **175** | **125** | **75** | **0** |
| 110 | 101 | 92 | 83 | 74 | 64 | 55 | 46 | 37 | 28 | 19 | 10 | 4 | 0 |
| **185** | **185** | **185** | **185** | **180** | **180** | **180** | **180** | **180** | **180** | **180** | **180** | **180** | **125** |
| 126 | 116 | 106 | 96 | 87 | 77 | 68 | 58 | 48 | 39 | 29 | 20 | 11 | 3 |
| **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **1,470** | **450** |
| 1,034 | 956 | 877 | 797 | 717 | 638 | 559 | 479 | 398 | 319 | 241 | 162 | 83 | 11 |

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

**PRINCIPAL PAYMENTS - BOLD FACE** INTEREST PAYMENTS - MEDIUM FACE

**($ IN THOUSANDS)**

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| GENERAL FUND (CONT) | | | | | | | | |
| VARIOUS PURPOSE | | | | | | | | |
| | '00.492 | **96,154** | **6,205** | **6,145** | **6,145** | **4,625** | **4,625** | **4,625** |
| | | 48,926 | 4,956 | 4,646 | 4,328 | 4,042 | 3,797 | 3,547 |
| STATE TRANSPORTATION | | | | | | | | |
| | '84.597 | **5,500** | **700** | **700** | **700** | **700** | **700** | **700** |
| | | 1,271 | 298 | 257 | 217 | 176 | 136 | 95 |
| | '87.400 | **790** | **100** | **100** | **50** | **50** | **50** | **50** |
| | | 268 | 40 | 34 | 31 | 28 | 25 | 23 |
| | '89.300 | **500** | **60** | **60** | **40** | **35** | **35** | **30** |
| | | 169 | 25 | 22 | 20 | 18 | 16 | 14 |
| | '90.610 | **3,325** | **380** | **280** | **205** | **210** | **210** | **205** |
| | | 1,247 | 163 | 146 | 134 | 123 | 112 | 101 |
| | '92.558 | **8,700** | **780** | **765** | **515** | **515** | **510** | **520** |
| | | 3,496 | 432 | 392 | 359 | 333 | 307 | 280 |
| | '93.373 | **5,055** | **360** | **320** | **320** | **320** | **320** | **320** |
| | | 2,230 | 266 | 248 | 232 | 215 | 197 | 179 |
| | '94.643 | **31,840** | **1,845** | **1,845** | **1,840** | **1,840** | **1,850** | **1,900** |
| | | 14,549 | 1,610 | 1,520 | 1,429 | 1,336 | 1,240 | 1,143 |
| | X'95.002 | **2,745** | **185** | **175** | **175** | **170** | **170** | **165** |
| | | 1,129 | 133 | 124 | 116 | 107 | 99 | 90 |
| | '96.463 | **5,745** | **430** | **340** | **340** | **340** | **340** | **330** |
| | | 2,458 | 278 | 258 | 242 | 226 | 210 | 193 |
| | '97.246 | **2,625** | **165** | **155** | **155** | **155** | **145** | **145** |
| | | 1,225 | 130 | 122 | 115 | 107 | 100 | 93 |
| | X'97.002 | **1,260** | **70** | **70** | **70** | **70** | **70** | **70** |
| | | 556 | 58 | 55 | 52 | 49 | 46 | 44 |
| | '98.404 | **3,720** | **250** | **215** | **215** | **215** | **215** | **215** |
| | | 1,688 | 187 | 174 | 164 | 153 | 142 | 132 |
| | '99.240 | **23,785** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** |
| | | 12,652 | 1,257 | 1,193 | 1,128 | 1,063 | 998 | 932 |
| WASTE MANAGEMENT | | | | | | | | |
| | '87.400 | **360** | **145** | **30** | **15** | **15** | **15** | **15** |
| | | 84 | 16 | 10 | 9 | 9 | 8 | 7 |
| | '90.610 | **1,935** | **335** | **180** | **100** | **100** | **100** | **100** |
| | | 696 | 94 | 79 | 72 | 67 | 61 | 55 |
| | '92.558 | **225** | **50** | **50** | **25** | **25** | **25** | **25** |
| | | 38 | 11 | 8 | 6 | 5 | 4 | 3 |
| | '96.463 | **2,560** | **140** | **140** | **140** | **140** | **140** | **140** |
| | | 1,211 | 125 | 119 | 112 | 106 | 99 | 92 |
| EXCHANGE BONDS | | | | | | | | |
| | '16A.66 | **3,145** | **3,145** | **0** | **0** | **0** | **0** | **0** |
| | | 1 | 1 | 0 | 0 | 0 | 0 | 0 |

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **4,625** | **4,625** | **4,625** | **4,625** | **4,630** | **4,630** | **4,630** | **4,630** | **4,634** | **4,635** | **4,635** | **4,635** | **4,645** | **3,580** |
| 3,301 | 3,058 | 2,808 | 2,556 | 2,306 | 2,060 | 1,810 | 1,555 | 1,301 | 1,052 | 813 | 572 | 328 | 90 |
| **700** | **300** | **300** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 55 | 27 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **50** | **50** | **50** | **50** | **50** | **50** | **50** | **20** | **20** | **0** | **0** | **0** | **0** | **0** |
| 20 | 17 | 15 | 12 | 9 | 7 | 4 | 2 | 1 | 0 | 0 | 0 | 0 | 0 |
| **30** | **30** | **30** | **30** | **30** | **30** | **30** | **15** | **15** | **0** | **0** | **0** | **0** | **0** |
| 12 | 11 | 9 | 8 | 6 | 4 | 3 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| **200** | **200** | **200** | **200** | **200** | **200** | **200** | **135** | **130** | **65** | **65** | **20** | **10** | **10** |
| 91 | 81 | 71 | 60 | 50 | 39 | 29 | 20 | 13 | 7 | 4 | 2 | 1 | 0 |
| **520** | **520** | **520** | **520** | **520** | **520** | **520** | **415** | **345** | **235** | **235** | **135** | **90** | **0** |
| 254 | 228 | 201 | 174 | 147 | 119 | 92 | 67 | 47 | 32 | 20 | 10 | 4 | 0 |
| **320** | **315** | **315** | **315** | **315** | **310** | **310** | **310** | **300** | **95** | **95** | **55** | **40** | **0** |
| 163 | 146 | 130 | 113 | 96 | 79 | 62 | 45 | 28 | 15 | 10 | 5 | 2 | 0 |
| **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,845** | **1,260** | **1,230** | **680** | **480** | **25** |
| 1,048 | 952 | 855 | 757 | 658 | 559 | 458 | 357 | 258 | 174 | 109 | 59 | 27 | 1 |
| **165** | **165** | **165** | **165** | **165** | **165** | **165** | **165** | **165** | **110** | **110** | **0** | **0** | **0** |
| 82 | 74 | 66 | 58 | 50 | 42 | 33 | 25 | 16 | 8 | 3 | 0 | 0 | 0 |
| **330** | **330** | **330** | **330** | **330** | **330** | **330** | **330** | **330** | **290** | **290** | **75** | **0** | **0** |
| 178 | 161 | 145 | 128 | 112 | 95 | 79 | 62 | 45 | 29 | 14 | 2 | 0 | 0 |
| **145** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **90** | **70** | **0** |
| 86 | 79 | 72 | 64 | 57 | 50 | 43 | 35 | 28 | 21 | 14 | 7 | 3 | 0 |
| **70** | **70** | **70** | **70** | **70** | **70** | **70** | **70** | **70** | **70** | **70** | **70** | **0** | **0** |
| 40 | 37 | 33 | 30 | 26 | 23 | 19 | 16 | 12 | 9 | 5 | 2 | 0 | 0 |
| **215** | **215** | **215** | **215** | **215** | **215** | **215** | **215** | **215** | **215** | **215** | **15** | **15** | **0** |
| 121 | 110 | 99 | 88 | 77 | 67 | 56 | 45 | 34 | 23 | 13 | 2 | 1 | 0 |
| **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **1,235** | **320** |
| 867 | 801 | 735 | 668 | 601 | 534 | 468 | 400 | 333 | 266 | 200 | 134 | 68 | 8 |
| **15** | **15** | **15** | **20** | **20** | **20** | **20** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 6 | 5 | 5 | 4 | 3 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **10** | **10** | **0** | **0** |
| 50 | 45 | 40 | 34 | 29 | 24 | 19 | 14 | 9 | 4 | 1 | 0 | 0 | 0 |
| **25** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **100** | **75** | **5** |
| 86 | 79 | 71 | 64 | 57 | 50 | 43 | 36 | 28 | 21 | 14 | 7 | 2 | 0 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

**PRINCIPAL PAYMENTS - BOLD FACE** | INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| INFRASTRUCTURE DEVELOPMENT | | | | | | | | |
| STATE BUILDING CAPITAL IMPROVEMENT | | | | | | | | |
| | '90.610 | **36,731** | **5,893** | **2,890** | **2,540** | **2,540** | **2,540** | **2,540** |
| | | 11,768 | 1,802 | 1,562 | 1,425 | 1,296 | 1,165 | 1,033 |
| | '92.558 | **26,873** | **2,063** | **2,060** | **1,830** | **1,830** | **1,830** | **1,830** |
| | | 10,473 | 1,408 | 1,303 | 1,200 | 1,096 | 989 | 888 |
| | '94.643 | **80,687** | **5,275** | **5,250** | **5,250** | **5,255** | **5,255** | **4,915** |
| | | 34,048 | 4,050 | 3,800 | 3,547 | 3,280 | 3,010 | 2,732 |
| | '96.463 | **95,350** | **5,555** | **5,495** | **5,495** | **5,490** | **5,490** | **5,325** |
| | | 43,402 | 4,631 | 4,378 | 4,126 | 3,870 | 3,614 | 3,351 |
| | '98.404 | **37,225** | **1,960** | **1,940** | **1,940** | **1,940** | **1,900** | **1,900** |
| | | 19,258 | 1,908 | 1,812 | 1,714 | 1,614 | 1,516 | 1,417 |
| REFUNDING BONDS | | | | | | | | |
| | '16A.66 | **56,595** | **2,170** | **5,580** | **5,915** | **5,955** | **5,770** | **5,760** |
| | | 16,234 | 2,827 | 2,638 | 2,357 | 2,065 | 1,774 | 1,481 |
| REINVESTMENT IN MINNESOTA (RIM) | | | | | | | | |
| | '90.610 | **365** | **45** | **45** | **25** | **25** | **25** | **25** |
| | | 114 | 18 | 16 | 14 | 13 | 11 | 10 |
| POLLUTION CONTROL | | | | | | | | |
| | '90.610 | **1,885** | **255** | **255** | **125** | **125** | **125** | **125** |
| | | 572 | 92 | 79 | 69 | 63 | 56 | 50 |
| VARIOUS PURPOSE | | | | | | | | |
| | '00.492 | **30,601** | **1,560** | **1,540** | **1,540** | **1,540** | **1,545** | **1,545** |
| | | 16,170 | 1,585 | 1,507 | 1,427 | 1,346 | 1,264 | 1,181 |
| CIGARETTE TAX | | | | | | | | |
| REFUNDING BONDS | | | | | | | | |
| | '16A.66 | **4,670** | **2,335** | **2,335** | **0** | **0** | **0** | **0** |
| | | 251 | 188 | 63 | 0 | 0 | 0 | 0 |
| SPORTS & HEALTH TAX | | | | | | | | |
| | '16A.66 | **9,850** | **1,625** | **1,630** | **1,275** | **1,280** | **1,260** | **1,260** |
| | | 1,892 | 500 | 413 | 335 | 265 | 194 | 122 |
| GROUP TOTAL GENERAL FUND | | **2,433,269** | **215,147** | **207,862** | **191,927** | **180,702** | **174,992** | **172,917** |
| | | 919,447 | 120,970 | 110,654 | 100,491 | 91,056 | 81,752 | 72,858 |
| GAME & FISH | | | | | | | | |
| | '16A.66 | **81** | **13** | **13** | **13** | **13** | **13** | **8** |
| | | 15 | 4 | 3 | 3 | 2 | 1 | 1 |
| EXCHANGE BONDS | | | | | | | | |
| | '16A.66 | **5** | **5** | **0** | **0** | **0** | **0** | **0** |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GROUP TOTAL GAME & FISH | | **86** | **18** | **13** | **13** | **13** | **13** | **8** |
| | | 15 | 4 | 3 | 3 | 2 | 1 | 1 |
| TRUNK HIGHWAY | | | | | | | | |
| REFUNDING BONDS | | | | | | | | |
| | '16A.66 | **9,720** | **2,730** | **2,655** | **2,560** | **600** | **600** | **575** |
| | | 1,070 | 444 | 306 | 169 | 84 | 50 | 17 |

## STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2,540** | **2,540** | **2,540** | **2,540** | **2,540** | **2,540** | **2,078** | **325** | **145** | **0** | **0** | **0** | **0** | **0** |
| 902 | 768 | 633 | 497 | 359 | 221 | 83 | 17 | 5 | 0 | 0 | 0 | 0 | 0 |
| **1,835** | **1,835** | **1,835** | **1,835** | **1,835** | **1,835** | **1,835** | **1,835** | **750** | **0** | **0** | **0** | **0** | **0** |
| 794 | 698 | 600 | 500 | 399 | 296 | 192 | 89 | 20 | 0 | 0 | 0 | 0 | 0 |
| **4,915** | **4,910** | **4,910** | **4,905** | **4,905** | **4,905** | **4,905** | **4,907** | **4,235** | **2,740** | **2,240** | **890** | **120** | **0** |
| 2,486 | 2,238 | 1,987 | 1,732 | 1,475 | 1,215 | 955 | 696 | 456 | 241 | 116 | 29 | 3 | 0 |
| **5,325** | **5,315** | **5,315** | **5,310** | **5,310** | **5,310** | **5,310** | **5,310** | **5,310** | **4,700** | **4,700** | **3,400** | **1,635** | **250** |
| 3,093 | 2,827 | 2,559 | 2,288 | 2,016 | 1,744 | 1,470 | 1,196 | 921 | 647 | 407 | 194 | 63 | 6 |
| **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,900** | **1,745** | **1,100** |
| 1,318 | 1,219 | 1,118 | 1,015 | 913 | 813 | 711 | 608 | 505 | 404 | 306 | 207 | 111 | 28 |
| **5,760** | **5,685** | **5,690** | **4,135** | **4,175** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 1,184 | 885 | 586 | 328 | 110 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **25** | **25** | **25** | **25** | **25** | **25** | **25** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 9 | 7 | 6 | 5 | 3 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **125** | **125** | **125** | **125** | **125** | **125** | **125** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 43 | 37 | 30 | 24 | 17 | 10 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,545** | **1,545** | **1,545** | **1,545** | **1,545** | **1,545** | **1,545** | **1,545** | **1,541** | **1,540** | **1,540** | **1,540** | **1,540** | **1,270** |
| 1,099 | 1,018 | 935 | 851 | 767 | 685 | 602 | 517 | 432 | 350 | 271 | 191 | 110 | 32 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **1,260** | **130** | **130** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 50 | 11 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **171,617** | **150,633** | **148,568** | **124,150** | **121,340** | **103,970** | **101,845** | **92,595** | **81,065** | **62,395** | **54,750** | **36,830** | **27,790** | **12,175** |
| 63,983 | 55,298 | 47,559 | 40,401 | 33,977 | 28,031 | 22,513 | 17,348 | 12,772 | 8,821 | 5,825 | 3,267 | 1,566 | 304 |
| **3** | **3** | **3** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **3** | **3** | **3** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

**PRINCIPAL PAYMENTS - BOLD FACE** INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| TRUNK HIGHWAY (CONT) | | | | | | | | |
| TRUNK HIGHWAY | | | | | | | | |
| | '00.479 | **30,000** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** |
| | | 15,721 | 1,534 | 1,461 | 1,384 | 1,305 | 1,226 | 1,146 |
| GROUP TOTAL TRUNK HIGHWAY | | **39,720** | **4,230** | **4,155** | **4,060** | **2,100** | **2,100** | **2,075** |
| | | 16,791 | 1,978 | 1,766 | 1,553 | 1,389 | 1,276 | 1,162 |
| MAX EFFORT SCHOOL LOAN | | | | | | | | |
| REFUNDING BONDS | | | | | | | | |
| | '16A.66 | **33,705** | **1,645** | **2,725** | **3,770** | **3,680** | **3,545** | **3,525** |
| | | 9,342 | 1,641 | 1,533 | 1,375 | 1,195 | 1,019 | 844 |
| SCHOOL LOANS | | | | | | | | |
| | '88.718 | **90** | **90** | **0** | **0** | **0** | **0** | **0** |
| | | 3 | 3 | 0 | 0 | 0 | 0 | 0 |
| | '90.610 | **1,430** | **1,165** | **265** | **0** | **0** | **0** | **0** |
| | | 59 | 51 | 8 | 0 | 0 | 0 | 0 |
| | '91.265 | **15,885** | **1,785** | **1,800** | **1,155** | **1,160** | **1,160** | **1,160** |
| | | 5,160 | 803 | 710 | 634 | 576 | 516 | 456 |
| | '92.558 | **4,360** | **585** | **585** | **290** | **290** | **290** | **290** |
| | | 1,327 | 213 | 182 | 159 | 145 | 130 | 116 |
| | '93.373 | **2,500** | **190** | **190** | **190** | **185** | **185** | **185** |
| | | 898 | 127 | 118 | 108 | 99 | 89 | 79 |
| | '94.643 | **2,245** | **145** | **150** | **150** | **150** | **150** | **150** |
| | | 912 | 116 | 109 | 102 | 93 | 84 | 76 |
| | X'95.002 | **18,355** | **1,190** | **1,185** | **1,185** | **1,185** | **1,185** | **1,185** |
| | | 7,550 | 941 | 882 | 823 | 759 | 690 | 621 |
| GROUP TOTAL MAX EFFORT SCHOOL LOAN | | **78,570** | **6,795** | **6,900** | **6,740** | **6,650** | **6,515** | **6,495** |
| | | 25,250 | 3,896 | 3,542 | 3,200 | 2,866 | 2,529 | 2,192 |
| STATE GUARANTEED BONDS | | | | | | | | |
| GUARANTEED BOND CLASS | | | | | | | | |
| | '91.350 | **40,950** | 715 | 750 | 805 | 855 | 975 | 1,035 |
| | | 29,116 | 2,552 | 2,508 | 2,460 | 2,407 | 2,348 | 2,282 |
| GROUP TOTAL STATE GUARANTEED BONDS | | **40,950** | 715 | 750 | 805 | 855 | 975 | 1,035 |
| | | 29,116 | 2,552 | 2,508 | 2,460 | 2,407 | 2,348 | 2,282 |
| TOTAL PRINCIPAL - LESS GUARANTEE | | **2,551,645** | **226,190** | **218,930** | **202,740** | **189,465** | **183,620** | **181,495** |
| TOTAL INTEREST - LESS GUARANTEE | | 961,503 | 126,848 | 115,965 | 105,247 | 95,314 | 85,558 | 76,213 |
| TOTAL DEBT SERVICE - LESS GUARANTEE (1) | | 3,513,148 | 353,038 | 334,895 | 307,987 | 284,779 | 269,178 | 257,708 |
| TOTAL PRINCIPAL - ALL FUNDS | | **2,592,595** | **226,905** | **219,680** | **203,545** | **190,320** | **184,595** | **182,530** |
| TOTAL INTEREST - ALL FUNDS | | 990,618 | 129,401 | 118,473 | 107,707 | 97,721 | 87,906 | 78,495 |
| TOTAL DEBT SERVICE - ALL FUNDS (1) | | 3,583,213 | 356,306 | 338,153 | 311,252 | 288,041 | 272,501 | 261,025 |

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

($ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** |
| | 1,067 | 989 | 908 | 827 | 746 | 668 | 587 | 504 | 422 | 342 | 266 | 189 | 113 | 38 |
| | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** | **1,500** |
| | 1,067 | 989 | 908 | 827 | 746 | 668 | 587 | 504 | 422 | 342 | 266 | 189 | 113 | 38 |
| | | | | | | | | | | | | | | |
| | **3,425** | **3,325** | **3,305** | **2,385** | **2,375** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 669 | 497 | 327 | 182 | 61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **1,160** | **1,160** | **1,160** | **1,160** | **1,160** | **1,160** | **655** | **50** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 396 | 334 | 272 | 210 | 147 | 84 | 20 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **290** | **290** | **290** | **290** | **290** | **290** | **290** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 101 | 85 | 70 | 55 | 39 | 23 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **185** | **185** | **185** | **185** | **190** | **190** | **190** | **65** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 69 | 60 | 50 | 40 | 30 | 19 | 9 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **150** | **150** | **150** | **150** | **150** | **150** | **150** | **150** | **150** | **0** | **0** | **0** | **0** | **0** |
| | 69 | 61 | 53 | 45 | 37 | 29 | 21 | 12 | 4 | 0 | 0 | 0 | 0 | 0 |
| | **1,180** | **1,185** | **1,185** | **1,180** | **1,180** | **1,175** | **1,175** | **1,175** | **1,175** | **630** | **0** | **0** | **0** | **0** |
| | 559 | 499 | 439 | 377 | 315 | 252 | 188 | 125 | 63 | 16 | 0 | 0 | 0 | 0 |
| | **6,390** | **6,295** | **6,275** | **5,350** | **5,345** | **2,965** | **2,460** | **1,440** | **1,325** | **630** | **0** | **0** | **0** | **0** |
| | 1,862 | 1,537 | 1,212 | 909 | 629 | 407 | 246 | 140 | 67 | 16 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| | **1,105** | **1,180** | **1,260** | **1,350** | **1,430** | **1,515** | **1,605** | **26,370** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2,211 | 2,133 | 2,050 | 1,966 | 1,883 | 1,794 | 1,698 | 824 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **1,105** | **1,180** | **1,260** | **1,350** | **1,430** | **1,515** | **1,605** | **26,370** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2,211 | 2,133 | 2,050 | 1,966 | 1,883 | 1,794 | 1,698 | 824 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| | **179,510** | **158,430** | **156,345** | **131,000** | **128,185** | **108,435** | **105,805** | **95,535** | **83,890** | **64,525** | **56,250** | **38,330** | **29,290** | **13,675** |
| | 66,912 | 57,825 | 49,679 | 42,136 | 35,352 | 29,106 | 23,345 | 17,993 | 13,261 | 9,179 | 6,091 | 3,456 | 1,679 | 342 |
| | **246,422** | **216,255** | **206,024** | **173,136** | **163,537** | **137,541** | **129,150** | **113,528** | **97,151** | **73,704** | **62,341** | **41,786** | **30,969** | **14,017** |
| | | | | | | | | | | | | | | |
| | **180,615** | **159,610** | **157,605** | **132,350** | **129,615** | **109,950** | **107,410** | **121,905** | **83,890** | **64,525** | **56,250** | **38,330** | **29,290** | **13,675** |
| | 69,123 | 59,958 | 51,729 | 44,102 | 37,235 | 30,900 | 25,044 | 18,817 | 13,261 | 9,179 | 6,091 | 3,456 | 1,679 | 342 |
| | **249,738** | **219,568** | **209,334** | **176,452** | **166,850** | **140,850** | **132,454** | **140,722** | **97,151** | **73,704** | **62,341** | **41,786** | **30,969** | **14,017** |

# GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

**PRINCIPAL PAYMENTS - BOLD FACE** INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

| GROUP & FUND & TYPE | AUTHORIZATION YEAR-CHAPTER | AMOUNT OUTSTANDING 6/30/2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|

The Total Debt Service - All Funds does not include:
$95,900,000 of bonds dated August 1, 1991; $81,650,000 of bonds dated July 1, 1992; $96,100,000 of bonds dated October 1, 1994; $2,040,000 of bonds dated May 1, 1995;
For which funds are held in escrow, have been invested and will be sufficient to pay the principal of, and interest on, the bonds to their earliest call date.

# STATE OF MINNESOTA

## GENERAL OBLIGATION DEBT

## SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2002-2021

PRINCIPAL PAYMENTS - BOLD FACE

($ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

*Market Value of Taxable Property:* The market value, as defined by statute, of taxable real and personal property in the State, based upon the January 2001 valuation, was estimated by the Commissioner of Revenue to be $290,406,000,000. This value is based upon certified abstracts of assessment submitted by local assessors and on file with the Commissioner of Revenue. The values shown on the assessors' abstracts are required by law to be based upon the assessors' judgment of the probable price at which the property could be sold in an open market transaction between a willing buyer and seller, both knowledgeable of the current market, neither being compelled to buy or sell.

**MARKET VALUE OF TAXABLE PROPERTY**

**($ in Thousands)**

| Year of Assessment | Real Property | Personal Property | Total Market Value | Percentage Increase from Prior Year |
|---|---|---|---|---|
| 1992 | 153,992,637 | 2,968,756 | 156,961,393 | 3.25 |
| 1993 | 159,008,719 | 2,990,780 | 161,999,499 | 3.21 |
| 1994 | 166,739,642 | 3,104,512 | 169,844,154 | 4.84 |
| 1995 | 177,164,000 | 3,282,000 | 180,446,000 | 6.24 |
| 1996 | 189,112,000 | 3,440,000 | 192,552,000 | 6.71 |
| 1997 | 202,875,000 | 3,490,000 | 206,365,000 | 7.17 |
| 1998 | 219,034,000 | 3,641,000 | 222,675,000 | 7.90 |
| 1999 | 237,387,125 | 3,931,269 | 241,318,394 | 8.37 |
| 2000 | 260,679,384 | 4,003,571 | 264,682,955 | 9.68 |
| 2001 | 286,311,000 | 4,095,000 | 290,406,000 | 9.72 |

## EQUIPMENT FINANCING

The Commissioner of Finance is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of August 1, 2001, principal in the amount of $30,665,279 was outstanding and unpaid under the master lease program. The master leases and the State's obligation to make rental payments thereunder are not general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments thereunder only to the extent of moneys appropriated from time to time for this purpose.

Various State agencies, with the Commissioner of Finance's assistance, have entered into individual equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment not financeable under the master lease statute. As of August 1, 2001, principal in the amount of $30,799,566 was outstanding and unpaid under such equipment leases. The nature of the State's obligation to make rental payments under these equipment leases is the same as under the master leases described above.

Various State agencies, without the Commissioner's assistance, have also entered into additional equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment. As of June 30, 2000, principal in the amount of $733,154 was outstanding and unpaid under such leases, exclusive of those having an original principal amount of less than $250,000 and those relating to equipment not carried on the fixed asset accounts of the State, for which no figures are available. The State is obligated to make rental payments thereunder only to the extent of moneys appropriated from time to time for this purpose.

# APPENDIX C

## I. Project Description

Set forth below are the titles or names of the projects or types of projects eligible to be financed in whole or in part from the proceeds of the Bonds, and the total amount appropriated by the State Legislature for this purpose.

**($ in Thousands)**

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| 1983, Chapter 323 | | | | |
| | Public Service | Statewide | Municipal Energy Loans | 30,000 |
| 1989, Chapter 300 | | | | |
| | Administration | Statewide | Handicapped Access 1992 | 129,000 |
| | Natural Res. | Systemwide | Water Bank Program | 600 |
| 1990, Chapter 610 | | | | |
| | Natural Resources | Statwide | Flood Plain Mitigation Grant | 3,200 |
| | Office of Environmental Assistance | Statewide | Capital Assistance Program | 7,000 |
| | Transportation | Statewide | Local Roads and Bridges | 11,200 |
| 1992, Chapter 558 | | | | |
| | Environmental Asst. | Statewide | Capital Assistance Program | 2,000 |
| 1994, Chapter 643 | | | | |
| | Administration | Statewide | Americans with Disabilities Act | 11,500 |
| | Administration | Statewide | CAPRA | 10,150 |
| | Administration | Capitol Complex | Security Lighting | 400 |
| | CAAPB | Capitol Complex | Capitol Bldg exterior restor./renov. | 5,000 |
| | Historical Society | Statewide | Historic Site Preservation and Repair | 1,775 |
| | Historical Society | Statewide | I.S.T.E.A. Preservation Projects | 950 |
| | Historical Society | Sibley House | Restoration | 550 |
| | Housing Finance | Statewide | Battered Women's Shelters | 1,000 |
| | Human Services | Anoka | Const. Res. Prgrn & Ancillary Serv Fac. | 37,000 |
| | Human Services | Metro Area | Pre-Discharge Prgm for people w/menta | 1,500 |
| | Natural Resources | Systemwide | State Park building rehabilitation | 2,000 |
| | Natural Resources | Systemwide | Undergrnd stor. tank remov. & replace | 1,000 |
| | Natural Resources | Systemwide | Flood Hazard Mitigation grants | 2,600 |
| | Natural Resources | Systemwide | Local Recreation grants | 1,400 |
| | Natural Resources | Systemwide | Forestry roads and bridges | 300 |
| | Natural Resources | Systemwide | Residential Env. Center Grants | 11,500 |
| | Public Service | Statewide | Municipal Energy Loans | 4,000 |
| | State Universities | Systemwide | HEAPRA | 8,900 |
| | Technical College | Systemwide | HEAPRA | 8,838 |
| | Trade & Econ. Dev. | Duluth | Duluth Port Authority | 1,200 |
| | BWSR | Systemwide | Area II Minnesota River Basin | 800 |
| | BWSR | Systemwide | RIM Conservation Easement Acq. | 9,000 |
| | Transportation | Statewide | Local Road & Bridge Replacement | 9,900 |
| 1996, Chapter 463 | | | | |
| | Administration | Systemwide | CAPRA | 12,000 |
| | Administration | Capitol Complex | Support Services Facility | 2,000 |
| | Administration | Systemwide | ADA | 9,000 |
| | Children, Families & Learning | Systemwide | Youth Initiative Grants | 16,000 |
| | Corrections | Systemwide | Asset Preservation | 1,750 |
| | Corrections | Rush City | New Prison | 89,000 |
| | Environmental Assistance | Systemwide | Solid Waste Mgmt Fac. Grants | 3,000 |
| | Finance | Systemwide | Bond Sale Expense | 608 |
| | Historical Society | Systemwide | County and Local Preservation Grants | 750 |
| | Historical Society | Systemwide | Asset Preservation | 3,000 |
| | Historical Society | Minneapolis | St. Anthony Falls Heritage Zone | 1,000 |
| | Human Services | Anoka | AMRTC Predesign/Design | 322 |
| | Human Services | Cambridge | CRHSC — Design and Develop METO | 3,400 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | State Colleges & University | Systemwide | HEAPRA | 16,000 |
| | State Colleges & University | St. Cloud | St Cloud Library | 29,500 |
| | State Colleges & University | Winona | SU — Construct Chiller Plant | 2,200 |
| | State Colleges & University | Hutchinson | TC — HVAC Modifications | 2,000 |
| | State Colleges & University | Minneapolis | CC — Energy Plant Replacement | 4,330 |
| | State Colleges & University | No. Hennepin | CC — Remodel & Construct LRC | 3,846 |
| | Natural Resources | Systemwide | RIM, WMA, SNA and Prairie Bank Imp. | 900 |
| | Natural Resources | Systemwide | Park & Rec Area Bldg Rehab | 1,750 |
| | Natural Resources | Systemwide | DNR — Well Inventory & Sealing | 500 |
| | Natural Resources | Systemwide | DNR — Trail Rehab | 500 |
| | Natural Resources | Systemwide | Flood Hazard Mitigation Grants | 1,490 |
| | Natural Resources | Systemwide | Metro Reg. Park Rehab, Acq & Dev | 9,400 |
| | Natural Resources | Systemwide | Trail Acq. & Devel. | 4,000 |
| | Natural Resources | Systemwide | RIM Wildlife Land Acq. | 3,500 |
| | Public Service | Statewide | Municipal Energy Loans | 4,000 |
| | Trade & Econ Dev-PFA | Systemwide | Waste Water Infrastructure Fund (WIF) | 17,500 |
| | Transportation | Systemwide | Local Bridge Rehab Grants | 10,000 |
| | University of Minnesota | Minneapolis | School of Architecture | 9,000 |
| | University of Minnesota | Systemwide | HEAPRA | 12,000 |
| | University of Minnesota | Minneapolis | Women's Ice/Tennis Facility | 10,000 |
| | University of Minnesota | Twin Cities | Hacker Hall Renovations | 12,000 |
| | Water & Soil Resources | Systemwide | Area II MN River basin grant-in-aid | 250 |
| | Water & Soil Resources | Systemwide | RIM reserve and perm. wetland pres. | 11,500 |
| | Water & Soil Resources | Systemwide | Wetland Replacement for Public Road | 3,000 |
| 1997, Capter 246 | | | | |
| | Trade & Econ Dev-PFA | Statewide | Waste Water Infrastructure | 4,000 |
| SS, 1997, Chapter 2 | | | | |
| | Public Safety | Statewide | Public Disaster Assistance | 30,000 |
| | Natural Resources | Statewide | Flood Hazard Mitigation Grants | 5,000 |
| | Natural Resources | Statewide | Flood Proofing Grants | 5,000 |
| | Natural Resources | Statewide | Flood Protection | 5,000 |
| | Housing Finance | Statewide | Rental Housing Loans | 2,000 |
| | Trade & Econ Dev-PFA | Statewide | New Housing | 5,000 |
| | Trade & Econ Dev-PFA | Statewide | Repair and Replacement | 4,000 |
| 1998, Chapter 404 | | | | |
| | Corrections Dept | Lino Lakes | MCF-LL — Admin. Segregation Unit | 340 |
| | Corrections Dept | Oak Park Heights | MCF-OPH — Seg., MH, and Hlth Care Units | 3,000 |
| | Corrections Dept | Shakopee | MCF-SHK — Bed Expansion | 4,645 |
| | Corrections Dept | St. Cloud | MCF-SCL — Intake Center | 1,500 |
| | Finance Dept | Minnesota | Bond Sale Expenses | 100 |
| | Human Services Dept | Cambridge | CRHSC — METO Construction | 1,500 |
| | Human Services Dept | Minnesota | SOCS — Respite Care Sites | 1,200 |
| | Human Services Dept | Moose Lake | MSPPTC — Construct 50-Bed Addition | 8,000 |
| | Human Services Dept | Willmar | WRTC — Remodel MTC Bldg. & Bldg. 14 | 3,000 |
| | State Colleges & University | Bemidji | Bemidji/NW TC-Bemidji HS Acq & Brdgmn Hall Renov | 1,000 |
| | State Colleges & University | Brooklyn Park | North Hennepin CC — New Science Ctr | 10,400 |
| | State Colleges & University | Edina | Normandale CC — Design Science Bldg | 240 |
| | State Colleges & University | Hibbing | Hibbing CC&TC — Construct College center | 16,000 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | State Colleges & University | Inver Grove Heights | Inver Hills CC — Construct instructional building | 11,000 |
| | State Colleges & University | Mankato | Mankato SU — Renovate Student Athletics fac (Phase 1) | 500 |
| | State Colleges & University | Minneapolis | Minneapolis CC&TC — Consolidation remodeling | 500 |
| | State Colleges & University | Pine City | Pine Technical College | 1,700 |
| | State Colleges & University | Rochester | Rochester Regional Recreation & Sports Center | 200 |
| | State Colleges & University | St. Cloud | St. Cloud TC — Addition and remodeling | 1,000 |
| | State Colleges & University | St. Paul | Metro SU — Library design | 1,000 |
| | State Colleges & University | St. Paul | St. Paul TC — Remodel selected college areas | 10,000 |
| | State Colleges & University | Systemwide | Ridgewater CC&TC — Addition and remodeling | 7,600 |
| | State Colleges & University | Systemwide | Riverland CC&TC — Program re-alignment/ relocation | 1,000 |
| | State Colleges & University | Systemwide | Systemwide — Land bank program | 5,000 |
| | State Colleges & University | Thief River Falls | Northland CC&TC — Connect student services — phase I | 4,000 |
| | State Colleges & University | Virginia | Laurentian CC&TC — Addition and remodeling | 500 |
| | State Colleges & University | White Bear Lake | Century CC&TC — Master plan and design development | 800 |
| | State Colleges & University | White Bear Lake | Century CC — Pedestrian Bridge | 3,200 |
| | State Colleges & University | Winona | Red Wing/Winona — Construct Truck Driving Facilities | 1,500 |
| | State Colleges & University | Winona | Winona SU — Remodel Maxwell Hall | 200 |
| | University of Minnesota | Crookston | Crookston — Facility Improvements | 300 |
| | University of Minnesota | Crookston | Crookston — Kiehle Bldg Renovation (Design) | 180 |
| | University of Minnesota | Duluth | Duluth — Library | 5,300 |
| | University of Minnesota | Minneapolis | North & South Mall — Digital & Utility Infrastruc | 100 |
| | University of Minnesota | Minneapolis | North & South Mall — Walter Digital Technol Ctr | 1,400 |
| | University of Minnesota | Systemwide | Ag Exp Stations — Facility Improvements | 800 |
| | University of Minnesota | Systemwide | Women's Athletics Fields and Facilities | 300 |
| | Transportation | Statewide | Local Roads and Bridges | |
| 1999, Chapter 240 | | | | |
| | Children, Families & Learning | Edina | SW Metro Integration Magnet Grant | 4,000 |
| | Children, Families & Learning | Emetro | Art & Science Middle School Magnet Grant | 1,300 |
| | Natural Resources | Statewide | Flood Hazard Grants (State Share) | 1,698 |
| | Natural Resources | Statewide | Flood Hazard Grants (Local Share) | 17,270 |
| | Environmental Assistance | Perham | Solid Waste Recovery System Grant | 3,000 |
| | Public Facilities Authority | Statewide | Drinking Water State Matching Funds | 2,200 |
| | Public Facilities Authority | Statewide | Wastewater Infrastructure Grant | 20,500 |
| | Administration | Statewide | CAPRA | 3,000 |
| | Administration | Park Rapids | Infrastructure Improvement Grant | 1,000 |
| | Transportation | Brooklyn Park | Pedestrian Bridge Loan | 440 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | Transportation | Statewide | Light Rail Transit | 60,000 |
| | Corrections | Faribault | Storm & Sanitary Sewer Lines | 1,785 |
| | Finance | Statewide | Bond Sale Expense | 152 |
| | Trade & Economic Dev | St. Cloud | Community Center | 5,500 |
| | Public Facilities Authority | Statewide | Wastewater Infrastructure | 14,000 |
| | Public Facilities Authority | Statewide | State Match Drinking Water | 1,500 |
| | State Colleges & University | Mankato | Athletic Facility | 10,500 |
| | University of Minnesota | Systemwide | Ag Experiment Stations | 3,600 |
| | University of Minnesota | Crookston | Facility Improvements | 3,500 |
| | University of Minnesota | Duluth | Academic Space | 200 |
| | University of Minnesota | Duluth | Library Construction | 17,000 |
| | University of Minnesota | Minneapolis | Folwell Hall Renovations | 690 |
| | University of Minnesota | St. Paul | Greenhouse Renovation | 900 |
| | University of Minnesota | St. Paul | Gortner and Snyder Halls | 3,900 |
| | University of Minnesota | Minneapolis | Utility Infrastructure | 2,400 |
| | University of Minnesota | Morris | Science/Heating Plant/Phy Ed | 18,400 |
| | University of Minnesota | St. Paul | Peters Hall | 6,900 |
| | University of Minnesota | Systemwide | Womens Athletic Fields and Facilities | 2,700 |
| | University of Minnesota | Minneapolis | Walter Digital Tech Center and Eng Library | 52,200 |
| | Trade & Economic Dev | Minneapolis | Convention Center | 86,332 |
| | Transportation | Statewide | Transitways Hiawatha Corridor | 40,000 |
| | Transportation | Statewide | Local Bridges | 28,000 |
| | Trade & Economic Dev | St. Paul | African-American Arts Center | 2,250 |
| | Trade & Economic Dev | Brooklyn Center | Earle Brown Heritage Center | 2,500 |
| | Historical Society | Pine City | Northwest Fur Post | 1,500 |
| | Historical Society | Minneapolis | St. Anthony Falls Heritage Ctr | 4,000 |
| | Historical Society | Waverly | Humphrey Museum | 1,000 |
| | Indian Affairs Council | Battle Point | Cultural and Education Center | 1,700 |
| | Trade & Economic Dev | Duluth | Convention Center | 12,000 |
| | Trade & Economic Dev | Rochester | Mayo Civic Center | 2,800 |
| | Trade & Economic Dev | Fergus Falls | Convention Center | 1,500 |
| | Trade & Economic Dev | Hutchinson | Civic Center | 1,000 |
| | Trade & Economic Dev | Minneapolis | Humboldt Avenue Greenway | 7,000 |
| | Trade & Economic Dev | Montevideo | Downtown Development | 1,500 |
| | Trade & Economic Dev | Statewide | Veterans Memorial Amphitheater | 315 |
| | Transportation | Statewide | Port Development Assistance | 3,000 |
| | Natural Resources | Statewide | Office Facility Consolidation | 7,100 |
| | Natural Resources | Statewide | State Park Building Development | 5,000 |
| | Natural Resources | Metropolitan | Park Acquisition and Betterment | 9,000 |
| | Natural Resources | Statewide | Trail Acquisition and Development | 3,350 |
| | Administration | St. Paul | Capitol Building | 6,500 |
| | Veterans Home Board | Minneapolis | Veterans Home | 6,000 |
| | Residential Academies | Faribault | Tate Hall Renovation | 3,500 |
| | Residential Academies | Faribault | Lysen Hall Expansion | 4,413 |
| | Veterans Home Board | Hastings | VHB Power Plant | 5,000 |
| | Finance | Statewide | Bond Sale Expense | 400 |

## I. Project Description (continued)
### ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| 2000, Chapter 479 | | | | |
| | Transportation | Trunk Highway 53 | Resurface near Eveleth, Minnesota | |
| | Transportation | Trunk Highway 53 | Resurface near Orr, Minnesota | |
| | Transportation | Trunk Highway 169 | Resurface near Chisholm, Minnesota | |
| | Transportation | Trunk Highway 53 | Repair entrance/exit ramps and nine bridges in Duluth, Minnesota | |
| | Transportation | Trunk Highway I35 | Resurface Interstate Highway I-35 from Central Avenue to Lake Avenue in Duluth, Minnesota | |
| | Transportation | Trunk Highway 61 | Resurface between Little Marais, Minnesota and the Canadian border | |
| | Transportation | Trunk Highway 100 | Reconstruction near Robbinsdale, Minnesota | |
| | Transportation | Trunk Highway 52 | Resurface a portion near Cannon Falls, Minnesota | |
| | Transportation | Trunk Highway 52 | Upgrade current circumferential beltway near Rochester, Minnesota | |
| | Transportation | Trunk Highway 212 | New freeway west of Eden Prairie, Minnesota | |
| | Transportation | Trunk Highway 494 | Wakota Bridge TH 61 near Newport | |
| | Total State Trunk Highway System | | | 100,000 |
| 2000, Chapter 492 | | | | |
| | Administration, Department of | Capitol Complex | Capitol Security Renovation | 1,000 |
| | Administration, Department of | Capitol Complex | 717 Delaware Street (Health Building) | 4,000 |
| | Administration, Department of | Capitol Complex | Capitol Interior Predesign | 300 |
| | Administration, Department of | Capitol Complex | Property Acquisition | 1,000 |
| | Administration, Department of | Statewide | Statewide CAPRA | 10,000 |
| | Administration, Department of | Capitol Complex | Electrical Utility Infrastructure, Phase 4 | 2,500 |
| | Agriculture, Department of | Statewide | Rural Finance Authority Loan Participation | 20,000 |
| | Amateur Sports Commission | Statewide | Statewide Facility Grant Program | 810 |
| | Amateur Sports Commission | Blaine | Northwest Sports Center | 300 |
| | Children, Families & Learning | Red Lake | Maximum Effort Loan | 11,166 |
| | Children, Families & Learning | Statewide | Multicultural Development Grants | 2,511 |
| | Children, Families & Learning | Cass Lake | Maximum Effort Loan | 7,505 |
| | Children, Families & Learning | Minneapolis | Minnesota Planetarium | 1,000 |
| | Children, Families & Learning | Statewide | Library Access Grants | 1,000 |
| | Children, Families & Learning | Caledonia | Maximum Effort Loan | 14,134 |
| | Children, Families & Learning | Metropolitan | Metropolitan Magnets | 16,000 |
| | Children, Families & Learning | Statewide | Early Childhood Learning Facility Grants | 3,000 |
| | Children, Families & Learning | LaPorte | Maximum Effort Loan | 7,200 |
| | Children, Families & Learning | Grand Meadow | School Facilities Grant | 3,000 |
| | Children, Families & Learning | Ulen-Hitterdahl | Maximum Effort Loan | 4,025 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | Corrections, Department of | Stillwater | MCF-STW — Conversion to Health Services | 1,800 |
| | Corrections, Department of | Lino Lakes | MCF-LL — H-Building Remodel, Phase III | 3,400 |
| | Corrections, Department of | Faribault | MCF-FRB — Sewer Repair | 7,500 |
| | Corrections, Department of | Red Wing | MCF-RW — Mental Health Support and Living Unit | 800 |
| | Corrections, Department of | Stillwater | MCF-STW — Wall, Towers, Catwalk, & Security | 1,000 |
| | Corrections, Department of | Oak Park Heights | MCF-OPH — 60-bed Admin. Control Unit | 855 |
| | Corrections, Department of | Bayport | Storm Sewer Project | 2,680 |
| | Finance, Department of | Statewide | Bond Sale Expenses | 450 |
| | Grants to Political Subdivisions | Lanesboro | Lanesboro Theater and Arts Center | 1,000 |
| | Grants to Political Subdivisions | St. Paul | Rooftop Perspectives, MN Children's Museum | 500 |
| | Human Services, Department of | Systemwide | Roof Repair/Replacement | 1,971 |
| | Human Services, Department of | St. Peter | SPRTC — Upgrade Shantz & Pextons Bldgs. | 7,200 |
| | Human Services, Department of | Systemwide | Asset Preservation | 3,000 |
| | MN State Colleges and Universities | Marshall | Library Renovation Design | 800 |
| | MN State Colleges and Universities | Bemidji | American Indian History Center | 2,000 |
| | MN State Colleges and Universities | Systemwide | Land Acquisitions | 300 |
| | MN State Colleges and Universities | St. Cloud | A&B Wing Remodel/Storage | 7,992 |
| | MN State Colleges and Universities | Winona | Science Building Design | 1,600 |
| | MN State Colleges and Universities | Thief River Falls | Phase II Learning Center | 5,000 |
| | MN State Colleges and Universities | Alexandria | Classroom Building | 500 |
| | MN State Colleges and Universities | Moorhead | Hagen Hall Sci. Add'n Design | 1,600 |
| | MN State Colleges and Universities | Mankato | Student Athletic Facility Renov. | 6,907 |
| | MN State Colleges and Universities | Minneapolis | General Education Renovation | 11,000 |
| | MN State Colleges and Universities | Edina | Science Building | 11,400 |
| | MN State Colleges and Universities | Moorhead | Land Acquisition & Relocate with BSU | 5,000 |
| | MN State Colleges and Universities | Moorhead | Construction/Renovation | 1,258 |
| | MN State Colleges and Universities | Systemwide | HEAPR | 30,000 |
| | MN State Colleges and Universities | Rochester | Horticulture Building | 4,500 |
| | MN State Colleges and Universities | Rochester | Site Development | 1,400 |
| | MN State Colleges and Universities | Cloquet | Fond Du Lac Instructional Building | 4,500 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | MN State Colleges and Universities | Park Rapids | Technology/Engineering Center | 3,600 |
| | MN State Colleges and Universities | Brooklyn Park | College Realignment | 12,500 |
| | MN State Colleges and Universities | St. Cloud | Riverview Renovation Design | 3,864 |
| | MN State Colleges and Universities | Minneapolis | Information Technology Center | 11,700 |
| | Military Affairs, Department of | Systemwide | Asset Preservation | 1,500 |
| | Military Affairs, Department of | Systemwide | Kitchen Renovation | 1,000 |
| | Military Affairs, Department of | Little Falls | Camp Ripley Museum | 125 |
| | Minnesota Historical Society | Statewide | Historic Sites Network — Asset Preservation | 1,750 |
| | Minnesota Historical Society | Pine City | North West Company Fur Post Development | 500 |
| | Minnesota Historical Society | Minneapolis | St. Anthony Falls Heritage Center Completion | 3,000 |
| | Minnesota Historical Society | Systemwide | County and Local Historic Preservation Grants | 500 |
| | Minnesota State Academies | Faribault | West Wing Noyes Hall Phase One | 2,066 |
| | Minnesota State Academies | Faribault | Asset Preservation | 1,000 |
| | Natural Resources, Department of | Systemwide | ADA Compliance | 2,000 |
| | Natural Resources, Department of | Two Harbors | Two Harbors Marina | 1,000 |
| | Natural Resources, Department of | St. Paul | Trails, Upper Landing, Raspberry Island | 3,000 |
| | Natural Resources, Department of | Systemwide | RIM — Critical Habitat Match | 750 |
| | Natural Resources, Department of | Systemwide | Forest Roads and Bridges | 1,000 |
| | Natural Resources, Department of | Metropolitan | Regional Parks Capital Improve. Prog. | 5,000 |
| | Natural Resources, Department of | Systemwide | Blazing Star State Trail Bridge | 750 |
| | Natural Resources, Department of | Systemwide | Prairie Bank Easements | 1,000 |
| | Natural Resources, Department of | Red Lake | Red River State Rec Area | 1,000 |
| | Natural Resources, Department of | Systemwide | RIM — Wildlife Dev/Habitat Improve | 1,000 |
| | Natural Resources, Department of | Systemwide | Trail Acq. Dev. — Paul Bunyan Trail | 1,750 |
| | Natural Resources, Department of | Metropolitan | Metro Regional Parks-Kaposia Park | 600 |
| | Natural Resources, Department of | Systemwide | Office Facilities Development — DNR | 3,250 |
| | Natural Resources, Department of | Systemwide | Greater MN Regional Parks | 500 |
| | Natural Resources, Department of | St. Paul | Como Park Education Resource Center | 16,000 |
| | Natural Resources, Department of | Minnetonka | Lake Minnetonka public access site acquisition | 4,000 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | Natural Resources, Department of | Systemwide | Shooting Star State Trail | 500 |
| | Natural Resources, Department of | Systemwide | Lewis & Clark Rural Water Project | 610 |
| | Natural Resources, Department of | Systemwide | State Park and Rec Area Acquisition | 500 |
| | Natural Resources, Department of | Systemwide | State Park & Rec Area Bldg Rehab | 1,900 |
| | Natural Resources, Department of | Systemwide | State Park & Rec Betterm't Rehab | 1,500 |
| | Natural Resources, Department of | Systemwide | Flood Hazard Mitigation Grants | 14,000 |
| | Natural Resources, Department of | Systemwide | Metro Greenways and Natural Areas | 1,500 |
| | Natural Resources, Department of | Systemwide | SNA's and Prairie Bank | 500 |
| | Natural Resources, Department of | Moose Lake | Moose Lake State Park-Rock and Gem Museum | 1,000 |
| | Natural Resources, Department of | Lake County | Gitchi Gami Trail | 400 |
| | Natural Resources, Department of | Duluth | Lake Superior Safe Harbors | 2,000 |
| | Natural Resources, Department of | Systemwide | Dam Repair/Reconstruction/Removal | 954 |
| | Natural Resources, Department of | Systemwide | Statewide Asset Preservation | 2,000 |
| | Natural Resources, Department of | Systemwide | Regional Trail Grants | 500 |
| | Natural Resources, Department of | Beltrami County | Big Bog State Rec Area | 2,017 |
| | Office of Environmental Assistance | Statewide | Capital Assistance Program | 2,200 |
| | Perpich Center for Arts Education | Golden Valley | Delta Dormitory Upgrades | 214 |
| | Perpich Center for Arts Education | Golden Valley | Asset Preservation | 500 |
| | Perpich Center for Arts Education | Golden Valley | Air Condition Gaia Building | 81 |
| | Public Safety, Department of | Little Falls | Public Safety Training Facility | 3,000 |
| | Trade & Economic Development | Statewide | MPFA State Matching Fund | 12,893 |
| | Trade & Economic Development | Statewide | MPFA Wastewater Infrastructure Funding | 12,010 |
| | Trade & Economic Development | Statewide | Clean Water Partnership | 2,000 |
| | Trade & Economic Development | Minneapolis | Great Lakes Center | 8,800 |
| | Trade & Economic Development | Mora | Workforce Center | 100 |
| | University of Minnesota | Morris | Science & Math Building Renovation/Ph 2 | 8,000 |
| | University of Minnesota | Minneapolis | West Bank — Art Building & Infrastructure | 18,500 |
| | University of Minnesota | Systemwide | HEAPR | 9,000 |
| | University of Minnesota | St. Paul | Plant Growth Facilities Replcmnt&Renov | 5,963 |
| | University of Minnesota | St. Paul | Microbial & Plant Genomics Building | 10,000 |
| | University of Minnesota | Systemwide | Research & Outreach Centers — Facility Improvements | 1,150 |
| | University of Minnesota | Minneapolis | East Bank — Molecular & Cellular Biology Building | 35,000 |

# I. Project Description (continued)
## ($ in Thousands)

| Law Authorizing | Agency | Location Or Program | Project/Program Description | Total Project Appropriation |
|---|---|---|---|---|
| | University of Minnesota | Duluth | Music Performance Laboratory | 6,100 |
| | University of Minnesota | Crookston | Kiehle Bldg Renovation & Addition | 6,500 |
| | Veterans Homes Board | Statewide | Asset Preservation | 3,000 |
| | Veterans Homes Board | Hastings | Building Preservation | 7,000 |
| | Veterans Homes Board | Minneapolis | Repair and Replacement | 1,700 |
| | Water & Soil Resources Board | Statewide | RIM Reserve — Habitat, Soil Cons, Water Quality | 20,000 |
| | Water & Soil Resources Board | Statewide | Local Gov't Roads Wetland Banking | 2,300 |
| | Water & Soil Resources Board | Statewide | RIM Reserve Reserve Programs (Non-CREP) | 1,000 |
| | Zoological Gardens | Apple Valley | Heating Supply Line/Chiller Replacement | 1,000 |
| SS 2001, Chapter 12 | | | | |
| | WSRB | Statewide | Conservation Reserve Enhancement Program (CREP) | 51,487 |
| | WSRB | Statewide | Wetland Replacement from Road Project-land acquisition | 2,000 |
| | DNR | Statewide | Flood Hazard Mitigation Grant | 2,000 |
| | CFL | Woodbury | East Metro Magnet | 1,700 |
| | CFL | Statewide | East Central School District Maximum Effort Loan | 19,000 |
| | DOA | Capitol Complex | State Office Building Exterior-Tuckpointing | 2,200 |
| | DOA | Capitol Complex | Capitol – Electrical Utility Infrastructure | 1,200 |
| | PCA | Statewide | Landfill | 20,500 |
| | DOT | Statewide | Local Bridge Replacement | 10,000 |
| | DTED | Eagan | Grant Flood Damage of Publicly Owned Property | 5,000 |
| | DTED | Austin | Grant Flood Damage of Publicly Owned Property | 2,000 |
| | Finance | Statewide | Bond Sale Expense | 118 |

Pursuant to a law enacted in 1991, in the Order authorizing the issuance of the Bonds the Commissioner of Finance has reserved the right for a specified period to reassign Bonds issued to legislative authorizations and purposes other than those listed in the section hereof entitled ''Authorization and Purpose'' and on page B-2 of Appendix B. (See Appendix B page B-3).

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# APPENDIX D
## Cash Flow Information

The Statutory General Fund is established in Minnesota Statutes, Section 16A.671, Subdivision 3a, and is defined as follows:

> "General Fund" means all cash and investments from time to time received and held in the treasury, except proceeds of State bonds and amounts received and held in special and dedicated funds created by the constitution, or by or pursuant to federal laws or regulations or by bond or trust instruments, pension contracts, or other agreements of the State or its agencies with private persons, entered into under state law.

The State's operating funds included in this definition are the Accounting General Fund, MN State Colleges/Universities Fund, General Projects Fund, Minnesota Resources Fund, State Government Miscellaneous Special Revenue Fund, Health Related Boards Fund, 911 Emergency Fund, Building Code Fund, Natural Resources Funds, Health Care Access Fund, Miscellaneous Special Revenue funds, Endowment School Fund, Game and Fish funds, Reinvest in Minnesota Critical Habitat Plates Fund, Medical Education & Research Expendable Trust Fund, Tobacco Use Prevention Expendable Trust Fund, MNSCU Enterprise Activities Fund, Lottery Cash Flow Fund, State Enterprise funds, and State Internal Service funds. Cash contained in the Statutory General Fund is available for State cash flow purposes.

The cash flow projections are based on actual monthly cash flow observations for these funds beginning with July 1, 1999 through June 30, 2001. The patterns of cash flow observed during this period were used to form the bases for projecting future months.

Revenue, Expenditure and Fund balance information as of the end of the 2001 legislative session was used to compile the projected annual revenue and expenditure totals. The annual totals are distributed across future periods using patterns from historical cash flow observations. Discrete cash flow events are also taken into consideration.

The End of 2001 Legislative Sessions cash flow analysis for the State's Statutory General Fund indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium.

The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding.

## STATUTORY GENERAL FUND
## MONTHLY CASH FLOW ANALYSIS
## Fiscal Year Ended June 30, 2002
## (Thousands of Dollars)

| | Jul-01 | Aug-01 | Sep-01 | Oct-01 | Nov-01 | Dec-01 | Jan-02 | Feb-02 | Mar-02 | Apr-02 | May-02 | Jun-02 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Cash Balance** | 3,967,123 | 3,474,491 | 2,463,916 | 3,137,156 | 3,395,102 | 3,409,104 | 3,479,570 | 4,125,101 | 4,162,243 | 4,039,251 | 4,076,298 | 4,740,108 | |
| **Receipts:** | | | | | | | | | | | | | |
| Individual Income Taxes | 353,255 | 427,619 | 635,708 | 434,091 | 421,190 | 566,627 | 953,125 | 335,918 | 244,395 | 660,928 | 701,913 | 553,819 | 6,288,588 |
| Sales and Use Taxes | 146,418 | (473,527) | 423,032 | 459,312 | 399,322 | 400,013 | 507,047 | 370,573 | 355,962 | 416,911 | 413,068 | 658,085 | 4,076,215 |
| Corporate Income Taxes | 13,788 | 31,972 | 158,900 | 35,760 | 10,375 | 137,300 | 3,625 | 12,583 | 203,339 | 34,648 | 20,850 | 125,300 | 788,440 |
| Statewide Property Taxes | — | — | — | — | — | — | — | — | — | — | 296,000 | — | 296,000 |
| Motor Vehicle Taxes | 51,061 | 31,490 | 30,923 | 28,414 | 24,695 | 23,682 | 22,501 | 20,970 | 29,011 | 30,491 | 34,046 | 33,846 | 361,130 |
| Tobacco Product Taxes | 3,932 | 18,997 | 14,027 | 14,443 | 12,481 | 14,683 | 13,369 | 11,573 | 11,934 | 13,141 | 12,193 | 24,254 | 165,028 |
| Insurance Taxes | 793 | 9,829 | 9 | 99 | 17,954 | 31,618 | 170 | 9,563 | 46,093 | 19,289 | 19,655 | 29,928 | 185,000 |
| Other Excise Taxes | 18,500 | 13,376 | 14,072 | 13,214 | 13,536 | 12,393 | 12,700 | 11,415 | 9,351 | 11,583 | 12,381 | 14,032 | 156,555 |
| Investment Earnings | 16,153 | 3,613 | 9,626 | 5,381 | 7,240 | 6,258 | 6,497 | 6,622 | 6,621 | 6,835 | 6,387 | 5,767 | 87,000 |
| Inter-governmental Grants & Other | 113,812 | 213,583 | 317,801 | 242,982 | 200,826 | 562,196 | 315,175 | 216,621 | 224,565 | 213,410 | 242,710 | 328,154 | 3,191,835 |
| **Subtotal — Receipts** | 717,712 | 276,953 | 1,604,097 | 1,233,697 | 1,107,619 | 1,754,771 | 1,834,209 | 995,838 | 1,131,269 | 1,407,237 | 1,759,204 | 1,773,185 | 15,595,791 |
| **Total Resources** | 4,684,835 | 3,751,445 | 4,068,013 | 4,370,853 | 4,502,721 | 5,163,875 | 5,313,779 | 5,120,940 | 5,293,512 | 5,446,487 | 5,835,502 | 6,513,293 | |
| **Expenditures:** | | | | | | | | | | | | | |
| State Payroll | 104,265 | 102,326 | 96,824 | 97,934 | 96,228 | 143,569 | 99,624 | 99,408 | 96,321 | 97,426 | 102,891 | 154,321 | 1,291,138 |
| Agency Operations | 89,377 | 97,887 | 101,344 | 88,846 | 80,679 | 81,894 | 94,481 | 76,373 | 81,689 | 75,093 | 94,600 | 121,123 | 1,083,385 |
| Payment to Individuals | 332,784 | 362,639 | 253,045 | 185,351 | 206,845 | 204,788 | 287,848 | 202,200 | 166,183 | 206,753 | 218,742 | 202,831 | 2,830,008 |
| Aid to Counties | 194,515 | 53,584 | 49,755 | 44,370 | 32,912 | 227,626 | 24,490 | 36,836 | 41,636 | 40,486 | 47,359 | 61,330 | 854,898 |
| Aid to Cities and Towns | 332,131 | 8,392 | 54,747 | 8,415 | 9,615 | 344,685 | 6,828 | 4,276 | 4,127 | 3,431 | 4,323 | 3,829 | 784,799 |
| Aid to School Districts | 91,428 | 390,647 | 165,895 | 368,782 | 175,574 | 342,918 | 454,805 | 373,048 | 584,872 | 527,613 | 361,278 | 678,583 | 4,515,443 |
| Higher Education Institutions and Aids | 92,641 | 160,183 | 163,480 | 119,425 | 110,265 | 198,356 | 192,510 | 115,650 | 256,207 | 363,650 | 194,719 | 170,735 | 2,137,823 |
| Aid to Other Governments | 24,077 | 7,248 | 7,170 | 14,356 | 5,210 | 16,463 | 8,296 | 3,533 | 3,901 | 11,747 | 3,044 | 5,162 | 110,206 |
| Aid to Non-Gov't Organizations | 29,854 | 38,271 | 19,973 | 21,526 | 26,278 | 16,881 | 27,971 | 28,807 | 12,968 | 20,366 | 25,478 | 24,851 | 293,226 |
| Other & Net Transfers & Debt Service | (80,728) | 66,353 | 18,624 | 26,745 | 350,010 | 107,125 | (8,175) | 18,565 | 6,359 | 23,623 | 42,959 | 54,450 | 625,910 |
| **Total Expenditures:** | 1,210,343 | 1,287,529 | 930,857 | 975,751 | 1,093,617 | 1,684,304 | 1,188,678 | 958,696 | 1,254,262 | 1,370,189 | 1,095,395 | 1,477,215 | 14,526,836 |
| **Ending Cash Balance Without Borrowing:** | 3,474,491 | 2,463,916 | 3,137,156 | 3,395,102 | 3,409,104 | 3,479,570 | 4,125,101 | 4,162,243 | 4,039,251 | 4,076,298 | 4,740,108 | 5,036,078 | |
| Minimum Statutory Cash Balance for the Month | 3,421,441 | 2,595,110 | 2,667,082 | 3,146,762 | 3,346,996 | 3,392,022 | 3,545,352 | 4,052,905 | 4,039,251 | 3,890,944 | 4,477,347 | 4,588,696 | |

## STATUTORY GENERAL FUND
## MONTHLY CASH FLOW ANALYSIS
## Fiscal Year Ended June 30, 2002
## (Thousands of Dollars)

| | Jul-02 | Aug-02 | Sep-02 | Oct-02 | Nov-02 | Dec-02 | Jan-03 | Feb-03 | Mar-03 | Apr-03 | May-03 | Jun-03 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning Cash Balance** | 5,036,078 | 4,573,731 | 4,267,945 | 4,833,511 | 4,916,215 | 5,088,654 | 4,935,105 | 5,411,578 | 5,270,121 | 4,944,829 | 4,773,666 | 5,267,270 | |
| **Receipts:** | | | | | | | | | | | | | |
| Individual Income Taxes | 424,474 | 457,572 | 680,236 | 464,497 | 450,692 | 606,316 | 1,019,887 | 359,447 | 261,514 | 707,223 | 751,079 | 592,611 | 6,775,550 |
| Sales and Use Taxes | 225,367 | 379,597 | 364,683 | 395,959 | 344,244 | 344,839 | 437,110 | 319,460 | 306,864 | 359,406 | 356,093 | 413,085 | 4,246,706 |
| Corporate Income Taxes | 10,002 | 36,050 | 179,163 | 40,321 | 11,698 | 154,809 | 4,087 | 14,188 | 229,269 | 39,067 | 23,508 | 141,279 | 883,440 |
| Statewide Property Taxes | — | — | — | — | 296,000 | — | — | — | — | — | 296,000 | — | 592,000 |
| Motor Vehicle Taxes | 22,727 | 24,414 | 23,974 | 22,028 | 19,146 | 18,361 | 17,444 | 16,258 | 22,492 | 23,639 | 26,395 | 26,240 | 263,117 |
| Tobacco Product Taxes | 2,120 | 20,511 | 15,144 | 15,594 | 13,476 | 15,853 | 14,434 | 12,495 | 12,884 | 14,187 | 13,165 | 26,186 | 176,050 |
| Insurance Taxes | 667 | 10,208 | 9 | 102 | 18,647 | 32,838 | 177 | 9,932 | 47,871 | 20,033 | 20,414 | 31,083 | 191,980 |
| Other Excise Taxes | 14,108 | 13,861 | 14,582 | 13,693 | 14,027 | 12,842 | 13,160 | 11,829 | 9,690 | 12,003 | 12,830 | 14,540 | 157,165 |
| Investment Earnings | 7,462 | 4,107 | 10,943 | 6,117 | 8,230 | 7,114 | 7,386 | 7,527 | 7,526 | 7,770 | 7,261 | 6,556 | 88,000 |
| Inter-governmental Grants & Other | 299,517 | 201,126 | 296,889 | 229,560 | 187,785 | 525,772 | 294,957 | 203,235 | 212,608 | 199,967 | 227,630 | 306,943 | 3,185,989 |
| **Subtotal — Receipts** | 1,006,444 | 1,147,446 | 1,585,624 | 1,187,872 | 1,363,943 | 1,718,744 | 1,808,642 | 954,371 | 1,110,718 | 1,383,296 | 1,734,375 | 1,558,523 | 16,559,997 |
| **Total Resources** | 6,042,522 | 5,721,176 | 5,853,569 | 6,021,383 | 6,280,159 | 6,807,398 | 6,743,748 | 6,365,949 | 6,380,839 | 6,328,125 | 6,508,041 | 6,825,792 | |
| **Expenditures:** | | | | | | | | | | | | | |
| State Payroll | 128,884 | 107,198 | 101,429 | 102,595 | 100,805 | 150,399 | 104,367 | 104,134 | 100,892 | 102,052 | 107,783 | 161,657 | 1,372,194 |
| Agency Operations | 94,560 | 100,936 | 104,566 | 91,599 | 83,150 | 84,450 | 97,471 | 78,734 | 84,174 | 77,414 | 97,514 | 124,956 | 1,119,524 |
| Payment to Individuals | 255,313 | 393,943 | 275,178 | 201,269 | 224,280 | 222,111 | 311,576 | 219,458 | 180,847 | 224,042 | 237,087 | 220,228 | 2,965,331 |
| Aid to Counties | 253,803 | 57,903 | 54,080 | 48,182 | 35,723 | 248,080 | 26,442 | 39,977 | 45,244 | 43,872 | 51,501 | 66,582 | 971,390 |
| Aid to Cities and Towns | 374,827 | 8,854 | 59,587 | 8,956 | 10,372 | 375,632 | 7,353 | 4,497 | 4,424 | 3,605 | 4,544 | 4,058 | 866,707 |
| Aid to School Districts | 94,296 | 484,022 | 203,439 | 456,834 | 217,440 | 424,891 | 563,586 | 462,067 | 722,695 | 653,311 | 447,694 | 840,816 | 5,571,092 |
| Higher Education Institutions and Aids | 227,765 | 169,923 | 173,784 | 126,371 | 116,503 | 210,656 | 205,138 | 122,138 | 273,762 | 386,850 | 207,497 | 201,519 | 2,421,905 |
| Aid to Other Governments | 10,963 | 7,815 | 7,670 | 15,558 | 5,543 | 17,818 | 8,936 | 3,711 | 4,083 | 12,717 | 3,182 | 5,474 | 103,468 |
| Aid to Non-Gov't Organizations | 44,162 | 41,180 | 21,499 | 23,222 | 28,491 | 18,127 | 30,205 | 30,983 | 13,913 | 21,961 | 27,581 | 26,220 | 327,543 |
| Other & Net Transfers & Debt Service | (15,781) | 81,458 | 18,826 | 30,583 | 369,198 | 120,129 | (22,904) | 30,129 | 5,978 | 28,636 | 56,387 | 47,678 | 750,317 |
| **Total Expenditures:** | 1,468,791 | 1,453,231 | 1,020,058 | 1,105,168 | 1,191,505 | 1,872,292 | 1,332,170 | 1,095,827 | 1,436,010 | 1,554,460 | 1,240,771 | 1,699,188 | 16,469,470 |
| **Ending Cash Balance Without Borrowing:** | 4,573,731 | 4,267,945 | 4,833,511 | 4,916,215 | 5,088,654 | 4,935,105 | 5,411,578 | 5,270,121 | 4,944,829 | 4,773,666 | 5,267,270 | 5,126,605 | |
| Minimum Statutory Cash Balance for the Month | 4,529,856 | 4,231,061 | 4,109,254 | 4,556,611 | 4,995,948 | 4,810,934 | 4,651,025 | 5,131,681 | 4,944,829 | 4,556,602 | 4,975,287 | 4,671,181 | |

**END OF SESSION**
**STATUTORY GENERAL FUND**
**MONTHLY CASH FLOW ANALYSIS**
**Comparison of Forecast to Actual**
**Ending Cash Balances**
**(Thousands of Dollars)**

| Month | Forecast Ending Balance | Actual Ending Balance | Variance |
|---|---|---|---|
| July 2001 | $3,474,491 | $3,480,557 | $ 6,066 |
| August 2001 | 2,463,916 | 2,604,919 | 141,003 |

# APPENDIX E

## Obligations of State Agencies

The University of Minnesota, established as a separate entity by the Minnesota Constitution, and various State agencies or instrumentalities established by the Legislature, are authorized by law to issue various forms of obligations. These obligations may be supported by the full faith and credit of the University or the other issuer, or by various revenue pledges, or both. However, such obligations are not debts of the State and the State is not required to provide moneys for their payment. A description of the various issuers of such obligations and the obligations issued by them outstanding as of October 1, 2001, is set forth below.

### Agency Indebtedness

*Minnesota Housing Finance Agency (MHFA).* The MHFA was established in 1971, and is governed by Chapter 462A of the Minnesota Statutes. The enabling legislation for the MHFA authorizes it to issue bonds and notes in amounts such that the principal amount outstanding at any instant of time (excluding the principal amount of any bonds or notes that have been refunded) is limited to an amount of $2.4 billion. The proceeds from the MHFA bonds and notes may be used to fund an assortment of programs designed to provide housing for low and moderate income residents of the State of Minnesota, which includes the making and purchase of loans for the production and rehabilitation of single and multi-family housing.

The MHFA's notes and bonds are general obligations of the MHFA but are not a debt or liability of the State. Under Chapter 462A, the MHFA must annually determine and certify to the Governor for inclusion in the State budget, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds to its debt service reserve requirement. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget for debt service reserve fund, but is not legally obligated to appropriate such amount. Under Chapter 462A, if such a deficiency is certified, the MHFA is also required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year, and the Governor is required to report such an anticipated deficiency to the Legislature.

The principal amount of bonds and notes of the MHFA which are outstanding at any time (excluding the principal amount of any bonds and notes advance refunded) is limited to $2,400,000,000. The following table lists the principal amounts of indebtedness, all of which are general obligations of the MHFA, which were outstanding as of October 1, 2001:

**Minnesota Housing Finance Agency**
**Bonds Outstanding As Of: October 1, 2001**

| | Number of Series | Interest Rate | Maturity Due | Original Amount (in thousands) | Outstanding Amount 10/01/2001 (in thousands) |
|---|---|---|---|---|---|
| Housing Development | 3 | 6.20% to 7.05% | 2001-2027 | $ 117,995 | $ 66,475 |
| Rental Housing | 18 | 4.00% to 8.00% | 2001-2031 | 371,130 | 265,785 |
| Residential Housing Finance | 2 | 4.75% to 7.12% | 2001-2017 | 96,770 | 56,935 |
| Single Family Mortgage | 101 | 3.20% to 8.05% | 2001-2032 | 2,061,175 | 1,654,210 |
| | 124 | | | $2,647,070 | $2,043,405 |

The payment of principal and interest on obligations of the Agency as shown above may be made, if necessary, from the MHFA's General Reserve Account. The MHFA plans to sell $49 million of Single Family Mortgage Bonds and $4 million of Multifamily Housing Bonds, both to close in the near future.

*University of Minnesota.* The University of Minnesota was established by Territorial Laws 1851, Chapter 3, adopted by the legislative assembly of the Territory of Minnesota. Pursuant to authorization by Congress on February 26, 1857, the voters of the State approved and adopted a State constitution on October 13, 1857. The State was admitted to the union by act of Congress passed on May 11, 1858.

The State Constitution confirmed and fixed the existence of the University as a separate institution of the State, having all rights, immunities, franchises and endowments previously granted or confirmed, and all lands and donations thereafter given to it. The University is governed by a board of twelve regents who are elected by the Legislature, and is dependent upon appropriations by the Legislature to pay much of its instructional costs. The regents are a body corporate with the right to sue and be sued and to make contracts.

Pursuant to this authority the Board of Regents has sold and issued bonds to finance the construction of buildings and structures needed for the University. The amount of such bonds outstanding as of October 1, 2001 was $500,891,842. The bonds are payable solely from and secured by revenues to be derived from specified facilities and the general funds of the University, and by the full faith and credit of the University.

*Minnesota Higher Education Services Office (MHESO).* The MHESO was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88. The 1995 Legislature named MHESO as successor for all of the bonds of the Minnesota Higher Education Coordinating Board. The law authorizes the MHESO to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed $550,000,000. The loans are made and insured in accordance with HEW's Guaranteed Student Loan Program instituted pursuant to Part B of Title IV of the Higher Education Act of 1965 as amended. As of October 2001, MHESO had $129,700,000 of bonds outstanding payable from the Supplemental Educational Loan Fund II. These obligations are payable solely from loan repayments, loan insurance, loan and investment earnings, other money of the MHESO, and, if necessary, from proceeds of additional MHESO obligations.

*Minnesota State Colleges and Universities Board (MSCUB).* The MSCUB was established and is governed by Minnesota Statutes, Chapter 136F, which authorized the MSCUB to issue its revenue bonds as specified to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities located or to be located on the campuses of the State Universities comprising the Minnesota State Colleges and Universities. The 1994 Legislature named MSCUB as successor for all of the bonds of the Minnesota State University Board. As of October 1, 2001, the MSCUB had no bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed and from fees imposed upon students for student activities, student facilities or other sources.

*Minnesota Higher Education Facilities Authority (MHEFA).* The MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law authorized the MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of college buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $500,000,000. As of October 1, 2001, the MHEFA had $461,506,929 principal amount of bonds outstanding. Each issue is payable solely from and secured by a first lien on the revenues of the project financed, reserve funds and a guarantee of the institution for which the project is financed.

*Minnesota State Armory Building Commission (MSABC).* The MSABC was established and is governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. The total principal amount of such bonds outstanding at anytime may not exceed $15,000,000. As of October 1, 2001, the MSABC had $4,390,000 principal amount of bonds outstanding. The MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

*Minnesota State Zoological Board. (MSZB).* The State appropriated moneys to finance the acquisition and construction of a State zoological garden which is owned and operated by the MSZB. The MSZB is not specifically authorized by law to borrow money or issue obligations in evidence thereof. However, in 1977 the Legislature authorized the MSZB to acquire an automated, monorail transportation system for the garden by installment purchase contract, and the MSZB entered into such a contract for this purpose.

On April 1, 1980, the Minnesota State Zoological Board was unable to make the installment payment then due under the installment purchase contract. On December 30, 1985 the State and investors entered into closing documents through which the State acquired all investor rights to the monorail system for the sum of $1.5 million. The documents released the State from any and all investor claims against the State and MSZB regarding the monorail system.

*Minnesota Rural Finance Authority.* In 1986 the Legislature created the Minnesota Rural Finance Authority (RFA) and authorized it to issue revenue bonds to finance RFA programs, and to establish a program of restructuring farm real estate loans. The 1987 Legislature broadened the RFA's authority by establishing a beginning farmer loan program. The 1988 Legislature further broadened the RFA's authority to include a seller sponsored loan program of purchasing participations in seller sponsored loans to beginning and re-entry farmers. The 1992 Legislature authorized the RFA to establish an expanded agricultural loan program. The 1994 Legislature authorized the RFA to establish a livestock expansion loan program. As of October 1, 2001, the RFA has no revenue bonds outstanding for these programs.

The Commissioner of Finance is authorized to issue up to $108.1 million in State general obligation bonds to finance certain programs of the RFA and has issued $94.6 million of these bonds, including bonds of this issue, for this purpose. The State also plans to sell $4 million of taxable general obligation bonds during October, 2001.

The 1991 Legislature also authorized the RFA to establish an aggie bond beginning farmer program and an agricultural business enterprise loan program, and authorized the RFA to issue revenue bonds for these programs. As of October 1, 2001, the RFA had issued $26,402,000, of revenue bonds for these programs.

*Minnesota Public Facilities Authority (MPFA).* The MPFA was established in 1987 by Minnesota Statutes, Chapter 446A which authorized it to make loans to local government units for wastewater treatment projects. In 1994, Chapter 446A was amended to authorize the MPFA to also make loans for drinking water projects, and amended again in 1997 to authorize the MPFA to also make loans for transportation projects. As of October 1, 2001, the MPFA had outstanding bonds of: Water Pollution Control Revenue Bonds, $611,310,000, Drinking Water Revenue Bonds, $20,645,000, and Transportation Revenue Bonds, $15,320,000, for a total outstanding amount of $647,275,000. The MPFA's bonds are not a debt or liability of the state. The principal amount of MPFA bonds issued and outstanding at anytime may not exceed $850,000,000. For bonds issued before January 1, 1994, if a deficiency is certified, the MPFA is required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year. The Governor is required to report such anticipated deficiencies to the Legislature. For bonds issued before January 1, 1994, in the opinion of bond counsel and general counsel to the MPFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget to the debt service reserve fund, but is not legally obligated to appropriate such amount.

*Minnesota Agricultural and Economic Development Board (MAEDB).* The MAEDB was established by Minnesota Statutes, Chapter 41A, to provide for agricultural and economic development in the State, and is authorized to issue revenue bonds for these purposes. The revenue bonds issued by the MAEDB are not general obligations of the State. As of October 1, 2001, MAEDB will have outstanding $36,550,000 of pooled revenue bonds which are paid for from revenues received from all of the borrowers under all of the pooled bonds and are additionally secured by a pledge of funds maintained in a reserve account created by the MAEDB for such pooled bonds. In addition, the MAEDB has outstanding $591,360,226 of revenue bonds that were issued for the benefit of various entities and which are paid for solely from revenues received from the borrower under each specific bond issue.

*Office of the Commissioner of the Iron Range Resources & Rehabilitation (IRRRB).* THE IRRRB was established by Minnesota Statutes, Chapter 298, to perform certain functions for the Northeastern portion of the State, including the promotion of economic development. The IRRRB is authorized to issue revenue bonds to accomplish the promotion of economic development. As of October 1, 2001 the IRRRB had $16,000,000 of bonds outstanding to finance the Giant's Ridge Recreation Area.

*Minnesota Department of Finance.* Minnesota Laws 1991, Chapter 350, authorized the State to issue revenue bonds secured by the State's full faith and credit in an amount up to $50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. (''NAI''), the intended lessee of both facilities, and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the State would use its best efforts to issue revenue bonds secured by the State's full faith and credit for the Duluth facility. The State issued $47,670,000 of revenue bonds in May 1995, $39,990,000 of the revenue bonds will remain outstanding as of September 1, 2001, of which $22,895,000 were payable primarily from lease payments of NAI, and $17,095,000 were payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the City of Duluth. In the event such revenues are insufficient the State will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the City of Duluth. All $39,990,000 of the revenue bonds outstanding are secured by the State's full faith and credit. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30 year amortization period. The 1997 Minnesota Legislature cancelled $48,765,000 of the bonding authorization for the Hibbing facility. The 2001 Legislature cancelled $81,275,000 of the bonding authorization for the Duluth facility.

The 1999 Minnesota Legislature authorized, in Minnesota Statutes, Section 356.89, the issuance of up to $38 million of state revenue bonds to finance the acquisition, design, construction and equipping of a building and related facilities to be jointly occupied by the Minnesota State Retirement System, the Teachers Retirement Association and the Public Employees Retirement Association. The Commissioner of Finance sold $29,000,000 of the revenue bonds in June 2000. As of October 1, 2001, there were $29,000,000 of Minnesota State Retirement System bonds outstanding.

# APPENDIX F
## State Government and Fiscal Administration

### State Government

The State was formally organized as a territory in 1849 and was admitted to the Union on May 11, 1858, as the 32nd state. Bordered by Canada on the north, Lake Superior and Wisconsin on the east, Iowa on the south, and North and South Dakota on the west, it is the 12th largest and 20th most populous state in the Union.

The State's Constitution organizes State government into three branches: Executive, Legislative and Judicial.

The Executive Branch is headed by the Governor. The Governor, Lt. Governor, Attorney General, State Auditor, State Treasurer, and Secretary of State are popularly elected to four year terms. There are 20 departments and over one hundred agencies, boards, councils, and authorities which comprise the Executive Branch. Most departments and agency heads are appointed and serve at the pleasure of the Governor, subject to confirmation by the Senate.

The Legislative Branch is composed of a Senate and a House of Representatives. There are 67 senators who serve 4 year terms. House members number 134 and serve 2 year terms.

The Judicial Branch is headed by a Supreme Court. Three levels of courts function within the Judicial Branch: Supreme Court, Appellate Court, and District Courts.

A general organization chart of the Executive Branch of State government is shown on the following page. This diagram displays the various categories of the State's service functions and the organization units associated with the delivery of the service activities.

### Fiscal Administration

The Department of Finance was created in 1973 under the control and supervision of the Commissioner of Finance. The Commissioner is designated by statute as the chief accounting officer, the principal financial officer, and the State controller and is assigned responsibility for the administration of the financial affairs of the State. Included in the financial duties of the Commissioner are:

Preparation of State biennial budget and capital budget.

Maintenance of general books of account and administration of the statewide accounting system including a central disbursement system.

Administration of the State payroll system.

Sale and issuance of State general obligation and certain revenue bonds, general obligation certificates of indebtedness, and equipment lease purchase financings.

Preparation of periodic and special reports on the financial affairs of the State.

Operation and control of allotment system (annual agency operating budgets).

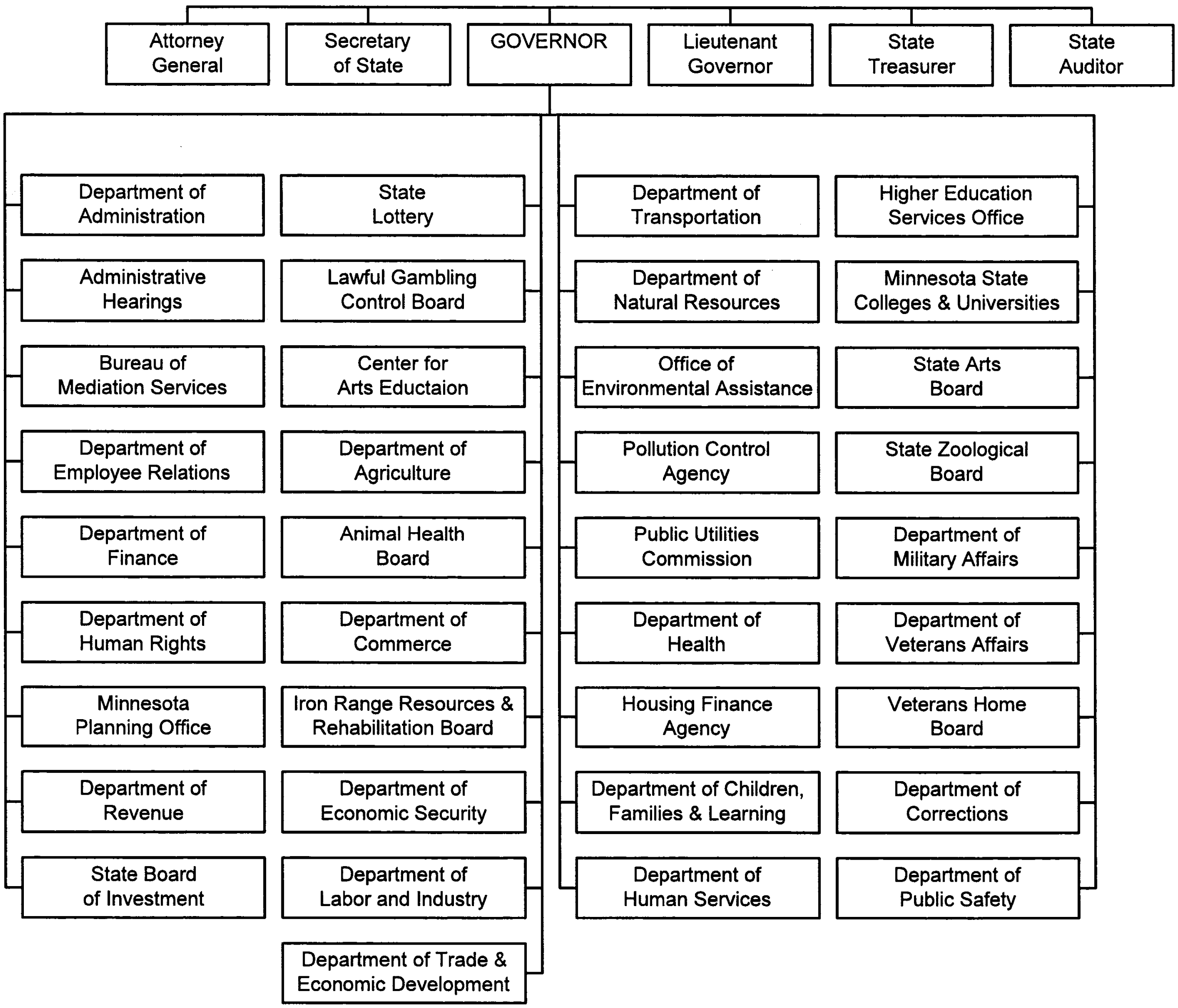
Preparation of revenue, expenditure and cash flow estimates.

Banking and cash management activities.

### Accounting System

State law requires the Commissioner of Finance to maintain an accounting system that shows at all times, by funds and items, amounts appropriated and estimated revenues therefore; amounts allotted and available for expenditure; amounts of obligations authorized to be incurred; actual receipts, disbursements balances on hand; and unencumbered balances after deduction of all actual and authorized expenditures.

# STATE ORGANIZATION CHART



State law requires the Commissioner of Finance to administer the payroll of all employees of the executive branch of government.

The accounting system is organized on a fund basis. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Funds are established for the purpose of carrying on specific activities or objectives in accordance with legal requirements.

**Financial Reporting**

State law requires the Commissioner of Finance to prepare a comprehensive financial report for each Fiscal Year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the 2000 general purpose financial statements are presented in Appendix A, and general long term debt unaudited schedules are presented in Appendix B.

**Investments**

The State Board of Investment, comprised of five of the State's constitutional officers, is responsible for the formulation of State investment policies and for the purchase and sale of securities. Moneys from various funds are invested according to regulations on types and terms of investments imposed by law on each grouping. The investments are grouped as follows:

Invested Treasurer's Cash — temporary investment of a pool of cash, not immediately needed, from funds other than funds dedicated by the constitution, State law, or by federal law.

Highway Funds — temporary investment of bond proceeds and receipts not immediately needed.

Various retirement funds — investment of assets and reserves.

Trust Funds — investment of assets and reserves.

Other departmental funds.

**Treasurer**

The primary function of the Office of the State Treasurer is to receive and account for all moneys paid into the State Treasury until the same is properly disbursed or invested. The Treasurer's computerized system of bank accounts provides a daily cash position pursuant to which all moneys not then obligated are certified for investment and future use.

Minnesota voters approved a constitutional amendment in November 1998 that will eliminate the Office of the State Treasurer in January 2003. The Minnesota Legislature will determine to what office the Treasurer's responsibilities will be transferred.

**Revenues and Budgeting**

The Department of Revenue exercises general supervision over the administration of the taxation and assessment laws of the State. In the exercise of such power, the Department of Revenue promulgates guidelines to ensure that property tax laws are administered uniformly by local governmental units and that the assessments of property are made on an equal basis throughout the State.

The Department of Revenue administers taxes owing to the State by collecting, among others, individual income and corporation taxes, sales and use taxes, inheritance and gift taxes, motor fuel taxes and excise taxes on liquor and tobacco. Additionally, the Department of Revenue is responsible for informing localities when their expenditures exceed the limit set for them by the State Legislature.

**Audit Control Procedures**

The Office of the Legislative Auditor is the post audit agency of all State departments, agencies, boards and commissions. The Office of the Legislative Auditor conducts the audits of all accounts, records, inventories, vouchers, receipts, funds, securities, and other assets at least once a year, if funds and personnel permit, and more often if deemed necessary or as directed by the Legislature or the Legislative Audit Commission. As an agency of the legislative branch, the Office of the Legislative

Auditor is independent of the executive branch and the departments, boards, commissions and other agencies thereof that it is responsible for auditing.

### Status of Collective Bargaining

The State currently has 17 bargaining units for State employees. The Department of Employee Relations, Labor Relations Bureau, negotiates seven non-faculty labor contracts. Staff within the Minnesota State Colleges and Universities System bargain four faculty contracts. The Department of Employee Relations develops compensation plans for unrepresented employees. All contracts and compensation plans are subject to review and approval by the Legislature.

Contracts and compensation plans affecting all employees have been settled and approved for the Previous Biennium.

These contracts and plans have been automatically extended beyond their natural expiration date of June 30, 2001, pending negotiations of successor agreements and adoption of new plans. As of July, 2001, a tentative agreement has not been reached for the Current Biennium with any of the units.

### Strike by State Labor Unions

Certain employees of the State are represented by two unions, the American Federation of State County and Municipal Employees ("AFSCME") and the Minnesota Association of Professional Employees ("MAPE"). The State has been negotiating with both unions on the terms of the contracts to replace the existing contracts under which the parties are operating notwithstanding their expiration date of June 30, 2001. The two unions both began a strike on October 1, 2001.

The Commissioner of Finance believes that the strike by both unions will have no impact on the payment of principal and interest on the Bonds.

### Bargaining units; Employees Represented

Set forth is a table showing the exclusive representatives representing State employees and the number of employees represented by each.

**INFORMATION ON STATE BARGAINING UNITS**

| UNIT<br>Union or Association | Employees as of<br>July 2, 2001 |
|---|---|
| AFSCME (6 bargaining units) | 19,828 |
| MN Association of Professional Employees | 10,655 |
| Middle Management Association | 2,833 |
| MN Government Engineers Council | 908 |
| MN Nurses Association | 819 |
| MN Law Enforcement Association | 707 |
| State Residential Schools Education Association | 162 |
| MN Community College Faculty Association | 1,221 |
| State University Inter-Faculty Association | 2,480 |
| State University Administrative Faculty Association | 499 |
| United Technical College Educators | 1,799 |
| Total Represented Employees | 41,911 |
| Total State Employment | 52,185 |
| Percent of All Executive Branch Employees Unionized | 80% |

# APPENDIX G

## Minnesota Defined Benefit Retirement Plans

Minnesota's defined benefit retirement plans are financed in several ways, including employee contributions, contributions from State agencies for their covered employees, contributions from local political subdivisions, and direct State appropriation. Estimates of direct Accounting General Fund appropriations to these plans for the Previous Biennium and Current Biennium are shown in Table G-1. Additionally, Table G-2 presents summary data on the financial condition of the plans for the most recent Fiscal Year on which valuation data is available. Information provided in Table G-2 includes:

a. current assets held in trust for participants;
b. the accrued benefit liability;
c. the accrued liability funding ratio;
d. the number of plan members;
e. identification of the funds for which the State has custodial responsibility; and
f. identification of the funds for which the State may have a contingent liability.

Information concerning the specific benefit provisions of each plan is available upon request from the Commissioner of Finance.

Effective July 1, 1997, annual cost-of-living increases tied to national CPI are guaranteed up to 2.5%. Any benefit increase beyond that level is based on a rolling five-year average market value gain to retiree assets, less an assumed minimum 6% return.

Each plan's financing requirement is determined by a specific formula established in State law. No assurance can be provided that the formulas will not change in the future. A brief description of the existing formulas follows:

1. *Minnesota State Retirement System; State Teachers' Retirement Association; Public Employees' Retirement Association; and the Minneapolis, Duluth, and St. Paul Teachers' Retirement Associations.* For each of these funds the contribution is specified in statute as a fixed percentage of the plan member's salary.

2. *Adjustments for Pre-1973 Retirees in Various Funds.* Contributions for these adjustments are included in payroll deductions and employer contributions as part of the total fund liabilities with the exception of the *Minneapolis Employees Retirement Fund (MERF),* for which the State made annual appropriations of $550,000. This appropriation terminated at the end of Fiscal Year 2001.

3. *State's share of amortizing unfunded liabilities of local police or fire relief associations that are being phased out.* Current State law provides that the State's contribution for the next 12 years will remain at the level of the Fiscal Year 1992 appropriation, or less, as plans achieve full-funding, before the year 2010.

4. *Minneapolis Employees' Retirement Fund.* This fund is closed to new members. The annual Accounting General Fund obligation is specified in statute as: (a) the total annual level dollar contribution needed to amortize the entry-age normal unfunded liability by 2020 as estimated in the most recent valuation, less (b) 2.5% of covered payroll, and less (c) $3,900,000. The total cannot exceed $9,000,000 per year. Absent any change in existing law, this obligation is expected to diminish over time, approaching zero by the year 2005.

5. *Legislators' Retirement Plan.* This plan is terminally funded. When a plan member retires, Accounting General Fund appropriations adequate to cover the cost of benefits for his projected life are transferred to the plan account.

6. *Judges' Retirement Plan.* This plan is funded through employer/employee contributions as a fixed percentage of salary, as defined in statute.

7. *Constitutional Officers' Plan.* Accounting General Fund appropriations are transferred to this account on a current disbursements basis as retirement benefits are paid.

**TABLE G-1**

| | Estimated Direct Accounting General Fund Appropriation | | |
|---|---|---|---|
| | **Previous Biennial Total** | **Current Biennial Total** | **Next Biennium Total** |
| | | **($ in thousands)** | |
| Constitutional Officers' Retirement | $ 643 | $ 731 | $ 822 |
| Legislators' Retirement Plan | 10,080 | 14,051 | 15,788 |
| Judges' Retirement Plan(1) | 3,903 | 4,373 | 4,913 |
| Minneapolis Employees' Retirement Fund | | | |
| Amortization of Unfunded Liability(2) | | | |
| Adjustment for pre-1973 retirees(3) | 8,890 | 6,464 | 6,464 |
| Local Police or Fire Associations | 16,481 | 22,762 | 15,226 |
| Minneapolis Teachers' Retirement Assoc.(4) | 30,897 | 30,908 | 30,908 |
| St. Paul Teachers' Retirement Association(4) | 5,654 | 5,654 | 5,654 |
| Duluth Teachers' Retirement Association(4) | 972 | 972 | 972 |
| TOTAL | $77,520 | $85,915 | $80,747 |

(1) The Judges' Retirement Plan was converted to a pre-funded plan in the 1991 legislative session. Contributions for all active judges are now covered through payroll, not direct appropriation. An open Accounting General Fund appropriation continues for a small group of retirees and survivors whose benefits are still covered on a pay-as-you-go basis.

(2) Beginning in Fiscal Year 1992, the State capped all amortization aid to the Minneapolis Employees Retirement Fund at $10,455,000. Effective July 1, 1998, that cap was reduced to $9,000,000. Any requirements beyond the capped aid are the exclusive obligation of the employer units.

(3) The pre-1973 adjustment to the Minneapolis Employees Retirement Fund was also capped beginning in Fiscal Year 1992, at $550,000 annually, and terminated at the end of Fiscal Year 2001.

(4) These plans are separate from the State Teachers' Retirement Association, and the State has no direct custodial relationship. Benefits, investment practices and contributions are, however, controlled by statute. The 1997 Legislature passed a major pension bill that included reallocations of current funding (no net new expenditure) which largely resolve ongoing actuarial deficiencies heretofore affecting the Minneapolis and St. Paul teacher retirement plans.

**2000 Pension Legislation**

- The legislature adopted recommended actuarial changes from the last four-year experience study. (Every four years, the assumptions used to forecast funding requirements are tested against actual experience.)
- Penalties tied to postretirement earnings limitations were reduced and in some cases eliminated. This followed the pattern set on the national level for social security recipients.

**2001 Pension Legislation**

- The 2001 legislature authorized several changes to the PERA-General Plan to address PERA's funding deficiency, including changes in service crediting procedures, eligibility and coverage groups, and contribution rates. On January 1, 2002, the employee and employer regular contribution rate will increase for both basic and coordinated members.
- A member of MSRS, PERA, or TRA may now purchase service credit for parental or family leaves, not to exceed five years, by paying the full actuarial value of the service credit purchase.
- Out-of-state-teaching service credit provisions for TRA and the 1st Class City Teacher Plans were expanded to include teaching service provided in another country, teaching service where the employing unit is a federally-recognized American Indian tribe, and teaching service at developmental achievement centers.
- Definitions in police state aid law are revised to permit police officers with the power to arrest, who are working for tribal police departments under American Indian tribal governments, to be included in the police state aid program.
- MSRS, PERA, and TRA are required to provide a study of implementation steps needed to consolidate the systems administratively. TRA and the 1st Class City Teacher Plans must provide an implementation plan to aggregate the teacher pension systems.

**TABLE G-2**

**Condition of Defined Benefit Pension Plans to Which Minnesota Provides Accounting General Fund Resources, July 1, 2000(1)**
**($ in Millions)**

| Plan | Current Assets | Accrued Benefit Liability | Funding Ratio | Members Active | Members Other |
|---|---|---|---|---|---|
| 1. Funds For Which the State Has Custodial Responsibility | | | | | |
| State Teachers' Retirement Plan | $15,573 | $14,802 | 105.2% | 70,508 | 57,154 |
| State Employees' Retirement Plan | 6,744 | 6,106 | 110.5% | 47,920 | 38,198 |
| State Correctional Plan | 387 | 360 | 107.5% | 3,098 | 1,329 |
| Highway Patrol Plan | 529 | 458 | 115.3% | 830 | 744 |
| Judges' Plan | 111 | 154 | 72.3% | 282 | 250 |
| Legislators' Plan(2) | 37 | 69 | 53.7% | 173 | 373 |
| Constitutional Officers' Plan(2) | — | 4 | 5.6% | 0 | 17 |
| Public Employees' Retirement Assoc. | | | | | |
| — General Plan | 9,609 | 11,134 | 86.3% | 135,560 | 148,204 |
| — Police & Fire Plan | 4,145 | 3,383 | 122.5% | 9,627 | 6,774 |
| — Local Gov't Correctional Plan(3) | 11 | 10 | 109.0% | 2,781 | 12 |
| 2. Other Funds to Which the State Contributes | | | | | |
| Minneapolis Employees' Retirement Fund | 1,416 | 1,516 | 93.4% | 1,152 | 5,259 |
| Local Police & Fire Relief Associations | 719 | 749 | 96.0% | 250 | 1,586 |
| St. Paul Teachers' Ret. Fund Assoc. | 802 | 998 | 80.3% | 4,445 | 3,904 |
| Minneapolis Teachers' Ret. Fund Assoc. | 1,027 | 1,544 | 66.5% | 5,777 | 5,878 |
| Duluth Teachers' Ret. Fund Assoc. | 251 | 241 | 103.8% | 1,441 | 1,743 |

(1) The information provided in this table reflects the condition of all funds as of June 30, 2000 except for local police & fire relief association funds. Information for the latter is for calendar year

1999. Figures for local police and fire combine data on 4 separate funds. The number of these funds reporting separately declines as plans consolidate within the statewide PERA Police & Fire Consolidation Fund.

(2) The Legislators' and Constitutional Officers' defined benefit retirement plans are not pre-funded. Legislator retirements are funded on a terminal basis with assets accumulated only for retirees and survivors: Constitutional Officer retirements are financed on a pay-as-you-go basis from annual appropriations — there are no separate assets reserved for this plan.

(3) The Public Employees Local Government Correctional Service Retirement Plan was created in 1999 to cover local government correctional service employees who spend most of their time in direct contact with inmates. The majority of these employees were formerly part of the General Plan.

# APPENDIX H

## Selected Economic and Demographic Statistics

### Population Trends In The State

Minnesota resident population grew from 4,085,000 in 1980 to 4,387,000 in 1990 or, at an average annual compound rate of .7 percent as shown in Table 1. In comparison, U.S. population grew at an annual compound rate of .9 percent during this period. Between 1990 and 2000, data in Table 1 indicate Minnesota population grew at annual compound rate of 1.2 percent as compared to 1.2 percent for the U.S. Minnesota population is currently forecast by the U.S. Department of Commerce to grow at an annual compound rate of .9 percent through 2015.

### The Structure Of The State's Economy

Diversity and a significant natural resource base are two important characteristics of the State's economy.

When viewed in 2000 at a highly aggregative level of detail, the structure of the State's economy parallels the structure of the United States economy as a whole. As shown in Table 2 below, State employment in ten major sectors was distributed in approximately the same proportions as national employment. In all sectors, the share of total State employment was within two percentage points of national employment share.

Some unique characteristics of the State's economy are apparent in employment concentrations in industries that comprise the durable goods and non-durable goods manufacturing categories summarized in Tables 3 and 4. In the durable goods industries, the State's employment in 2000 was highly concentrated in the industrial machinery and instrument and miscellaneous categories. Of particular importance is the industrial machinery category in which 28.5 percent of the State's durable goods employment was concentrated in 2000, as compared to 19.0 percent for the United States as a whole. The emphasis is partly explained by the location in the State of Unisys, IBM, Seagate Technology, and other computer equipment manufacturers which are included in the industrial machinery classification. Concentration in the instruments and miscellaneous category is partly explained by the presence in the state of Medtronic and other manufacturers of cardiac pacemakers.

The importance of the State's rich resource base for overall employment is apparent in the employment mix in non-durable goods industries displayed in Table 4. In 2000, 29.7 percent of the State's non-durable goods employment was concentrated in food and kindred industries, and 16.4 percent in paper and allied industries. This compares to 23.1 percent and 9.0 percent, respectively, for comparable sectors in the national economy. Both of these rely heavily on renewable resources in the State. Over half of the State's acreage is devoted to agricultural purposes, and nearly one-third to forestry. Printing and publishing is also relatively more important in the State than in the U.S.

Mining is currently a less significant factor in the State economy than it once was. Mining employment, primarily in the iron ore or taconite industry, dropped from 17.3 thousand in 1979 to 7.2 thousand in 2000. It is not expected that mining employment will return to 1979 levels. However, Minnesota retains vast quantities of taconite as well as copper, nickel, cobalt, and peat which may be utilized in the future.

### Employment Growth In The State

In the period 1980 to 1990, overall employment growth in Minnesota lagged behind national growth as shown in Table 5. However, manufacturing has been a strong sector, with Minnesota employment outperforming its U.S. counterpart in both the 1980-1990 and 1990-2000 periods.

In spite of a strong manufacturing sector, during the 1980 to 1990 period total employment in Minnesota increased 17.8 percent while increasing 20.1 percent nationally. Most of Minnesota's relatively slower growth is associated with declining agricultural employment and with the two recessions in the U.S. economy during the early 1980s which were more severe in Minnesota than nationwide. Minnesota non-farm employment growth generally kept pace with the nation in the period after the 1981-82 recession ended in late 1982. In the period 1990 through 1996, non-farm employment growth in Minnesota exceeded national growth. Since then, Minnesota and U.S. employment have expanded at about the same rate. Employment data indicate the recession which began in July 1990 was less severe in Minnesota than in the national economy, and that Minnesota's recovery was more rapid than the nation's. Between 1990 and 2000, Minnesota's non-farm employment grew 25.3 percent compared to 20.5 percent nationwide.

**Performance Of The State's Economy**

Since 1980, State per capita personal income has usually been within eight percentage points of national per capita personal income. As shown in Table 6, the State's per capita income, which is computed by dividing personal income by total resident population, has generally remained above the national average in spite of the early 1980s recessions and some difficult years in agriculture. In 2000, Minnesota per capita personal income was 108.2 percent of its U.S. counterpart.

Tables 7, 8, and 9 show the performance of the Minnesota economy relative to the eleven other states in the North Central Region. Measures used for comparison are total personal income, population, personal income per capita, and non-agricultural employment. In the level of personal income per capita, as shown in Table 7, Minnesota ranked second among the twelve states in both 1990 and 2000. During the period 1980 to 1990, Minnesota ranked first in growth of personal income and first during the period 1990 to 2000. Table 8 shows that Minnesota does not rank first in personal income growth among neighboring states every year. Over the period 1980 to 1990, Table 9 shows Minnesota non-agricultural employment grew 20.3 percent while the entire North Central Region grew 14.4 percent. During the 1990-2000 period, Minnesota non-farm employment increased 25.3 percent, while regional employment increased 18.6 percent.

Another measure of the vitality of the State's economy is its unemployment rate. Table 10 shows that during 1999 and 2000, the State's monthly unemployment rate was generally less than the national unemployment rate, averaging 3.3 percent in 2000, as compared to the national average of 4.0 percent.

**TABLE 1**
**RESIDENT POPULATION**
**(Thousands of Persons)**

| Year | U.S. | Minnesota | Average Annual Compound % Change U.S. | Average Annual Compound % Change Minnesota |
|---|---|---|---|---|
| 1970 | 203,800 | 3,815 | 1.3 | 1.1 |
| 1980 | 227,220 | 4,085 | 1.1 | 0.7 |
| 1990 | 249,460 | 4,387 | 0.9 | 0.7 |
| 1991 | 252,150 | 4,427 | 1.1 | 0.9 |
| 1992 | 255,030 | 4,472 | 1.1 | 1.0 |
| 1993 | 257,780 | 4,522 | 1.1 | 1.1 |
| 1994 | 260,330 | 4,566 | 1.0 | 1.0 |
| 1995 | 262,800 | 4,605 | 0.9 | 0.9 |
| 1996 | 265,230 | 4,648 | 0.9 | 0.9 |
| 1997 | 267,780 | 4,688 | 1.0 | 0.9 |
| 1998 | 270,250 | 4,726 | 0.9 | 0.8 |
| 1999 | 272,690 | 4,776 | 0.9 | 1.1 |
| 2000 | 281,420 | 4,919 | 3.2 | 3.0 |

Source: DRI•WEFA, @ Markets Data Bank. Data for 2000 are not consistent with 1991-1999. At the time of printing, the U.S. Bureau of the Census had not published population estimates for the intercensal years that are consistent with the decennial census count.

**TABLE 2**
**EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 2000**
**(Thousands of Jobs)**

| Category | Minnesota | % of Total | U.S. | % of Total |
|---|---|---|---|---|
| Manufacturing Durable | 259.9 | 9.5 | 11,139 | 8.2 |
| Manufacturing Non-Durable | 180.0 | 6.6 | 7,298 | 5.4 |
| Mining | 7.2 | 0.3 | 543 | 0.4 |
| Construction | 118.9 | 4.3 | 6,699 | 5.0 |
| Transportation and Public Utilities | 134.9 | 4.9 | 7,019 | 5.2 |
| Trade | 632.4 | 23.0 | 30,333 | 22.5 |
| Finance, Insurance and Real Estate | 160.9 | 5.9 | 7,561 | 5.6 |
| Services | 793.3 | 28.9 | 40,461 | 30.0 |
| Government | 381.6 | 13.9 | 20,681 | 15.3 |
| Agriculture | 76.0 | 2.8 | 3,305 | 2.4 |
| Total | 2,745.1 | 100.0 | 135,039 | 100.0 |

Sources: U.S. Employment — DRI•WEFA, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data, March 2000. Minnesota services data includes Indian gaming.

Minnesota employment data benchmarked to March 2000 levels.

Industry detail determined according to the Standard Industrial Code of 1987.

U.S. employment data benchmarked to March 2000 levels.

Minnesota agricultural employment: Unpublished estimate from the Minnesota Department of Economic Security.

U.S. agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 2001.

Columns may not add due to rounding.

## TABLE 3
## EMPLOYMENT IN DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 2000
## (Thousands of Jobs)

| Durable Goods | Minnesota | % of Total | U.S. | % of Total |
|---|---|---|---|---|
| Furniture, Lumber and Wood | 29.9 | 11.5 | 1,390 | 12.5 |
| Stone, Clay, Glass | 10.7 | 4.1 | 579 | 5.2 |
| Primary Metals | 8.0 | 3.1 | 698 | 6.3 |
| Fabricated Metals | 37.4 | 14.4 | 1,537 | 13.8 |
| Industrial Machinery | 74.2 | 28.5 | 2,120 | 19.0 |
| Electronic Equipment | 37.1 | 14.3 | 1,719 | 15.4 |
| Transportation Equipment | 15.4 | 5.9 | 1,849 | 16.6 |
| Instruments and Miscellaneous | 47.2 | 18.2 | 1,246 | 11.2 |
| Total | 259.9 | 100.0 | 11,139 | 100.0 |

Sources: U.S. Employment — DRI•WEFA, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data.

Minnesota employment data benchmarked to March 2000. U.S. data benchmarked to March 2000. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Columns may not add due to rounding.

## TABLE 4
## EMPLOYMENT IN NON-DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 2000
## (Thousands of Jobs)

| Non-Durable Goods(1) | Minnesota | % of Total | U.S. | % of Total |
|---|---|---|---|---|
| Food and Kindred | 53.5 | 29.7 | 1,684 | 23.1 |
| Textiles and Apparel | 5.7 | 3.2 | 1,162 | 15.9 |
| Paper and Allied | 29.6 | 16.4 | 657 | 9.0 |
| Printing and Publishing | 55.1 | 30.6 | 1,548 | 21.2 |
| Chemical and Petroleum | 13.8 | 7.7 | 1,165 | 16.0 |
| Rubber and Leather | 22.4 | 12.4 | 1,082 | 14.8 |
| Total | 180.0 | 100.0 | 7,298 | 100.0 |

Sources: U.S. Employment — DRI•WEFA, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data.

Minnesota data benchmarked to March 2000. U.S. data benchmarked to March 2000. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

(1) Excludes "Tobacco Products Manufacturing."

Columns may not add due to rounding.

## TABLE 5
## EMPLOYMENT MIX IN THE UNITED STATES AND MINNESOTA FOR 1980, 1990 AND 2000
## (Thousands of Jobs)

| | Minnesota | | | | | United States | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | % Change | | | | | % Change | |
| **Category** | **1980** | **1990** | **2000** | **1980-1990** | **1990-2000** | **1980** | **1990** | **2000** | **1980-1990** | **1990-2000** |
| Manufacturing Durable | 225.8 | 231.5 | 259.9 | 2.6 | 12.3 | 12,157 | 11,109 | 11,139 | (8.6) | 0.3 |
| Manufacturing Non-Durable(1) . . . . . | 145.5 | 169.3 | 180.0 | 16.4 | 6.3 | 8,058 | 7,919 | 7,298 | (1.7) | (7.8) |
| Mining . . . . . . . . . . . | 15.7 | 8.1 | 7.2 | (48.4) | (11.1) | 1,027 | 709 | 543 | (31.0) | (23.4) |
| Construction . . . . . . . | 76.9 | 79.5 | 118.9 | 3.4 | 49.6 | 4,346 | 5,119 | 6,699 | 17.8 | 30.9 |
| Transportation and Public Utilities . . . . . | 99.1 | 109.5 | 134.9 | 10.5 | 23.2 | 5,146 | 5,777 | 7,019 | 12.3 | 21.5 |
| Trade . . . . . . . . . . . . | 442.8 | 519.5 | 632.4 | 17.3 | 21.7 | 20,310 | 25,774 | 30,333 | 26.9 | 17.7 |
| Finance, Insurance and Real Estate . . . . | 94.8 | 125.2 | 160.9 | 32.1 | 28.5 | 5,160 | 6,709 | 7,561 | 30.0 | 12.7 |
| Services . . . . . . . . . . | 369.7 | 549.2 | 793.3 | 48.6 | 44.4 | 17,890 | 27,934 | 40,461 | 56.1 | 44.8 |
| Government . . . . . . . | 300.6 | 337.7 | 381.6 | 12.3 | 13.0 | 16,241 | 18,304 | 20,681 | 12.7 | 13.0 |
| Agriculture . . . . . . . . | 123.8 | 103.1 | 76.0 | (16.7) | (26.3) | 3,364 | 3,223 | 3,305 | (4.2) | 2.5 |
| Total . . . . . . . . . . . . | 1,894.7 | 2,232.6 | 2,745.1 | 17.8 | 23.0 | 93,699 | 112,577 | 135,039 | 20.1 | 20.0 |

Sources: Minnesota 1980, 1990 and 2000 — Minnesota Department of Economic Security, unpublished data.

U.S. 1980, 1990 and 2000, DRI•WEFA, U.S. Central Data Bank.

Minnesota employment data benchmarked to March 2000 levels. Minnesota services data includes Indian gaming. U.S. employment benchmarked to March 2000. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Minnesota agricultural employment: Unpublished estimate from Minnesota Department of Jobs and Training. U.S. Agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings January 2001.

U.S. and Minnesota agricultural employment data for 2000 not necessarily comparable with earlier years because of changes in methodology.

(1) Excludes tobacco products manufacturing.

## TABLE 6
## MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

| Year | Minnesota | U.S. | Minnesota as % of U.S. |
|---|---|---|---|
| 1980 | $10,320 | $10,183 | 101.3 |
| 1990 | 20,011 | 19,584 | 102.2 |
| 1991 | 20,491 | 20,089 | 102.0 |
| 1992 | 21,696 | 21,082 | 102.9 |
| 1993 | 22,067 | 21,718 | 101.6 |
| 1994 | 23,467 | 22,581 | 103.9 |
| 1995 | 24,586 | 23,562 | 104.3 |
| 1996 | 26,265 | 24,651 | 106.5 |
| 1997 | 27,521 | 25,874 | 106.4 |
| 1998 | 29,476 | 27,321 | 107.9 |
| 1999 | 30,739 | 28,546 | 107.7 |
| 2000 | 32,101 | 29,676 | 108.2 |

Source: DRI•WEFA, @ Markets Data Bank. Data for 2000 are not consistent with 1991-1999. Per capita personal income is computed by dividing personal income by resident population. At the time of printing, the U.S. Bureau of the census had not published population estimates for the intercensal years that are consistent with the decennial census count.

## TABLE 7
## PERSONAL INCOME GROWTH AND RESIDENT POPULATION FOR TWELVE STATE NORTH CENTRAL REGION 1980-1990 and 1990-2000

| State | 1980 Personal Income (Millions) | 1990 Personal Income (Millions) | 1980-1990 Annual Compound Rate of Increase (%) | Regional Rank 1980-1990 | 2000 Personal Income (Millions) | 1990-2000 Rate of Increase (%) | Regional Rank 1990-2000 | 1990 Population (Thousands) | 1990 Per Capita Personal Income ($) | 1990 Regional Rank | 2000 Population (Thousands) | 2000 Per Capita Personal Income ($) | 2000 Regional Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Illinois | 126,660 | 237,590 | 6.49 | 8 | 400,630 | 5.36 | 5 | 11,447 | 20,756 | 1 | 12,419 | 32,259 | 1 |
| Ohio | 109,120 | 204,110 | 6.46 | 9 | 322,430 | 4.68 | 12 | 10,862 | 18,792 | 4 | 11,353 | 28,400 | 4 |
| Michigan | 95,970 | 177,100 | 6.32 | 11 | 294,300 | 5.21 | 8 | 9,310 | 19,022 | 3 | 9,938 | 29,612 | 3 |
| Indiana | 51,880 | 97,910 | 6.56 | 7 | 164,240 | 5.31 | 6 | 5,555 | 17,625 | 9 | 6,080 | 27,011 | 9 |
| Wisconsin | 47,880 | 89,030 | 6.40 | 10 | 151,430 | 5.46 | 3 | 4,902 | 18,160 | 6 | 5,364 | 28,232 | 5 |
| Missouri | 46,220 | 91,000 | 7.01 | 3 | 153,560 | 5.37 | 4 | 5,126 | 17,751 | 8 | 5,595 | 27,445 | 8 |
| Minnesota | 42,160 | 87,800 | 7.61 | 1 | 157,920 | 6.05 | 1 | 4,387 | 20,011 | 2 | 4,919 | 32,101 | 2 |
| Iowa | 28,181 | 48,313 | 5.54 | 12 | 78,201 | 4.93 | 10 | 2,780 | 17,380 | 10 | 2,926 | 26,723 | 10 |
| Kansas | 23,781 | 45,104 | 6.61 | 6 | 74,781 | 5.19 | 9 | 2,481 | 18,182 | 5 | 2,688 | 27,816 | 7 |
| Nebraska | 14,578 | 28,591 | 6.97 | 4 | 47,622 | 5.23 | 7 | 1,581 | 18,088 | 7 | 1,711 | 27,829 | 6 |
| South Dakota | 5,625 | 11,312 | 7.24 | 2 | 19,713 | 5.71 | 2 | 697 | 16,238 | 11 | 755 | 26,115 | 11 |
| North Dakota | 5,297 | 10,121 | 6.69 | 5 | 16,099 | 4.75 | 11 | 637 | 15,880 | 12 | 642 | 25,068 | 12 |

Source: DRI•WEFA, @ Markets data bank.

**TABLE 8**
**GROWTH OF PERSONAL INCOME BY STATES IN NORTH CENTRAL REGION[1]**
**1999-2000**

| Rank | State | Percent Growth |
|---|---|---|
| 1 | North Dakota | 9.17 |
| 2 | MINNESOTA | 7.57 |
| 3 | South Dakota | 7.38 |
| 4 | Iowa | 6.46 |
| 5 | Missouri | 6.35 |
| 6 | Michigan | 6.17 |
| 7 | Illinois | 6.09 |
| 8 | Nebraska | 5.68 |
| 9 | Indiana | 5.65 |
| 10 | Kansas | 5.51 |
| 11 | Wisconsin | 5.38 |
| 12 | Ohio | 5.42 |
| | REGION | 6.05 |

Source: DRI•WEFA, @ Markets data bank.

(1) Refer to Table 7 for Personal Income figures.

**TABLE 9**
**NON-AGRICULTURAL EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION**
**(Thousands of Jobs)**

| State | 1980 Employment | 1990 Employment | 2000 Employment | % Increase 1980-1990 | 1990-2000 |
|---|---|---|---|---|---|
| Illinois | 4,850.3 | 5,288.3 | 6,029.0 | 9.0 | 14.0 |
| Ohio | 4,367.4 | 4,882.3 | 5,642.1 | 11.8 | 15.6 |
| Michigan | 3,442.8 | 3,969.6 | 4,679.3 | 15.3 | 17.9 |
| Indiana | 2,129.4 | 2,521.9 | 3,010.3 | 18.4 | 19.4 |
| Wisconsin | 1,938.1 | 2,291.5 | 2,834.2 | 18.2 | 23.7 |
| Missouri | 1,969.8 | 2,345.0 | 2,757.6 | 19.0 | 17.6 |
| MINNESOTA | 1,770.2 | 2,129.5 | 2,668.7 | 20.3 | 25.3 |
| Iowa | 1,109.9 | 1,226.3 | 1,478.4 | 10.5 | 20.6 |
| Kansas | 944.7 | 1,088.5 | 1,345.7 | 15.2 | 23.6 |
| Nebraska | 627.6 | 730.1 | 909.5 | 16.3 | 24.6 |
| South Dakota | 238.0 | 288.7 | 379.1 | 21.3 | 31.3 |
| North Dakota | 245.2 | 265.9 | 327.3 | 8.4 | 23.1 |
| Region | 23,633.4 | 27,027.6 | 32,061.2 | 14.4 | 18.6 |

Source: DRI•WEFA, @ Markets data bank. Minnesota employment data from Minnesota Department of Economic Security.

**TABLE 10**
**MINNESOTA AND U.S. UNEMPLOYMENT RATES FOR 1995-2001 AND THE FIRST SEVEN MONTHS OF 2001 NOT SEASONALLY ADJUSTED**

| | Annual Average | |
|---|---|---|
| **Year** | **Minnesota** | **U.S.** |
| 1995 | 3.7% | 5.6% |
| 1996 | 4.0% | 5.4% |
| 1997 | 3.3% | 4.9% |
| 1998 | 2.5% | 4.5% |
| 1999 | 2.8% | 4.2% |

| **Month** | **Minnesota** | **U.S.** |
|---|---|---|
| 2000 | | |
| January | 4.1% | 4.5% |
| February | 3.9% | 4.4% |
| March | 3.7% | 4.3% |
| April | 3.3% | 3.7% |
| May | 2.8% | 3.9% |
| June | 3.7% | 4.2% |
| July | 3.0% | 4.2% |
| August | 3.0% | 4.1% |
| September | 3.3% | 3.8% |
| October | 2.8% | 3.6% |
| November | 2.9% | 3.8% |
| December | 2.8% | 3.7% |
| Annual Average | 3.3% | 4.0% |

| **Month** | **Minnesota** | **U.S.** |
|---|---|---|
| 2001 | | |
| January | 3.8% | 4.7% |
| February | 3.7% | 4.6% |
| March | 3.8% | 4.6% |
| April | 3.8% | 4.2% |
| May | 3.1% | 4.1% |
| June | 3.8% | 4.7% |
| July | 3.3% | 4.7% |

Source: Minnesota Department of Economic Security.

## TABLE 11
## MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

| Rank | | | Sales | Assets | | Net Income | |
|---|---|---|---|---|---|---|---|
| 00 | 99 | Company | $000 | $000 | Rank | $000 | Rank |
| 37 | 32 | Target | 36,903,000 | 19,490,000 | 159 | 1,264,000 | 90 |
| 91 | 86 | United Health Group | 21,122,000 | 11,053,000 | 231 | 736,000 | 145 |
| 97 | 99 | Supervalu | 20,339,100 | 6,495,400 | 314 | 242,900 | 300 |
| 118 | 110 | Minnesota Mining & Mfg. | 16,724,000 | 14,522,000 | 196 | 1,782,000 | 66 |
| 156 | 169 | Best Buy | 12,494,000 | 2,995,300 | 422 | 347,100 | 257 |
| 166 | — | Xcel Energy | 11,591,800 | 21,768,800 | 142 | 526,800 | 196 |
| 170 | 165 | Northwest Airlines | 11,415,000 | 10,877,000 | 234 | 256,000 | 295 |
| 190 | 212 | U.S. Bancorp | 9,965,500 | 87,336,000 | 43 | 1,592,000 | 72 |
| 222 | 204 | St. Paul Cos. | 8,607,600 | 41,075,400 | 87 | 993,500 | 108 |
| 223 | 267 | Cenex Harvest States | 8,571,400 | 3,172,700 | 412 | NA | NA |
| 278 | 279 | General Mills | 6,700,200 | 4,573,700 | 361 | 614,400 | 174 |
| 349 | 381 | Medtronic | 5,014,600 | 5,669,400 | 331 | 1,098,500 | 99 |
| 416 | 383 | Nash Finch | 4,015,500 | 880,800 | 492 | 15,500 | 442 |
| 452 | 458 | Hormel Foods | 3,675,000 | 1,641,900 | 471 | 170,200 | 342 |
| 486 | — | ADC Telecommunications | 3,287,900 | 3,970,500 | 385 | 868,100 | 123 |
| 497 | — | Lutheran Brotherhood | 3,220,600 | 21,561,700 | 145 | 77,800 | 401 |

Source: *Fortune Magazine,* dated April 16, 2001.

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# APPENDIX I

## Continuing Disclosure Undertaking

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5), in substantially the following form:

Section 3. *Official Statement; Continuing Disclosure.*

3.01. *Official Statement.* The Official Statement relating to the Bonds dated September 25, 2001 (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12 as in effect and interpreted from time to time ("Rule 15c2-12"). The initial purchasers of the Bonds designated in Section 12 hereof (the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds are reoffered.

3.02. *Continuing Disclosure.*

(a) *General Undertaking.* On behalf of the State the Commissioner covenants and agrees with the Registered Owners from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized municipal securities information repositories and any Minnesota state information depository, annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) *Information To Be Disclosed.* The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(1) On or before December 31 of each year, commencing in 2001 (each a "Reporting Date"):

(A) The general purpose financial statements of the State for the Fiscal Year ending on the previous June 30, prepared by the Department of Finance in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within 10 days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such Fiscal Year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been submitted to each of the repositories referred to under this paragraph (b) or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 3.02 is amended as permitted by this paragraph (b)(1) or subsection (d), then the State shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events and which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions or events affecting the tax-exempt status of the security;

(G) Modifications to rights to security holders;

(H) Bond calls;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities; and

(K) Rating changes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that would be deemed “material” for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (1) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the State under subsection (d)(2);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (1) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

(c) *Manner of Disclosure.* The Commissioner agrees to make available the information described in paragraph (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in subparagraph (1) of paragraph (b), to each then nationally recognized municipal securities information repository under Rule 15c2-12 and to any State information depository then designated or operated by the State of Minnesota as contemplated by Rule 15c2-12 (the "State Depository"), if any;

(2) the information described in subparagraphs (2) and (3) of paragraph (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) the information described in paragraph (b), to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraphs (1) or (2) of this paragraph (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) *Term; Amendments; Interpretation.*

(1) The covenants of the State in this Section 3.02 shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (3) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (i) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (ii) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2 12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that Rule 15c2-12 is in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) *Failure to Comply; Remedies.* If the State fails to comply with any provision of this Section 3.02 any person aggrieved thereby, including the Registered Owner of any outstanding Bond, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) *Further Limitation of Liability of State.* If and to the extent the limitations of liability contained in subsection (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State.

The Commissioner of Finance is not in default of any continuing disclosure obligation with respect to any outstanding general obligation bond of the State.

# APPENDIX J
## Definition of Ratings

**Moody's Investors Service, Inc.:**

**Aaa** Bonds which are rated "Aaa" are judged to be of the best quality. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

**Standard & Poor's Ratings Group:**

**AAA** Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

**Fitch Investors Service, L.P.:**

**AAA** Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal which is unlikely to be affected by reasonably foreseeable events.

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# APPENDIX K
## Form of Legal Opinion

The Honorable Pamela Wheelock
Commissioner of Finance
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $355,000,000 General Obligation State Bonds

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Finance of the State of Minnesota on behalf of the State, preliminary to and in issuance of $355,000,000 General Obligation State Bonds dated October 1, 2001 (the Bonds), consisting of $330,000,000 General Obligation State Various Purpose Bonds and $25,000,000 State General Obligation Trunk Highway Bonds. The Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, rules, regulations and judicial decisions now in effect, it is our opinion that:

1. The Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the ''Code''), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. Noncompliance by the State following the issuance of the Bonds with covenants made by the Commissioner of Finance in the Order authorizing the issuance of the Bonds relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. No provision has been made for an increase in the interest payable on the Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Bonds.

Dated: October     , 2001.